



Recommendations Report

Los Angeles County Advisory Working Group on Cannabis Regulation

October 24, 2017

Advisory Working Group Meetings Facilitated by



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Acknowledgements

In February 2017, the Los Angeles County Board of Supervisors formally established the Office of Cannabis Management (OCM) and, among other things, directed the OCM to conduct community and stakeholder outreach on the issues of cannabis legalization and regulation in unincorporated Los Angeles County. As part of that outreach effort, OCM convened the Los Angeles County Advisory Working Group on Cannabis Regulation (Advisory Working Group), a 17-member voluntary working group comprised of local elected officials, public health experts, community stakeholders, and cannabis industry representatives, among others. The hard work and dedication of each Advisory Working Group member are appreciated, as was their willingness to listen, learn, and hear each other throughout the process.

The OCM coordinated and guided the Advisory Working Group meetings, and provided extensive content information, and assembled a diverse group of presenters to share their expertise and perspectives with the Advisory Working Group members. Primary OCM staff involved in the Advisory Working Group meetings include Joseph M. Nicchitta, the County's Cannabis Management Officer, as well as Cheri Thomas, Julia Orozco, Max Thelander, and Daniel Kelleher. To learn more about the Office of Cannabis Management, visit <http://cannabis.lacounty.gov>.

This report also acknowledges the work of Cynthia Harding, MPH, Chief Deputy Director, Los Angeles County Department of Public Health; Yolanda Cordero, MPA, Interim Chief of Prevention Services, Substance Abuse Prevention and Control, Los Angeles County Department of Public Health; Lieutenant Glenn Walsh, Los Angeles County Sheriff's Department, Narcotics Bureau; Bruce Brodie, Chief Deputy Director, Los Angeles County Alternate Public Defender's Office; Nick Stewart-Oaten, Deputy Public Defender, Los Angeles County Public Defender's Office; and Elizabeth Padilla Diaz, Deputy District Attorney, Los Angeles County District Attorney's Office.

The OCM engaged Community Partners to assist with planning all logistical organization and facilitation of the Advisory Working Group meetings, planning and managing the public input process, and developing final reports on Advisory Working Group recommendations. Community Partners, a nonprofit fiscal sponsor and civic intermediary organization serving Los Angeles for 25 years, brought extensive experience around community engagement, facilitation, consensus-based decision-making and program management support. Primary Community Partners staff involved in supporting and facilitating the Advisory Working Group meetings include Sheri Dunn Berry, Amanda Charles, Phyllis Owens, Lauren Kay, Elisa Perez, Jelyn Hermosa and Julie Cole. Consultant Jillian Misrack was also a key member of the Community Partners team. To learn more about Community Partners, visit www.CommunityPartners.org.

Executive Summary and Recommendations

The Los Angeles County Board of Supervisors (Board of Supervisors) established the Office of Cannabis Management (OCM) in response to Proposition 64, the Adult Use of Marijuana Act, approved by California voters in November 2016. The OCM serves as a countywide coordinating body, working closely with the Board of Supervisors and County departments to implement the County's cannabis policies and priorities. To learn more, visit <http://cannabis.lacounty.gov>.

The OCM convened the Los Angeles County Advisory Working Group on Cannabis Regulation to develop recommendations for cannabis regulation in unincorporated County areas, coordinating closely with the Board of Supervisors and multiple County departments to ensure that the Advisory Working Group members represented a diverse range of stakeholders and viewpoints. Each Supervisor recommended members to represent the interests of her or his district. Additional "at-large" members were selected by OCM to represent other important stakeholders, including cannabis industry representatives, educators, public health professionals, and experts on drug policy and drug and alcohol prevention.

The OCM coordinated and guided the Advisory Working Group meetings, provided extensive content information, and assembled a diverse group of presenters, including experts, community advocates and industry representatives, to share their expertise and perspectives with the Advisory Working Group members. Community Partners, a nonprofit fiscal sponsor and civic intermediary organization, was engaged by OCM to assist with planning all logistical organization, co-facilitate the Advisory Working Group meetings, plan and manage the public input process, and develop final reports on their recommendations. To learn more about Community Partners, visit <http://communitypartners.org/>.

Advisory Working Group members met eight times from June 29, 2017, to August 31, 2017, to discuss a wide range of topics pertinent to the legalization of cannabis in California. Discussions covered youth access and exposure, public health and safety, personal use cultivation, economic development, taxation and revenue, standards for cannabis businesses, and equity concerns, among other issues. Advisory Working Group deliberations were informed in part by research and analysis on these topics, compiled in preparatory packets included in Appendices A-G.

Using a consensus-based decision-making process, the Advisory Working Group's efforts produced a set of 64 recommendations intended to provide a framework for the development of regulations for commercial and personal-use cannabis in unincorporated County areas.

A summary table of the recommendations is included on pages 5-16. The recommendations and the guiding objectives for each are included on pages 25-52.

	Topic	Subtopic	Recommendation
1.	Youth access and exposure	Education	The County should produce and widely distribute science-based, non-judgmental information on the risks and potential harms of cannabis use by children and youth. The information should be distributed using methods that are effective in reaching children and youth, as well as their parents, caregivers, and adult family members. The information should be conveyed in an objective, non-judgmental manner that is easily understood by persons with limited literacy and available in all key languages. Cannabis retail businesses should be required to post this information in a highly visible place.
2.	Youth access and exposure	Education	The County should provide science-based, non-judgmental education and prevention resources for youth, and work with educators and youth service providers on effective ways to inform youth about the harms of underage recreational cannabis use, including but not limited to peer-to-peer and early intervention strategies for drug abuse prevention.
3.	Youth access and exposure	Education	The County should provide science-based, non-judgmental education and prevention resources to ensure that local regulations allow for safe, responsible medical cannabis use by persons under the age of 21 where recommended by a doctor, and provide education to parents and caregivers about safe storage and responsible use practices to prevent underage nonmedical access to cannabis.
4.	Youth access and exposure	Education	The County should prioritize the use of cannabis tax revenue to provide schools and youth service providers with accurate, science-based, non-judgmental and comprehensive education, prevention strategies and early risk-reduction interventions that aim to prevent underage recreational use; other supportive programming, such as after-school and out-of-school activities will also be prioritized.
5.	Youth access and exposure	Education	The County should work with schools, school districts, and youth centers to post signage at facility entrances stating that the possession of cannabis is prohibited. Signage should be highly visible and in multiple languages.
6.	Youth access and exposure	Packaging and labeling	The County should ensure sufficient resources and funding to enforce state laws requiring child-resistant exit packaging for all products sold at retail or delivered to consumers.
7.	Youth access and exposure	Age verification	The County should conduct regular unannounced compliance checks, no less than twice yearly, to ensure cannabis retailers comply with age-restriction laws, and should establish progressive penalties, up to and including license revocation, for cannabis retailers, including delivery services that do not comply with age-restriction laws.

	Topic	Subtopic	Recommendation
8.	Youth access and exposure	Age verification	The County should require all retail cannabis sales personnel to complete documented training on age verification requirements, accepted age-verification practices, including but not limited to electronic age verification practices and other techniques to prevent underage youth from entering or loitering in the vicinity of retail outlets. Cannabis retailers should be held accountable for ensuring that all retail sales employees complete training before conducting sales. Progressive consequences (penalties including fines and suspensions to operate) should be implemented and should include license revocation, where appropriate. The County should conduct regular compliance checks with cannabis retailers.
9.	Youth access and exposure	Fines and penalties	The County should evaluate the feasibility of adding cannabis to a social host ordinance that holds individuals responsible for knowingly providing a place on property they control where nonmedical underage cannabis use takes place, regardless of who provides the cannabis products.
10.	Youth access and exposure	Advertising and marketing	The County should advocate for changes to state law to prohibit cannabis advertising in broadcast, cable, radio, print, and digital communications where less than 85 percent of the audience is reasonably expected to be 21 years of age or older, as determined by reliable, up-to-date audience composition data, consistent with rules applicable to tobacco advertising.
11.	Public health and safety	Banking	The County should investigate the feasibility of creating a public bank to serve the cannabis industry.
12.	Public health and safety	Banking	The County should explore the feasibility of using third-party services to handle financial transactions, such as tax payments, between cannabis businesses and the County to reduce risks involved with cash only payment methods, and should implement adequate security measures and business capabilities at County offices, including exploring adding new payment offices, to handle the anticipated increase in cash payments by cannabis businesses.
13.	Public health and safety	Crime	In connection with any new license or renewal application, the County should require each cannabis business to submit a security plan that implements industry best practices to deter crime and facilitate response and intervention by law enforcement.
14.	Public health and safety	Crime	The County should ensure law enforcement is properly trained to prevent racial, ethnic, mental health and age-related profiling when interacting with community residents on cannabis-related issues.
15.	Public health and safety	Crime	County law enforcement should partner with cannabis businesses to understand the businesses' unique security concerns, including assigning a law enforcement liaison to interface directly with each cannabis business.

	Topic	Subtopic	Recommendation
16.	Public health and safety	Driving under the influence of drugs	The County should advocate for state legislation that clarifies cannabis open container laws to ensure both residents and law enforcement understand what is and is not legal.
17.	Public health and safety	Driving under the influence of drugs	The County should set aside funds for the Department of Public Health to assess the efficacy of laboratory equipment to detect the presence of active THC in the blood and its correlation to impairment.
18.	Public health and safety	Driving under the influence of drugs	The County should investigate incorporating evidence-based interventions administered by appropriately trained public health professionals into alcohol and drug DUI programs, such as Screening, Brief Intervention, and Referral to Treatment (SBIRT) in a non-law enforcement setting.
19.	Public health and safety	Over-consumption and edibles	The County should explore whether to supplement state required labels for recreational edible cannabis products sold in County cannabis stores to provide information to consumers about how to avoid overconsumption and include warnings about cannabis use by women who are pregnant and breastfeeding, driving under the influence of cannabis, recreational youth cannabis use or other potential health impacts.
20.	Public health and safety	Education	The County should explore the feasibility of developing and testing a universal symbol to be placed on every cannabis and cannabis product package label sold in County cannabis stores to easily identify that a product contains cannabis.
21.	Public health and safety	Education	The County should require cannabis retailers to post multi-lingual signage alerting consumers that the possession and use of cannabis could impact a person's immigration status under federal law and could violate the terms of a person's parole or probation.
22.	Public health and safety	Education	The County should implement a wide-ranging, multilingual and culturally competent multimedia campaign to educate the public, including tourists, about state and local cannabis laws and responsible cannabis use. The County should immediately pursue available state funding to support the education campaign.
23.	Public health and safety	Secondhand smoke	The County should work with state and local housing authorities to implement policies that minimize exposure to secondhand cannabis smoke within affordable housing units.
24.	Public health and safety	Secondhand smoke	The County should conduct a study, and implement a comprehensive secondhand cannabis smoke campaign, to reduce health risks to youth, employees, and other members of the public. The study and the campaign will be used to explore concrete policy options for regulating secondhand smoke.

	Topic	Subtopic	Recommendation
25.	Personal cultivation	Education	The County should provide information on best practices for indoor and outdoor personal cannabis cultivation, including responsible pesticide use, waste disposal, odor control, and other health and safety concerns, and should establish a voluntary inspection program focused on safety and security.
26.	Personal cultivation	n/a	The County should consider the impact of existing restrictions on the outdoor cultivation of cannabis for personal use, to be in line with state guidelines.
27.	Personal cultivation	n/a	The County should follow state rules (Compassionate Use Act) regarding personal cultivation for qualified medical patients, with no more than 3 patients cultivating per residence.
28.	Onsite consumption	n/a	As a harm reduction measure and to incentivize responsible consumption, the County should consider implementing a time-limited pilot program to allow for on-site consumption at licensed cannabis retailers and microbusinesses if separate consumption areas are provided. There should be a separate license and eligibility for the pilot program which should be limited to businesses who use responsible sales and service training and are located near public transportation, in order to reduce the amount of driving to and from such locations. As part of this pilot program, the County should track data indicators to track the needs for onsite consumption and analyze the outcomes from allowing on-site consumption and assess impacts on public health and safety, including but not limited to changes in the number of citations for driving under the influence of drugs, public consumption, odor complaints, and health impacts for employees of these businesses. Engaging community stakeholders, which would include businesses, in developing this pilot program. Applicants should go through a discretionary hearing and demonstrate how they will handle DUIDs and secondhand smoke.
29.	Cannabis retailers	Delivery	The County should implement appropriate regulations on the retail delivery of cannabis to ensure that delivery does not become an avenue for underage youth to access cannabis. Such regulations could include the use of age-verification technology during deliveries and special recordkeeping requirements. When considering regulations for retail cannabis delivery, the County Board of Supervisors should review research concerning youth access to alcohol in jurisdictions where alcohol delivery is permitted.
30.	Cannabis retailers	Delivery	The County should require that, prior to engaging in cannabis delivery, a cannabis retailer register the identity of delivery drivers and vehicles used for delivery with the County and law enforcement on going as needed. The delivery vehicle should be solely for the purpose of the Cannabis industry and with no visible identification. Law enforcement should be properly trained to enforce this.

	Topic	Subtopic	Recommendation
31.	Cannabis retailers	Hours of operation	Subject to state law or regulation, the County should set hours of operation for cannabis retail storefronts that allows sufficient customer access before and after work hours, but should consider allowing extended hours for medical cannabis delivery only after retail storefronts are required to close.
32.	Cannabis retailers	Numerical and concentration limits	The County should consider alternatives to capping the number of cannabis retail licenses, such as implementing a discretionary process, such as a conditional use hearing, that requires the hearing body to find that issuing the cannabis retail license is needed and will not result in an overconcentration in any neighborhood consistent with state law and zoning based on the ratio of retail licenses to population and other key indicators that impact quality of life and environment, including, for example, whether a cannabis retailer proposes to locate in a high crime reporting district. Per capita should not be considered. The County should conduct an analysis with GIS to study population density to prevent overconcentration based on current state sensitive-use buffers. The County should consider alternatives to setting minimum distances between retailers, being sensitive to commercial and industrial zones.
33.	Cannabis retailers	Loitering and onsite consumption	The County should require cannabis retail businesses to have a security plan in place to prevent the misuse of recreational cannabis consumption by employees, and to prevent loitering, and cannabis consumption in parking lots, alleys, and other open areas adjacent to their businesses. The respective business should be well-lit and kept clean, and debris-free by the business operator. Businesses should clearly display signs with “no loitering, no public drinking, and no public cannabis use” in the business and immediately outside.
34.	Cannabis retailers	Onsite signage	Signage should comply with current County guidelines. Signage should be functional rather than promotional. County should further explore signage possibilities to maximize business operations and reduce appeal to children and youth, and nuisance to neighborhoods. The County should consider restricting signage on vehicles, pending legal analysis.
35.	Cannabis retailers	Security	In connection with any new license or renewal application, the County should require each cannabis business to submit an individualized security plan that implements industry best practices to deter crime and facilitate response and intervention by law enforcement, including but not limited to physical improvements to deter crime, camera and alarm systems, and onsite security personnel.
36.	Cannabis retailers	Employee requirements	The County should require mandatory retail employee/budtender training on how to maintain a safe retail environment, how to avoid sales of cannabis to individuals under the influence of alcohol or other drugs, and how to provide consumer education on safe and responsible product use and health risks and consequences, particularly for novice users.

	Topic	Subtopic	Recommendation
37.	Cannabis retailers	Signage and advertising	The County should evaluate the feasibility of requiring cannabis licensees to include accurate, science-based warning labels on cannabis advertising, similar to those required in the context of alcohol and tobacco.
38.	Cannabis retailers	Signage and advertising	<p>Part A The County should restrict cannabis advertising at or sponsorship of events, including but not limited to concerts, fairs, festivals and sporting events at County owned or operated facilities, consistent with how alcohol and tobacco products are treated. Exemptions should be considered for health and wellness events.</p> <p>Part B The County should advocate for changes to state law to expand the restrictions in Business and Professions Code section 26151(b) to include advertising at or sponsorship of events, including but not limited to concerts, fairs, festivals and sporting events.</p>
39.	Cannabis retailers	Signage and advertising	The County should evaluate the feasibility of prohibiting branded merchandise primarily marketed to and used by youth, including but not limited to toys, games, video game systems, and clothing.
40.	Cannabis retailers	Location	<p>Part A The County should require cannabis retailers to locate not less than 1,000 feet from schools (K-12), and 600 feet from daycare centers and youth centers.</p> <p>Part B The County should consider establishing 600 feet buffers between cannabis retailers from public parks, playgrounds, and libraries. The County should consider whether to establish minimum distances between cannabis retailers and licensed youth alcohol or drug abuse treatment facilities. The County should carefully study any buffering and minimum distance rules to ensure that such rules will not unreasonably eliminate the ability of cannabis businesses to establish in unincorporated County areas, incentivize the continued operation of the unlicensed cannabis market, or create other unintended consequences such as the inequitable distribution of cannabis businesses throughout the County.</p> <p>Part C The County should ensure a variance procedure is available to applicants seeking to establish a cannabis retail business.</p> <p>Part D The County should publish a map depicting where cannabis retailers can locate prior to adopting any buffering regulations. This map should include demographic and socioeconomic data for the County's unincorporated areas.</p>

	Topic	Subtopic	Recommendation
41.	Non-retail cannabis businesses	Location	<p><u>Cultivators, Manufacturers, Distributors, Microbusinesses</u></p> <p>Cannabis cultivators, manufacturers, distributors and microbusinesses should be required to obtain discretionary permits.</p> <p><u>Testing Laboratories</u></p> <p>Cannabis testing laboratories should be permitted through a ministerial approval process.</p>
42.	Non-retail cannabis businesses	Requirements for cultivators and manufacturers	<p>The County should require cannabis cultivators and manufacturers to submit for County review and approval prior to commencing operations, and in connection with any license renewal, an operating plan that addresses the following components to the satisfaction of the County:</p> <ul style="list-style-type: none"> • Odor control and mitigation, both within the facility and outside the facility; • Energy conservation and sustainability; • Water conservation and sustainability; • Waste and wastewater disposal; • The application and storage of pesticides, fertilizers, and other hazardous chemicals; • Environmental sanitation standards consistent with the production of food products; and • Security.
43.	Non-retail cannabis businesses	Cultivators	The County should conduct an analysis of the environmental impacts of indoor versus outdoor cultivation, and the differential effects in terms of revenue and regulatory and enforcement costs of allowing or prohibiting commercial outdoor cultivation.
44.	Non-retail cannabis businesses	Cultivators	The County should evaluate whether offering a license type comparable to a State Type 1C-speciality cottage cultivation license could stimulate regenerative agriculture in urban areas and encourage small business operators.
45.	Non-retail cannabis businesses	Cultivators	The County should require cultivators to allow the utility company to provide their monthly electricity usage for two years and then consider additional regulations for cannabis cultivation to make cultivation more energy efficient and offer incentives for efficient energy usage.
46.	Non-retail cannabis businesses	Manufacturers	The County should adopt regulations to support the enforcement of state rules for cannabis product preparation and labeling.

	Topic	Subtopic	Recommendation
47.	Non-retail cannabis businesses	Microbusiness	The County should offer a license type for microbusinesses and should apply regulations to microbusinesses consistent with those applied to cannabis retailers, manufacturers, distributors, and cultivators. The County should use the microbusiness license to encourage local ownership and the participation of small businesses in the cannabis marketplace.
48.	Non-retail cannabis businesses	Testing labs	The County should allow an appropriate ratio of cannabis testing laboratory licenses to dispensary, cultivation, and manufacturing licenses, to ensure sufficient and speedy testing. The County should consider giving application priority to existing laboratories that perform similar testing on non-cannabis products.
49.	Non-retail cannabis businesses	Numerical and concentration limits	The County should consider alternatives to capping the number of non-retail cannabis licenses, such as requiring the hearing body for a discretionary use permit to find that issuing the license is needed and will not result in an overconcentration in any neighborhood consistent with state law and zoning based on the ratio of licenses to population and other key indicators that impact quality of life and environment.
50.	Compliance	n/a	The County should establish sufficient civil penalties, not less than \$20,000 per day or penalties levied by surrounding jurisdictions, and work with utility providers to shut off utilities as a deterrent to combat unlicensed operators.
51.	Compliance	n/a	The County should ensure that its application and licensing processes are sufficiently robust to identify and prevent organized crime from participating in the licensed cannabis marketplace.
52.	Taxation	Tax rates	<p>Part A The County should implement a low initial tax rate and be differentiated by type of license, including a volume tax for cultivators and square footage tax for nurseries.</p> <p>Part B The County should increase its initial low tax rate over time as the licensed cannabis market establishes to a rate comparable with surrounding jurisdictions, including in particular the City of Los Angeles.</p> <p>Part C The County's cannabis tax ordinance should provide flexibility to increase and decrease taxes in response to changing market conditions and changing consumption patterns for young adults as tracked by Public Health, and legislation or regulation at the federal and state levels.</p>
53.	Taxation	Revenue allocation	The County should allocate funds needed for regulating the cannabis industry. (10% to OCM and other County departments, and 10% to law enforcement to be used for community engagement, implicit bias training, and diversion programs), in an amount not to exceed 20% of

	Topic	Subtopic	Recommendation
			<p>annual revenue. The remaining 80% should be broken out as listed below:</p> <ul style="list-style-type: none"> ▪ 50% of the annual revenue should be directed to science-based youth and young adult access prevention, intervention, and treatment (including training), including direct funding to youth centers (i.e. Parks After Dark) and after-school programming, community education, research, assessment/evaluation tools, and reporting funding, with 50% of this funding going to community-based organizations (including capacity building and training), and no less than 25% going to health promotion, disease prevention, and health equity, as defined by public health. ▪ 15% of annual revenue should go to an “Equity Fund,” established to support equity applicants. ▪ 5% of annual revenue should go to programs in communities where licensed and unlicensed cannabis businesses are located, with funds concentrated where businesses are concentrated, to ensure that cannabis tax revenue stays local. ▪ 10% of annual revenue should be directed to LA-based community colleges and nonprofit vocational schools for job training, workforce development, and workforce programs (retail, manufacturing, ancillary, agricultural, administrative), prioritizing enrollment by those most disproportionately impacted by the historical and ongoing “War on Drugs,” such as arrests, convictions, incarcerations, poverty, lack of opportunities for education and employment.
54.	Economic development	Community Benefit Agreements	<p>The County should require cannabis businesses to adopt community benefit agreements to give back to the local community. The CBA can take many forms, which can be fleshed out by criteria developed by the Equity Oversight Committee working with the OCM. CBA elements could include percent-of-profit giveback to community organizations, serving as an incubator to an equity applicant, community clean-ups and other support options.</p>
55.	Economic development	Local and disadvantaged worker hire	<p>The County should require cannabis businesses to hire no less than 30% local workers. The County should utilize the County’s existing local worker hire provisions as guidance to define local workers and minimum hiring requirements.</p> <p>The County should also consider incentives for cannabis businesses that hire a minimum percentage of employees who were formally incarcerated or convicted, unemployed, veterans, and/or meet low-income definition. This would go through the Cannabis Equity Oversight Committee (see recommendation no. 61).</p>

	Topic	Subtopic	Recommendation
56.	Economic development	Residency	The County should require a minimum of 51% of all ownership stakes in any cannabis business, except for testing labs, licensed in the County of LA to belong to individuals who have lived in LA County for a minimum of three years prior to the application. This policy should be re-assessed after five years to see whether the policy has had a positive impact on small business ownership.
57.	Economic development	Technical assistance	The County should assist applicants during the application process, or contract with nonprofits to provide such technical assistance. The County should offer ongoing technical and business assistance to applicants to help them remain compliant with applicable regulations.
58.	Economic development	License limits	To promote small businesses and restrict monopolization of the unincorporated County market, the County should limit the number of cannabis business licenses of any one type that any one individual or business entity can obtain within unincorporated areas, and should study the feasibility of limiting the size of retail cannabis businesses.
59.	Economic development	Application restrictions	County should allow only one application at a time per proposed premises to eliminate multiple applications from one location.
60.	Economic development	Existing unlicensed businesses	The County should provide a “pathway to legalization” for existing, unlicensed cannabis businesses, provided these businesses cease operations during the application process and meet all zoning, buffering, and distancing requirements established by the County for cannabis businesses generally.
61.	Equity	Background checks	The County should not automatically disqualify applicants with criminal backgrounds, but should consider all available evidence in order to evaluate an applicant’s fitness to receive a cannabis business license from the County.

	Topic	Subtopic	Recommendation
62.	Equity	Equity program	<p>Part A The County should set aside a certain percentage of licenses for “equity applicants,” with the goal of one-to-one applications. “Equity applicants” should include businesses where greater than 50 percent of the business is owned, in perpetuity, by persons who meet a certain income level, LA County residency (with a minimum of 3 years) and impacted person status, geography (prioritizing those from impacted neighborhoods within LA County), and other requirements that promote the equitable ownership of licenses by community members hardest hit by the “war on drugs.” Research on eligible “equity applicants” should include study of the Targeted Areas Preferences Act of 1986.</p> <p>Part B The County should offer “equity applicants” priority licensing, reduced fees, consider tax incentives excluding excise tax, and other similar incentives or benefits to reduce barriers to entry.</p> <p>Part C To reduce the burden on and risk for “equity applicants,” the County should allow “equity applicants” to apply for a cannabis business license without having secured a physical location. The County should provide “equity applicants” up to 6 months to secure compliant premises upon conditional approval of the cannabis business license application. The discretionary hearing will take place after the location is identified.</p> <p>Part D The County should work with interested investors to offer low-interest startup and business finance loans to “equity applicants.”</p> <p>Part E The County should create an incubator program, which would provide start-up, business development, access to capital, and other assistance to “equity applicants” seeking to establish a business in the competitive cannabis marketplace.</p> <p>Part F The County should conduct an assessment of the equity program after five years</p>
63.	Equity	Disadvantaged worker hire	The County should consider incentives for cannabis businesses that hire a minimum percentage of employees who were formerly incarcerated or convicted.

	Topic	Subtopic	Recommendation
64.	Equity	Oversight Committee	The County should establish a permanent Cannabis Equity Oversight Committee to monitor and guide implementation of all equity programs and policies related to cannabis, including tracking and analyzing cannabis-related enforcement, including but not limited to citations, arrests, and business closures. The Cannabis Equity Oversight Committee should issue public reports on its findings at least once per year and be representative of a diverse group of community interests with no more than one representative from a law enforcement agency, such as an officer serving in a program like Community Safety Partnerships.

Background on Los Angeles County's Efforts to Regulate Cannabis

BACKGROUND ON CANNABIS LEGALIZATION IN CALIFORNIA

In 1996, California voters approved Proposition 215 (Compassionate Use Act). Proposition 215 generally allows qualified patients with a valid doctor's recommendation to possess and cultivate cannabis for personal medical use. Subsequent laws established a medical cannabis ID card program and authorized the formation of collectives and cooperatives to provide medical cannabis to qualified patients.

In 2015 and 2016, the California Legislature passed a series of bills collectively called the Medical Cannabis Regulation and Safety Act (MCRSA). MCRSA established a framework for the cultivation, transportation, distribution, manufacturing, testing, and sale of medical cannabis.

In November 2016, California voters approved Proposition 64 (Adult Use of Marijuana Act), which legalized, among other things, the possession and use of cannabis by adults 21 years of age and older for nonmedical personal use. Proposition 64 also authorized the indoor or outdoor cultivation of up to six cannabis plants per residence for personal use by adults. In addition, Proposition 64 established a regulatory framework for the cultivation, distribution, manufacturing, testing, and sale of commercial nonmedical cannabis.

In 2017, the Legislature repealed MCRSA and amended AUMA to create a unified regulatory framework for both medical and nonmedical cannabis. This new law is known as the Medical and Adult-Use Cannabis Regulation and Safety Act (MAUCRSA).

The State of California is scheduled to begin issuing commercial licenses for medical and nonmedical cannabis businesses beginning in January 2018.

LOS ANGELES COUNTY'S APPROACH TO CANNABIS REGULATION BEFORE PROPOSITION 64

In 2006, the Board of Supervisors adopted an ordinance allowing medical cannabis dispensaries, subject to certain rules, including the issuance of a conditional use permit. No medical cannabis dispensary was ever approved under this ordinance, however, and in 2010, the County adopted an ordinance prohibiting medical cannabis dispensaries. In 2016, the County adopted a temporary urgency ordinance to prohibit all other types of commercial medical cannabis activities.

THE COUNTY'S APPROACH TO CANNABIS REGULATION AFTER PROPOSITION 64

Following the passage of Proposition 64, the Board of Supervisors revisited its prohibition of cannabis businesses. On February 7, 2017, the Board of Supervisors adopted two motions (collectively referred to as the "Cannabis Motions") which formally established the Office of Cannabis Management (OCM) within the County's Chief Executive Office. Among other things, the Cannabis Motions directed the OCM to coordinate with County departments and other agencies to develop regulations for commercial cannabis in unincorporated areas and take other steps to prepare for the legalization of cannabis throughout the County.

Specifically, the Cannabis Motions directed the OCM to coordinate with departments to prepare ordinance amendments "to allow, license, and appropriately regulate and enforce the cultivation, transportation, distribution, processing, manufacturing, testing, retail sale, and delivery" of medical and nonmedical cannabis in unincorporated areas.

The Cannabis Motions required that such ordinance amendments consider, among other things, impacts to blight and the health and safety of County neighborhoods, equitable development principles, environmental impacts from cannabis cultivation and sustainability measures, overconcentration of and excessive exposure to cannabis businesses and advertising, safety and security issues, maximizing the transition from unlicensed business activity to a regulated marketplace, benefits to communities disproportionately impacted by past enforcement of drug policies, and consumer protection and safety practices.

To inform the development of commercial cannabis regulations, the Cannabis Motions further directed the OCM to coordinate with departments to conduct "a series of multilingual and culturally competent town halls in each supervisorial district," include a diverse range of stakeholders at these meetings, and solicit meaningful feedback on regulations and best practices from stakeholder groups. The Board of Supervisors prioritized community outreach and gathering input from stakeholders before regulations were developed to ensure that the County's ultimate cannabis regulations were responsive to community concerns and expert insight.

PUBLIC OUTREACH AND STAKEHOLDER ENGAGEMENT ON CANNABIS REGULATION

In response to the Board of Supervisors' Cannabis Motions, the OCM, in cooperation with the Board of Supervisors and numerous other County departments, prepared a plan for community outreach and stakeholder input on cannabis-related issues. Beginning in June 2017, the OCM convened the Los Angeles County Advisory Working Group on Cannabis Regulation to provide recommendations on cannabis regulation for the unincorporated County areas. The Advisory Working Group's recommendations and their guiding principles are detailed in this report. Concurrently, the OCM convened 20 public workshops throughout the County in July and August 2017, and solicited public comments by email and through its website (<http://cannabis.lacounty.gov>).

The OCM received thousands of comments from community members and industry stakeholders, detailed in a separate report documenting the OCM's public outreach effort. All reports can be found at <http://cannabis.lacounty.gov>.

Background on the Los Angeles County Advisory Working Group on Cannabis Regulation

As explained above, the Board of Supervisors directed the OCM to obtain stakeholder input on cannabis issues prior to developing proposed regulations for the Board of Supervisors' consideration. In addition to holding 20 public workshops throughout the County to solicit input from community members, the OCM convened the Advisory Working Group to obtain guidance and best practices from experts, stakeholders, and those familiar with the cannabis industry.

Advisory Working Group members were selected based on their backgrounds, expertise, interest in participating, and the County stakeholders they represent. Each Supervisor identified individuals to act as representatives of stakeholders in her or his district. The OCM identified additional "at-large" members who represent other interested stakeholder groups, including public health experts, educators, drug policy experts, and industry representatives.

Advisory Working Group members were expected to attend all meetings or to send an appropriate replacement in the event of an absence. Members were also expected to attend at least one of the 20 public workshops to observe the feedback provided by community members. Many of the Advisory Working Group members attended multiple public workshops throughout the County and engaged with community stakeholders to learn more about their wants and concerns.

Roster of Los Angeles County Advisory Working Group on Cannabis Regulation

District 1 Representatives

Hon. Vivian Romero
Mayor, City of Montebello

Manuel Duran
President, Maravilla Businesspersons Association

District 2 Representatives

Dr. Avelardo Valdez
Professor, Suzanne Dworak-Peck School of Social
Work
University of Southern California

Patricia Guerra
Justice Policy Coordinator, Community Coalition

District 3 Representatives

Beth Burnam
Board of Directors, Resource Conservation District
of the Santa Monica Mountains

Aaron Lachant, Esq.
Nelson Hardiman, LLP

District 4 Representatives

Melahat Rafiei
Owner, Progressive Solutions Consulting

Matt Garland
Councilmember, San Pedro Neighborhood Council

District 5 Representative

Wayne Sugita
Interim Director (Ret.), Division of Substance
Abuse, Prevention, and Control
Los Angeles County Dept. of Public Health

At-Large Members

Donnie Anderson
Chairman, California Minority Alliance
Co-Founder, Southern California Coalition

Dr. Rachel Castaneda
Associate Professor, Dept. of Psychology
Azusa Pacific University

Valerie Coachman-Moore
President and CEO, Coachman-Moore &
Associates, Inc.

Jonatan Cvetko
Founder, Angeles Emeralds

Lynne Lyman
Former California State Director, Drug Policy
Alliance

Javier Montes
Vice President, UCBA Trade Association

Dr. Alisa Padon
Co-Director, Getting it Right from the Start
Program
Public Health Institute

Dr. Monica Sanchez
Prevention Director, Friday Night Live and
Comprehensive Prevention Services Program
Los Angeles County Office of Education

Guiding Principles, Objectives, Meeting Format, Issues Addressed, and Outcomes of the Los Angeles County Advisory Working Group on Cannabis Regulation

GUIDING PRINCIPLES

Advisory Working Group members served at the behest of the OCM and were charged with developing recommendations for cannabis regulation that served the objectives, policies, and outcomes of the Board of Supervisors, as identified in the Cannabis Motions. To ensure that the Advisory Working Group's efforts achieved those objectives, policies, and outcomes, the OCM provided Advisory Working Group members with a set of guiding principles, which members agreed to uphold during the working group process. These guiding principles are:

- Recommendations must be consistent with the policies of the Board of Supervisors, as identified in its cannabis motions dated February 7, 2017
- Recommendations must be consistent with state law and regulations
- Compliance with regulations must be achievable, repeatable, and defensible
- The County must be able to enforce compliance with regulations
- Monitoring for compliance with regulations must be achievable, repeatable, and not overly burdensome or intrusive

OBJECTIVES

The OCM also provided Advisory Working Group members with a draft set of objectives to inform the members' discussions. After discussion, Advisory Working Group members reached consensus on additional objectives and refinements to the draft objectives provided by the OCM. Each member agreed that every recommendation offered by the Advisory Working Group must meet at least one of the objectives, and must not completely defeat any of the objectives. The objectives (not ranked in order of importance) are:

- Manage underage exposure to cannabis, and prevent underage access to and use of cannabis
- Prevent adult use disorders associated with cannabis and the abuse of cannabis by adults
- Promote the health and safety of the public, equitably
- Prevent the unlawful production, distribution and sale of cannabis, equitably
- Protect the peace, comfort, and safety of county neighborhoods
- Promote compatibility with existing neighborhoods
- Prevent any one community/communities from unduly shouldering the burdens of cannabis legalization

- Promote positive benefits for communities, especially those disproportionately impacted by historical drug enforcement policies
- Pursue equity in licensing and cannabis business ownership
- Protect the environment
- Maximize the transition from an unlicensed and unregulated cannabis marketplace to a licensed and compliant cannabis marketplace
- Allow reasonable economic growth for the licensed cannabis industry
- Make sure enforcement is equitable for individuals
- Promote equitable community economic development

MEETING FORMAT

The first six Advisory Working Group meetings were three hours long. The seventh lasted five hours, and the final meeting was just over eight hours long to allow the group sufficient time to consider all suggested recommendations offered by members on key issues. In general, each Advisory Working Group meeting included the following components:

- **Preparatory work:** Prior to each meeting, the OCM distributed preparation packets containing information pertinent to the discussion that would be taking place at the next meeting. These preparation packets are included in this report in Appendices A – G.
- **Presentation and panel discussion:** County staff and outside experts provided information to Advisory Working Group members to inform them further about specific topics or issue areas discussed in the preparation packets.
- **Discussion:** Members discussed and asked questions about issues raised in the preparation packet or presented during the meeting, with the goal of fully informing themselves on the issue or topic and imparting their experience, knowledge, background, and concerns on a particular issue to other members.
- **Consensus on recommendations:** Members endeavored to reach consensus on recommendations to address issues discussed during the meeting, or at prior meetings and in the preparation packets.
- **Neutral facilitation:** Rather than having a designated Advisory Working Group chair or vice chair guide the meetings, all meetings were co-facilitated by staff from the OCM and Community Partners.
- **Public participation:** Advisory Working Group meetings were open to the public. Members of the public who attended the Advisory Working Group meetings could address working group members during a designated public comment period, and

through written commentary. Advisory Working Group members were free to talk to the public before and after each meeting, and during scheduled meeting breaks.

- **Information Sharing:** At times, Advisory Working Group members asked to provide information and other materials to their fellow members. The OCM and Community Partners compiled all resources identified by Advisory Working Group members and made these resources available to all members at the end of each meeting.

ISSUES ADDRESSED

The Advisory Working Group met eight times beginning in June 2017 and ending in August 2017. While each meeting covered specific topic areas, many topics were interrelated or intertwined. The schedule was adjusted over the course of the eight meetings but was designed so that topics scheduled for later meetings would benefit from discussions at earlier meetings, leading to a fuller understanding of concepts and issues covered at later meetings.

Meetings and topic areas were:

June 29, 2017 **Meeting 1:** Kickoff and orientation

July 20, 2017 **Meeting 2:** Youth access and exposure

July 27, 2017 **Meeting 3:** Public health and safety, and personal cultivation

Aug. 3, 2017 **Meeting 4:** Retailers

Aug. 10, 2017 **Meeting 5:** Cultivators, manufacturers, and other businesses

Aug. 17, 2017 **Meeting 6:** Economic development and taxation

Aug. 24, 2017 **Meeting 7:** Equity

Aug. 31, 2017 **Meeting 8:** Consideration and approval of final recommendations

Meeting summaries, which include the agendas for each meeting, are included in Appendices H – O; preparation packets for each meeting are included in Appendices A – G.

OUTCOMES

The Advisory Working Group reached consensus on 64 recommendations for cannabis regulation (pages 25-52.). Other recommendations were considered but no consensus was reached (page 53). The Advisory Working Group also discussed general issues of importance to the County, and those issues are identified in this report for monitoring and future consideration by the Board of Supervisors (paged 54-55).

A Note about Consensus

The Advisory Working Group made of all its decisions by consensus, including whether to endorse a recommendation. This means that all members present were required to agree on the language of a recommendation before it would be considered approved by the entire group. Advisory Working Group members did not vote on any decision or recommendation.

In designing the Advisory Working Group process, the OCM determined that the consensus-based decision-making model was appropriate. Consensus-based decision-making is intended to generate widespread levels of participation and agreement, prioritizing inclusivity of diverse viewpoints, participation from all members, and agreement and cooperation among group members. A process that utilized voting or majority rule was less likely to capture the concerns of all members, and more likely to divide members by their points-of-view, background, and professional affiliation.

Often, reaching consensus required patience, compromise, and careful attention to the viewpoints being expressed by members. The recommendations provided in this report represent the collective decision-making of the Advisory Working Group. Because the recommendations were reached by consensus, they do not necessarily reflect the opinions, beliefs, or viewpoints held by any one member.

Advisory Working Group Recommendations and Guiding Objectives

Recommendation 1

Topic: Youth access and exposure

Subtopic: Education

Guiding Objective:

- Manage underage exposure to cannabis, and prevent underage access to and use of cannabis

The County should produce and widely distribute science-based, non-judgmental information on the risks and potential harms of cannabis use by children and youth. The information should be distributed using methods that are effective in reaching children and youth, as well as their parents, caregivers, and adult family members. The information should be conveyed in an objective, non-judgmental manner that is easily understood by persons with limited literacy and available in all key languages. Cannabis retail businesses should be required to post this information in a highly visible place.

Recommendation 2

Topic: Youth access and exposure

Subtopic: Education

Guiding Objective:

- Manage underage exposure to cannabis, and prevent underage access to and use of cannabis

The County should provide science-based, non-judgmental education and prevention resources for youth, and work with educators and youth service providers on effective ways to inform youth about the harms of underage recreational cannabis use, including but not limited to peer-to-peer and early intervention strategies for drug abuse prevention.

Recommendation 3

Topic: Youth access and exposure

Subtopic: Education

Guiding Objective:

- Manage underage exposure to cannabis, and prevent underage access to and use of cannabis

The County should provide science-based, non-judgmental education and prevention resources to ensure that local regulations allow for safe, responsible medical cannabis use by persons under the age of 21 where recommended by a doctor, and provide education to parents and caregivers about safe storage and responsible use practices to prevent underage nonmedical access to cannabis.

Recommendation 4

Topic: Youth access and exposure

Subtopic: Education

Guiding Objective:

- Manage underage exposure to cannabis, and prevent underage access to and use of cannabis

The County should prioritize the use of cannabis tax revenue to provide schools and youth service providers with accurate, science-based, non-judgmental and comprehensive education, prevention strategies and early risk-reduction interventions that aim to prevent underage recreational use; other supportive programming, such as after-school and out-of-school activities will also be prioritized.

Recommendation 5

Topic: Youth access and exposure

Subtopic: Education

Guiding Objective:

- Manage underage exposure to cannabis, and prevent underage access to and use of cannabis

The County should work with schools, school districts, and youth centers to post signage at facility entrances stating that the possession of cannabis is prohibited. Signage should be highly visible and in multiple languages.

Recommendation 6

Topic: Youth access and exposure

Subtopic: Packaging and labeling

Guiding Objective:

- Manage underage exposure to cannabis, and prevent underage access to and use of cannabis

The County should ensure sufficient resources and funding to enforce state laws requiring child-resistant exit packaging for all products sold at retail or delivered to consumers.

Recommendation 7

Topic: Youth access and exposure

Subtopic: Age verification

Guiding Objective:

- Manage underage exposure to cannabis, and prevent underage access to and use of cannabis

The County should conduct regular unannounced compliance checks, no less than twice yearly, to ensure cannabis retailers comply with age-restriction laws, and should establish progressive penalties, up to and including license revocation, for cannabis retailers, including delivery services that do not comply with age-restriction laws.

Recommendation 8

Topic: Youth access and exposure

Subtopic: Age verification

Guiding Objective:

- Manage underage exposure to cannabis, and prevent underage access to and use of cannabis

The County should require all retail cannabis sales personnel to complete documented training on age verification requirements, accepted age-verification practices, including but not limited to electronic age verification practices and other techniques to prevent underage youth from entering or loitering in the vicinity of retail outlets. Cannabis retailers should be held accountable for ensuring that all retail sales employees complete training before conducting sales. Progressive consequences (penalties including fines and suspensions to operate) should be implemented and should include license revocation, where appropriate. The County should conduct regular compliance checks with cannabis retailers.

Recommendation 9

Topic: Youth access and exposure

Subtopic: Fines and penalties

Guiding Objective:

- Manage underage exposure to cannabis, and prevent underage access to and use of cannabis

The County should evaluate the feasibility of adding cannabis to a social host ordinance that holds individuals responsible for knowingly providing a place on property they control where nonmedical underage cannabis use takes place, regardless of who provides the cannabis products.

Recommendation 10

Topic: Youth access and exposure

Subtopic: Advertising and marketing

Guiding Objective:

- Manage underage exposure to cannabis, and prevent underage access to and use of cannabis

The County should advocate for changes to state law to prohibit cannabis advertising in broadcast, cable, radio, print, and digital communications where less than 85 percent of the audience is reasonably expected to be 21 years of age or older, as determined by reliable, up-to-date audience composition data, consistent with rules applicable to tobacco advertising.

Recommendation 11

Topic: Public health and safety

Subtopic: Banking

Guiding Objectives:

- Promote the health and safety of the public, equitably
- Protect the peace, comfort, and safety of county neighborhoods

The County should investigate the feasibility of creating a public bank to serve the cannabis industry.

Recommendation 12

Topic: Public health and safety

Subtopic: Banking

Guiding Objectives:

- Promote the health and safety of the public, equitably
- Protect the peace, comfort, and safety of county neighborhoods

The County should explore the feasibility of using third-party services to handle financial transactions, such as tax payments, between cannabis businesses and the County to reduce risks involved with cash only payment methods, and should implement adequate security measures and business capabilities at County offices, including exploring adding new payment offices, to handle the anticipated increase in cash payments by cannabis businesses.

Recommendation 13

Topic: Public health and safety

Subtopic: Crime

Guiding Objectives:

- Promote the health and safety of the public, equitably
- Protect the peace, comfort, and safety of county neighborhoods

In connection with any new license or renewal application, the County should require each cannabis business to submit a security plan that implements industry best practices to deter crime and facilitate response and intervention by law enforcement.

Recommendation 14

Topic: Public health and safety

Subtopic: Crime

Guiding Objectives:

- Promote the health and safety of the public, equitably
- Make sure enforcement is equitable for individuals
- Promote positive benefits for communities, especially those disproportionately impacted by historical drug enforcement policies

The County should ensure law enforcement is properly trained to prevent racial, ethnic, mental health and age-related profiling when interacting with community residents on cannabis-related issues.

Recommendation 15

Topic: Public health and safety

Subtopic: Crime

Guiding Objectives:

- Protect the peace, comfort, and safety of county neighborhoods
- Promote compatibility with existing neighborhoods

County law enforcement should partner with cannabis businesses to understand the businesses' unique security concerns, including assigning a law enforcement liaison to interface directly with each cannabis business.

Recommendation 16

Topic: Public health and safety

Subtopic: Driving under the influence of drugs

Guiding Objectives:

- Promote the health and safety of the public, equitably
- Protect the peace, comfort, and safety of county neighborhoods
- Make sure enforcement is equitable for individuals

The County should advocate for state legislation that clarifies cannabis open container laws to ensure both residents and law enforcement understand what is and is not legal.

Recommendation 17

Topic: Public health and safety

Subtopic: Driving under the influence of drugs

Guiding Objectives:

- Promote the health and safety of the public, equitably
- Protect the peace, comfort, and safety of county neighborhoods
- Make sure enforcement is equitable for individuals

The County should set aside funds for the Department of Public Health to assess the efficacy of laboratory equipment to detect the presence of active THC in the blood and its correlation to impairment.

Recommendation 18

Topic: Public health and safety
Subtopic: Driving under the influence of drugs
Guiding Objectives:

- Prevent adult use disorders associated with cannabis and the abuse of cannabis by adults
- Promote the health and safety of the public, equitably
- Make sure enforcement is equitable for individuals

The County should investigate incorporating evidence-based interventions administered by appropriately trained public health professionals into alcohol and drug DUI programs, such as Screening, Brief Intervention, and Referral to Treatment (SBIRT) in a non-law enforcement setting.

Recommendation 19

Topic: Public health and safety
Subtopic: Overconsumption and education
Guiding Objectives:

- Manage underage exposure to cannabis, and prevent underage access to and use of cannabis
- Prevent adult use disorders associated with cannabis and the abuse of cannabis by adults
- Promote the health and safety of the public, equitably

The County should explore whether to supplement state required labels for recreational edible cannabis products sold in County cannabis stores to provide information to consumers about how to avoid overconsumption and include warnings about cannabis use by women who are pregnant and breastfeeding, driving under the influence of cannabis, recreational youth cannabis use or other potential health impacts.

Recommendation 20

Topic: Public health and safety

Subtopic: Education

Guiding Objectives:

- Manage underage exposure to cannabis, and prevent underage access to and use of cannabis
- Prevent adult use disorders associated with cannabis and the abuse of cannabis by adults
- Promote the health and safety of the public, equitably

The County should explore the feasibility of developing and testing a universal symbol to be placed on every cannabis and cannabis product package label sold in County cannabis stores to easily identify that a product contains cannabis.

Recommendation 21

Topic: Public health and safety

Subtopic: Education

Guiding Objectives:

- Promote the health and safety of the public, equitably
- Make sure enforcement is equitable for individuals

The County should require cannabis retailers to post multilingual signage alerting consumers that the possession and use of cannabis could impact a person's immigration status under federal law and could violate the terms of a person's parole or probation.

Recommendation 22

Topic: Public health and safety

Subtopic: Education

Guiding Objectives:

- Prevent adult use disorders associated with cannabis and the abuse of cannabis by adults
- Promote the health and safety of the public, equitably
- Make sure enforcement is equitable for individuals

The County should implement a wide-ranging, multilingual and culturally competent multimedia campaign to educate the public, including tourists, about state and local cannabis laws and responsible cannabis use. The County should immediately pursue available state funding to support the education campaign.

Recommendation 23

Topic: Public health and safety

Subtopic: Secondhand smoke

Guiding Objective:

- Promote the health and safety of the public, equitably

The County should work with state and local housing authorities to implement policies that minimize exposure to secondhand cannabis smoke within affordable housing units.

Recommendation 24

Topic: Public health and safety

Subtopic: Secondhand smoke

Guiding Objectives:

- Manage underage exposure to cannabis, and prevent underage access to and use of cannabis
- Promote the health and safety of the public, equitably

The County should conduct a study, and implement a comprehensive secondhand cannabis smoke campaign, to reduce health risks to youth, employees, and other members of the public. The study and the campaign will be used to explore concrete policy options for regulating secondhand smoke.

Recommendation 25

Topic: Personal cultivation

Subtopic: Education

Guiding Objectives:

- Promote the health and safety of the public, equitably
- Protect the environment

The County should provide information on best practices for indoor and outdoor personal cannabis cultivation, including responsible pesticide use, waste disposal, odor control, and other health and safety concerns, and should establish a voluntary inspection program focused on safety and security.

Recommendation 26

Topic: Personal cultivation

Guiding Objective:

- Promote the health and safety of the public, equitably

The County should consider the impact of existing restrictions on the outdoor cultivation of cannabis for personal use, to be in line with state guidelines.

Recommendation 27

Topic: Personal cultivation

Guiding Objective:

- Promote the health and safety of the public, equitably

The County should follow state rules (Compassionate Use Act) regarding personal cultivation for qualified medical patients, with no more than three patients cultivating per residence.

Recommendation 28

Topic: Onsite consumption

Guiding Objectives:

- Promote the health and safety of the public, equitably
- Protect the peace, comfort, and safety of county neighborhoods
- Make sure enforcement is equitable for individuals

As a harm reduction measure and to incentivize responsible consumption, the County should consider implementing a time-limited pilot program to allow for on-site consumption at licensed cannabis retailers and microbusinesses if separate consumption areas are provided. There should be a separate license and eligibility for the pilot program which should be limited to businesses who use responsible sales and service training and are located near public transportation, in order to reduce the amount of driving to and from such locations. As part of this pilot program, the County should track data indicators to track the needs for onsite consumption and analyze the outcomes from allowing on-site consumption and assess impacts on public health and safety, including but not limited to changes in the number of citations for driving under the influence of drugs, public consumption, odor complaints, and health impacts for employees of these businesses. Engaging community stakeholders, which would include businesses, in developing this pilot program.

Applicants should go through a discretionary hearing and demonstrate how they will handle DUIs and secondhand smoke.

Recommendation 29

Topic: Cannabis retailers

Subtopic: Delivery

Guiding Objective:

- Manage underage exposure to cannabis, and prevent underage access to and use of cannabis

The County should implement appropriate regulations on the retail delivery of cannabis to ensure that delivery does not become an avenue for underage youth to access cannabis. Such regulations could include the use of age-verification technology during deliveries and special recordkeeping requirements. When considering regulations for retail cannabis delivery, the County Board of Supervisors should review research concerning youth access to alcohol in jurisdictions where alcohol delivery is permitted.

Recommendation 30

Topic: Cannabis retailers

Subtopic: Delivery

Guiding Objectives:

- Promote the health and safety of the public, equitably
- Make sure enforcement is equitable for individuals

The County should require that, prior to engaging in cannabis delivery, a cannabis retailer register the identity of delivery drivers and vehicles used for delivery with the County and law enforcement on going as needed. The delivery vehicle should be solely for the purpose of the Cannabis industry and with no visible identification. Law enforcement should be properly trained to enforce this.

Recommendation 31

Topic: Cannabis retailers

Subtopic: Hours of operation

Guiding Objectives:

- Prevent adult use disorders associated with cannabis and the abuse of cannabis by adults
- Promote the health and safety of the public, equitably
- Protect the peace, comfort, and safety of county neighborhoods

Subject to state law or regulation, the County should set hours of operation for cannabis retail storefronts that allows sufficient customer access before and after work hours, but should consider allowing extended hours for medical cannabis delivery only after retail storefronts are required to close.

Recommendation 32

Topic: Cannabis retailers

Subtopic: Number and concentration limits

Guiding Objectives:

- Promote the health and safety of the public, equitably
- Protect the peace, comfort, and safety of county neighborhoods
- Promote compatibility with existing neighborhoods
- Prevent any one community/communities from unduly shouldering the burdens of cannabis legalization
- Protect the environment
- Maximize the transition from an unlicensed and unregulated cannabis marketplace to a licensed and compliant cannabis marketplace
- Allow reasonable economic growth for the licensed cannabis industry

The County should consider alternatives to capping the number of cannabis retail licenses, such as implementing a discretionary process, such as a conditional use hearing, that requires the hearing body to find that issuing the cannabis retail license is needed and will not result in an overconcentration in any neighborhood consistent with state law and zoning based on the ratio of retail licenses to population and other key indicators that impact quality of life and environment, including, for example, whether a cannabis retailer proposes to locate in a high crime reporting district. Per capita should not be considered. The County should conduct an analysis with GIS to study population density to prevent overconcentration based on current state sensitive-use buffers. The County should consider alternatives to setting minimum distances between retailers, being sensitive to commercial and industrial zones.

Recommendation 33

Topic: Cannabis retailers
Subtopic: Loitering and onsite consumption
Guiding Objectives:

- Promote the health and safety of the public, equitably
- Protect the peace, comfort, and safety of county neighborhoods
- Promote compatibility with existing neighborhoods
- Maximize the transition from an unlicensed and unregulated cannabis marketplace to a licensed and compliant cannabis marketplace

The County should require cannabis retail businesses to have a security plan in place to prevent the misuse of recreational cannabis consumption by employees, and to prevent loitering, and cannabis consumption in parking lots, alleys, and other open areas adjacent to their businesses. The respective business should be well-lit and kept clean, and debris-free by the business operator. Businesses should clearly display signs with “no loitering, no public drinking, and no public cannabis use” in the business and immediately outside.

Recommendation 34

Topic: Cannabis retailers
Subtopic: Onsite signage
Guiding Objectives:

- Manage underage exposure to cannabis, and prevent underage access to and use of cannabis
- Promote compatibility with existing neighborhoods
- Maximize the transition from an unlicensed and unregulated cannabis marketplace to a licensed and compliant cannabis marketplace

Signage should comply with current County guidelines. Signage should be functional rather than promotional. County should further explore signage possibilities to maximize business operations and reduce appeal to children and youth, and nuisance to neighborhoods. The County should consider restricting signage on vehicles, pending legal analysis.

Recommendation 35

Topic: Cannabis retailers

Subtopic: Security

Guiding Objectives:

- Promote the health and safety of the public, equitably
- Promote the peace, comfort, and safety of county neighborhoods
- Promote compatibility with existing neighborhoods
- Maximize the transition from an unlicensed and unregulated cannabis marketplace to a licensed and compliant cannabis marketplace

In connection with any new license or renewal application, the County should require each cannabis business to submit an individualized security plan that implements industry best practices to deter crime and facilitate response and intervention by law enforcement, including but not limited to physical improvements to deter crime, camera and alarm systems, and onsite security personnel.

Recommendation 36

Topic: Cannabis retailers

Subtopic: Employee requirements

Guiding Objectives:

- Promote the health and safety of the public, equitably
- Promote the peace, comfort, and safety of county neighborhoods

The County should require mandatory retail employee/budtender training on how to maintain a safe retail environment, how to avoid sales of cannabis to individuals under the influence of alcohol or other drugs, and how to provide consumer education on safe and responsible product use and health risks and consequences, particularly for novice users.

Recommendation 37

Topic: Cannabis retailers
Subtopic: Signage and advertising
Guiding Objectives:

- Manage underage exposure to cannabis, and prevent underage access to and use of cannabis.
- Prevent adult use disorders associated with cannabis and the abuse of cannabis by adults

The County should evaluate the feasibility of requiring cannabis licensees to include accurate, science-based warning labels on cannabis advertising, similar to those required in the context of alcohol and tobacco.

Recommendation 38

Topic: Cannabis retailers
Subtopic: Signage and advertising
Guiding Objectives:

- Manage underage exposure to cannabis, and prevent underage access to and use of cannabis
- Maximize the transition from an unlicensed and unregulated cannabis marketplace to a licensed and compliant cannabis marketplace

Part A

The County should restrict cannabis advertising at or sponsorship of events, including but not limited to concerts, fairs, festivals and sporting events at County owned or operated facilities, consistent with how alcohol and tobacco products are treated. Exemptions should be considered for health and wellness events.

Part B

The County should advocate for changes to state law to expand the restrictions in Business and Professions Code section 26151(b) to include advertising at or sponsorship of events, including but not limited to concerts, fairs, festivals and sporting events.

Recommendation 39

Topic: Cannabis retailers
Subtopic: Signage and advertising
Guiding Objectives:

- Manage underage exposure to cannabis, and prevent underage access to and use of cannabis

The County should evaluate the feasibility of prohibiting branded merchandise primarily marketed to and used by youth, including but not limited to toys, games, video game systems, and clothing.

Recommendation 40

Topic: Cannabis retailers

Subtopic: Location

Guiding Objectives:

- Manage underage exposure to cannabis, and prevent underage access to and use of cannabis
- Promote compatibility with existing neighborhoods
- Prevent any one community/communities from unduly shouldering the burdens of cannabis legalization
- Promote positive benefits for communities, especially those disproportionately impacted by historical drug enforcement policies
- Pursue equity in licensing and cannabis business ownership
- Maximize the transition from an unlicensed and unregulated cannabis marketplace to a licensed and compliant cannabis marketplace
- Allow reasonable economic growth for the licensed cannabis industry

Part A

The County should require cannabis retailers to locate not less than 1,000 feet from schools (K-12), and 600 feet from daycare centers and youth centers.

Part B

The County should consider establishing 600 foot buffers between cannabis retailers from public parks, playgrounds, and libraries. The County should consider whether to establish minimum distances between cannabis retailers and licensed youth alcohol or drug abuse treatment facilities. The County should carefully study any buffering and minimum distance rules to ensure that such rules will not unreasonably eliminate the ability of cannabis businesses to establish in unincorporated County areas, incentivize the continued operation of the unlicensed cannabis market, or create other unintended consequences such as the inequitable distribution of cannabis businesses throughout the County.

Part C

The County should ensure a variance procedure is available to applicants seeking to establish a cannabis retail business.

Part D

The County should publish a map depicting where cannabis retailers can locate prior to adopting any buffering regulations. This map should include demographic and socioeconomic data for the County's unincorporated areas.

Recommendation 41

Topic: Non-retail cannabis businesses

Subtopic: Location

Guiding Objectives:

- Promote the health and safety of the public, equitably
- Protect the peace, comfort, and safety of county neighborhoods
- Promote compatibility with existing neighborhoods
- Prevent any one community/communities from unduly shouldering the burdens of cannabis legalization

Manage underage exposure to cannabis, and prevent underage access to and use of Cultivators, Manufacturers, Distributors, Microbusinesses

Cannabis cultivators, manufacturers, distributors and microbusinesses should be required to obtain discretionary permits.

Testing Laboratories

Cannabis testing laboratories should be permitted through a ministerial approval process.

Recommendation 42

Topic: Non-retail cannabis businesses

Subtopic: Requirements for cultivators and manufacturers

Guiding Objectives:

- Promote the health and safety of the public, equitably
- Protect the peace, comfort, and safety of county neighborhoods
- Promote compatibility with existing neighborhoods
- Protect the environment

The County should require cannabis cultivators and manufacturers to submit for County review and approval prior to commencing operations, and in connection with any license renewal, an operating plan that addresses the following components to the satisfaction of the County:

- Odor control and mitigation, both within the facility and outside the facility;
- Energy conservation and sustainability;
- Water conservation and sustainability;
- Waste and wastewater disposal;
- The application and storage of pesticides, fertilizers, and other hazardous chemicals;
- Environmental sanitation standards consistent with the production of food products; and
- Security.

Recommendation 43

Topic: Non-retail cannabis businesses

Subtopic: Cultivators

Guiding Objectives:

- Promote the health and safety of the public, equitably
- Promote compatibility with existing neighborhoods
- Protect the environment

The County should conduct an analysis of the environmental impacts of indoor versus outdoor cultivation, and the differential effects in terms of revenue and regulatory and enforcement costs of allowing or prohibiting commercial outdoor cultivation.

Recommendation 44

Topic: Non-retail cannabis businesses

Subtopic: Cultivators

Guiding Objectives:

- Maximize the transition from an unlicensed and unregulated cannabis marketplace to a licensed and compliant cannabis marketplace
- Allow reasonable economic growth for the licensed cannabis industry
- Promote equitable community economic development

The County should evaluate whether offering a license type comparable to a State Type 1C-speciality cottage cultivation license could stimulate regenerative agriculture in urban areas and encourage small business operators.

Recommendation 45

Topic: Non-retail cannabis businesses

Subtopic: Cultivators

Guiding Objectives:

- Protect the peace, comfort, and safety of county neighborhoods
- Protect the environment

The County should require cultivators to allow the utility company to provide their monthly electricity usage for two years and then consider additional regulations for cannabis cultivation to make cultivation more energy efficient and offer incentives for efficient energy usage.

Recommendation 46

Topic: Non-retail cannabis businesses

Subtopic: Manufacturers

Guiding Objective:

- Promote the health and safety of the public, equitably

The County should adopt regulations to support the enforcement of state rules for cannabis product preparation and labeling.

Recommendation 47

Topic: Non-retail cannabis businesses

Subtopic: Microbusiness

Guiding Objectives:

- Pursue equity in licensing and cannabis business ownership
- Allow reasonable economic growth for the licensed cannabis industry

The County should offer a license type for microbusinesses and should apply regulations to microbusinesses consistent with those applied to cannabis retailers, manufacturers, distributors, and cultivators. The County should use the microbusiness license to encourage local ownership and the participation of small businesses in the cannabis marketplace.

Recommendation 48

Topic: Non-retail cannabis businesses

Subtopic: Testing Labs

Guiding Objective:

- Allow reasonable economic growth for the licensed cannabis industry

The County should allow an appropriate ratio of cannabis testing laboratory licenses to dispensary, cultivation, and manufacturing licenses, to ensure sufficient and speedy testing. The County should consider giving application priority to existing laboratories that perform similar testing on non-cannabis products.

Recommendation 49

Topic: Non-retail cannabis businesses
Subtopic: Numerical and concentration limits
Guiding Objectives:

- Promote compatibility with existing neighborhoods
- Prevent any one community/communities from unduly shouldering the burdens of cannabis legalization

The County should consider alternatives to capping the number of non-retail cannabis licenses, such as requiring the hearing body for a discretionary use permit to find that issuing the license is needed and will not result in an overconcentration in any neighborhood consistent with state law and zoning based on the ratio of licenses to population and other key indicators that impact quality of life and environment.

Recommendation 50

Topic: Compliance
Guiding Objectives:

- Promote compatibility with existing neighborhoods
- Maximize the transition from an unlicensed and unregulated cannabis marketplace to a licensed and compliant cannabis marketplace

The County should establish sufficient civil penalties, not less than \$20,000 per day or penalties levied by surrounding jurisdictions, and work with utility providers to shut off utilities as a deterrent to combat unlicensed operators.

Recommendation 51

Topic: Compliance
Guiding Objectives:

- Maximize the transition from an unlicensed and unregulated cannabis marketplace to a licensed and compliant cannabis marketplace

The County should ensure that its application and licensing processes are sufficiently robust to identify and prevent organized crime from participating in the licensed cannabis marketplace.

Recommendation 52

Topic: Taxation

Subtopic: Tax rates

Guiding Objectives:

- Manage underage exposure to cannabis, and prevent underage access to and use of cannabis
- Maximize the transition from an unlicensed and unregulated cannabis marketplace to a licensed and compliant cannabis marketplace
- Allow reasonable economic growth for the licensed cannabis industry

Part A

The County should implement a low initial tax rate and be differentiated by type of license, including a volume tax for cultivators and square footage tax for nurseries.

Part B

The County should increase its initial low tax rate over time as the licensed cannabis market establishes to a rate comparable with surrounding jurisdictions, including in particular the City of Los Angeles.

Part C

The County's cannabis tax ordinance should provide flexibility to increase and decrease taxes in response to changing market conditions and changing consumption patterns for young adults as tracked by Public Health, and legislation or regulation at the federal and state levels.

Recommendation 53

Topic: Taxation

Subtopic: Revenue allocation

Guiding Objectives:

- Manage underage exposure to cannabis, and prevent underage access to and use of cannabis
- Prevent adult use disorders associated with cannabis and the abuse of cannabis by adults
- Promote the health and safety of the public, equitably
- Promote positive benefits for communities, especially those disproportionately impacted by historical drug enforcement policies
- Pursue equity in licensing and cannabis business ownership
- Make sure enforcement is equitable for individuals
- Promote equitable community economic development

The County should allocate funds needed for regulating the cannabis industry. (10% to OCM and other County departments, and 10% to law enforcement to be used for community engagement, implicit bias training, and diversion programs), in an amount not to exceed 20% of annual revenue. The remaining 80% should be broken out as listed below:

- 50% of the annual revenue should be directed to science-based youth and young adult access prevention, intervention, and treatment (including training), including direct funding to youth centers (i.e. Parks After Dark) and after-school programming, community education, research, assessment/evaluation tools, and reporting funding, with 50% of this funding going to community-based organizations (including capacity building and training), and no less than 25% going to health promotion, disease prevention, and health equity, as defined by public health.
- 15% of annual revenue should go to an “Equity Fund,” established to support equity applicants,
- 5% of annual revenue should go to programs in communities where licensed and unlicensed cannabis businesses are located, with funds concentrated where businesses are concentrated, to ensure that cannabis tax revenue stays local;
- 10% of annual revenue will be directed to LA-based community colleges and nonprofit vocational schools for job training, workforce development, and workforce programs (retail, manufacturing, ancillary, agricultural, administrative), prioritizing enrollment by those most disproportionately impacted by the historical and ongoing “War on Drugs,” such as arrests, convictions, incarcerations, poverty, lack of opportunities for education and employment.

Recommendation 54

Topic: Economic development
Subtopic: Community Benefit Agreements
Guiding Objectives:

- Promote compatibility with existing neighborhoods
- Prevent any one community/communities from unduly shouldering the burdens of cannabis legalization
- Promote equitable community economic development

The County should require cannabis businesses to adopt community benefit agreements to give back to the local community. The CBA can take many forms, which can be fleshed out by criteria developed by the Equity Oversight Committee working with the OCM. CBA elements could include % profit giveback to community organizations, serving as an incubator to an equity applicant, community clean-ups and other support options.

Recommendation 55

Topic: Economic development
Subtopic: Local and disadvantaged worker hire
Guiding Objectives:

- Promote positive benefits for communities, especially those disproportionately impacted by historical drug enforcement policies
- Promote equitable community economic development

The County should require cannabis businesses to hire no less than 30% local workers. As guidance to define local workers, the County should utilize the County's existing local worker hire provisions to define local workers and minimum hiring requirements.

The County should also consider incentives for cannabis businesses that hire a minimum percentage of employees who were formally incarcerated or convicted, unemployed, veterans, and/or meet low-income definition. This would go through the Cannabis Equity Oversight Committee. (See Recommendation 60)

Recommendation 56

Topic: Economic development

Subtopic: Residency

Guiding Objectives:

- Promote positive benefits for communities, especially those disproportionately impacted by historical drug enforcement policies
- Pursue equity in licensing and cannabis business ownership
- Promote equitable community economic development

The County should require a minimum of 51% of all ownership stakes in any cannabis business, except for testing labs, licensed in the County of LA to belong to individuals who have lived in LA County for a minimum of three years prior to the application. This policy should be re-assessed after five years to see whether the policy has had a positive impact on small business ownership.

Recommendation 57

Topic: Economic development

Subtopic: Technical assistance

Guiding Objectives:

- Maximize the transition from an unlicensed and unregulated cannabis marketplace to a licensed and compliant cannabis marketplace
- Allow reasonable economic growth for the licensed cannabis industry

The County should assist applicants during the application process, or contract with nonprofits to provide such technical assistance. The County should offer ongoing technical and business assistance to applicants to help them remain compliant with applicable regulations.

Recommendation 58

Topic: Economic development

Subtopic: License limits

Guiding Objectives:

- Promote compatibility with existing neighborhoods
- Pursue equity in licensing and cannabis business ownership
- Allow reasonable economic growth for the licensed cannabis industry

To promote small businesses and restrict monopolization of the unincorporated County market, the County should limit the number of cannabis business licenses of any one type that any one individual or business entity can obtain within unincorporated areas, and should study the feasibility of limiting the size of retail cannabis businesses.

Recommendation 59

Topic: Economic development

Subtopic: Application restrictions

Guiding Objectives:

- Allow reasonable economic growth for the licensed cannabis industry
- Pursue equity in licensing and cannabis business ownership

County should allow only one application at a time per proposed premises to eliminate multiple applications from one location.

Recommendation 60

Topic: Economic development

Subtopic: Existing unlicensed businesses

Guiding Objectives:

- Prevent the unlawful production, distribution and sale of cannabis, equitably
- Promote compatibility with existing neighborhoods
- Maximize the transition from an unlicensed and unregulated cannabis marketplace to a licensed and compliant cannabis marketplace
- Allow reasonable economic growth for the licensed cannabis industry

The County should provide a “pathway to legalization” for existing, unlicensed cannabis businesses, provided these businesses cease operations during the application process and meet all zoning, buffering, and distancing requirements established by the County for cannabis businesses generally.

Recommendation 61

Topic: Equity

Subtopic: Background checks

Guiding Objectives:

- Promote positive benefits for communities, especially those disproportionately impacted by historical drug enforcement policies
- Pursue equity in licensing and cannabis business ownership
- Promote equitable community economic development

Promote positive benefits for communities, especially those disproportionately The County should not automatically disqualify applicants with criminal backgrounds, but should consider all available evidence in order to evaluate an applicant’s fitness to receive a cannabis business license from the County.

Recommendation 62

Topic: Equity
Subtopic: Equity program
Guiding Objectives:

- Promote positive benefits for communities, especially those disproportionately impacted by historical drug enforcement policies
- Pursue equity in licensing and cannabis business ownership
- Maximize the transition from an unlicensed and unregulated cannabis marketplace to a licensed and compliant cannabis marketplace
- Promote equitable community economic development

Part A

The County should set aside a certain percentage of licenses for “equity applicants,” with the goal of one-to-one applications. “Equity applicants” should include businesses where greater than 50 percent of the business is owned, in perpetuity, by persons who meet a certain income level, LA County residency (with a minimum of 3 years) and impacted person status, geography (prioritizing those from impacted neighborhoods within LA County), and other requirements that promote the equitable ownership of licenses by community members hardest hit by the “war on drugs.” Research on eligible “equity applicants” should include study of the Targeted Areas Preferences Act of 1986.

Part B

The County should offer “equity applicants” priority licensing, reduced fees, consider tax incentives excluding excise tax, and other similar incentives or benefits to reduce barriers to entry.

Part C

To reduce the burden on and risk for “equity applicants,” the County should allow “equity applicants” to apply for a cannabis business license without having secured a physical location. The County should provide “equity applicants” up to 6 months to secure compliant premises upon conditional approval of the cannabis business license application. The discretionary hearing will take place after the location is identified.

Part D

The County should work with interested investors to offer low-interest startup and business finance loans to “equity applicants.”

Part E

The County should create an incubator program, which would provide start-up, business development, access to capital, and other assistance to “equity applicants” seeking to establish a business in the competitive cannabis marketplace.

Part F

The County should conduct an assessment of the equity program after five years.

Recommendation 63

Topic: Equity
Subtopic: Disadvantaged worker hire
Guiding Objectives:

- Promote positive benefits for communities, especially those disproportionately impacted by historical drug enforcement policies
- Make sure enforcement is equitable for individuals
- Promote equitable community economic development

The County should consider incentives for cannabis businesses that hire a minimum percentage of employees who were formerly incarcerated or convicted.

Recommendation 64

Topic: Equity
Subtopic: Oversight Committee
Guiding Objectives:

- Promote the health and safety of the public, equitably
- Promote positive benefits for communities, especially those disproportionately impacted by historical drug enforcement policies
- Make sure enforcement is equitable for individuals

The County should establish a permanent Cannabis Equity Oversight Committee to monitor and guide implementation of all equity programs and policies related to cannabis, including tracking and analyzing cannabis-related enforcement, including but not limited to citations, arrests, and business closures. The Cannabis Equity Oversight Committee should issue public reports on its findings at least once per year and be representative of a diverse group of community interests with no more than one representative from a law enforcement agency, such as an officer serving in a program like Community Safety Partnerships. (Note that the Advisory Working Group recommended that the Cannabis Equity Oversight Committee should strive for consensus-based decision-making, whenever possible.)

END OF RECOMMENDATIONS

Proposed recommendations that did not achieve consensus as presented

The following three recommendations were presented and discussed but no consensus was reached by the Advisory Working Group.

Declined Recommendation

Topic: Public health and safety
Subtopic: Overconsumption and edibles

The County should explore the feasibility of requiring that cannabis businesses individually wrap each serving of an edible cannabis product.

Decision Note: Consensus was not reached primarily because some Advisory Working Group members expressed strong concerns about the enforceability of this recommendation, given that many edibles manufacturers are expected to be located outside of Los Angeles County.

Declined Recommendation

Topic: Public health and safety
Subtopic: Overconsumption

The County should explore the feasibility of limiting the potency of recreational cannabis and cannabis products sold by licensed County cannabis retailers, including limits of 20 percent THC content for cannabis flower and 50 percent THC content for cannabis products.

Decision Note: The primary reason this recommendation did not move forward as presented is because some group members advocated that the problem of overconsumption is better addressed through consumer education and warning labels rather than by applying standard potency limits to cannabis products.

Declined Recommendation

Topic: Non-retail cannabis businesses
Subtopic: Requirements for cultivators and manufacturers

The County should ensure that an applicant for a cannabis manufacturing license involving the use of a volatile solvent demonstrates that its proposed location is appropriate for volatile manufacturing, how its volatile manufacturing system complies with applicable Fire Code standards and regulations, and its expertise and ability to use volatile solvents safely as part of the manufacturing process.

Decision Note: The group did not reach consensus to advance this proposed recommendation to the Board of Supervisors because several group members pointed out that this issue was already addressed by California state law, under Proposition 64.

Issues for future monitoring

The following five Issues were discussed by the Advisory Working Group and consensus was reached that these should not be advanced as recommendations for the Board of Supervisors to consider, but should be monitored by the County after cannabis regulations are implemented and a licensed cannabis market has been established.

Issue for future monitoring

Topic: Youth access and exposure
Subtopic: Advertising and monitoring

The County should consider prohibiting the sale of cannabis for less than the listed price, including but not limited to happy-hour type promotions, discounts, coupons, and buy-one-get-one-free promotions.

Issue for future monitoring

Topic: Youth access and exposure
Subtopic: Advertising and monitoring

The County should adopt local regulations prohibiting: advertising (distribution of flyers, promotional items) to be conducted at a 1000 ft. distance from schools, youth centers and daycare centers in a manner so as not to target underage youth. The County should implement progressive fines and penalties, up to and including license revocation, to deter such practices and should conduct regular compliance checks with cannabis retailers.

Issue for future monitoring

Topic: Cannabis retailers
Subtopic: Delivery

The County should require applicants for cannabis retail businesses to specify whether they propose to conduct on-site (storefront) sales, delivery-only sales, or both.

Decision Note: Even though County staff indicated that this information would be required of all applicants, Advisory Working Group members still identified this recommendation as an item to be monitored as applicants pursue retail business licenses.

Issue for future monitoring

Topic: Public health and safety
Subtopic: Advertising and monitoring

The County should adopt an ordinance prohibiting advertising, marketing, products, and product-design practices that are attractive to or targeted at youth. The ordinance should be consistent with state law and regulation, and clearly describe products considered to be attractive to youth, and advertising and marketing practices that target youth. The County should implement progressive fines and penalties, up to and including license revocation, for violations of the ordinance. The County should lobby the state for legislation and regulation that clearly define and prohibit advertising, marketing, products, and product-design practices that are attractive to or targeted at youth.

Decision Note: The Advisory Working Group suggested the OCM monitor pending state legislation to determine whether the local enforcement rules proposed by this recommendation would be necessary or if they would unnecessarily duplicate state law.

Issue for future monitoring

Topic: Equity
Subtopic: Priority licensing for nonprofit businesses

The County should consider licensing nonprofit cannabis businesses only, or prioritizing licenses for nonprofits, with highest priority to nonprofits operated by residents of communities affected by high rates of drug-related incarceration.

Decision Note: The Advisory Working Group chose not to recommend this to County policymakers, in favor of allowing the State of California to take the lead on this issue. State law requires the Bureau of Cannabis Control to investigate the feasibility of creating one or more classifications of nonprofit licenses by January 1, 2020, and includes provisions for temporary local licensing of nonprofits. (California Code, Business and Professions Code §26070.5)

Conclusion

“I want to point out that we are participating in a historic transition. It’s like the end of Prohibition.” – Advisory Working Group member

When reflecting on the experience of working together to draft recommendations at the conclusion of the final Advisory Working Group meeting, nearly every participant said they had never been involved in a process like this before. Many expressed appreciation for the opportunity to learn more about the complex set of issues related to cannabis regulation and to have their own beliefs challenged and broadened. In evaluations completed after each meeting, Advisory Working Group members consistently gave high marks to the quality and usefulness of preparatory materials provided by County staff, and the evaluations also indicated that presentations from experts in the field in other cities and states grappling with cannabis regulation helped guide members’ deliberations.

One frustration that Advisory Working Group members expressed repeatedly was that they wanted more time to learn from each other and have deeper discussions about each other’s beliefs, research, and experiences related to cannabis regulation issues. In response, the last two meetings were extended so that the group could reflect on and discuss a diverse array of issues related to economic development and equity. It should be noted that the equitable implementation of cannabis regulations – especially addressing harms to communities and individuals in Los Angeles County resulting from the “War on Drugs” – was mentioned in every meeting. At the group’s first meeting the importance of equity was included six of the 14 guiding objectives.

Advisory Working Group discussions about youth access to cannabis mirrored the passion and concern heard throughout 20 public listening sessions taking place over the same time period as the Advisory Working Group meetings, and the greatest share of recommendations (11 of 64) focused on preventing young people from accessing cannabis, except when medically necessary. A controversial topic that elicited ardent debate among Advisory Working Group members involved onsite consumption (Recommendation 28), and the group came to consensus that the County should consider implementing a time-limited pilot program for onsite consumption of cannabis products, as a harm reduction measure and to incentivize responsible consumption.

Building consensus among the extremely diverse Advisory Working Group members was at times challenging, but this more inclusive approach also led to stronger recommendations. Guest speakers experienced with developing cannabis regulations around the country noted that the process the LA County Advisory Working Group on Cannabis Regulation used to craft recommendations stood out as the most inclusive process they had witnessed.

APPENDIX A

**Los Angeles County
Advisory Working Group
on Cannabis Regulation**

Meeting One:
KICKOFF AND ORIENTATION
JUNE 29, 2017

PREPARATION PACKET

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Introduction

The Los Angeles County (County) Advisory Working Group on Cannabis Regulation is being convened by the Office of Cannabis Management (OCM), a division within the County Chief Executive Office, to develop recommendations for cannabis regulation in unincorporated County areas.

The OCM has coordinated closely with the County Board of Supervisors and multiple County departments to ensure that working group members represent a diverse range of stakeholders and viewpoints. Each Supervisor has recommended members to represent the interests of her or his district. The OCM has selected additional “at-large” members to represent other important stakeholders, including cannabis industry representatives, public health professionals, and experts on drug policy and drug and alcohol prevention.

Working group members will meet eight times during a 10-week period to discuss a wide range of topics pertinent to the legalization of cannabis in California. Discussions will cover youth access and exposure, taxation, operational and development standards for cannabis businesses, and personal-use cultivation, among many other topics.

The working group’s efforts will produce a set of recommendations that will provide a framework for the development of regulations for commercial and personal-use cannabis in unincorporated County areas. These recommendations are expected to provide guidance not only to County policymakers, but to cities and other counties throughout California.

The Office of Cannabis Management has engaged Community Partners to assist with the organization and facilitation of the working group and public input process. Community Partners, a nonprofit fiscal sponsor and intermediary organization serving Los Angeles for 25 years, brings extensive experience around community engagement and program management. Learn more at www.CommunityPartners.org.

SECTION 1:

Orientation Q&A

Section Contents

- A. Background on the Development of Cannabis Regulations for Los Angeles County
- B. Background Information on the Advisory Working Group on Cannabis Regulation
- C. Mechanics of the Advisory Working Group's Meetings
- D. Expectations for the Advisory Working Group and Its Members

A. BACKGROUND ON THE DEVELOPMENT OF CANNABIS REGULATIONS FOR LOS ANGELES COUNTY

WHAT IS LOS ANGELES COUNTY DOING TO REGULATE CANNABIS?

- On February 7, 2017, the Los Angeles County Board of Supervisors (Board) directed the Office of Cannabis Management (OCM) to coordinate with over 10 County departments to prepare regulations for commercial and personal-use cannabis in unincorporated County areas. A summary of the Board's motions regarding cannabis regulation is included in **Section 2: Background on Los Angeles County's Efforts to Regulate Cannabis**.
- The Board prioritized community outreach and gathering input from stakeholders **before** regulations are developed to ensure that County regulators were able to draw on community concerns and expert insight when preparing regulations for the County.

WHAT COUNTY DEPARTMENTS ARE INVOLVED IN REGULATING CANNABIS?

- Cannabis regulation spans multiple County departments. Regulations involve decisions about land use policies, zoning, business licensing requirements, environmental sanitation, fire and building safety concerns. Cannabis legalization also has public health implications and has the potential to impact County neighborhoods and residents in both positive and negative ways. The intersection of responsibilities across County departments and agencies is complex.
- The following County departments and agencies are actively working to develop appropriate regulations, education and outreach campaigns, and other programs in response to the legalization of cannabis:

- Assessor
 - Chief Executive Office/OCM
 - County Counsel
 - District Attorney
 - Sheriff
 - Agricultural Commissioner/Weights and Measures
 - Alternate Public Defender
 - Consumer and Business Affairs
 - Fire Department
 - Public Defender
 - Public Health
 - Public Works
 - Regional Planning
 - Treasurer and Tax Collector
- It is anticipated that staff from each of the above departments will participate in the Advisory Working Group, either by helping to prepare materials, being present at meetings to answer questions and workshop with working group members, or in other ways.

DOES THE COUNTY HAVE EXISTING RULES IN PLACE FOR COMMERCIAL AND PERSONAL USE CANNABIS?

- Yes. The County currently **prohibits** all forms of commercial cannabis, both medical and nonmedical (also referred to as “recreational” or “adult-use”) and has established rules for personal-use cannabis cultivation. A summary of existing County rules is included in **Section 2: Background on Los Angeles County’s Efforts to Regulate Cannabis**.
- However, the Board is likely to repeal the existing prohibition on commercial cannabis businesses once it adopts appropriate regulations. The Board may also decide to change existing rules for personal-use cannabis cultivation.

ARE STATE AND FEDERAL OFFICIALS INVOLVED IN REGULATING CANNABIS?

- Yes and no. Cannabis is illegal under federal law, and federal officials are not expected to pass regulations for the commercial cannabis industry. On the other hand, State officials are very involved in preparing regulations for commercial cannabis. A discussion of the laws governing cannabis and current regulatory efforts is contained in **Section 3: Federal, State, and Local Law Concerning Cannabis**.

B. BACKGROUND INFORMATION ON THE ADVISORY WORKING GROUP ON CANNABIS REGULATION

WHY IS LOS ANGELES COUNTY FORMING AN ADVISORY WORKING GROUP ON CANNABIS REGULATION?

- The OCM is a unit within the County’s Chief Executive Office. The OCM is tasked with ensuring that the Board’s policies regarding cannabis regulations are implemented in a coordinated fashion by County departments and agencies.
- In consultation with Board offices and in close coordination with involved County departments and agencies, the OCM is establishing an advisory working group composed of experts and representatives of interested stakeholder groups to provide a framework, in the form of recommendations, that County regulators can utilize to prepare rules for commercial and personal-use cannabis.

HOW WERE MEMBERS OF THE ADVISORY WORKING GROUP SELECTED?

- Working group members were selected based on their backgrounds, expertise, interest in participating, and the County stakeholders they represent.
- Each Supervisor identified individuals to act as representatives of stakeholders in her or his district. The OCM identified additional “at-large” members who represent other interested stakeholder groups, including public health experts, drug policy experts, and industry representatives. The roster of working group members is included in **Section 4: Working Group Roster**.

WHAT DOES IT MEAN THAT THE WORKING GROUP IS “ADVISORY”?

- Most commissions, task forces, and working groups formed by the County are advisory only. This means that decisions, recommendations, or actions taken by these bodies are not binding on the Board or any County official or employee.
- The Advisory Working Group on Cannabis Regulation is charged with developing recommendations to guide County staff and decision-makers as they develop rules for commercial and personal-use cannabis. However, while neither the Board nor County staff is obligated to adhere to a recommendation, it is the County’s expectation that the working group’s recommendations will provide a framework for developing cannabis regulations for unincorporated County areas.
- Many commissions, task forces, and working groups formed by the County are also temporary, meaning that the commission, task force, or working group will no longer meet after a particular milestone has been reached or deliverable completed. The Advisory Working Group on Cannabis Regulation is temporary

and will meet eight times over a three-month period. The meeting calendar is set forth in **Section 5: Meeting Calendar and Topics**.

WHAT EFFECT WILL THE ADVISORY WORKING GROUP'S RECOMMENDATIONS HAVE ON CITIES?

- Generally speaking, the County's jurisdiction over cannabis regulation extends to unincorporated County areas only, although some County programs, such as public health and drug prevention programs, extend countywide. There are approximately 140 unincorporated communities in the County. Examples of some unincorporated communities include East Los Angeles in the First District, Florence-Firestone in the Second District, Topanga Canyon in the Third District, Hacienda Heights in the Fourth District, and Altadena in the Fifth District. In terms of area, more than 65 percent of Los Angeles County is unincorporated (approximately 2,630 square miles). Approximately 10 percent of the County's population, or approximately one million residents, live in unincorporated areas. If the unincorporated County were a city, it would be the fourth largest city in California by population.
- While recommendations developed by the working group will be used primarily to develop rules for unincorporated County areas, it is anticipated that the working group's recommendations will be helpful to cities and other counties as they consider implementing their own cannabis regulations.

WHAT ELSE IS THE COUNTY DOING TO DEVELOP CANNABIS REGULATIONS?

- In addition to the advisory working group meetings, the County will be hosting at least 18 listening sessions countywide for members of the public to provide comments and express concerns. A calendar for the listening sessions and a description of the format for and topics to be discussed at each session are included in **Section 6: Community Listening Sessions**.
- Working group members are expected to attend at least one listening session to observe the feedback provided by community members.

C. MECHANICS OF THE ADVISORY WORKING GROUP'S MEETINGS

HOW WILL MEETINGS WORK?

- Each working group meeting is intended to cover a set agenda. Proposed topics for each meeting, as well as a meeting calendar, are included in **Section 5: Meeting Calendar and Topics**.
- In general, meetings will be three hours long and will include the following components:

- Presentation: County staff or others will provide information to working group members to inform them about a particular topic or issue area.
 - Discussion: Members will have the opportunity to discuss particular issues with each other, ask questions, and workshop with County staff and other members, with the goal of fully informing themselves on the issue or topic and imparting their experience, knowledge, background, and concerns on a particular issue to other members.
 - Consensus on Recommendations: Following presentation and discussion, working group members will be prompted to reach consensus on a set of recommendations about the topics that were covered during the meeting. Facilitators from Community Partners will help guide the process.
- The working group process is intended to be dynamic, reactive, and fluid. For this reason, meetings may include additional components, including but not limited to break-out sessions, thought exercises, and multimedia engagement. Some of the meeting components identified above may be dropped or combined with other components. The meeting format may also evolve over time to suit the needs and styles of the working group members.

WHAT DOES IT MEAN THAT WORKING GROUP MEMBERS WILL BE REQUIRED TO “REACH CONSENSUS” ON RECOMMENDATIONS?

- All decisions of the working group will be consensus-based. A description of consensus-based decision-making is included in this packet in **Section 7: Consensus-Based Decision-Making**.

WILL MEETINGS FOLLOW PARLIAMENTARY PROCEDURE?

- No. Meetings will be structured informally to encourage open dialogue. The working group will not make decisions by formal motion or vote.
- In addition, no chair or vice chair of the working group will be selected. Instead, discussions will be guided by professional facilitators and County staff.

WILL MEMBERS OF THE PUBLIC BE ABLE TO ATTEND WORKING GROUP MEETINGS?

- Yes. Members of the public, including media, will be permitted to observe working group meetings. Members of the public will also be invited to provide written feedback during the meetings for consideration by the working group at the appropriate time.
- Because meetings are informally structured and designed to build consensus among working group members, the public will not have an opportunity to

address the working group or workshop with members on any issue. Working group members are free to talk to members of the public before and after each meeting.

- This does not mean that members of the public will not have an opportunity to share concerns and comments with the County. Concurrently with the working group’s meetings, the County will be hosting at least 18 listening sessions throughout all areas of the County as described in **Section 6: Community Listening Sessions**.

D. EXPECTATIONS FOR THE ADVISORY WORKING GROUP AND ITS MEMBERS

WHAT ARE THE GROUND RULES FOR PARTICIPATING IN THE WORKING GROUP?

- Each working group members is expected to adhere to a specific set of ground rules while participating in the working group. These rules are designed to ensure that the working group process is a success. Ground rules are described in **Section 8: Principles of Participation**.

WHAT DOES IT MEAN FOR THE WORKING GROUP PROCESS TO BE A “SUCCESS”?

- At the conclusion of its meetings, the working group is expected to approve a report containing recommendations which can be used by County policy-makers as a framework for developing regulations for commercial and personal-use cannabis in unincorporated County areas.
- “Success” does not mean that the working group will have solved every issue related to cannabis regulation. This is unrealistic. Instead, working group members should focus on producing meaningful and implementable guidance for County staff and decision-makers.

HOW WILL THE ADVISORY WORKING GROUP KNOW WHETHER A RECOMMENDATION IS “MEANINGFUL AND IMPLEMENTABLE”?

- County staff from the OCM and other County departments will be present at each working group meeting to provide feedback on existing County rules and processes, answer questions, workshop with members, and discuss potential recommendations.
- County staff’s role at each working group meeting will be to help working group members understand how their recommendations can be most effective, given existing County policies, constraints, and legal limitations.

- Only working group members will be responsible for the ultimate recommendations of the group. While County staff will be present to assist working group members, staff will not approve, disapprove, or otherwise alter the working group's recommendations.

ARE THERE PARTICULAR OBJECTIVES THAT WILL GUIDE THE WORKING GROUP'S EFFORTS?

- Yes. Objectives are set forth in **Section 9: Objectives**. Objectives represent those policy outcomes which the Board wishes to achieve with respect to cannabis regulation. Each recommendation offered by the working group or any of its members **must meet at least one of the objectives**.
- Although objectives are set forth in **Section 9: Objectives**, the OCM recognizes that each working group member brings a unique expertise and perspective to the table, and that the working group may have additional thoughts about objectives to guide its efforts. Therefore, the working group will be asked during its first meeting to decide whether additional objectives should be added.

WILL WORKING GROUP MEMBERS BE PAID?

- No. Participation on the working group is on a volunteer basis.

WHAT HAPPENS IF A WORKING GROUP MEMBER MUST BE ABSENT FROM A MEETING?

- Although working group members are volunteers, the consensus-based process for developing recommendations will only work if members are committed to their participation on the working group. For this reason, working group members are expected to attend all meetings.
- If a working group member must be absent from a meeting, the member will not be able to participate in the workshop discussion and the development of recommendations regarding the topics addressed at that particular meeting. However, County staff will work with absent members to obtain written comments about a particular topic in advance. Comments will be provided to the other working group members for their consideration during the meeting.
- Where possible, working group members should let County staff know in advance of planned absences from a working group meeting so that the start of a meeting is not delayed.

WHOM SHOULD WORKING GROUP MEMBERS CONTACT IF THEY HAVE QUESTIONS OR CONCERNS, OR NEED TO REPORT AN ABSENCE?

- A list of contacts will be provided to working group members.

ARE WORKING GROUP MEMBERS ALLOWED TO COMMUNICATE WITH EACH OTHER OUTSIDE OF WORKING GROUP MEETINGS?

- Yes. There is no prohibition on working group members contacting each other outside of scheduled meetings. However, the integrity of the consensus-building process could be compromised by outside discussions regarding topic areas covered at working group meetings. For this reason, working group members are cautioned against having substantive discussions with other working group members about any topic that will be covered at a scheduled meeting.
- On occasion, County staff and facilitators may find it necessary to discuss a topic or issue with some working group members outside of a scheduled meeting. Such discussions may be necessary, for example, to help remove a barrier that is preventing the working group from reaching consensus on a particular topic.

HOW SHOULD WORKING GROUP MEMBERS HANDLE INQUIRIES FROM THE MEDIA?

- Working group members are free to speak to the media about their participation on the working group.
- In order to prevent comments to the media from inhibiting the goals of the working group, members are encouraged not to disparage other working group members or their viewpoints in their comments to the media; not to minimize or dismiss the work of other members or the working group itself; and not to use the media to influence other members on topics covered by the working group.

SECTION 2:

Background on Los Angeles County's Efforts to Regulate Cannabis

Section Contents

- A. Background on Cannabis Legalization in California
- B. Los Angeles County's Approach to Cannabis Regulation before Proposition 64
- C. The County's Approach to Cannabis Regulation after Proposition 64
- D. Commercial Cannabis Businesses Remain Prohibited in Unincorporated County Areas Pending the Development of Regulations
- E. The County's Rules for Personal-Use Cultivation
- F. Additional Information and Resources

A. BACKGROUND ON CANNABIS LEGALIZATION IN CALIFORNIA

In 1996, California voters approved Proposition 215 (Compassionate Use Act). Proposition 215 generally allows qualified patients with a valid doctor's recommendation to possess and cultivate cannabis for personal medical use. Subsequent laws established a medical cannabis ID card program and authorized the formation of collectives and cooperatives to provide medical cannabis to qualified patients.

In 2015 and 2016, the California Legislature passed a series of bills collectively called the Medical Cannabis Regulation and Safety Act (MCRSA). MCRSA established a framework for the cultivation, transportation, distribution, manufacturing, testing, and sale of medical cannabis.

In November 2016, California voters approved Proposition 64 (Adult Use of Marijuana Act), which legalized, among other things, the possession and use of cannabis by adults 21 years of age and older for nonmedical personal use. Proposition 64 also authorized the indoor or outdoor cultivation of up to six cannabis plants per residence for personal use by adults. In addition, Proposition 64 established a regulatory framework for the cultivation, distribution, manufacturing, testing, and sale of commercial nonmedical cannabis.

The State of California is scheduled to begin issuing commercial licenses for medical and nonmedical cannabis businesses beginning in January 2018. State agencies are currently preparing regulations that will govern the operation of cannabis businesses.

B. LOS ANGELES COUNTY'S APPROACH TO CANNABIS REGULATION BEFORE PROPOSITION 64

In 2006, Los Angeles County (County) adopted an ordinance allowing medical cannabis dispensaries, subject to certain rules, including the issuance of a conditional use permit. However, no medical cannabis dispensary was ever permitted under this ordinance to operate in unincorporated County.

In 2010, the County adopted an ordinance prohibiting medical cannabis dispensaries. In 2016, the County adopted a temporary urgency ordinance to prohibit all other types of commercial medical cannabis activities.

C. THE COUNTY'S APPROACH TO CANNABIS REGULATION AFTER PROPOSITION 64

Following the passage of Proposition 64, the Board of Supervisors revisited its prohibition of cannabis businesses. On February 7, 2017, the Board of Supervisors adopted two motions (collectively referred to as the "Cannabis Motions") which directed the CEO's Office of Cannabis Management (OCM) to coordinate with County departments and other agencies to develop regulations for commercial cannabis in unincorporated areas and take other steps to prepare for the legalization of cannabis throughout the County.

Specifically, the Cannabis Motions directed the OCM to coordinate with departments to prepare ordinance amendments "to allow, license, and appropriately regulate and enforce the cultivation, transportation, distribution, processing, manufacturing, testing, retail sale, and delivery" of medical and nonmedical cannabis in unincorporated areas.

The Cannabis Motions required that such ordinance amendments consider, among other things, impacts to blight and the health and safety of County neighborhoods, equitable development principles, environmental impacts from cannabis cultivation and sustainability measures, overconcentration of and excessive exposure to cannabis businesses and advertising, safety and security issues, maximizing the transition from unlicensed business activity to a regulated marketplace, benefits to communities disproportionately impacted by past enforcement of drug policies, and consumer protection and safety practices.

To inform the development of commercial cannabis regulations, the Cannabis Motions further directed the OCM to coordinate with departments to conduct "a series of multilingual and culturally competent town halls in each supervisorial district," include a diverse range of stakeholders at these meetings, and solicit meaningful feedback on regulations and best practices from stakeholder groups.

Further, and among other things, the Cannabis Motions:

- Directed the OCM to coordinate with departments to “[d]eploy a robust data collection program” to monitor the effect of cannabis legalization in the County;
- Directed the OCM to coordinate with departments to develop safety and educational protocols for County employees who will be directly involved in cannabis businesses;
- Directed the OCM to work with local cities to promote uniform regulations and best practices throughout the County; and
- Directed the County Department of Public Health to coordinate with the OCM and community groups, schools, and other stakeholders to develop education and prevention campaigns to deter young people from consuming cannabis and to educate all people about potential health effects from cannabis use.

Finally, the Cannabis Motions directed the County Department of Regional Planning to prepare an amendment to Title 22 of the County Code (Zoning Code) to extend the existing prohibition of medical and nonmedical commercial cannabis businesses pending the development of regulations, and to adopt reasonable regulations governing personal-use cannabis cultivation.

D. COMMERCIAL CANNABIS BUSINESSES ARE STILL PROHIBITED IN UNINCORPORATED COUNTY AREAS PENDING THE DEVELOPMENT OF REGULATIONS

On June 6, 2017, the Board of Supervisors adopted an amendment to the County Zoning Code which extended existing prohibitions on commercial cannabis activities in unincorporated County, including both medical and nonmedical cannabis activities. The amendment was adopted to maintain the status quo while regulations are being developed.

E. THE COUNTY’S RULES FOR PERSONAL-USE CULTIVATION

Also on June 6, 2017, the Board of Supervisors adopted an amendment to the County Zoning Code to place reasonable regulations on the home cultivation of cannabis plants by adults for personal use.

General regulations on personal-use cultivation include:

- Plants are limited to six per dwelling unit/residence;
- Cultivation areas must be secured; and
- Plants cannot be visible from any public right-of-way.

Outdoor personal-use cultivation is subject to additional regulations:

- Outdoor cultivation is only permitted at single-family residences;
- No outdoor cultivation is permitted within 600 feet of a library, park, school, day care center, or youth center;
- Outdoor cultivation is not permitted within a front yard, or within 10 feet of any property line;
- Cultivation areas must be surrounded by an opaque fence or wall at least six feet high, and plants may not exceed six feet in height.

F. ADDITIONAL INFORMATION AND RESOURCES

- Ballotpedia summary of Proposition 215:
[https://ballotpedia.org/California_Proposition_215,_the_Medical_Marijuana_Initiative_\(1996\)](https://ballotpedia.org/California_Proposition_215,_the_Medical_Marijuana_Initiative_(1996))
- Summary of MCRSA from the California Bureau of Medical Cannabis Regulation:
http://www.bmcr.ca.gov/laws_regs/index.shtml
- Ballotpedia summary of Proposition 64:
[https://ballotpedia.org/California_Proposition_64,_Marijuana_Legalization_\(2016\)](https://ballotpedia.org/California_Proposition_64,_Marijuana_Legalization_(2016))
- Board of Supervisors' Cannabis Motions:
<http://file.lacounty.gov/SDSInter/bos/supdocs/111354.pdf>
<http://file.lacounty.gov/SDSInter/bos/supdocs/111332.pdf>
<http://file.lacounty.gov/SDSInter/bos/supdocs/111535.pdf>
- Zoning Code Amendment extending the prohibition on commercial cannabis businesses and adopting regulations for personal-use cultivation:
<http://file.lacounty.gov/SDSInter/bos/supdocs/114728.pdf>

SECTION 3:

Federal, State, and Local Law Concerning Cannabis

This section is intended to provide an overview of federal, state, and local laws concerning cannabis. This section does not delve in depth into any one topic area. A closer examination of specific legal issues and concerns will be provided for future meetings of the Advisory Working Group on Cannabis Regulation.

Section Contents

- A. The Status of Cannabis under Federal Law
- B. California Laws Governing Medical and Nonmedical (Adult-Use) Cannabis
- C. Local Authority to Regulate Cannabis

A. THE STATUS OF CANNABIS UNDER FEDERAL LAW

The Cultivation, Possession, Use, and Sale of Cannabis Is Illegal Under Federal Law

Cannabis is classified as a Schedule I drug under the federal Controlled Substances Act (CSA). Schedule I drugs, substances, or chemicals are defined as drugs with no currently accepted medical use, a high potential for abuse, and no safe dose. Examples of Schedule I drugs including heroin, LSD, cannabis, ecstasy, and peyote.

As a Schedule I drug, the CSA makes it illegal for a person to manufacture, distribute, or possess cannabis for any reason, even if the cultivation, possession, use, or sale would not violate state law. For this reason, a person operating a cannabis business in compliance with state and local laws could still face prosecution under federal law.

Relatively recently, however, federal enforcement of the CSA against cannabis businesses operating in compliance with state law has generally been designated a low priority for federal enforcement agencies. The reasons for this are explained below.

The “Cole Memorandum”

In response to the legalization of cannabis under some states’ laws, on August 29, 2013, the U.S. Department of Justice issued guidance regarding cannabis enforcement to federal prosecutors.¹ This guidance became known as the “Cole Memorandum,” after

¹ <https://www.justice.gov/iso/opa/resources/3052013829132756857467.pdf>

its author, Deputy Attorney General James M. Cole. The Cole Memorandum represented a significant shift of government priorities away from strict enforcement of federal cannabis prohibition and toward a more hands-off approach.

The Cole Memorandum instructed federal prosecutors and law enforcement to focus on the following eight priorities in enforcing the CSA against cannabis-related conduct:

- Preventing the distribution of cannabis to minors;
- Preventing revenue from the sale of cannabis from going to criminal enterprises, gangs, and cartels;
- Preventing the diversion of cannabis from states where it is legal under state law to states where cannabis is illegal;
- Preventing state-authorized cannabis activity from being used as a cover or pretext for the trafficking of other illegal drugs or other illegal activity;
- Preventing violence and the use of firearms in the cultivation and distribution of cannabis;
- Preventing drugged driving and the exacerbation of other adverse public health consequences associated with cannabis use;
- Preventing the growing of cannabis on public lands; and
- Preventing cannabis possession or use on federal property.

The Cole Memorandum concluded that state regulatory schemes, if appropriately designed, could achieve the above priorities, indicating the federal enforcement is unnecessary where state regulatory programs achieve those priorities.

The Cole Memorandum arguably paved the way for the expansion of the medical cannabis industry and the legalization of commercial nonmedical cannabis activity in some states.²

It is important to note that the Cole Memorandum represents **existing** Department of Justice priorities in the enforcement of the CSA. Those priorities could change, and federal prosecutors could once again strictly enforce CSA prohibitions against cannabis. Such enforcement could disrupt cannabis industries in states where some form of cannabis is legal.³

Rohrabacher-Farr Amendment

In 2015, Congress passed the Rohrabacher-Farr amendment (Rohrabacher-Farr), named for the amendment's primary sponsors, Representatives Dana Rohrabacher and Sam Farr, as part of the Consolidated Appropriations Act of 2015. Rohrabacher-Farr

² Schroyer, John, "The famous marijuana memos: Q&A with former DOJ Deputy Attorney General James Cole," *Marijuana Business Daily*, July 27, 2016 (<https://mjbizdaily.com/the-famous-marijuana-memos-qa-with-former-doj-deputy-attorney-general-james-cole/>).

³ Hiltzik, Michael, "The murkiness of marijuana law is becoming a flashpoint in U.S.-California relations," *Los Angeles Times*, March 3, 2017 (<http://www.latimes.com/business/hiltzik/la-fi-hiltzik-pot-20170302-story.html>).

essentially prohibits the Justice Department from expending any funds to interfere with states that have implemented medical cannabis laws:

None of the funds made available in this Act to the Department of Justice may be used, with respect to any of the States of Alabama, Alaska, Arizona, California, Colorado, Connecticut, Delaware, Florida, Georgia, Hawaii, Illinois, Iowa, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Montana, Nevada, New Hampshire, New Jersey, New Mexico, New York, North Carolina, Oklahoma, Oregon, Rhode Island, South Carolina, Tennessee, Texas, Utah, Vermont, Virginia, Washington, Wisconsin, and Wyoming, or with respect to the District of Columbia, Guam, or Puerto Rico, to prevent any of them from implementing their own laws that authorize the use, distribution, possession, or cultivation of medical marijuana.⁴

Congress renewed Rohrabacher-Farr in subsequent spending bills, and extended its prohibitions through September 30, 2017, when it approved the Consolidated Appropriations Act of 2017.⁵ However, in a signing statement for the Act, President Trump referred specifically to Rohrabacher-Farr and stated he “will treat this provision consistently with my constitutional responsibility to take care that the laws be faithfully executed.”⁶ Recently, Attorney General Jeff Sessions asked Congress not to extend Rohrabacher-Farr. These statements by the President and the Attorney General raise questions about whether the administration will increase enforcement against medical cannabis businesses operating in compliance with their state’s laws.⁷

It is also important to note that Rohrabacher-Farr does not provide any protection for nonmedical cannabis businesses.

⁴ Consolidated Appropriations Act of 2015, Pub. L. No. 113-235, § 538 (2015).

⁵ Consolidated Appropriations Act of 2017, Pub. L. No. 115-31, § 537 (2017).

⁶ Statement by President Donald J. Trump on Signing H.R. 244 into Law, May 5, 2017 (<https://www.whitehouse.gov/the-press-office/2017/05/05/statement-president-donald-j-trump-signing-hr-244-law>).

⁷ Ingraham, Christopher, “Jeff Sessions personally asked Congress to let him prosecute medical-marijuana providers,” *The Washington Post*, June 13, 2017 (https://www.washingtonpost.com/news/wonk/wp/2017/06/13/jeff-sessions-personally-asked-congress-to-let-him-prosecute-medical-marijuana-providers/?utm_term=.931cac8b5243).

B. CALIFORNIA LAWS GOVERNING MEDICAL AND NONMEDICAL CANNABIS

Background

On November 8, 2016, California voters approved Proposition 64, the Adult Use of Marijuana Act (AUMA). Generally, AUMA makes it legal for adults aged 21 and over to grow, possess, and use nonmedical cannabis. AUMA also allows licensed businesses to grow, distribute, and sell nonmedical cannabis.

AUMA became effective immediately on November 9, 2016. However, the State will not issue licenses for commercial nonmedical cannabis businesses until January 1, 2018.

In addition to AUMA, in 2015 and 2016, the California Legislature approved a package of bills to regulate medical cannabis. This package of bills is referred to as the Medical Cannabis Regulation and Safety Act (MCRSA). MCRSA established the first regulatory framework for the medical cannabis industry. MCRSA provides for licenses to be issued by three state licensing authorities: the Bureau of Medical Cannabis Regulation, the California Department of Food and Agriculture, and the California Department of Public Health. The licensing authorities are responsible for and are currently developing the regulations and rules regarding State licensing under the new laws.

Key Provisions of AUMA

Key provisions of AUMA include the following:

- AUMA decriminalizes the possession, transport, and personal use by adults of up to one ounce of dry cannabis and up to eight grams of cannabis concentrates, such as hash or butane honey oil (BHO).
- AUMA allows adults to grow up to six cannabis plants for nonmedical purposes in a private residence or on the grounds of a private residence, provided the plants are out of public view and in a secured location.
- AUMA allows businesses to cultivate, distribute, process/manufacture, and sell nonmedical cannabis for commercial purposes, provided the businesses are first licensed by State authorities and by the city or county in which the business operates.
- The State Departments of Consumer Affairs, Public Health, and Food and Agriculture are responsible for the regulation and licensing of cannabis businesses. These entities will begin issuing licenses to cannabis businesses on January 1, 2018.
- The Bureau of Marijuana Control (known as the Bureau of Medical Cannabis Regulation under MCRSA), within the State Department of Consumer Affairs, is

responsible for coordinating the activities of State agencies with respect to cannabis regulation, licensing, and enforcement.

AUMA allows local governments to control nonmedical cannabis within their jurisdictions. Specifically:

- While AUMA prevents local governments from banning personal cultivation of nonmedical cannabis by adults, local governments may “reasonably regulate” such personal cultivation, including by requiring that all cultivation take place indoors.
- AUMA preserves the right of local governments to ban commercial nonmedical cannabis activity within their jurisdictions.
- Alternatively, AUMA allows local governments to regulate commercial cannabis activities within their boundaries, including by adopting local zoning and land use requirements, business license requirements, and standards for environmental protection, testing, security, safety of cannabis products, and worker protection.

With respect to taxation:

- AUMA provides for a 15 percent State excise tax on all retail sales of medical and nonmedical cannabis, and a State cultivation tax of \$9.25 per ounce of dry cannabis flowers and \$2.75 per ounce of dry cannabis leaves. These taxes are in addition to other applicable State and local sales and use taxes. However, under AUMA, sales of medical cannabis and medical cannabis products are exempt from State sales and use taxes. Nonmedical cannabis and nonmedical cannabis products, however, are still subject to sales and use taxes imposed by local governments.
- State tax revenue will be used to cover the State’s costs to administer and enforce cannabis regulation. Then:
 - \$2 million per year to the University of California at San Diego Center for Medical Cannabis Research to study medical cannabis;
 - \$10 million per year for 11 years for public California universities to research and evaluate new nonmedical cannabis laws;
 - \$3 million per year for five years to the California Highway Patrol to establish and adopt protocols to detect impaired driving; and
 - \$10 million per year, increasing each year by \$10 million reaching \$50 million in 2022, for grants to local health departments and community-based nonprofits supporting "job placement, mental health treatment, substance use disorder treatment, system navigation services, legal

services to address barriers to reentry, and linkages to medical care for communities disproportionately affected by past federal and state drug policies."

- Remaining revenues would be distributed as follows:
 - 60 percent to youth programs, including drug education, prevention, and treatment;
 - 20 percent to prevent and alleviate environmental damage from illegal marijuana producers; and
 - 20 percent to programs designed to reduce driving under the influence of cannabis and a grant program designed to reduce negative impacts on health or safety resulting from AUMA.
- Local governments are eligible to receive grants through programs funded by State tax revenue. If local governments ban cannabis businesses or outdoor cultivation for personal use, they will be ineligible to receive some grants.
- In addition to State taxes, AUMA allows local governments to tax cannabis businesses, provided that such tax is not a sales tax.

Finally, AUMA reduces criminal penalties for illegal cannabis possession and cultivation. Under AUMA, a person with a prior cannabis-related conviction may petition the court to change his or her criminal record, or to reduce his or her sentence.

Key Provisions of MCRSA

Key provisions of MCRSA include the following:

- Under MCRSA, all commercial medical cannabis activity requires both a state license and local approval through a license, permit, or other authorization. All businesses must have local approval prior to applying for state licensure.
- A qualified patient who cultivates, possesses, processes, or transports medical cannabis exclusively for his or her personal medical use is not required to get a license. Primary caregivers who provide care to five or fewer medical cannabis patients are also not required to be licensed if they are compliant with MCRSA.
- All medical cannabis and medical cannabis products will be tracked through the product's life cycle, from the original plant to the final retail site. MCRSA charges the State Department of Food and Agriculture with the responsibility of implementing a track and trace program for the State.
- MCRSA phases out the collective or cooperative model.

MCRSA establishes a grant program to help local agencies enforce State and local laws upon full implementation of MCRSA.

Senate Bill 94 (2017) (Cannabis: Medicinal and Adult Use)

As of this writing, Senate Bill (SB) 94 has been approved by the California Senate and Assembly and has been submitted for signature to Governor Jerry Brown.⁸ SB 94 seeks to combine AUMA and MCRSA into a single regulatory program that would cover both medical and nonmedical cannabis. The consolidated program would be known as the Medicinal and Adult-Use Cannabis Regulation and Safety Act (MAUCRSA).

C. LOCAL AUTHORITY TO REGULATE CANNABIS

With respect to commercial cannabis, both MCRSA and AUMA preserve the authority of cities and counties to prohibit or allow and regulate commercial cannabis businesses and activity. However, both MCRSA and AUMA prevent cities and counties from banning the transportation of marijuana through their jurisdictions on public roads.

With respect to cultivation for personal use, AUMA allows cities and counties to enact “reasonable regulations” on personal-use cultivation, including prohibiting outdoor cultivation. However, cities and counties cannot prohibit indoor cultivation for personal use. Under MCRSA, cities and counties can prohibit cultivation for personal medical use.

⁸ https://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180SB94

SECTION 4:

Working Group Roster

First District Representatives

Hon. Vivian Romero
Mayor, City of Montebello

Manuel Duran
President, Maravilla Businesspersons Association

Second Supervisorial District Representatives

Dr. Avelardo Valdez
Professor, Suzanne Dworak-Peck School of Social Work
University of Southern California

Patricia Guerra
Justice Policy Coordinator, Community Coalition

Third Supervisorial District Representatives

Beth Burnam
Board of Directors, Resource Conservation District
of the Santa Monica Mountains

Aaron Lachant, Esq.
Nelson Hardiman, LLP

Fourth District Representatives

Melahat Rafiei
Owner, Progressive Solutions Consulting

Matt Garland
Councilmember, San Pedro Neighborhood Council

Fifth District Representative

Wayne Sugita
Interim Director (Ret.), Division of Substance Abuse, Prevention, and Control
Los Angeles County Department of Public Health

Selection of a second representative is pending

At-Large Members

Lynne Lyman
California State Director, Drug Policy Alliance

Donnie Anderson
Chairman, California Minority Alliance
Co-Founder, Southern California Coalition

Jonatan Cvetko
Founder, Angeles Emeralds

Dr. Alisa Padon
Co-Director, Getting it Right from the Start Program
Public Health Institute

Javier Montes
Vice President, UCBA Trade Association

Dr. Monica Sanchez
Prevention Director, Friday Night Live and
Comprehensive Prevention Services Program
Los Angeles County Office of Education

Valerie Coachman-Moore
President and CEO, Coachman-Moore & Associates, Inc.

Dr. Rachel Castaneda
Associate Professor, Dept. of Psychology
School of Behavioral and Applied Sciences
Azusa Pacific University

SECTION 5:

Meeting Calendar and Topics

The Advisory Working Group on Cannabis Regulation will meet eight times beginning in June 2017 and ending in August 2017. While each meeting will cover a discrete topic area, many topics are interrelated or intertwined. The schedule below takes into account the fact that the discussion of topics scheduled for later meetings is likely to benefit from discussions at earlier meetings, leading to a fuller understanding of concepts and issues slated for later meetings.

June 29, 2017	Meeting 1: Kickoff and orientation
July 20, 2017	Meeting 2: Youth access and exposure
July 27, 2017	Meeting 3: Public health and safety, and personal cultivation
Aug. 3, 2017	Meeting 4: Retailers
Aug. 10, 2017	Meeting 5: Cultivators, manufacturers, and other businesses
Aug. 17, 2017	Meeting 6: Compliance and taxation
Aug. 24, 2017	Meeting 7: Licensing, equity, and economic development
Aug. 31, 2017	Meeting 8: Consideration and approval of final recommendations

Discussion Questions

1. What issues related to cannabis legalization interest you most? How do those issues or topics fit into the schedule above?
2. Are there topics you wish to discuss which are not specifically identified in the schedule above?
3. Which aspects of cannabis legalization are the least important for you? If you had to prioritize topics, how would you do so?

SECTION 6:

Community Listening Sessions

The Office of Cannabis Management will be hosting 18 community listening sessions throughout Los Angeles County between July 10, 2017, and August 12, 2017.

The purpose of the listening sessions is to obtain and document the concerns and desires of community members regarding cannabis legalization and regulation in their communities.

In order to maximize community participation and feedback, listening sessions will be in a roundtable discussion format. Six tables or stations will be set up at each meeting that correspond with the following topics:

- Rules for retailers, cultivators, manufacturers, and other businesses
- Equity in licensing and placement of retail locations
- Public health and safety
- Youth access and exposure
- Personal cultivation
- Taxation and revenue use

Community members will spend up to 20 minutes at a time at a table discussing a particular topic. Discussions will be guided by a professional facilitator. County staff will be available to respond to questions. Translation services will be provided.

A report documenting community concerns shared at the listening sessions will be prepared and submitted to the Board of Supervisors for its consideration.

Working group members are expected to attend at least one community listening session.

Discussion Questions

1. If you were designing regulations for cannabis, what type of feedback would you want to hear from community members?
2. Which topics are the most important for community members to weigh in on and discuss? Which topics are the least important?
3. What is the most important thing that you would want community members to take away from listening sessions? How would you ensure that happens?

SECTION 7:

Consensus-Based Decision-Making

Consensus decision making is a process used by groups seeking to generate widespread levels of participation and agreement. There are variations among different groups regarding the degree of agreement necessary to finalize a group decision. The process of group deliberation, however, has many common elements that are definitive of consensus decision making. These include:

Inclusive: As many stakeholders as possible are involved in group discussions.

Participatory: All participants are allowed a chance to contribute to the discussion.

Collaborative: The group constructs proposals with input from all interested group members. Any individual authorship of a proposal is subsumed as the group modifies it to include the concerns of all group members.

Agreement Seeking: The goal is to generate as much agreement as possible. Regardless of how much agreement is required to finalize a decision, a group using a consensus process makes a concerted attempt to reach full agreement.

Cooperative: Consensus participants are encouraged to keep the good of the whole group in mind. Each individual's preferences should be voiced so that the group can incorporate all concerns into an emerging consensus proposal. Individual preferences should not impede the progress of the group.

Consensus decision making is an alternative to commonly practiced non-collaborative decision making processes. Robert's Rule of Order, for instance, is a process used by many organizations. The goal of Robert's Rules is to structure the debate and passage of proposals that win approval through majority vote. This process does not emphasize the goal of full agreement (as consensus does). Nor does it foster whole group collaboration and the inclusion of minority concerns in resulting proposals.

Consensus decision making is also an alternative to "top-down" decision making, commonly practiced in hierarchical groups. Top-down decision making occurs when leaders of a group make decisions in a way that does not include the participation of all interested stakeholders. The leaders may (or may not) gather input, but they do not open the deliberation process to the whole group. Proposals are not collaboratively developed, and consensus is not a primary objective.

Visit <http://www.consensusdecisionmaking.org/> to learn more. © Tim Hartnett, PhD

SECTION 8:

Principles of Participation

Expectations

1. Meetings will begin and end on time.
2. Working group members will read distributed materials before each meeting.
3. Working group members will work efficiently with the goal of effectively discussing every issue.
4. All statements, documents, and written communications are considered public record.
5. Working group members will treat each other respectfully.
6. Working group members will not unduly interrupt each other.
7. Working group members will make best efforts to reach consensus on recommendations at each meeting.
8. Without setting aside their experience, perspectives, and beliefs, working group members will act in the interest of the County and its constituents and not for personal gain.
9. Working group members will attend at least one community listening session.

Guiding Principles for Making Recommendations

Working group members must maintain these principles when considering recommendations:

1. Recommendations must be consistent with the policies of the Board of Supervisors, as identified in its cannabis motions dated February 7, 2017.
2. Recommendations must be consistent with state law and regulations.
3. Compliance with regulations must be achievable, repeatable, and defensible.
4. The County must be able to enforce compliance with regulations.
5. Monitoring for compliance with regulations must be achievable, repeatable, and not overly burdensome or intrusive.

SECTION 9:

Objectives

The following objectives are intended to guide the Advisory Working Group on Cannabis Regulation as it develops recommendations. Working group members will be asked to demonstrate how each recommendation achieves one or more of the stated objectives.

1. Prevent the underage use of cannabis.
2. Prevent adult use disorders associated with cannabis, and the abuse of cannabis by adults.
3. Promote beneficial and equitable health outcomes.
4. Prevent the unlawful production, distribution, and sale of cannabis.
5. Protect the peace, comfort, and safety of County neighborhoods.
6. Promote compatibility with existing neighborhoods.
7. Prevent any one community or communities from unduly shouldering the burdens of cannabis legalization.
8. Promote positive benefits for communities, especially those disproportionately impacted by historical drug enforcement policies.
9. Pursue equity in licensing and cannabis business ownership.
10. Protect the environment.
11. Maximize the transition from an unlicensed and unregulated cannabis marketplace to a licensed and compliant cannabis marketplace.
12. Allow reasonable economic growth for the cannabis industry.

Discussion Questions

1. What is the best possible outcome for regulated cannabis in the County? Are additional objectives needed to promote this outcome?
2. What is the worst outcome? Are additional objectives needed to avoid this outcome?
3. What objectives are you most concerned about? Which are you least concerned about?
4. Are some objectives mutually exclusive? Why?

APPENDIX B

**Los Angeles County
Advisory Working Group
on Cannabis Regulation**

Meeting Two:
YOUTH ACCESS AND EXPOSURE
JULY 20, 2017

PREPARATION PACKET

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SECTION 1:

Objectives: Recap

During its first meeting on June 29, 2017, the Los Angeles County Advisory Working Group on Cannabis Regulation (Working Group) reviewed a set of draft objectives to guide the group as it develops recommendations. Through a facilitated process of discussion, re-wording of stated objectives and drafting new objectives, Working Group members arrived at consensus and agreed to the objectives as follows:

1. Manage underage exposure to cannabis, and prevent underage access to and use of cannabis.
2. Prevent adult use disorders associated with cannabis and the abuse of cannabis by adults.
3. Promote the health and safety of the public, equitably.
4. Prevent the unlawful production, distribution and sale of cannabis, equitably.
5. Protect the peace, comfort, and safety of county neighborhoods.
6. Promote compatibility with existing neighborhoods.
7. Prevent any one community/communities from unduly shouldering the burdens of cannabis legalization.
8. Promote positive benefits for communities, especially those disproportionately impacted by historical drug enforcement policies.
9. Pursue equity in licensing and cannabis business ownership.
10. Protect the environment.
11. Maximize the transition from an unlicensed and unregulated cannabis marketplace to a licensed and compliant cannabis marketplace.
12. Allow reasonable economic growth for the licensed cannabis industry.
13. Make sure enforcement is equitable for individuals.
14. Promote equitable community economic development.

These objectives will guide the Working Group as it develops recommendations for commercial and personal-use cannabis in unincorporated areas.

SECTION 2:

Youth Access and Exposure

I. INTRODUCTION

In jurisdictions that have legalized medical or adult-use cannabis, or are considering doing so, youth access to cannabis and cannabis products is a significant concern. While states that have legalized cannabis for adult use have set a minimum age for purchase and possession (21 years), worries remain that broader availability will make it easier for youth to access and to believe that cannabis is completely safe, which could result in higher rates of use over time.

In February 2017, the Los Angeles County (County) Board of Supervisors directed departments to prepare regulations for cannabis in unincorporated County areas. The Board of Supervisors specifically mandated that regulations minimize access to and use of cannabis by underage minors.

This section will discuss some of the public policy concerns and potential strategies regarding cannabis legalization, including the following topics:

- Harms associated with youth cannabis use
- Youth access and exposure to cannabis
- Advertising and marketing
- Changing risk perceptions about cannabis use
- Sale of cannabis to minors
- Accidental exposure to cannabis

Regulators are also concerned about the accidental ingestion of cannabis products by children, particularly toddlers. Although not necessarily related to a child's chances of becoming a regular cannabis user, accidental ingestion can cause a child significant discomfort and may require hospitalization and treatment.

II. HARMS ASSOCIATED WITH YOUTH CANNABIS USE

According to California's Blue Ribbon Commission on Marijuana Policy (Blue Ribbon Commission), youth are one of the groups most at risk for experiencing harms associated with regular cannabis use.¹ Harms associated with regular or heavy cannabis use include:

¹ California Blue Ribbon Commission on Marijuana Policy, *Pathways Report: Policy Options for Regulating Marijuana in California* (July 22, 2015), p. 76, accessed at <https://www.safeandsmartpolicy.org/wp-content/uploads/2015/07/BRCPathwaysReport.pdf>.

- Reduced educational attainment and educational development
- Adverse changes in the brain impacting memory and learning
- Declining IQ scores
- Increased truancy and dropout rates for high-schoolers²

Youth cannabis use can also have criminal justice implications, leading to ineligibility for federal school loans, school expulsions or suspensions, difficulty gaining employment, and fines and attorneys' fees that are difficult for many young people to pay. These implications were especially acute prior to California's decriminalization of cannabis in 2010, and prior to the passage of Proposition 64 in 2016 which further decriminalized possession and use by people under the age of 21 and created opportunities for resentencing and the destruction of records for prior cannabis-related convictions.

While definitive causal connections between cannabis use and experienced harms are often not clear, the Blue Ribbon Commission nevertheless concludes that "a leading policy goal should be to delay youth marijuana use, and to reduce regular or heavy use" and "protecting the most at-risk youth to the greatest extent possible."³

III. YOUTH ACCESS AND EXPOSURE TO CANNABIS

A. Summary of the Issue

The Los Angeles County Department of Public Health (LACDPH) reports that cannabis is the most widely used illegal drug (under federal law) in the United States, and is generally available for recreational use despite widespread prohibition.⁴ In 2015, approximately 80 percent of 12th graders in the United States reported that cannabis is easy "fairly easy" or "very easy" to obtain.⁵ Studies also show that teens find it easier to obtain cannabis than alcohol, cigarettes, and other drugs.⁶

Without strong regulatory controls, legalization of adult-use cannabis has the potential to increase the availability of cannabis to young people. For example, an increase in the number of retailers near areas where children congregate, such as schools and playgrounds, could result in greater direct accessibility from retailers or proxy accessibility through adults who purchase cannabis to give or sell to minors. Children

² California Department of Public Health, *Marijuana and Tobacco Use – Fact Sheet* (May 2017), p. 4, accessed at

<https://www.cdph.ca.gov/Programs/CCDC/DCDC/CTCB/CDPH%20Document%20Library/ResearchandEvaluation/FactsandFigures/MJAndTobaccoUseFac%20Sheet-CDPH-CTCP-5-2017.pdf>

³ Blue Ribbon Commission, *supra*, p. 76.

⁴ County of Los Angeles Department of Public Health, Division of Substance Abuse Prevention and Control, *The Need for a Public Health Approach to Marijuana Policy* (October 2015), accessed at <http://publichealth.lacounty.gov/sapc/PolicyBrief/PublicHealthApproachMarijuana.pdf>.

⁵ County of Los Angeles Department of Public Health, *supra*.

⁶ American Academy of Pediatrics, "Legalization of Marijuana in Washington State Shown to Have Had No Effect on Teens' Access to Drug" (April 30, 2016), accessed at <https://www.aap.org/en-us/about-the-aap/aap-press-room/pages/Legalization-Marijuana-Washington-State-Shown-to-Have-Had-No-Effect-on-Teens-Access-to-Drug.aspx>.

may also be more likely to access cannabis in the home if family members use cannabis products or grow cannabis for personal use.

In 2015, approximately 80 percent of 12th graders in the United States reported that cannabis is easy “fairly easy” or “very easy” to obtain. Studies have also shown that teens find it easier to obtain cannabis than alcohol, cigarettes, and other drugs.

Generally speaking, several policy interventions have been identified which may reduce youth access and exposure to cannabis. These include:

- **Restricting retail density**

Research suggests that in areas with dense concentrations of alcohol retailers, youth use and misuse (DUI) can increase.⁷ The density of cannabis retailers can be controlled by requiring that a cannabis retailer be located a minimum specified distance from other cannabis retailers, by limiting the overall number of cannabis retail licenses offered within any one census tract or neighborhood, or other strategies.

The primary concern with restricting the density of retail locations is the potential to inadvertently thwart the transition of the cannabis industry from an unlicensed and unregulated marketplace to one that is licensed, regulated, and compliant. Any density restrictions should be informed by market dynamics to ensure that the legal supply of cannabis is not reduced to the point that incentives to operate without a license continue or increase.

Reduction of the legal supply of cannabis may incentivize existing illegal operations to continue or increase their numbers.

- **Expanding buffer zones**

Research on alcohol and tobacco has shown that creating buffers or “safe zones” around areas that youth frequent is associated with lower levels of youth substance usage.⁸ Similar strategies can be implemented for cannabis retailers. However, the unlicensed cannabis market and homegrown cannabis continue to present regulatory challenges not commonly encountered in the context of tobacco and alcohol.

⁷ Meng-Jinn Chen, et al., “Community Alcohol Outlet Density and Underage Drinking,” *Addiction*, Vol. 105(2) (2010), pp. 270-278.

⁸ AJ Milam, et al., “Alcohol Environment, Perceived Safety, and Exposure to Alcohol, Tobacco, and Other Drugs in Early Adolescence,” *Journal of Community Psychology*, Vol. 41(7) (2013), pp. 867-883, accessed at <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC4130391/>; William J. McCarthy, et al., “Density of Tobacco Retailers Near Schools: Effects on Tobacco Use Among Students,” *American Journal of Public Health*, Vol. 99(11) (2009), pp. 2006-2013, accessed at <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC2759807/>.

- **Limiting hours of retail operation**

Research is mixed about whether access to and problems associated with alcohol decrease when retail sales are restricted to certain hours or days.⁹ Day and hour restrictions for cannabis retailers could reduce youth access and exposure to cannabis. However, careful consideration is necessary to ensure that any proposed restrictions reduce youth access without encouraging unlicensed market activity. Additionally, if store hours are not uniform across the County’s cities and unincorporated areas, consumers may simply avoid day and hour restrictions in one jurisdiction by traveling to a neighboring city.

- **Increasing price**

Research on tobacco and alcohol shows that price increases can reduce use by youth as they are particularly price sensitive.¹⁰ Price increases can be achieved through taxation policies. However, increased taxation may lead to continued unlicensed cannabis activity and a slow transition to a regulated marketplace. Increased taxation may also incentivize youth to access cannabis from unlicensed retailers or from people who grow cannabis in their home. Additionally, increased taxation could incentivize youth to grow their own cannabis.

B. Summary of Relevant State Law Provisions and Potential County Actions

YOUTH ACCESS AND EXPOSURE TO CANNABIS		
State Law	Considerations	Potential County Actions
<p>In determining whether to grant, deny, or renew retail licenses, Bureau of Cannabis Control must consider whether an “excessive concentration” exists in the area where the licensee will operate, meaning:</p> <ul style="list-style-type: none"> • Ratio of licensees to population in the census tract exceeds countywide ratio 	<ul style="list-style-type: none"> • State statutes do not mandate license denial in the event an “excessive concentration” found • Subsequently developed regulations may clarify procedure 	<ul style="list-style-type: none"> • Specify by ordinance when an excessive concentration occurs and mandate denial of local license • Determine minimum separation requirements between cannabis businesses • Specify by ordinance days and hours of operation

⁹ Paul J. Gruenwald, PhD, “Regulating Availability: How Access to Alcohol Affects Drinking and Problems in Youth and Adults,” *Alcohol Research & Health*, Vol. 34(2) (2011), pp. 251-252, accessed at <https://pubs.niaaa.nih.gov/publications/arh342/248-256.pdf>.

¹⁰ Pearl Bader, et al., “Effects of Tobacco Taxation and Pricing on Smoking Behavior in High Risk Populations: A Knowledge Synthesis,” *International Journal of Environmental Research and Public Health*, Vol. 8(11) (2011), pp. 4118-4139, accessed at <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC3228562/>; Xin Xu, et al., “The Effects of Prices on Alcohol Use and its Consequences,” *Alcohol Research & Health*, Vol. 34(2) (2011), pp. 236-245, accessed at <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC3860576/>.

YOUTH ACCESS AND EXPOSURE TO CANNABIS

State Law	Considerations	Potential County Actions
<ul style="list-style-type: none"> Ratio of licensees to population exceeds limits placed by local ordinance [Bus. & Prof. Code § 20651(c).] 		
<p>Cannabis business may not be located within a 600-foot radius of a:</p> <ul style="list-style-type: none"> School (K-12) Day care center (including preschools but not including home day cares with fewer than 14 children), or Youth center (including youth clubs and video arcades) <p>[Bus. & Prof. Code § 26054(b).]</p>	<ul style="list-style-type: none"> State law’s 600-foot radius rule is a default provision only Local jurisdictions can increase or reduce these distances and add other “sensitive uses” 	<ul style="list-style-type: none"> Define “sensitive uses” that should be buffered, including places frequented by youth Specify distances from sensitive uses
<p>The possession or consumption of cannabis is prohibited at a school, day care, or youth center while children are present.</p> <p>[Health & Safety Code § 11362.3(a)(5)]</p>	<ul style="list-style-type: none"> May be difficult to enforce 	<ul style="list-style-type: none"> Education efforts to increase awareness of rules
<p>Smoking cannabis is prohibited within 1,000 feet of a school, day care, or youth center while children are present, except at a private residence if smoke is not detectable at the school, day care, or youth center</p> <p>[Health & Safety Code § 11362.3(a)(3)]</p>	<ul style="list-style-type: none"> May be difficult to enforce 	<ul style="list-style-type: none"> Consider implementation of local ordinance to prohibit this or similar conduct Consider education efforts to increase awareness of rules
<ul style="list-style-type: none"> Excise tax of 15 percent on all commercial transactions of cannabis Cultivation tax of \$9.25 per dry-weight ounce for cannabis flower and \$2.75 per dry-weight ounce for leaves and stems <p>[Rev. & Tax. Code § 34011]</p>	<ul style="list-style-type: none"> State and local sales tax also apply, except for sales of medical cannabis Establishes effective tax rate of over 24 percent for adult-use cannabis, considering County’s local sales tax 	<ul style="list-style-type: none"> County may establish local taxation in addition to state excise and cultivation taxes

Discussion Questions for Youth Access and Exposure to Cannabis

1. Is the “excessive concentration” concept under state law sufficient to prevent densities of retailers that could increase youth access and exposure to cannabis? Are there additional concentration requirements that should be implemented locally by the County to prevent excessive concentration?
2. Is state law requiring cannabis businesses to locate 600 feet from schools (K-12), day cares (including preschools but not including home day cares with less than 14 children), and youth centers (including youth clubs and video arcades) sufficient? Are there additional places where children are likely to congregate that should be added to the list of “sensitive uses” that must be buffered from cannabis businesses?
3. What strategies can help prevent youth access and exposure to cannabis and cannabis products at schools?
4. What strategies can help prevent youth access and exposure to cannabis smoke?
5. How do restrictions intended to prevent youth access and exposure conflict with other policy objectives, such as maximizing the transition of the cannabis industry from an unlicensed to a regulated and compliant industry? How can conflicts be resolved?
6. What could be some unintended consequences of restrictions designed to prevent youth access and exposure? How can unintended consequences be avoided or minimized?

IV. ADVERTISING AND MARKETING

A. Summary of the Issue

Advertising and marketing can strongly influence young people to consume certain products or engage in certain behaviors as evidenced by numerous studies evaluating the effects of youth exposure to alcohol and tobacco advertising.¹¹

¹¹ See, e.g., Leslie B. Snyder, et al., “Effects of Alcohol Advertising Exposure on Drinking Among Youth,” *Archives of Pediatric and Adolescent Medicine* (2006), pages 18-24, at <http://jamanetwork.com/journals/jamapediatrics/fullarticle/204410>; U.S. Surgeon General, “Preventing Tobacco Use Among Youth and Young Adults,” Executive Summary (2012), pp. 1-6, accessed at <https://www.surgeongeneral.gov/library/reports/preventing-youth-tobacco-use/exec-summary.pdf>.

With respect to tobacco, for example, in 2012 the U.S. Surgeon General reported that nearly all tobacco use begins in childhood and adolescence, and that 88 percent of adult cigarette smokers who smoke daily starting smoking by the age of 18. Advertising and promotional activities by tobacco companies have been shown to cause the onset and continuation of smoking among adolescents and young adults.¹² The Surgeon General's report explained:

This is a time in life of great vulnerability to social influences, and the pervasive presence of tobacco product marketing—including everything from sleek ads in magazines to youth-generated posts on social networking sites, to images of smoking in the movies—conveys messages that make tobacco use attractive to youth and young adults.¹³

Advertising and marketing techniques identified as particularly persuasive for children and adolescents include branded characters,¹⁴ and celebrity endorsements.¹⁵ Athletes, in particular, are commonly hired to act as spokespersons for certain brands or products. Table I demonstrates some of the branded characters associated with an increase in product consumption by children and adolescents.

¹² Surgeon General's Report, *supra*, pp. 1, 3.

¹³ Surgeon General's Report, *supra*, p. 1.

¹⁴ Sandra L. Calvert, "Children as Consumers: Advertising and Marketing," *The Future of Children*, Vol. 18(1) (Princeton-Brookings 2008), p. 209, accessed at https://www.princeton.edu/futureofchildren/publications/docs/18_01_09.pdf.

¹⁵ Calvert, *supra*, p. 209.

Table I: Advertising Characters Attractive to Children¹⁶



Joe Camel
(tobacco)



Spuds Mackenzie
(alcohol)



Ronald McDonald
(fast food)

Armed with similar research, the Blue Ribbon Commission concluded “there are considerable benefits to limiting the advertising and marketing of marijuana, even if it may pose a challenge to marijuana retailers and consumers[,]” and explained that such advertising restrictions could “limit exposure to children and youth, and limit tactics that target young people, poor communities, communities of color, women and LGBTQ communities.”¹⁷

Government limitations on advertising and marketing of any sort remain controversial and difficult to implement. The First Amendment to the United States Constitution and Article I, Section 2, of the California Constitution generally protect commercial speech, including advertising and marketing, that is not false or misleading. This is true even if the advertising or marketing is intended or designed to encourage youth to purchase a particular product or engage in a particular activity. While government restrictions on advertising and marketing are permissible, they must directly advance a “substantial state interest” and be no more extensive than is necessary to serve that interest.¹⁸ While protecting youth is often used to justify government restrictions on advertising and marketing, striking the right balance between youth protections and advertisers’ free speech rights is often difficult in practice.

¹⁶ Calvert, *supra*, p. 209; J. R. DiFranza, et al., “RJR Nabisco’s Cartoon Camel Promotes Camel Cigarettes to Children,” *JAMA: Journal of the American Medical Association*, Vol. 266(22) (1991), pp. 3149–3153.

¹⁷ Blue Ribbon Commission, *supra*, p. 46.

¹⁸ *Coyote Pub., Inc. v. Miller*, 598 F. 3d 592, 602 (9th Cir. 2010) (quotations and citations omitted).

The U.S. Surgeon General reported in 2012 that nearly all tobacco use begins in childhood and adolescence, and that 88 percent of adult cigarette smokers who smoke daily reported starting smoking by the age of 18.

Furthermore, the ability of local jurisdictions to regulate the content and locations of certain types of advertising, such as billboard and other outdoor advertising displays, is often preempted by state law or regulation.

B. Summary of Relevant State Law Provisions and Potential County Actions

Some Examples of policy interventions intended to reduce the effect of cannabis advertising and marketing on youth are outlined in the table below. Some of these policies are already incorporated into California law. The County may elect to supplement state law to achieve the desired policy results.

ADVERTISING AND MARKETING		
State Law	Considerations	Potential County Actions
<p>Advertising is prohibited within 1,000 feet of schools, day cares, youth centers and playgrounds.</p> <p>[Bus. & Prof. Code §26152(g)]</p>	<ul style="list-style-type: none"> • State law does not address on-site marketing or other forms of advertising which youth may frequently encounter • Overly broad restrictions or bans on advertising may be subject to legal challenge 	<ul style="list-style-type: none"> • Limit advertising at retail locations (regardless of proximity to areas where youth congregate), including posters, window coverings, sandwich board signs, and other similar advertising displays • Additional limits on advertising within a certain distance of schools, playgrounds, and other areas where youth congregate
<p>Advertising that is “attractive to children” or intended to encourage youth use is prohibited.</p> <p>[Bus. & Prof. Code § 26152(e)-(f)]</p>	<ul style="list-style-type: none"> • “Attractive to children” is not defined; subsequently developed regulations may clarify standards • Local ordinances establishing advertising and marketing rules more restrictive than state law may be difficult to implement 	<ul style="list-style-type: none"> • Adopt an ordinance consistent with state law prohibiting advertising “attractive to children” or intended to encourage youth use (e.g., preventing branded characters or celebrity endorsements) • Establish sufficient penalties for violating advertising restrictions, up to and including license revocation

ADVERTISING AND MARKETING		
State Law	Considerations	Potential County Actions
<p>Billboard advertising is prohibited along all interstate highways and state highways that cross the California border into another state.</p> <p>[Bus. & Prof. Code § 26152(d)]</p>	<ul style="list-style-type: none"> • State law does not address outdoor advertising on local roads which may be viewed by youth • Constitutional challenges or preemption under the state Outdoor Advertising Act may prevent the implementation of additional billboard restriction 	<ul style="list-style-type: none"> • Adopt an ordinance restricting outdoor advertising in other places not specified under state law
<p>Advertising placed in broadcast, cable, radio, print, and digital media is restricted to audiences where at least 71.6 percent of audience members are 21 or older.</p> <p>[Bus. & Prof. Code § 26151(b)]</p>	<ul style="list-style-type: none"> • Must be based on reliable reporting of audience data • Additional restrictions may be difficult to implement locally as media is often not limited to County areas, but may be disseminated statewide 	<ul style="list-style-type: none"> • Local ordinance can reinforce this requirement for licensees and establish sufficient penalties for noncompliance, including up to license revocation
<p>Direct Advertising or marketing, including online must utilize age verification software.</p> <p>[Bus. & Prof. Code § 26151(c)]</p>	<ul style="list-style-type: none"> • 	<ul style="list-style-type: none"> • Local ordinance can reinforce this requirement for licensees and establish sufficient penalties for noncompliance, including up to license revocation.

Discussion Questions for Advertising and Marketing

1. Does state law establish adequate advertising and marketing protections for people under 21? If not, what additional restrictions should the County implement locally to address concerns about state law?
2. Are there strategies used in the context of tobacco and alcohol that can be applied to cannabis to prevent advertising and marketing that is attractive to people under 21?
3. Should the County implement rules about what types of publicly visible signs a cannabis business can display to limit young peoples' exposure to cannabis marketing? What rules would you propose?
4. Some argue that overly restrictive marketing and advertising will defeat one of the purposes of Proposition 64, to create a regulated marketplace for cannabis. How do proposed rules and restrictions on cannabis advertising and marketing reasonably accommodate Proposition 64's objective to create a regulated marketplace for cannabis?

V. CHANGING RISK PERCEPTIONS ABOUT CANNABIS USE

A. Summary of the Issue

Whether a child or adolescent is likely to start using cannabis can depend on whether the child or adolescent perceives cannabis as harmful. According to the Center for Behavioral Health Statistics and Quality (CBHSQ), national data on secondary students indicate that attitudes about the risks associated with substance use are often closely related to use, with an inverse association between use and risk perceptions.¹⁹

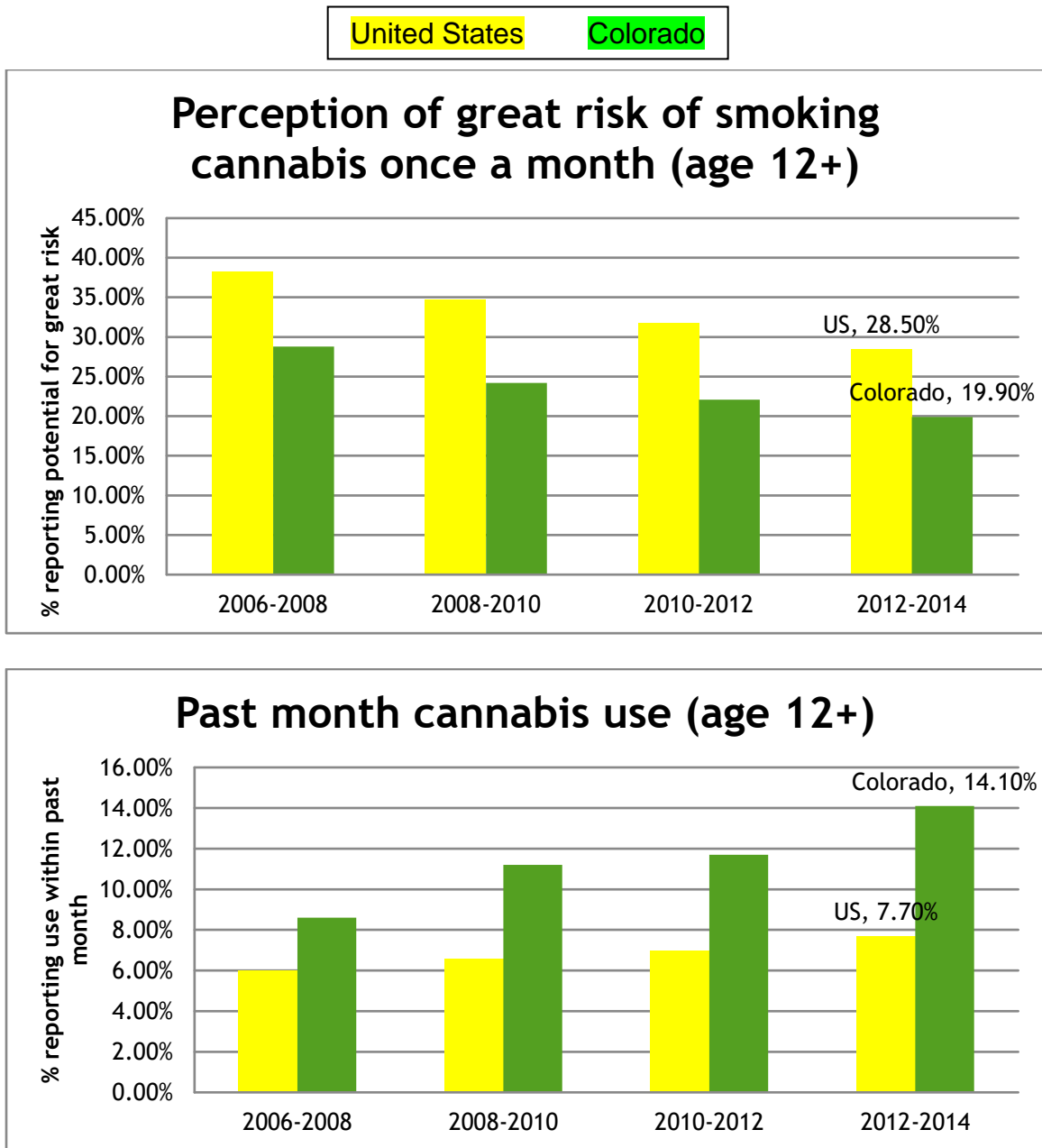
Data from the National Survey on Drug Use and Health, summarized in the following Table II, demonstrates that trend. While Colorado and other states that have legalized adult-use cannabis have not reported statistically significant increases in youth use of cannabis,²⁰ legalization in those states has occurred too recently to predict the long-term impacts on youth cannabis usage rates. In addition, future usage rates are likely to be affected by policy intervention, such as drug education and outreach.

From a prevention standpoint, therefore, it is important that children and adolescents be informed about potential harms associated with early and regular cannabis use, to help young people make informed choices about whether to begin using cannabis. Recent education and intervention campaigns from other states provide useful models for cannabis-specific programs that show positive results.

¹⁹ Arthur Hughes, M.S., Rachel N. Lipari, PhD & Matthew R. Williams, PhD, "Marijuana Use and Perceived Risk of Harm from Marijuana Use Varies Within and Across States," *The CBHSQ Report*, National Survey on Drug Use and Health, Substance Abuse and Mental Health Services Administration (July 26, 2016), accessed at https://www.samhsa.gov/data/sites/default/files/report_2404/ShortReport-2404.html.

²⁰ Colorado Department of Public Health and Environment, 2015 Healthy Kids Colorado Survey, "Marijuana Use Among Youth in Colorado," Accessed at https://www.colorado.gov/pacific/sites/default/files/PF_Youth_MJ-Infographic-Digital.pdf

Table II: Perception of Risk and Youth Cannabis Usage Rates in Colorado



Source: National Survey on Drug Use and Health, 2006-08, 2008-10, 2010-12, 2012-14.

Strategies to educate youth and parents on the risks of cannabis use include the following:

CHANGING RISK PERCEPTIONS ABOUT CANNABIS USE	
Strategy	Considerations
Using mass media to increase public concern about use and change perceptions	Must be sufficiently targeted and have high level of reach and frequency; should be reinforced by other strategies ²¹
Using community coalitions to affect positive perceptual changes	Requires well developed coalition and action plan; should have a clear, shared vision of coalition's objective, have committed partnerships and active participation from various community sectors, and utilize a broad menu of prevention strategies ²²
School-based drug education opportunities for students, parents, teachers, and others	Schools should provide information to students, young adults, parents and other caregivers, teachers, and school administrators that is motivating, factual, believable, and does not present only one side (e.g., only the dangers and not potential benefits) ²³
Partnering with cannabis retailers and other cannabis businesses to provide information to deter youth use	Information provided by retailers could target children, young adults, parents, and caregivers to increase awareness of harms associated with youth cannabis use; interior signage or displays, pamphlets, and flyers can be effective means of distributing information

Examples of statewide public information campaigns with respect to cannabis can be viewed here:

- Colorado: <https://www.colorado.gov/pacific/cdphe/news/youth-marijuana-education-campaign>
- Oregon: <http://www.oregon.gov/oha/PH/PREVENTIONWELLNESS/MARIJUANA/Documents/marijuana-mid-campaign-results-2016.pdf>
- Washington: <http://www.doh.wa.gov/Portals/1/Documents/8380/MarijuanaPublicEducationCampaignOverview.pdf>

²¹ Center for the Application of Prevention Technologies (CAPT), “Strategies/Intervention for Reducing Marijuana Use,” accessed at https://www.colorado.gov/pacific/sites/default/files/MJ_RMEP_SAMHSA-Marijuana-Strategies-Interventions.pdf.

²² CAPT, supra.

²³ Oregon Health Authority, “Approach to Youth Marijuana Prevention,” HB 3400 Legislative Report (2017), p. 14.

B. Summary of Relevant State Law Provisions and Potential County Actions

State funding is available for education, prevention, and intervention campaigns, as specified in Proposition 64. However, it is not yet known which specific programs the state intends to fund or to what extent.

CHANGING RISK PERCEPTIONS ABOUT CANNABIS USE		
State Law	Considerations	Potential County Actions
<p>After funding regulatory costs and other programs specified by Proposition 64, 60 percent of remaining cannabis tax revenue (est. \$400-500 million annually) will be deposited into a Youth Education, Prevention, Early Intervention and Treatment Account, to fund grants for outreach and education campaigns, among other things</p> <p>[Rev. & Tax. Code § 34019(f)(1)]</p>	<ul style="list-style-type: none"> • Programs will be implemented by the State Department of Public Health and the State Department of Education • Education campaigns must be multilingual and culturally sensitive 	<ul style="list-style-type: none"> • Prioritize spending local cannabis tax revenue on education and outreach • Implement local education, prevention and intervention programs and campaigns specifically targeting cannabis • Involve schools to disseminate information to parents and kids • Partner with local community groups and community-serving nonprofits to increase campaign reach • Within constitutional limitations, specify by ordinance requirements for cannabis retailers to disseminate educational information to consumers and parents

Discussion Questions for Changing Risk Perceptions

1. What steps can parents and educators take to ensure young people make informed choices about whether to consume cannabis or cannabis products? How can the County support parents and educators in this regard?
2. Should the County prioritize the spending of cannabis tax revenue on education, intervention and prevention messaging? What objectives should the County seek to achieve through such messaging?
3. Are there new or existing models that would be helpful for developing messaging?
4. What special steps could the County take to ensure that messaging is culturally sensitive?
5. What stakeholders should be involved in developing educational tools or media campaigns?
6. How can cannabis businesses help spread the message to people under 21 that using cannabis is associated with certain risks of harm?

VI. SALE OF CANNABIS TO MINORS

A. Summary of the Issue

Despite restrictions of sales of adult-use cannabis to people over the age of 21, sales of cannabis to minors can still occur in at least three ways: in-store purchases, “social” purchases, and illegal sales to minors by unlicensed vendors.

With respect to in-store purchases, there is a risk that retailers will sell cannabis and cannabis products to minors, either intentionally or inadvertently through the absence of proper controls. For example, data from the Washington State Liquor and Cannabis Board shows that approximately 10 percent of cannabis retailers failed compliance checks by selling cannabis or cannabis paraphernalia to a person under the age of 21.²⁴

“Social” purchases typically involve a third-party or “proxy” buyer. Proxy purchases occur when a minor seeks out a specific person, such as a friend or relative, to purchase cannabis on the minor’s behalf, or by waiting outside a store and soliciting incoming shoppers, a method known as “shoulder tapping.” Both methods are well documented in the context of alcohol sales.²⁵

The illegal sale of cannabis to minors by unlicensed vendors includes the resale of homegrown cannabis and sale of diverted or illegally grown cannabis.

A final consideration involves the retail delivery of cannabis, in which a cannabis retailer transports cannabis or cannabis products to a consumer at an offsite location, typically a residence. Because retail transactions occur at an offsite location, regulators may find it more difficult to check compliance.

Some strategies for reducing sales of cannabis to minors include:

- Requiring training and education for cannabis retail employees, particularly those who engage directly with customers (“budtenders”) ²⁶
- Requiring the use of technology that improves the efficacy of age verification processes ²⁷
- Routine enforcement efforts (including “secret shopper” techniques which utilize minors who attempt to buy cannabis as part of a compliance check) and sufficient penalties to deter sales to minors ²⁸

²⁴ Washington State Liquor and Cannabis Board, “Marijuana Dashboard,” accessed at <https://data.lcb.wa.gov/stories/s/WSLCB-Marijuana-Dashboard/hbnp-ia6v/> on July 16, 2017.

²⁵ Steven Davenport, et al. “Controlling Underage Access to Legal Cannabis,” 65 Case Western Reserve L. Rev. 541, 556 (2015), accessed at <http://scholarlycommons.law.case.edu/cgi/viewcontent.cgi?article=1041&context=caselrev>

²⁶ See, e.g., Washington Admin. Code, section 246-70-080 (requiring employee training for cannabis producers, processors and retailers).

²⁷ Baris K. Yoruk, “Can Technology Help to Reduce Underage Drinking? Evidence from the False ID Laws with Scanner Provision,” *Journal of Health Economics*, Vol. 36 (2014), pp. 33-46.

²⁸ U.S. Department of Justice Programs, Office of Juvenile Justice and Delinquency Prevention, “Regulatory Strategies for Preventing Youth Access to Alcohol: Best Practices” (Prepared by Pacific

B. Summary of Relevant State Law Provisions and Potential County Actions

SALE OF CANNABIS TO MINORS		
State Law	Considerations	Potential County Actions
<p>Licensed retailers may not sell cannabis to a person under 21, may not allow persons under 21 on the licensed premises, and may not employ persons under 21</p> <p>[Bus. & Prof. Code § 26140(a)(1)-(3)]</p>		<ul style="list-style-type: none"> • Establish routine inspections to ensure compliance, including for delivery • Establish sufficient penalties, including up to license revocation, to deter the sale of cannabis or cannabis products to minors
<p>Consumers must present a valid, government-issued ID card showing the consumer’s age prior to purchase</p> <p>[Bus. & Prof. Code § 26140(a)(4)]</p>	<p>No particular procedure for verifying age is specified; subsequently developed regulations may clarify requirements</p>	<ul style="list-style-type: none"> • Specify by ordinance mandatory technology and procedures for verifying the identity and age of a person to whom cannabis or cannabis products are sold, including for delivery orders • Establish sufficient penalties, including up to license revocation, to deter the sale of cannabis or cannabis products to minors
<p>Police may use persons under 21 years of age to purchase or attempt to purchase cannabis or cannabis products for the purpose of enforcing age restriction laws</p> <p>[Bus. & Prof. Code § 21640(b)]</p>	<p>No routine compliance checks are specified; subsequently developed regulations may clarify requirements</p>	<ul style="list-style-type: none"> • Establish routine “secret shopper” purchases by minors, including for delivery orders, to ensure compliance • Establish sufficient penalties, including up to license revocation, to deter the sale of cannabis or cannabis products to minors

Institute for Research and Evaluation) (2011), pp. 30-31, accessed at <http://www.pire.org/documents/UDETC/overview-framework/RegStrategiesAccessLaws.pdf>.

Discussion Questions for Sale of Cannabis to Minors

1. What compliance processes should the County implement to verify that retailers do not sell to minors? What fines or penalties should the County impose on retailers that do sell to minors?
2. Are there unique regulations the County should apply to the retail delivery of cannabis to consumers at offsite locations to ensure people under 21 are not able to take delivery of adult-use cannabis products?
3. What steps can the County take to discourage “social” purchases of cannabis?

VII. ACCIDENTAL EXPOSURE TO CANNABIS

A. Summary of the Issue

The increased availability of cannabis to adults could result in increased levels of accidental cannabis consumption, primarily edible cannabis products, by children. In July 2016, *The New York Times* reported a 150 percent increase in accidental ingestion of cannabis products by youth, primarily toddlers, since adult-use products went on the market in Colorado in 2014 (albeit the total number of accidental exposure cases was relatively small).²⁹

Most strategies to prevent the accidental consumption of cannabis by children and adolescents include regulating product packaging and labeling. In 2013, the Pediatric Injury Prevention Education and Research Program at the Colorado School of Public Health and the Children’s Health Advocacy Institute at Children’s Hospital Colorado collaborated to provide the following recommendations to reduce the accidental consumption of cannabis:

- All retail marijuana and marijuana products should leave retail establishments in child-resistant packaging as defined by ASTM International and the federal Poison Prevention Packaging Act of 1970 (PPPA), and should display the label “Keep Away from Children.”
- All child-resistant packaging should be opaque. Cannabis and cannabis products should not be visible when inside child-resistant packaging.
- All child-resistant packaging should be re-closeable, so that products which contain multiple servings can continue to be safely stored after first use.³⁰

²⁹ Jan Hoffman, “Study Finds Sharp Increase in Marijuana Exposure among Colorado Children,” *The New York Times* (July 25, 2016), accessed at <https://www.nytimes.com/2016/07/26/health/marijuana-edibles-are-getting-into-colorado-childrens-hands-study-says.html>.

³⁰ “Preventing Unintentional Ingestion of Marijuana by Children,” pp. 4-5, accessed at <http://www.ucdenver.edu/academics/colleges/PublicHealth/research/ResearchProjects/piper/projects/Documents/HIA%20Final%20Report%208.20.2013.pdf>.

Other strategies could include consumer education programs, particularly for parents, and those who grow cannabis for personal use, about proper storage of cannabis and cannabis products to prevent accidental consumption. Consumers should be reminded to store cannabis and cannabis products as they would prescription medication or toxic substances if children are present in the household.

B. Summary of Relevant State Law Provisions and Potential County Actions

ACCIDENTAL EXPOSURE TO CANNABIS		
State Law	Considerations	Potential County Actions
<p>All cannabis sold at retail must be in a re-sealable, tamper-evident, and child resistant package.</p> <p>[Bus. & Prof. Code § 26120(a)]</p>		<ul style="list-style-type: none"> Establish sufficient penalties for violations, up to and including license revocation
<p>Packages and labels must not be “attractive to children.”</p> <p>[Bus. & Prof. Code § 26120(b)]</p>	<ul style="list-style-type: none"> “Attractive to children” is not defined; subsequently developed regulations may clarify standards Local ordinances establishing labeling rules more restrictive than state law may be difficult to implement and result in unintended market consequences 	<ul style="list-style-type: none"> Adopt an ordinance consistent with state law prohibiting packaging “attractive to children” Establish sufficient penalties for violations, up to and including license revocation
<p>Cannabis or cannabis products purchased by a customer shall not leave a licensed retail premises unless they are placed in an opaque package</p> <p>[Bus. & Prof. Code § 26070.1]</p>	<ul style="list-style-type: none"> Opaque packaging need not be child-resistant Local ordinances establishing labeling rules more restrictive than state law may be difficult to implement and result in unintended market consequences 	<ul style="list-style-type: none"> Adopt an ordinance consistent with state law ensuring exit packaging is both opaque and child resistant Establish sufficient penalties for violations, up to and including license revocation
<p>Edible cannabis products shall not be designed to be appealing to children or easily confused with commercially sold candy or foods that do not contain cannabis</p> <p>[Bus. & Prof. Code § 26130(c)(1)]</p>	<ul style="list-style-type: none"> “Appealing to children” not defined; subsequently developed regulations may clarify phrase Local ordinances establishing rules for edibles more restrictive than state law may be difficult to implement and result in unintended market consequences 	<ul style="list-style-type: none"> Adopt an ordinance consistent with state law prohibiting edibles that are “attractive to children” Establish sufficient penalties for violations, up to and including license revocation

ACCIDENTAL EXPOSURE TO CANNABIS		
State Law	Considerations	Potential County Actions
<p>Cannabis products must bear the following on its label:</p> <p>“GOVERNMENT WARNING: THIS PRODUCT CONTAINS CANNABIS, A SCHEDULE I CONTROLLED SUBSTANCE. KEEP OUT OF REACH OF CHILDREN AND ANIMALS. CANNABIS PRODUCTS MAY ONLY BE POSSESSED OR CONSUMED BY PERSONS 21 YEARS OF AGE OR OLDER UNLESS THE PERSON IS A QUALIFIED PATIENT. THE INTOXICATING EFFECTS OF CANNABIS PRODUCTS MAY BE DELAYED UP TO TWO HOURS. CANNABIS USE WHILE PREGNANT OR BREASTFEEDING MAY BE HARMFUL. CONSUMPTION OF CANNABIS PRODUCTS IMPAIRS YOUR ABILITY TO DRIVE AND OPERATE MACHINERY. PLEASE USE EXTREME CAUTION.”</p> <p>[Bus. & Prof. Code § 26120(c)(1)(B)]</p>	<ul style="list-style-type: none"> • Reminds parents and caregivers to store cannabis products properly • Will not be effective to prevent children with no or limited literacy, or who speak and read exclusively in languages other than English, from consuming cannabis products • Local ordinances establishing warning label requirements different than those required under state law may be difficult to implement and may result in unintended market consequences 	<ul style="list-style-type: none"> • Education campaigns can complement and reinforce labeling

Discussion Questions for Accidental Exposure to Cannabis

1. Does state law provide sufficient protections against accidental cannabis consumption by children with respect to packaging and labeling of cannabis and cannabis products? If not, how could the County supplement state law at the local level?
2. What potential problems could be associated with the County implementing packaging and labeling requirements that are more restrictive than state law? How could those problems be dealt with or minimized?

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APPENDIX C

**Los Angeles County
Advisory Working Group
on Cannabis Regulation**

Meeting Three:
**PUBLIC HEALTH AND SAFETY AND
CANNABIS CULTIVATION FOR
PERSONAL USE**

JULY 27, 2017

PREPARATION PACKET

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SECTION 1:

Public Health and Safety

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I. CANNABIS AS A CASH BUSINESS

A. Issue background

In a guidance document dubbed the “Cole Memorandum,” the U.S. Department of Justice identified eight priority areas that a local cannabis regulatory program must address to mitigate safety concerns and other potential impacts from cannabis legalization. Six of the eight priority areas deal specifically with public safety and crime:

- Preventing revenue from the sale of cannabis from going to criminal enterprises, gangs, and cartels;
- Preventing the diversion of cannabis from states where it is legal under state law to states where cannabis is illegal;
- Preventing state-authorized cannabis activity from being used as a cover or pretext for the trafficking of other illegal drugs or other illegal activity;
- Preventing violence and the use of firearms in the cultivation and distribution of cannabis;
- Preventing drugged driving and the exacerbation of other adverse public health consequences associated with cannabis use; and
- Preventing the growing of cannabis on public lands.

However, because the federal government continues to classify cannabis as a Schedule I controlled substance, efforts at the state and local level to regulate businesses to ensure health and safety are often more complicated and difficult to implement than for products that are not illegal under federal law.¹

In addition, because banks and credit unions are subject to a high degree of scrutiny by federal regulators, and rely on federal deposit insurance, as well as using Federal Reserve systems to process transactions, many financial institutions are unwilling to provide services to cannabis businesses.²

For this reason, licensed cannabis businesses face difficulties opening bank accounts and accepting credit card transactions. As a result, a large portion of cannabis-related

transactions take place in cash. This includes business-to-business and retail transactions, as well as payments to employees, vendors, insurance companies, and landlords. Many cannabis business owners even pay their taxes in cash.

The proliferation of cash in cannabis businesses has multiple implications, including:

- *Safety*: Having to store and transport large amounts of cash makes cannabis businesses targets for violent crimes;
- *Other illegal activity*: Inability to bank creates opportunities for money laundering and using cannabis businesses as a front for other illegal activity;
- *Logistics*: Cannabis businesses paying taxes, rent, employee wages, and other costs with cash presents a major inconvenience for all parties; and
- *Increased risks of unreported activity*: Cash transactions are more likely to go unreported to authorities, increasing the risk of tax evasion, wage theft, and other crimes.³

B. Guidance from the Federal Crimes Enforcement Network (FinCEN)

In 2014, the Financial Crimes Enforcement Network (FinCEN), part of the U.S. Treasury Department, released guidelines for financial institutions that wish to serve the cannabis industry. The guidelines require banks to monitor cannabis businesses they serve to ensure that they do not engage in any of the illegal activities outlined in the Cole Memorandum.

The continuous obligation to monitor and review a cannabis-related businesses' activities is onerous and requires financial institutions to examine their account-holders' business dealings in ways that go beyond what is ordinarily required. According to a report by the *Los Angeles Times*, as of March 2017, FinCEN reported that 368 banks and credit unions were serving the cannabis industry, a fraction of the nearly 12,000 banks and credit unions nationwide.⁴ Moreover, the few institutions that do service the cannabis industry typically charge fees in the range of several thousand dollars per month to recoup the costs of complying with the FinCEN guidelines.^{5 6}

C. Cannabis banking under California law

Proposition 64 does not directly address the use of cash in cannabis business or the general lack of participation in the cannabis industry by financial institutions. However, the Medical and Adult-Use Cannabis Regulation and Safety Act (MAUCRA), which was adopted by the Legislature and signed into law in June 2017, indirectly addressed the issue by requiring state agencies to be prepared no later than January 1, 2018, to collect cannabis tax and fee payments in cash.⁷

D. No “silver bullet” to solving the cash problem in commercial cannabis

Short of the rescheduling or de-scheduling of cannabis under federal law, there does not appear to be a straightforward solution to solving the cash problem for commercial cannabis businesses.

In Colorado, a credit union was formed in 2014 for the specific purpose of providing banking services to the cannabis industry. The credit union was awarded a state charter, however the Federal Reserve Bank subsequently refused to issue a master account to the credit union, an essential element needed to process financial transactions.⁸ In Washington, the State Liquor Control Board issued a letter to financial institutions serving the cannabis industry, describing informational resources available for institutions seeking to comply with the FinCEN guidelines.⁹ However, in these states and others that have legalized adult-use cannabis, no “silver bullet” solution has yet emerged.

To explore various approaches in California, State Treasurer John Chiang has convened a Cannabis Banking Working Group (CBWG), made up of representatives from law enforcement, regulators, banks, taxing authorities, local government and the cannabis industry. The CBWG has held several public hearing events but has not yet offered any recommendations.¹⁰

E. Summary of relevant state law provisions and potential County actions

Cannabis as a Cash Business		
State Law	Considerations	Potential County Actions
<p>No later than January 1, 2018, the Secretary of Business, Consumer Services, and Housing or his or her designee shall initiate work with the Legislature, the Department of Consumer Affairs, the Department of Food and Agriculture, the State Department of Public Health, and any other related departments to ensure that there is a safe and viable way to collect cash payments for taxes and fees related to the regulation of cannabis activity throughout the state.</p> <p>[Bus. and Prof. Code §26180.5]</p>	<ul style="list-style-type: none"> State law addresses only one of many logistical issues related to the use of cash by cannabis businesses 	<ul style="list-style-type: none"> Ensure that County departments dealing with cannabis businesses are able to accept cash payments for taxes and fees Implement appropriate security protocols at County Treasurer and Tax Collector offices to ensure safety of employees and customers Work with the California Treasurer to develop solutions that minimize the use of cash by cannabis businesses Explore third-party services that could minimize the risks associated with the use of cash by cannabis businesses

Discussion Questions for Cannabis as a Cash Business

1. Are there solutions, products, or services that can be implemented at the local level to reduce the use of cash by cannabis businesses?
2. What steps can the County take to ensure it is ready to accept and process large amounts of cash from cannabis businesses operating within the County?
3. What can the County do to minimize safety risks to customers and employees at County facilities where tax payments are processed?

II. CRIME

A. Issue background

For many, cannabis legalization brings with it worries that violent and property crime will increase. Some are concerned businesses will be the targets of violent crime, creating dangerous and destabilizing conditions in communities. Others fear businesses will attract persons more likely to commit crimes in their neighborhoods, including vandalism, theft, robberies, burglaries and other violent crime. Still others are concerned that the psychological effects of cannabis use will lead to criminal behavior. Whether these threats are real or perceived, regulators must ensure that cannabis businesses do not become crime magnets or contribute to blight and instability in local communities.

B. Effect of Cannabis Legalization on Crime Rates

1. Federal government data and law enforcement perspective

U.S. Attorney General Jeff Sessions has stated he believes cannabis legalization is associated with increases in violent crime.¹¹ The U.S. Department of Justice is currently considering the scope and extent of the connection between cannabis and violent crime, and recommendations are expected soon about ways to deal with any such connection.¹²

Colorado legalized adult-use cannabis in 2012 and the first adult-use cannabis stores opened in 2014. According to the Rocky Mountain High Intensity Drug Trafficking Area Task Force (HIDTA), crime increased in the state of Colorado and the city of Denver in particular from 2013 to 2015, including a 6.2 percent increase in property crime and a 6.7 percent increase in violent crime from 2014 to 2015.¹³ HIDTA also notes increases over 300 percent in citations given in Denver for unlawful public consumption of cannabis from 2013 to 2015.¹⁴ HIDTA also cites anecdotal accounts of violent crimes associated with cannabis.¹⁵

Although these HIDTA statistics are sometimes cited as evidence of the impacts of cannabis legalization,¹⁶ the HIDTA report acknowledges that the crime statistics it provides are not intended to demonstrate a causal connection between the crime data provided and the legalization of cannabis.¹⁷ In addition, HIDTA measured the total number of crimes in a single year increment, from 2014 to 2015, but did not take into account overall crime rates (crimes committed per person) in Colorado and Denver.

2. *Other research on cannabis legalization and crime*

Available data tends to show that cannabis legalization has had little effect on overall crime rates.¹⁸ In a comprehensive study on the impacts of cannabis legalization, the Cato Institute analyzed crime data from Denver, Seattle, and Portland prior to and after cannabis legalization, and concluded no discernable changes in crime trends after cannabis legalization.¹⁹

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With respect to crime that occurs at cannabis businesses, the State of Colorado reports that such crime is difficult to measure due to a lack of comprehensive reporting statistics.²⁰ Citing statistics from Denver, however, Colorado reported that “the total number of industry-related crimes has remained stable and makes up a very small portion of overall crime in Denver,” with the most common industry-related crime being burglary (entry onto property with the intent to steal or commit another crime), which accounted for 62 percent (114 total incidents) of all cannabis industry-related crime in Denver in 2015.²¹ Robbery (taking money or property from a person by threat or force), on the other hand, represented less than 3 percent (5 total incidents) of cannabis industry-related crime in Denver in 2015.²²

Recent studies have also attempted to connect the presence of cannabis businesses with crime incidence at the neighborhood level. A 2017 study published in the *Journal of Urban Economics* concludes that the temporary closure of some dispensaries by the City of Los Angeles in 2010 resulted in an immediate increase in certain crimes around the dispensaries relative to dispensaries allowed to remain open.²³ However, the study emphasizes that similar increases in crime are present when restaurants are ordered temporarily closed due to health violations and attributes localized increases in crime to the “eyes on the street” phenomenon, which holds that open businesses and the presence of employees and customers operate as informal security.²⁴

On the other hand, a 2017 study published in *The Journal of Primary Prevention* concluded that the presence of cannabis retailers was related to higher rates of property crime in “spatially adjacent areas,” which include neighborhoods around those where

cannabis retailers operated. No such association was found for violent crime.²⁵ The study concluded that the effects of cannabis businesses on property crime may not necessarily be felt within the blocks around which cannabis retailers are located, but are occurring in adjacent areas.²⁶

3. *Anecdotal accounts of violent crime*

While research suggests that violent crime associated with cannabis retailers may be limited, violent crimes related to the cannabis industry are widely reported and may affect perceptions about the public safety.²⁷

C. *Diversion of cannabis to places where it remains illegal*

Another chief concern, for regulators in states where cannabis is legal, is preventing the diversion of cannabis and cannabis products to other states and countries where it remains illegal. Product diversion provides an opportunity for criminal organizations and gangs to continue to profit from cannabis despite its legalization in California. In fact, according to California's official estimates, 11 million pounds of cannabis were illegally exported from California to other states in 2016, representing over 80 percent of the total amount of cannabis grown in California. Using the state's "conservative" assumption of a wholesale value of \$1,500 per pound, this equates to \$16.5 billion of inter-state gray market activity.²⁸

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Product diversion is also a source of friction between neighboring jurisdictions. For example, Nebraska and Oklahoma have attempted to sue Colorado to stop diversion of cannabis into their states.²⁹

In part to address the issue of diversion, California law requires the California Department of Food and Agriculture (CDFA) to establish a "track and trace" program that uses unique identifiers to track the movement of cannabis and cannabis products throughout the supply chain, from cultivation to sale.³⁰

The purposes of the track and trace program include the following:

- Preventing diversion (legally grown cannabis sold through illegal channels or exported to other states);
- Preventing inversion (illegally grown cannabis sold through legal channels);

- Ensuring that all cannabis being sold commercially has been lab tested, as required by state law; and
- Ensuring that all taxes have been paid, as required by state law.

State law also authorizes cities and counties to administer local track and trace programs, however this would supplement rather than replace the state’s program.³¹

D. State funding to address crime related to cannabis businesses

Proposition 64 established a Local Government Law Enforcement Account to provide, in part, grants to local governments to assist with law enforcement, fire protection, or other local programs addressing public health and safety associated with the implementation of Proposition 64.³² The total amount of cannabis tax revenue that will be deposited in the Local Government Law Enforcement Account is unknown at this time.³³ Local governments that have banned personal cannabis cultivation or some commercial cannabis activities, including retail sales, are disqualified from receiving grants.³⁴

E. Summary of relevant state law provisions and potential County actions

Crime		
State Law	Considerations	Potential County Actions
<p>CDFA shall establish a track and trace program for reporting the movement of cannabis and cannabis products throughout the distribution chain that utilizes a unique identifier, secure packaging, and is capable of capturing key details about the product’s origination, distribution, and disposition.</p> <p>[Bus. and Prof. Code § 26067]</p>	<ul style="list-style-type: none"> • Local governments may not be able to access information from the state track and trace system for some time after initial rollout • Local government track and trace programs may be timely and costly to implement and may quickly become obsolete if the state track and trace program expands to allow communication with local programs 	<ul style="list-style-type: none"> • Establish a countywide track and trace program to monitor products originating in or entering the distribution chain in Los Angeles County • Work closely with state entities to establish local track and trace requirements that meet or exceed state requirements • Work with cities within Los Angeles County to establish best practices for local track and trace monitoring
<p>CDFA may enter into a cooperative agreement with a county agricultural commissioner to assist the department in implementing track and trace and other requirements.</p> <p>[Bus. & Prof. Code § 26069.1]</p>	<ul style="list-style-type: none"> • State may delegate track and trace duties to the County agricultural commissioner • May result in operational difficulties if local access to the state track and trace system is limited • Agreement must fully compensate County for duties performed on behalf of the state 	<ul style="list-style-type: none"> • Consider cooperative agreements with CDFA to implement track and trace programs for businesses operating in the County

Crime		
State Law	Considerations	Potential County Actions
<p>The Bureau of Cannabis Control (Bureau) within the California Department of Consumer Affairs shall establish minimum security and transportation safety requirements for the commercial distribution and delivery of cannabis and cannabis products.</p> <p>[Bus. & Prof. Code § 26070(b)]</p>	<ul style="list-style-type: none"> The Bureau is expected to issue regulations in August 2017 detailing security requirements 	<ul style="list-style-type: none"> Consider state minimum security requirements and establish more stringent requirements as necessary
<p>Cannabis tax revenue shall be provided to the Board of State and Community Corrections for making grants to local governments to assist with law enforcement, fire protection, or other local programs addressing public health and safety associated with the implementation of the Control, Regulate and Tax Adult Use of Marijuana Act.</p> <p>[Rev. & Tax. Code § 34019(f)(3)]</p>	<ul style="list-style-type: none"> Counties and cities that ban personal cannabis cultivation and some types of commercial cannabis activity, including retail sales, are prohibited from receiving grants Total amount of available grants is uncertain No guarantee of funding to any one city or county 	<ul style="list-style-type: none"> Consider prioritizing spending of any local tax on law enforcement activity necessary to prevent increases in crime associated with cannabis businesses Ensure robust data collection at the County level to track and appropriately respond to crime statistics affected by cannabis legalization

Discussion Questions for Crime Associated with Cannabis Legalization

- Do you agree that cannabis legalization has the potential to increase crime at cannabis retailers and in adjacent neighborhoods? Why or why not? If so, what steps should the County take to ensure crime does not occur in and around dispensaries? If not, what steps should the County take to address perceptions that cannabis businesses increase crime?
- What security protocols should the County require to minimize the risk of crime occurring on the site of a cannabis business?
- What steps can cannabis retailers and other businesses take to reduce the risk that they will be victims of burglary, theft, or violent crime?

III. DRIVING UNDER THE INFLUENCE OF CANNABIS

A. Issue background

Use of illicit drugs or misuse of prescription drugs can make driving unsafe in the much the same way as alcohol. Driving under the influence of drugs (DUID) puts the driver, passengers, and others who share the road at risk.

After alcohol, cannabis is the drug most often found in the blood of drivers involved in crashes. But the role that cannabis plays in crashes is often unclear. Cannabis levels can be detected in a person's blood for days or even weeks after use. Cannabis is sometimes used in conjunction with alcohol and other drugs, which can make it difficult to determine whether cannabis played a role in a fatal car crash and to what extent.

Additionally, standards, data, and enforcement concerning DUIDs are more complicated than those for driving with alcohol intoxication, and juries are less likely to convict in DUID cases because of complicated enforcement issues.

Each of the above factors concerns regulators and law enforcement officials as cannabis legalization takes place in California.

B. How driving under the influence of alcohol differs from driving under the influence of cannabis

Because of the distinct ways that alcohol and cannabis work within the body to create intoxication, strategies to prevent driving under the influence of alcohol do not necessarily work for cannabis.

In California, the blood alcohol concentration limit is 0.08 percent.³⁵ This serves as a “per se” limit, meaning that if the driver is found to be over that limit, they are guilty of driving under the influence of alcohol. Blood-alcohol concentrations can easily be verified through blood, urine, or breath tests and are highly correlative with a person's level of intoxication.³⁶

On the other hand, no “per se” blood limits or “cannabis breathalyzer” or other tools are universally accepted to for DUIDs, and California has not established any “per se” standards similar to a blood-alcohol concentration for establishing when a driver who has consumed cannabis is too impaired to drive. Instead, law enforcement agencies in California rely on specially-trained officers, known as drug recognition experts (DREs), to perform field tests to determine whether a person is under the influence of cannabis or other drugs. With cannabis legalization, the need for DREs is likely to increase.³⁷ Even with evidence of cannabis intoxication provided by a DRE, however, many juries are unwilling to convict a person for driving under the influence of drugs due to the lack of an established standard for DUIDs similar to that in alcohol cases.³⁸

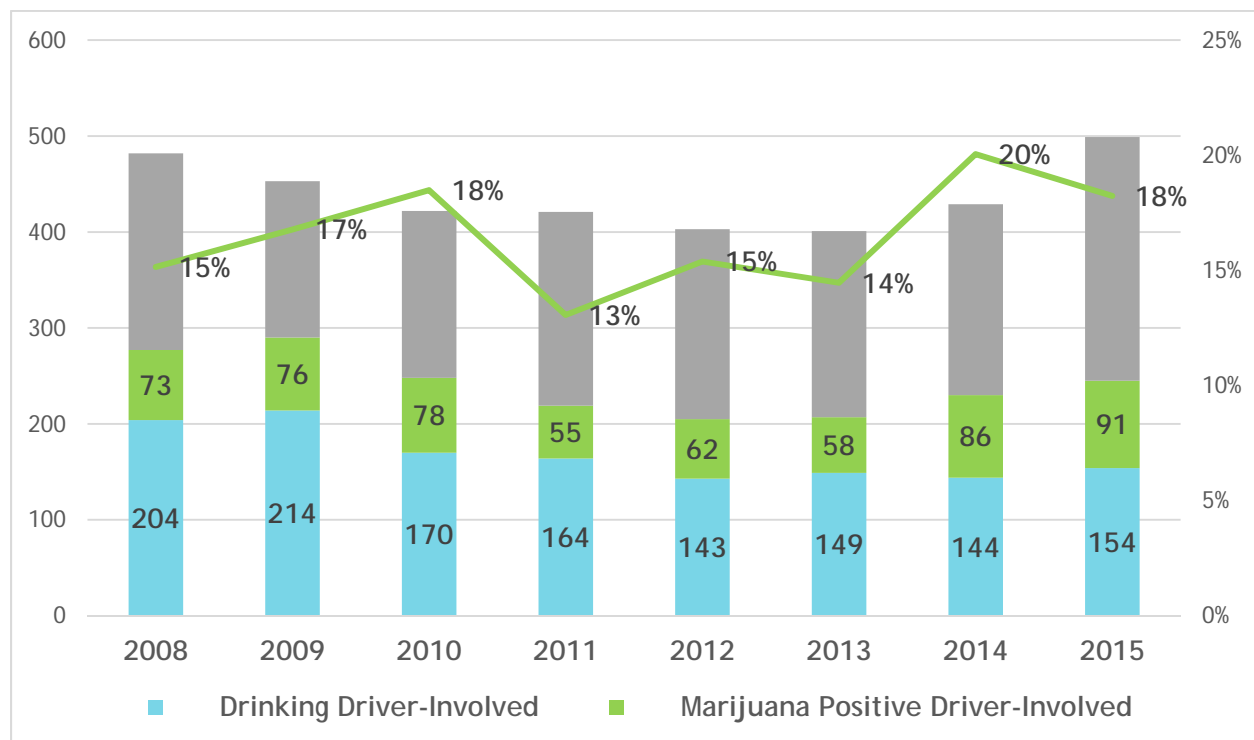
C. DUID data

Data for DUIDs is layered with complexities and nuances, making it difficult to draw conclusions. Newly legalized states implemented new DUID laws and added resources for enforcement simultaneously with implementing legalized cannabis. Since there are new laws and increased enforcement, it is generally not advisable to compare post legalization data with pre-legalization data.

Several recent studies have reached different conclusions on the effects that cannabis legalization has had on traffic accidents and fatalities. One such study by the Insurance Institute for Highway Safety found that the frequency of collision claims in states that had legalized cannabis was about three percent higher than would have been anticipated without legalization.³⁹ Another study published in the *American Journal of Public Health* found no increase in vehicle crash fatalities in Colorado and Washington, relative to similar states after legalization. A third study, also recently published in the *American Journal of Public Health*, found that traffic fatality rates *decreased* in states that legalized medical cannabis.⁴⁰

Table I below shows DUID data from Washington state, both before and after the legalization of adult-use cannabis. The number of drivers involved in fatal crashes who tested positive for THC increased from 58 in 2013 to 91 in 2015, a 57 percent increase.⁴¹ It is important to note that the data alone is not demonstrative of a causal connection between traffic accidents and the presence of THC in a person’s blood. Nonetheless, the statistic is concerning and should be closely monitored in all states where cannabis is legal in some form.

Table I: Fatal Crashes in Washington State, 2008-2015



SOURCE: Washington Traffic Safety Commission, Fatal and Serious Injury Data, accessed at <http://wtsc.wa.gov/research-data/quarterly-target-zero-data/>

D. Summary of relevant state law provisions and potential County actions

Driving Under the Influence of Cannabis		
State Law	Considerations	Potential County Actions
<p>A person may not possess an open container or open package of cannabis or cannabis products while driving; may not smoke or ingest cannabis or cannabis products while driving; may not smoke or ingest cannabis or cannabis products while riding in the passenger seat or compartment of a motor vehicle.</p> <p>[Health & Safety Code § 11362.3]</p>	<ul style="list-style-type: none"> No standard for cannabis impairment is identified 	<ul style="list-style-type: none"> Ensure adequate number and availability of DREs to investigate and prosecute DUID cases Partner with cannabis retailers to deliver information to consumers about the dangers of driving under the influence of cannabis
<p>\$3 million in cannabis tax revenue shall be distributed annually to the Department of the California Highway Patrol beginning with the 2018–19 fiscal year until the 2022–23 fiscal year to establish and adopt protocols to determine whether a driver is operating a vehicle while impaired, including impairment by the use of cannabis or cannabis products, and to establish and adopt protocols setting forth best practices to assist law enforcement agencies.</p> <p>[Rev. & Tax. Code § 34019(c)]</p>	<ul style="list-style-type: none"> Unclear when standards or policy recommendations will be available 	
<p>Cannabis tax revenue will be placed in a State and Local Government Law Enforcement Account (est. \$100-200 million annually) to be disbursed by CHP to fund education, prevention, and enforcement of laws related to impaired driving.</p> <p>[Rev. & Tax. Code § 34019(f)(3)(A)]</p>	<ul style="list-style-type: none"> Local governments that ban personal cultivation or commercial cultivation or retail operations are ineligible to receive grants 	<ul style="list-style-type: none"> Apply for any available grant funding to support highway safety enforcement Initiate DUID education programs to highlight the dangers of driving under the influence of cannabis
<p>The Department of Motor Vehicles shall establish an impaired driving task force to develop recommendations for best practices, protocols, proposed legislation, and other policies that will address the issue of impaired driving, including driving under the influence of cannabis and controlled substances. The task force shall also examine the use of technology, including field testing technologies and validated field sobriety tests, to identify drivers under the influence of prescription drugs, cannabis, and controlled substances.</p> <p>[Veh. Code § 2429.7]</p>	<ul style="list-style-type: none"> Recommendations are not required until January 1, 2021 	<ul style="list-style-type: none"> Seek to participate as appropriate on the state task force to provide expertise and local County perspective

Discussion Questions for DUIs

1. What steps should the County take to ensure it is ready and able to investigate and prosecute laws preventing driving under the influence of cannabis? Do you have any concerns about the prosecution of cannabis DUIs?
2. What types of education campaigns could the County implement that would be effective to deter driving under the influence of cannabis? What groups should those campaigns target?
3. How can retailers help consumers understand the risks associated with driving under the influence of cannabis?

IV. OVERCONSUMPTION

A. Issue background

The effects of consuming cannabis vary from person to person, and are dependent on the type and amount consumed, as well as the method of consumption.⁴² In addition, the potency of dried cannabis flower has increased,⁴³ as has the popularity of edible cannabis products.⁴⁴ While no reported case of a fatal overdose has occurred,⁴⁵ hospitalizations and calls to poison control are not uncommon and have increased with adult-use legalization,⁴⁶ and some reports of acute mental disturbances resulting in injury or suicide have been reported.⁴⁷

As adult-use cannabis becomes legal in California, regulators must pay close attention to the ways in which cannabis and cannabis products are being consumed and track hospital admissions and poison control calls on an ongoing basis to determine the effect of legalization on those who consume cannabis.

B. California law labeling and dosing of cannabis products

Appropriate labeling and dosing practices for cannabis and cannabis products could help reduce the chances that a person will consume too much cannabis.

California law currently requires that labels include:

- the amount of THC in milligrams per servings,
- servings per package, and
- the amount of THC in milligrams for the total package.⁴⁸

Edible cannabis products must be:

- Produced and sold in concentrations not exceeding 10 milligrams of THC per serving;
- Delineated or scored into standardized serving sizes if the cannabis product contains more than one serving and is in solid form;

- Homogenized to ensure uniform disbursement of THC throughout the product; and
- Provided to customers with sufficient information to enable the informed consumption of the product, including the potential effects of the cannabis product and directions as to how to consume the cannabis product.⁴⁹

C. Summary of relevant state law provisions and potential County actions

Overconsumption		
State Law	Considerations	Potential County Actions
<p>Labels for cannabis and cannabis products must include the amount of THC in milligrams per servings, servings per package, and the amount of THC in milligrams for the total package.</p> <p>[Bus. and Prof. Code § 26120(c)(5)]</p> <p>Edible cannabis products must be:</p> <ul style="list-style-type: none"> • Produced and sold in concentrations not exceeding 10 milligrams of THC per serving • Delineated or scored into standardized serving sizes if the cannabis product contains more than one serving and is in solid form • Homogenized to ensure uniform disbursement of THC throughout the product • Provided to customers with sufficient information to enable the informed consumption of the product, including the potential effects of the cannabis product and directions as to how to consume the cannabis product <p>[Bus. & Prof. Code § 26130(c)(2)-(4), (6)]</p>	<ul style="list-style-type: none"> • Local regulations applying stricter regulations to product manufacturing and labeling may be difficult to enforce, as products are expected to be distributed throughout the state and in cities within the County which may have different rules than the County 	<ul style="list-style-type: none"> • Implement education programs to alert consumers about the risks of overconsumption • Provide information to tourists and new cannabis users about regulating cannabis intake • Partner with cannabis retailers to spread message about the risks of overconsumption • Work with emergency response teams, hospitals, and poison control centers to track calls for service and hospitalizations associated with cannabis overconsumption or injury

Discussion Questions for Overconsumption

1. Are there any labeling and/or manufacturing requirements that the County could implement locally that would not disincentivize the production or sale of cannabis and cannabis products within the County?
2. What types of education campaigns could the County implement that would be effective to reduce overconsumption? What groups should those campaigns target?
3. How can retailers help consumers understand the risks associated with the overconsumption of cannabis?

V. THE ROLE OF EDUCATION FOR CANNABIS CONSUMERS

Colorado and Oregon have initiated branded and widely distributed consumer education campaigns in an effort to inform consumers about the state of cannabis laws in their respective jurisdictions, and to reduce DUIs and cannabis overconsumption, among other objectives. Figure I below demonstrates some of the ways each state attempts to reach consumers. Similar public education campaigns may be necessary in California by state agencies. Local governments can also participate in education efforts or brand their own campaigns to reach their constituents. Careful attention to culturally competent and multilingual messaging is necessary to ensure the broadest possible reach of any education campaign.

Figure I: Examples of cannabis messaging and consumer education campaigns in Colorado and Oregon

GOOD TO KNOW

MARIJUANA IN COLORADO

LIKE CLIMBING A 14ER, IT'S GOOD TO KNOW WHAT YOU'RE GETTING INTO.

LEARN THE LAWS

YOU HAVE TO BE 21
You must be 21 or older to purchase, possess or use retail marijuana. Adults 21+ can buy and possess up to 1 oz of retail marijuana at a time.

ONLY USE ON PRIVATE PROPERTY
It's illegal to use marijuana in public places, like bars, parks, campsites, sidewalks and all federal land, including national parks.

DRIVE HIGH, GET A DUI
It's illegal to open and use marijuana in a car. Wait at least six hours before driving if you're smoking and eight if you're ingesting.

THE UNIVERSAL SYMBOL
You'll know if the product you're consuming contains THC if you see this symbol on the packaging or on the product itself.

BE CAREFUL WHEN CONSUMING

CONSUMPTION 101
What's enough for one person may be too much for another. A single serving for edibles is 10 mg THC, so start with a low dose and wait four hours before taking more. Also, avoid mixing marijuana with alcohol or medication because the effects can be dangerous and unpredictable.

BE COURTEOUS WITH SECONDHAND SMOKE
Marijuana has many of the same cancer-causing chemicals as tobacco smoke, so be considerate and don't smoke around children, pregnant women or anyone who doesn't want to be exposed.

KNOW THE HEALTH EFFECTS
People who smoke marijuana daily or near daily may have a cough, bronchitis, mucus or wheezing. Heavy use of marijuana can damage your memory, which can last a week or more after the last time you used.

TIPS FOR TOURISTS

KNOW WHERE TO USE
Be sure to check the rules where you're staying. Hotels, rental car companies and other property owners can ban the use and possession of marijuana on their property.

DISPOSE OF IT SAFELY
Trash leftover marijuana in a secured container and out of sight, like in a large dumpster. Don't leave your extras in hotel rooms or rental cars.

KEEP IT IN COLORADO
It's illegal to have marijuana at Denver International Airport, and since you can't take it out of state, dispose of it safely when you leave.

If you feel like you may have used too much, call the poison control hotline at 1-800-222-1222. Learn about marijuana laws and health effects at GoodToKnowColorado.com.

Source: "Good to Know Colorado" (www.goodtoknowcolorado.com)



Source: Colorado Department of Transportation

Educate Before You Recreate

In Oregon, it's legal for adults 21 and older to purchase, possess and use recreational marijuana... but there are limits.

<h1 style="font-size: 48px; margin: 0;">21+</h1> <p>You can possess, use and buy recreational marijuana if you are 21 and older. If you are younger, it's illegal.</p>	 <p>OLCC-licensed retail stores may sell marijuana to recreational users or OMMP patients. You may also grow your own or receive it as a gift.</p>	 <p>There are limits to how much recreational marijuana you may possess, both in public or in private.</p>
 <p>Gifting and giveaways by individuals is allowed, but may not include any financial consideration.</p>	 <p>WHAT'S LEGAL? Educate Before You Recreate</p> <p>WHATSLEGALEOREGON.COM</p>	 <p>Driving under the influence of marijuana remains illegal. Please be responsible.</p>
 <p>Adults 21 and older can use recreational marijuana at home or on private property. You can't use recreational marijuana in public places.</p>	 <p>You cannot take marijuana in or out of the state, even to other states where it is legal.</p>	 <p>Oregon is committed to creating a well-regulated industry, and to preventing underage marijuana use.</p>

Source: "What's Legal Oregon" (www.whatslegaloregon.com)

Discussion Questions for Consumer Education

1. What aspects of Colorado's and Oregon's branded consumer education campaigns do you think are effective? How can the County use those ideas to create its own messaging and education campaigns?
2. What suggestions would you have to ensure that education and messaging are culturally sensitive and reach diverse communities within the County?
3. What specific messages to consumers would like the County to prioritize?

SECTION 2:

Cannabis Cultivation for Personal Use

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I. PERSONAL-USE CANNABIS CULTIVATION UNDER CALIFORNIA LAW

A. Personal medical-use cultivation

Cultivation for personal medical use has been permitted in California since voters approved Proposition 215 in 1996. Medical cannabis can be grown by “qualified patients,” or by “primary caregivers” on behalf of “qualified patients.”⁵⁰ A “qualified patient” is a person with a serious medical condition who has received a valid doctor’s recommendation to use cannabis as treatment for the medical condition.⁵¹ A “primary caregiver” is a person who is designated by a qualified patient and who assumes responsibility for the patient’s housing, health, or safety.⁵²

State law establishes the following limitations on personal medical-use cultivation:

- Each qualified patient may grow up to six mature or twelve immature plants.
- A primary caregiver may grow up to six mature or twelve immature plants per qualified patient, for up to five patients.⁵³

Counties and cities can restrict or outright prohibit cannabis cultivation for personal medical use.⁵⁴

B. Adult-use cannabis cultivation

As of November 2016, when California voters approved Proposition 64, cannabis cultivation for personal use by adults age 21 and over is legal under California law. State law establishes the following limitations on cannabis cultivation for personal medical use:

- Adults 21 years of age and older may grow up to six plants per residence (not per person).
- Plants can be grown indoors or outdoors, provided they are in a locked space and are not visible from a public place.
- Harvested cannabis must be kept in a secured area out of the public view.⁵⁵

Unlike with personal medical cultivation, Proposition 64 limits the ability of counties and

cities to restrict cannabis cultivation for personal use by adults.⁵⁶

Counties and cities can ban outdoor personal cultivation but not indoor personal cultivation, and counties and cities that ban outdoor personal cultivation are disqualified from receiving state grants to assist with law enforcement, fire protection, and other local programs related to the implementation of cannabis regulations.⁵⁷

Additionally, local regulations for personal cannabis cultivation adopted by counties and cities must be “reasonable.”⁵⁸ State law does not define when a regulation is “reasonable” as it relates to personal cannabis cultivation.

II. CONCERNS ASSOCIATED WITH PERSONAL CANNABIS CULTIVATION

Personal cannabis cultivation presents some challenges for regulators that could warrant the adoption of “reasonable regulations.” These challenges include:

- Potential access of cannabis by children and young people;
- The potential for friction between neighbors if disagreements about cannabis cultivation arise;
- Crime associated with the theft of cannabis cultivated for personal use;
- Sale of cannabis cultivated for personal use through unlicensed channels; and
- Air quality issues, mold, and fire hazards associated with the cultivation of cannabis indoors.

III. SUMMARY OF COUNTY RULES REGARDING PERSONAL CULTIVATION

In June 2017, the County adopted rules for personal cultivation. The County rules are the same for medical and personal cultivation, and establish a limit of six plants per residence or “dwelling unit,” as defined in the County’s zoning code.

The County’s personal cultivation rules are summarized in the chart below and explained in additional detail on the County Department of Regional Planning’s website.⁵⁹

Personal Cultivation	
Residence Type	County Rules
Single-family residences not located within 600 feet of a school (K-12), park, library, day care (including preschools), or youth center (such as youth clubs and video arcades)	<ul style="list-style-type: none"> • Maximum six plants per residence • Plants must not be visible from a public road, private drive, or fire lane • Cultivation may be indoors or outdoors • Outdoor cultivation must be enclosed within a six-foot-high wood fence or masonry wall; plants cannot be taller than the fence or wall • Plants grown outdoors must be 10 feet or farther from all lot lines

Personal Cultivation	
Residence Type	County Rules
<ul style="list-style-type: none"> • Single-family residences located within 600 feet of a school, park, library, day care, or youth center • Multi-family residences and attached condominiums 	<ul style="list-style-type: none"> • Maximum six plants per residence • Cultivation must be indoors • Plants must not be visible from a public road, private drive, or fire lane

Discussion Questions for Personal Cultivation

1. Do the County's personal cultivation rules appropriately balance the concerns identified above with personal cultivation? If not, what would you change and why?
2. Do you agree that outdoor personal cultivation should be prohibited near schools, parks, libraries, day cares, and youth centers? Should outdoor personal cultivation be prohibited near other places?
3. Are you concerned that regulations for personal cultivation might make it harder for a medical cannabis patient to grow cannabis to treat a serious illness, such as cancer?

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¹ For a more detailed discussion of the “Cole Memorandum” and the status of cannabis under federal law, refer to the Los Angeles County Advisory Working Group on Cannabis Regulation’s Week One Preparation Packet (Kickoff and Orientation), Section 3: Federal, State, and Local Law Concerning Cannabis, pages 15-17, available at <http://ceo.lacounty.gov/pdf/Advisory%20Working%20Group%20-%20Week%20One%20FINAL.pdf>.

² California State Treasurer John Chiang, “Cannabis Banking Work Group,” accessed at: <http://treasurer.ca.gov/cbwg/index.asp>.

³ California State Treasurer John Chiang, “Fact Sheet: Banking the Cannabis Industry,” accessed at <http://treasurer.ca.gov/cbwg/resources/factsheet.pdf>.

⁴ James Rufus Koren, “Why some pot businesses hide their cash — and others truck it straight to a federal vault,” *Los Angeles Times* (July 7, 2017). Accessed at: <http://www.latimes.com/business/la-fi-cannabis-banking-20170707-story.html>

⁵ James Rufus Koren, “Why some pot businesses hide their cash — and others truck it straight to a federal vault,” *supra*.

⁶ Fees associated with cannabis banking and a lack of access to capital and startup loans tend to impact small and minority-owned businesses more than other businesses. This issue will be taken up in the week seven preparation packet on equity and economic development.

⁷ Cal. Bus. & Prof. Code § 26180.5.

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¹⁴ HIDTA Report, *supra*, page 136.

¹⁵ HIDTA Report, *supra*, pages 137-138.

¹⁶ Smart Approaches to Marijuana, “Lessons Learned after 4 Years of Marijuana Legalization” (October 2016), page 24, accessed at <https://learnaboutsam.org/wp-content/uploads/2016/11/SAM-report-on-CO-and-WA-issued-31-Oct-2016.pdf>.

¹⁷ HIDTA Report, *supra*, page 133 (“Some of the data reported in this section is because there have been so many inquiries on the particular subject, such as crime and suicides. This is not to infer that the data is due to the legalization of marijuana.”)

¹⁸ It is important to note that adult-use cannabis legalization has occurred very recently. Like Colorado, Washington legalized adult-use cannabis in 2012 and the first retail stores opened there in 2014. Oregon legalized adult-use cannabis in 2014 and the first retail stores opened there in 2015. As such, conclusions about the impact of cannabis legalization on crime rates should be considered preliminary.

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²¹ Colorado Early Findings, *supra*, pages 26-27.

²² Colorado Early Findings, *supra*, pages 26-27.

²³ Tom Y. Chang, et al., “Going to pot? The impact of dispensary closures on crime,” *Journal of Urban Economics*, Vol. 100 (2017), pages 120-136, accessed at <http://escholarship.org/uc/item/97r97669#page-1>.

²⁴ Tom Y. Chang, *supra*, pages 134-135.

²⁵ Bridget Freisthler, et al., “From Medical to Recreational Marijuana Sales: Marijuana Outlets and Crime in an Era of Changing Marijuana Legalization,” *The Journal of Primary Prevention*, Vol. 38(3) (June 2017), pages 249-263, accessed at <https://link.springer.com/article/10.1007/s10935-017-0472-9>.

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²⁷ See, e.g., Kristen Wyatt, “Pot-shop killing in Colorado raises security fears,” *U.S. News & World Report* (June 22, 2016), accessed at <https://www.usnews.com/news/business/articles/2016-06-22/pot-shop-killing-in-colorado-raises-security-fears>; “Armed gunmen who raided Have a Heart cannabis store and tied up workers are arrested after manager watched robbery on his live feed at home and rang 911,” *Daily Mail* (August 10, 2016), accessed at <http://www.dailymail.co.uk/news/article-3733264/Armed-gunmen-storm-Seattle-marijuana-dispensary-leaving-employees-tied-floor-manager-watching-feed-live-home-called-police.html>; “Police searching for suspects after robbery at marijuana dispensary in NE Portland,” *Fox 12 Oregon* (September 19, 2016), accessed at <http://www.kptv.com/story/33124975/marijuana-dispensary-in-ne-portland-robbed-police-searching-for-suspects>.

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³⁰ Cal. Bus. & Prof. Code §§ 26067-26069.

³¹ Cal. Bus. & Prof. Code § 26069(d).

³² Cal. Rev. & Tax. Code § 34019(f)(3)(D).

³³ Legislative Analyst’s Office, “Proposition 64 Revenues” (February 16, 2017), page 3, accessed at <http://www.lao.ca.gov/handouts/crimjust/2017/Proposition-64-Revenues-021617.pdf>

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³⁵ Department of Motor Vehicles, “California Driver Handbook - Alcohol and Drugs,” accessed at: https://www.dmv.ca.gov/portal/dmv/detail/pubs/hdbk/actions_drink

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APPENDIX D

**Los Angeles County
Advisory Working Group
on Cannabis Regulation**

Meeting Four:
CANNABIS RETAILERS
AUGUST 3, 2017

PREPARATION PACKET

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SECTION 1:

The Current Cannabis Retail Landscape in Los Angeles County

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I. CANNABIS RETAILERS HAVE PROLIFERATED DESPITE PROHIBITION

In California and especially in the Los Angeles area, local governments have struggled to control the number and location of cannabis retailers (dispensaries).¹ Many cities and counties tightly regulate where cannabis retailers can locate, or prohibit them altogether. However, cannabis businesses continue to open despite limitations and prohibitions. This is because cannabis businesses can be very lucrative, and criminal and civil penalties are minimal under state law.²

Statistics from the City of Los Angeles (LA City) and Los Angeles County (LA County) are telling. In early 2017, only 135 cannabis retailers had “limited immunity” to operate within LA City.³ However, some reports placed the actual number of cannabis retailers operating in LA City at more than 1,700.⁴

LA County adopted an ordinance prohibiting cannabis retailers within unincorporated areas in 2010.⁵ Despite the prohibition and closure efforts, in April 2017 Los Angeles County Counsel reported approximately 75 known cannabis retailers operating within unincorporated County areas.⁶

II. ISSUES WITH UNREGULATED CANNABIS RETAILERS

A fundamental problem with unregulated cannabis retailers is that they are not likely to be in compliance with most rules applicable to other businesses. Often, these unregulated retailers:

- Are not located in areas where they are permitted to locate. This could mean that businesses are operating even though they are prohibited in the jurisdiction, and can result in businesses that are very close to schools.⁷
- Are less likely to be “good neighbors” and more likely to affect the well-being of surrounding communities.⁸
- Are not in compliance with building, fire, health or zoning code provisions.⁹ This means that businesses could have major safety issues on-site, such as

inadequate ingress or egress in the event of an emergency. Rules regarding lighting, ventilation, odor control, and occupancy are not applied.

- Do not pay taxes.¹⁰
- Tend to locate in low-income neighborhoods where there is frequently less organized opposition.¹¹

III. MOVING FROM AN UNREGULATED TO A REGULATED RETAIL CANNABIS INDUSTRY IN LA COUNTY

Following the passage of Proposition 64, many counties and cities are moving away from prohibiting cannabis retailers to licensing and regulating them. As counties and cities move toward allowing legal cannabis retailers in their jurisdictions, a key consideration is where these businesses should be allowed to locate. Among other things, regulators are concerned about cannabis retailers locating too close to places where youth congregate, such as schools, and an over-concentration of retailers in a single area. Regulators are also cognizant of the potential for cannabis retailers to cause friction with neighbors, in part because of community perceptions about these businesses resulting from many years of unregulated sales activity, and also because of moral opposition to cannabis legalization.¹²

In February 2017, the LA County Board of Supervisors adopted a motion directing the LA County Office of Cannabis Management to coordinate with other LA County departments to allow, license and regulate cannabis retailers and other businesses. Pursuant to the Board of Supervisors' motions, regulations must establish locational requirements for cannabis retailers and other businesses, including:

- Buffers from sensitive uses such as schools, daycare facilities, offsite alcohol sales (e.g., liquor stores), parks and recreational centers, and residential neighborhoods;
- Minimum spacing requirements between retailers, or numerical limitations to prevent overconcentration, excessive exposure and access to cannabis and cannabis advertising;
- Frontage requirements to maintain community character and maximize safety; and
- Development standards and licensing requirements designed to reduce opportunities for crime, such as minimum security requirements, mandatory hours of operation, and use of security cameras.¹³

The Board of Supervisors also directed that any limitations on the number of cannabis retailers and other businesses take into consideration tax revenue and regulatory cost estimates, to ensure that revenues are sufficient to cover regulatory costs.¹⁴

Discussed below are some of the available ways to address the considerations identified by the Board of Supervisors.

SECTION 2:

Where Cannabis Retailers Can Locate

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II.	Limits on the number of cannabis businesses	6
III.	Approaches in other jurisdictions	6
IV.	Considerations for controlling the location and number of cannabis retailers	7
V.	Summary of potential County actions and considerations	9

I. ZONING, “BUFFERING,” AND MINIMUM DISTANCES BETWEEN CANNABIS RETAILERS

A. Zoning

1. Background

Zoning is the most common tool used by local governments to regulate where different types of businesses can operate. Zoning rules determine allowable “land uses” in certain areas and regulate the physical form of development, including minimum setbacks from property lines and building size.

In LA County’s unincorporated areas, zoning generally falls into four categories: residential, agricultural, commercial, and industrial.

- Residential zones are reserved for single-family and multifamily housing, and allow for limited home-based business activities.
- Agricultural zones allow for agricultural uses such as raising crops and animals and limited business activities (such as farm stands), as well as residential uses.
- Commercial zones are intended for retail stores, service providers, and professional offices, and limited residential uses.
- Industrial zones accommodate warehouses, storage yards, factories, and other high-impact land uses, as well as some commercial uses.¹⁵

Each general zoning category is further divided by the level of land use activity allowed in each zone. For example, LA County’s commercial zones are separated into C-1 (restricted business or “light commercial”), C-2 (neighborhood business or “medium commercial”), and C-3 (general or “heavy commercial”) zones, among others.¹⁶

2. LA County Board of Supervisors' motion regarding zoning for cannabis retailers

In February 2017, the LA County Board of Supervisors directed County departments to prepare commercial cannabis regulations that allow cannabis retailers in the following **commercial** and **industrial** zones:

- C-3 (general commercial);
- C-M (commercial manufacturing);
- C-MJ (major commercial);
- M-1 (light manufacturing);
- M-1.5 (restricted heavy manufacturing);
- M-2 (heavy manufacturing); and
- M-2.5 (aircraft and heavy manufacturing zone).¹⁷

These zones are generally associated with heavy commercial and industrial uses and do not include residential areas, although some residences may be located within these zones.

B. Buffering from “sensitive uses”

1. What is “buffering”?

In the zoning context, “buffering” means setting a minimum distance between a particular land use and land uses deemed “sensitive.” Whether a land use is “sensitive” depends on the type of people likely to be present on the site. Because children are present on school grounds, schools are frequently identified as a sensitive use, and incompatible land uses are required to locate a minimum distance away from schools.

For more on buffers between cannabis businesses and places where youth congregate, refer to the preparation packet for Week 2: Youth Access and Exposure, pages 4-6, available at http://bit.ly/AdvisoryGroup_Week2

By way of example, the LA County zoning code requires businesses that sell alcohol to locate at least 600 feet from places used exclusively for religious worship, schools, parks, playgrounds or similar uses, unless the owner can demonstrate that the business will not adversely affect those sensitive uses.¹⁸ Adult businesses are required to locate at least 250 feet from residences and residential and agricultural zones, and 500 feet from places of worship, schools, child care centers, and public parks.¹⁹

2. “Buffering” under state law

Proposition 64 established a default buffer of **600 feet** between cannabis businesses and schools (K-12), daycares (including preschools but excluding home daycares with fewer than 14 children), and youth centers (including youth membership clubs and video arcades).²⁰ However, a city or county can specify a buffer that is greater or less than the

default 600-foot buffer,²¹ and can require buffers for sensitive uses other than schools, daycares, and youth centers.²²

C. Establishing minimum distances between cannabis retailers

One way of controlling the location of cannabis retailers, and in particular to prevent too many retailers from locating in the same area, is to require that a cannabis business be located a minimum distance from another cannabis business.

State law does not establish minimum distances between cannabis retailers, but does not prevent local jurisdictions from doing so.²³

D. How buffers and minimum distances are measured

Buffers and minimum distances are typically measured in a straight line from property-line to property-line, which is consistent with the required measuring practice established under Proposition 64.²⁴ The figure below demonstrates how measurements are typically calculated.

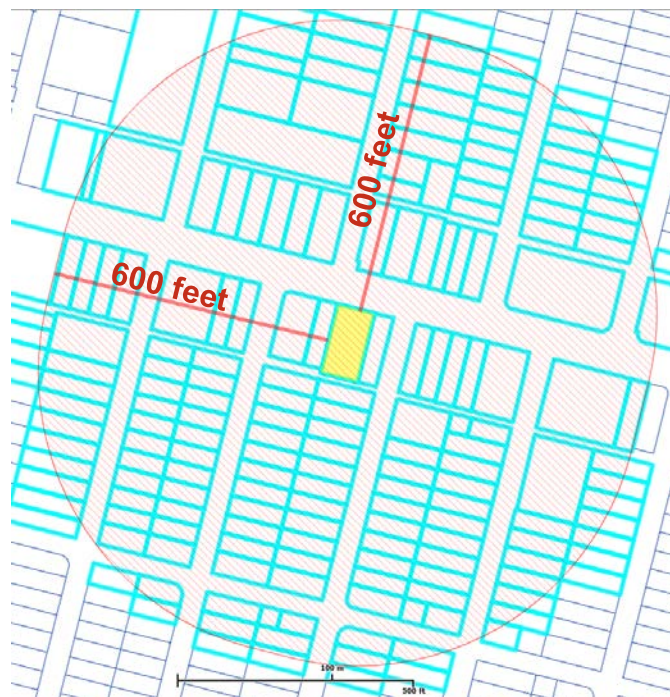


Diagram illustrating parcels, highlighted in blue, that fall within a 600-foot buffer from the parcel highlighted in yellow.

II. LIMITS ON THE NUMBER OF CANNABIS RETAILERS

A. Numerical limits

In addition to controlling where cannabis retailers can locate, local governments can limit the total number of retailers within their jurisdictions by placing a cap on the number of permits or licenses that will be issued for a cannabis retail business.²⁵ Caps may be calculated or applied in different ways. For example, the City of Long Beach caps the total number of medical cannabis dispensaries that can locate within city limits based on population.²⁶ The County of San Diego, on the other hand, limits the number of medical cannabis dispensary licenses that may be issued within each council district.²⁷

B. Concentration limits

Another way of controlling the number of cannabis businesses in a single location is to set a limit on the total concentration of businesses within a specific geographic area. Concentration limits can be based on the ratio of cannabis retailers to population size (e.g., one retailer per 10,000 people) or to the size of a particular area (e.g., one retailer per square mile or census tract). Other factors are sometimes considered as well, such as crime rates in the area where a cannabis retailer proposes to locate.²⁸

Under state law, a state licensing authority must consider whether granting a state license for a cannabis retailer would result in an “excessive concentration” in the area where the retailer will operate.²⁹ An “excessive concentration” exists when:

- The ratio of cannabis retailers to population in the census tract in which the retailer would be located exceeds the countywide ratio, unless denial of the state license application would unduly limit the development of the legal cannabis market so as to perpetuate the illegal market for cannabis or cannabis products; or
- The ratio of cannabis retailers to population exceeds any concentration limits placed by local ordinance.³⁰

Therefore, if LA County established a concentration limit, state licensing authorities may be required to deny a state cannabis retailer license if granting the license would violate LA County’s concentration limit.

III. APPROACHES IN OTHER JURISDICTIONS

A comparison of zoning, buffering, and distance requirements for cannabis retailers in the cities of Denver, Seattle, and Portland shows a number of similarities. All three cities require a minimum distance of 1000 feet between cannabis retailers, and between schools and cannabis retailers. Denver also applies the 1000-foot buffer to childcare centers and drug/alcohol treatment facilities, and Seattle requires a 500-foot buffer around libraries, parks, and public transit centers.

The table below summarizes the zoning, buffering, and distance requirements for cannabis retailers in Denver, Seattle, and Portland.

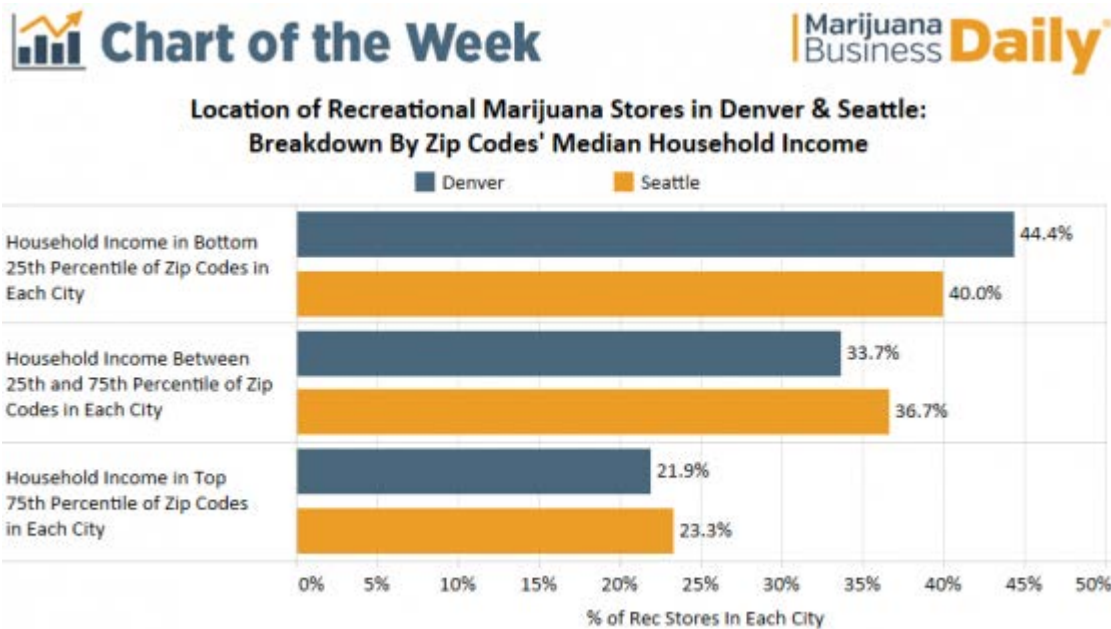
Regulations for Cannabis Retailers in Other Jurisdictions				
City	Zoning	Buffering from Sensitive Uses	Distance Between Cannabis Retailers	Limits on Numbers of Licenses/Locations
Denver ³¹	Prohibited in residential, “main street,” and mixed-use zones; allowed in all other zones	<i>1000 feet:</i> schools, childcare establishments, and alcohol or drug treatment facilities	1000 feet	<i>Citywide:</i> Maximum 226 retail locations citywide, and 467 cultivation + retail locations <i>Local:</i> No licenses may be issued in the 5 “statistical neighborhoods” with the highest number of existing retailers in any given year
Seattle ³²	Prohibited in residential, neighborhood commercial, and mixed-use zones; allowed in all other zones	<i>1000 feet:</i> elementary and secondary schools, playgrounds <i>500 feet:</i> child care centers, game arcades, libraries, public parks, public transit centers, and recreation centers or facilities	1000 feet	None
Portland ³³	Prohibited in residential zones, allowed in all other zones	<i>1000 feet:</i> elementary and secondary schools	1000 feet	None

IV. CONSIDERATIONS FOR CONTROLLING THE LOCATION AND NUMBER OF CANNABIS RETAILERS

While zoning, “buffering,” minimum distances, and numerical limits are all effective to limit the number of certain land uses within a county or city, it is sometimes difficult to develop the right “formula” or combination of regulations that will achieve the desired results. Other jurisdictions have experienced unintended consequences resulting with good faith regulatory decisions about where cannabis retailers should be located.

For example, one challenge to determining which zoning districts will allow for cannabis storefronts is ensuring that storefronts can be evenly and equitably distributed among

neighborhoods with varying socio-economic profiles throughout LA County. In Denver and Seattle, recent studies have found that restrictions on the locations where cannabis retailers can operate have resulted in a disproportionate share of retailers in less affluent areas. As illustrated in the chart below, nearly half of Denver’s adult-use cannabis retailers are located in the poorest 25 percent of neighborhoods.³⁴ While lower-income neighborhoods often have lower rents and less organized opposition, they also tend to be located near industrial-zoned areas, where cannabis retailers are encouraged to locate under Denver’s land use regulations.³⁵



Source: Colorado Department of Revenue, 2011-2015 American Community Survey 5-Year Estimates
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SOURCE: Eli McVey, “Chart: Recreational marijuana stores are clustered in low-income areas of Denver, Seattle,” *Marijuana Business Daily*, July 31, 2017, accessed at: <https://mjbizdaily.com/chart-recreational-marijuana-stores-clustered-low-income-areas-denver-seattle/>

Limits on the number and concentration of cannabis retailers also present several challenges. It is difficult to accurately predict the “correct” number of licenses needed to satisfy market demand, and demand for product is likely to fluctuate over time. If too few licenses are awarded then there could be product shortages and high prices that perpetuate the illegal market.

V. SUMMARY OF POTENTIAL COUNTY ACTIONS AND CONSIDERATIONS

Distancing from Other Retailers	
Potential County Actions	Considerations
<ul style="list-style-type: none"> Identify “sensitive uses” or other land uses that should be buffered from cannabis retailers 	<ul style="list-style-type: none"> Sound policy considerations should guide the identification of buffered land uses and appropriate distances Too many buffered uses could constrain where cannabis retailers can locate and potentially incentivize the continued operation of unregulated cannabis retailers Too many buffered uses could result in inequitable distribution of cannabis retailers Schools (K-12), day care centers (including preschools), and youth centers (including youth membership clubs) are already identified as “sensitive uses” requiring a 600-foot buffer under state law, but the County can set lower or higher buffer distances
<ul style="list-style-type: none"> Establish minimum distances between cannabis retailers 	<ul style="list-style-type: none"> Not required under state law Effective to reduce the concentration of cannabis businesses Minimum distances could result in inequitable distribution of cannabis businesses Minimum distances could result in the presence of dispensaries in more communities, as opposed to concentrated in a single area
<ul style="list-style-type: none"> Establish concentration limits 	<ul style="list-style-type: none"> State law requires state licensing authorities to respect local concentration limits Provides greater locational control within specific geographic areas Other factors, such as crime, can be taken into account

Discussion Questions

1. What “sensitive” or other land uses need to be buffered from cannabis retailers? What policy objectives will be achieved by establishing such buffers?
2. Should minimum distances be required between cannabis retailers? Why or why not?
3. How can concentration limits on cannabis retailers help minimize impacts in any one community?
4. What combination of locational standards and numerical limits can best ensure impacts from cannabis retailers are not inequitably distributed within the County?

SECTION 3:

Operational Requirements

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III.	On-site signage	12
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V.	Delivery	14

I. SECURITY

A. Issue background

Because of the relatively high value of cannabis, and the fact that most purchases are conducted with cash, security is an important consideration for cannabis retailers. Measures are needed to protect the safety of customers and employees at the retailer's premises, and to prevent opportunities for crime that could impact surrounding communities.

For more on public safety and security, refer to the preparation packet for Week 3: Public Health and Safety, pages 1-8, available at:
http://bit.ly/AdvisoryGroup_Week3

A comprehensive security plan will typically include a combination of procedures, systems, and equipment. The following are some of the most common elements in a security plan:

- **Alarm systems.** Alarm systems are often required in order protect cannabis inventories when stores are closed. This often includes sensors to detect motion and breaking glass, with continuous monitoring by a third party company, and with a direct link to local law enforcement agencies.
- **Video surveillance systems.** Cameras can provide another layer of security for a cannabis retailer's premises. Regulations often address the number of cameras, required coverage areas, quality of the video, amount of time that footage must be archived, and the authority to review the video by regulatory agencies. Some video surveillance systems are accessible by law enforcement via a secure IP address.
- **Track-and-Trace.** Most states with legalized cannabis mandate the use of a system to track the movement of cannabis from "seed to sale," however local agencies often have limited access to these systems. Local regulations can

partially address this by adding reporting requirements, or by establishing a track-and-trace system at the local level.

- **Record-keeping and Reporting.** Regulations commonly address duties for cannabis retailers to document and report unusual or suspicious activity, including inventory discrepancies, and the results of any related investigations.³⁶

B. Summary of relevant state law provisions and potential County actions

Security		
State Law	Considerations	Potential County Actions
<p>All applicants for state licenses shall include a detailed description of security protocols and operating procedures</p> <p>[Cal. Bus. & Prof. Code § 26051.5(b)]</p>	<ul style="list-style-type: none"> • State and local requirements may differ 	<ul style="list-style-type: none"> • Consider additional security plan requirements with review by security experts or law enforcement • Consider requiring video surveillance accessible by local law enforcement via secure IP address • Consider additional security requirements to address issues unique to LA County
<p>Licensed retailers shall implement security measures reasonably designed to prevent unauthorized entrance into areas containing cannabis or cannabis products and theft of same from premises. Security measures must include:</p> <ul style="list-style-type: none"> • Prohibiting people from staying on-site if they are not engaging in activity related to the operations of the retailer • Establishing areas accessible only to authorized personnel • Keeping cannabis and cannabis products in a secured and locked room, safe, or vault, except for minimal amounts on display <p>[Cal. Bus. & Prof. Code § 26070(j)]</p>	<ul style="list-style-type: none"> • State requirements do not address security measures that would assist law enforcement to recognize criminal conduct 	<ul style="list-style-type: none"> • Establish façade requirements that allow law enforcement to see inside cannabis retailers • Require that cannabis and cannabis products and paraphernalia not be visible from the exterior of the retailer • Consider whether certain physical improvements to the interior of retail businesses can increase safety and security and reduce crime
<p>A retailer shall notify the licensing authority and law enforcement within 24 hours after discovering significant inventory discrepancies, diversion, theft or loss, the loss or unauthorized alteration of records; and any other security breach.</p> <p>[Cal. Bus. & Prof. Code § 26070(k)]</p>	<ul style="list-style-type: none"> • The State Bureau of Cannabis Control is expected to issue detailed security regulations 	<ul style="list-style-type: none"> • Consider additional security requirements to address issues unique to LA County

II. HOURS OF OPERATION

A. Issue background

Many jurisdictions have debated over the appropriate operating hours for cannabis retailers. Some research has shown that in places where alcohol sales are allowed for longer periods of time each day, youth access to alcohol can increase.³⁷ However, in the context of cannabis, some argue that overly restricting hours of operation to the point of inconveniencing customers runs the risk of continuing or increased unregulated sales activity.³⁸ Additionally, if store hours are not relatively uniform between neighboring cities and counties, businesses and their customers may simply migrate to the least restrictive jurisdiction. In determining allowable hours of operation for cannabis retailers, most jurisdictions have sought to strike a balance between customer convenience, neighborhood needs and desires, and limiting youth access.

B. Other jurisdictions

Portland allows retail cannabis sales from 7:00am to 10:00pm.³⁹ Seattle allows cannabis stores to operate from 8:00am to 12:00am.⁴⁰ Denver previously allowed cannabis retailers to operate from 8:00am to 7:00pm, but the Denver City Council recently amended these rules to allow cannabis retailers to remain open until 10:00pm.⁴¹ One of the factors the city considered was restrictions on hours of operation in adjoining jurisdictions, some of which allow cannabis retailers to remain open until midnight (the latest time allowed under Colorado state law). The 10:00pm closing time was ultimately selected as the most reasonable compromise between the industry's request and community concerns.⁴²

C. Summary of relevant state law provisions and potential County actions

State law does not address hours of operation for cannabis retailers. Regulations prepared by the State Bureau of Cannabis Control (Bureau) (formerly Bureau of Marijuana Control) in April 2017 specific to cannabis retailers provided that cannabis retailers could sell cannabis from 6:00am to 9:00pm.⁴³

LA County could follow state regulations proscribing hours of operation. Alternatively, LA County could establish more restrictive hours of operation. Any decision regarding operating hours should take into account the hours of operation in neighboring jurisdictions, and the potential effect that different operating hours could have on businesses and consumer decisions within LA County.

III. ON-SITE SIGNAGE

A. Issue background

On-site business signage includes signs that direct attention to a particular business operating on the site where the sign is located. Such signage is often designed to be highly visible from public rights of way, including streets and sidewalks. Signage could include freestanding pole or monument signs, fixed signs attached to walls or rooftops, or lettering and images on walls or other structures, such as awnings.

With respect to cannabis retailers, many of the considerations that relate to advertising and marketing in general are also relevant in the context of on-site business signage. Primary concerns include the exposure of youth to cannabis-related signage. Concerns also include ensuring that cannabis businesses are compatible with existing development patterns and neighborhood characteristics.

While state law does not expressly limit on-site business signage for cannabis retailers, the LA County zoning code already heavily regulates the form of on-site business signage.⁴⁴ The LA County zoning code provides that a ground-floor business in a commercial or industrial zone is allowed a maximum of three square feet of wall sign area for each one linear foot of building frontage, unless other more specific rules apply.⁴⁵ In addition, the zoning code prohibits or strictly limits certain types of signs in all zones, including flashing or revolving signs, signs in the public-right-of-way, portable signs (“sandwich boards”), flags, banners, and balloons.⁴⁶

For cannabis retailers, the essential question is whether to apply stricter signage rules than for other businesses. Some examples of restrictive signage in other jurisdictions include:

For more on advertising and marketing, refer to the preparation packet for Week 2: Youth Access and Exposure, pages 8-12, available at:
http://bit.ly/AdvisoryGroup_Week2

- **Washington State:** allows a maximum of two signs that are each limited to 1,600 square inches (approximately 11 square feet) or less.⁴⁷
- **Connecticut:** allows one exterior sign not larger than 16 inches high by 18 inches wide, subject to some exceptions.⁴⁸
- **Hawaii:** allows a single sign no greater than 1,600 square inches bearing only the business or trade name without any pictures or illustrations.⁴⁹

IV. LOITERING AND CANNABIS CONSUMPTION NEAR RETAIL BUSINESSES

A. Issue background

Loitering around liquor stores has long been associated with illegal activity, public alcohol consumption, and urban blight, and can act as a destabilizing psychological force for those who live and work nearby.⁵⁰ For this reason, well-designed regulations for retail cannabis businesses must include provisions to prevent loitering and the consumption of cannabis in and around the retail business. Some strategies which could be included in regulations to prevent loitering include:

- Proactive enforcement of no-loitering rules by retail business operators;
- Posting “no loitering” signage;
- Posting and enforcing noise limits (e.g., prohibiting loud music from vehicles or posting “respect our neighbors” signage);
- Maintaining the business in good condition and free of graffiti and litter;
- Removing benches, chairs, or other areas to rest; and
- Removing protection from the weather, such as sunshades or shelters.⁵¹

Strategies for preventing consumption of cannabis in and around the retailer include:

- Precluding on-site cannabis consumption by employees as a condition of employment;
- Interior signage alerting customers that cannabis consumption in adjacent areas or in cars while parked nearby is prohibited; and
- Proactive enforcement by retail business operators, including establishing policies and sanctions against customers who violate established rules.

Regulations could also require that signage be posted with a contact number for anyone wishing to lodge a complaint with the retail operator. In this way, retailers can work with community members to identify and address problem activities near the site.

In addition, close cooperation between cannabis retailers and law enforcement programs designed to discourage neighborhood loitering can also help business owners, including cannabis retailers, enforce regulations against loitering.

Finally, fines and penalties against cannabis retailers may also be effective to encourage prompt attention to loitering and on-site consumption concerns. Such a strategy is in place for alcohol licensees, who are subject to license suspension and revocation by state authorities for failure to enforce anti-loitering regulations.⁵²

B. Summary of relevant state law provisions and potential County actions

State law prohibits the consumption of cannabis in any public place.⁵³ However, state law provides no rules specific to loitering or preventing the consumption of cannabis near retail businesses. Proposed regulations prepared by the Bureau specific to cannabis retailers also did not address loitering or consumption near retail businesses.⁵⁴ While state agencies are expected to issue new regulations for cannabis retailers in the fall of 2017,⁵⁵ it appears possible that local jurisdictions will be primarily responsible for creating and enforcing anti-loitering provisions for licensed cannabis retailers.

V. DELIVERY

A. Issue Background

Under state law, the “delivery” of cannabis consists of the commercial transfer of cannabis or cannabis products to a customer.⁵⁶ Medical cannabis deliveries are already big business in California, with some investors expecting delivery sales in the hundreds of millions of dollars once adult-use cannabis deliveries become legal in 2018.⁵⁷

State law provides that only licensed cannabis retailers (or “micro-businesses” or certain licensed nonprofits not discussed herein) can deliver cannabis to consumers.⁵⁸ However, retailers can be “delivery only,” with their premises closed to the public.⁵⁹ This provides local jurisdictions with the option to license delivery-only cannabis retailers in areas where customer-serving dispensaries may be unwelcome.⁶⁰

However, regulators have some concerns about cannabis delivery. Because the delivery transaction takes place out of the licensed retail premises, usually at a person’s residence, security personnel, alarm systems, age-verification software, and other tools found in a brick-and-mortar store may not be available. In addition, some are concerned that delivery drivers, carrying both cannabis and cash, will become a target for crime.⁶¹

Another basic concern is how law enforcement or government officials will be able to verify whether a person carrying a large quantity of cannabis in a vehicle is a delivery driver or a person moving cannabis illegally for sale or diversion. State law requires that delivery employees carry a copy of the retailer’s current license and a government-issued photo ID.⁶² The employee must present the license and ID to local law enforcement and local government officials upon request.⁶³ Licensed retailers must also maintain a physical copy of the delivery request during delivery and make it available to law enforcement.⁶⁴

The State Bureau of Cannabis Control is required to establish minimum security and safety standards for cannabis delivery. Regulations previously issued by the Bureau, which will be withdrawn and reissued due to recent legislative changes,⁶⁵ included the following regulations for delivery:

- Limits on the total value of cannabis which may be delivered at any one time;
- Recordkeeping provisions, including the preparation of a mandatory delivery request receipt which must be signed by the delivery recipient; and
- Restrictions on deviations from delivery routes.⁶⁶

Finally, state law prohibits a county or city from preventing the delivery of cannabis or cannabis products on public roads by a licensed retailer acting in compliance with state and local law.⁶⁷ The League of California Cities has concluded based on this language that local governments can ban deliveries within their territorial limits, but cannot prevent the use of public roads for the delivery of cannabis.⁶⁸

B. Summary of relevant state law provisions and potential County actions

Delivery		
State Law	Considerations	Potential County Actions
<p>A cannabis retailer shall have licensed premises which is a physical location from which commercial cannabis activities are conducted. A retailer's premises may be closed to the public. A retailer may conduct sales exclusively by delivery.</p> <p>[Bus. & Prof. Code § 26070(a)(1)]</p>	<p>Local jurisdictions should require applicants for retail licenses to disclose whether they will conduct delivery in addition to brick-and-mortar sales, or delivery only</p>	<p>Consider establishing delivery-only license types for areas where brick-and-mortar dispensaries will not be allowed</p>
<p>The Bureau of Cannabis Control shall establish minimum security and transportation safety requirements for the commercial distribution and delivery of cannabis and cannabis products. Transportation safety standards established by the bureau shall include, but not be limited to, minimum standards governing the types of vehicles in which cannabis and cannabis products may be distributed and delivered and minimum qualifications for persons eligible to operate such vehicles.</p> <p>[Bus. & Prof. Code § 26070(b)]</p>	<p>The Bureau of Cannabis Control is expected to publish draft recommendations in Fall 2017</p>	<p>Consider adopting additional safety and security requirements to supplement those provided under state regulation</p>
<p>Cannabis deliveries may only be made by a licensed retailer or microbusiness, or a licensed nonprofit.</p> <p>[Bus. & Prof. Code § 26090(a)]</p>	<p>Unlicensed cannabis deliveries may be difficult to control</p>	<p>Consider ways to ensure that consumers purchasing cannabis via delivery service can easily tell whether a retailer is appropriately licensed</p> <p>Work with other local jurisdictions to create consistent delivery rules across jurisdictional borders</p>
<p>All employees of a cannabis retailer, microbusiness, or nonprofit delivering cannabis shall carry a copy of the licensee's current license and a government-issued identification with a photo of the employee, such as a driver's license. The employee shall present that</p> <p>All employees of a cannabis retailer, microbusiness, or nonprofit delivering cannabis shall carry a copy of the licensee's current license and a government-issued identification with a photo of the employee, such as a driver's license. The employee shall present that license and identification upon request to state and local law</p>	<p>The Bureau of Cannabis Control is expected to publish draft recommendations in Fall 2017</p>	<p>Consider adopting additional safety and security requirements to supplement those provided under state regulation</p> <p>Consider partnerships between law enforcement and licensed retailers to ensure that the unlicensed</p> <p>Consider adopting additional safety and security requirements to supplement</p>

Delivery		
State Law	Considerations	Potential County Actions
<p>enforcement, employees of regulatory authorities, and other state and local agencies enforcing this division.</p> <p>[Bus. & Prof. Code § 26090(b)]</p>		<p>those provided under state regulation</p> <p>Consider partnerships between law enforcement and licensed retailers to ensure that the unlicensed transportation of cannabis is not confused with licensed deliveries</p>
<p>During delivery, the cannabis retailer shall maintain a physical copy of the delivery request and shall make it available upon request of the licensing authority and law enforcement officers. The delivery request documentation shall comply with state and federal law regarding the protection of confidential medical information.</p> <p>[Bus. & Prof. Code § 26090(c)]</p>	<p>State law and previously-issued regulations do not provide for age-verification software or procedures at the delivery site, or the real-time electronic transfer of delivery receipts or manifests to state or local agencies</p>	<p>Consider regulations to require age-verification at the delivery site</p> <p>Evaluate whether real-time delivery receipts or manifests can be uploaded into track and trace software</p>
<p>A customer requesting delivery shall maintain a physical or electronic copy of the delivery request and shall make it available upon request by state licensing authorities and law enforcement officers.</p> <p>[Bus. & Prof. Code § 26090(d)]</p>	<p>May be impractical to enforce against consumers</p>	
<p>A local jurisdiction shall not prevent delivery of cannabis or cannabis products on public roads by a licensee acting in compliance with this division and local law as adopted under Section 26200.</p> <p>[Bus. & Prof. Code § 26090(e)]</p>		<p>Work with other local jurisdictions to create consistent delivery rules across jurisdictional borders</p>

Discussion Questions

1. What are the primary concerns that security regulations should address with respect to how cannabis retailers operate? What security measures would address those concerns?
2. Assuming state regulations require cannabis retailers to operate between 6:00am and 9:00pm, should LA County impose stricter operating hours? What concerns would stricter rules on operating hours address?
3. What rules should LA County adopt regarding on-site business signage? How do those rules balance concerns about the visibility and compatibility of cannabis retailers with the purpose of on-site business signage to identify the business?
4. What regulations could LA County adopt to address the potential problem of loitering and the consumption of cannabis near retail businesses? How can retailers help enforce anti-loitering restrictions?
5. Should LA County offer delivery-only license types in some communities? Will delivery-only retailers have the same neighborhood impacts as storefront retailers? What concerns unique to delivery should LA County address?

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APPENDIX E

**Los Angeles County
Advisory Working Group
on Cannabis Regulation**

Meeting Five:
**CANNABIS CULTIVATORS,
MANUFACTURERS, AND OTHER
BUSINESSES**
AUGUST 10, 2017

PREPARATION PACKET

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SECTION 1:

The Cannabis Supply Chain

Cannabis retailers are the most visible part of the cannabis industry, and what most community residents think of when they discuss commercial cannabis legalization. However, pursuant to state law and commencing on January 1, 2018, cannabis and cannabis products will be required to pass through a complex supply chain, including cultivation, manufacturing, distribution, and testing, before they reach retail.

There are 20 separate license types for cannabis businesses under state law.¹ These license types generally fall within the following categories:

- Cultivation
- Manufacturing
- Laboratory testing
- Distribution
- Retail
- Microbusiness

Cannabis **cultivation** includes any activity involving the planting, growing, harvesting, drying, curing, grading, or trimming of cannabis, including cannabis nurseries.² The Los Angeles County (LA County) Board of Supervisors has directed that **only indoor cultivation** be allowed in unincorporated areas.³

Cannabis **manufacturing** involves the making of cannabis products such as extracts and edibles, including the compounding, blending, extracting, infusing, and other preparation of a cannabis product.⁴ Manufacturers require a different state license depending on whether they use exclusively nonvolatile or no solvents in the manufacturing process, or whether they use volatile solvents (a solvent that is or produces a flammable gas or vapor subject to explosion or combustion).⁵

Cannabis **testing laboratories** perform tests on cannabis and cannabis products. Testing laboratories must be independently accredited and licensed by the state and local jurisdictions.⁶

Cannabis **distributors** procure, sell, and transport cannabis and cannabis products between licensed cannabis businesses.⁷

Cannabis **retail** consists of the sale or delivery of cannabis and cannabis products to consumers. Cannabis retailers were discussed in detail in the preparation packet for *Meeting Four: Cannabis Retailers*.⁸

A cannabis **microbusiness** may be licensed under state law to cultivate cannabis on an area less than 10,000 square feet and to act as a licensed distributor, as a manufacturer using nonvolatile or no solvents, and also as a cannabis retailer.⁹

Along with cannabis retailers, the businesses described above constitute the commercial cannabis supply chain from “seed to sale.” Many of the issues and considerations covered during *Meeting Four: Cannabis Retailers* are also relevant to non-retail cannabis businesses. Other issues are unique to certain business types. For example, energy usage and odor control are two issues that pertain primarily to cannabis cultivation, while manufacturing raises issues such as the use of volatile solvents for extraction. Considerations unique to each business are described below.

SECTION 2:

Considerations for Cannabis Cultivation

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I. ODOR

A. Issue background

Cannabis cultivation can produce a significant amount of odor.¹⁰

Odors can affect both the quality of life in local communities and public health. Many substances that cause odors in outdoor air are not present at levels that can cause serious injury or long-term health effects. Nonetheless, nuisance odors can sometimes trigger physical symptoms including headache, nausea, and irritation of the eyes, nose, and throat, as well as psychological symptoms such as stress, depression, and anxiety. Young children, the elderly, and pregnant women may be more susceptible to these effects.¹¹

In LA County, multiple agencies are responsible for regulating odor. Generally, the LA County Department of Public Health is responsible for investigating *indoor* odor-related complaints, while the Southern California Air Quality Management District has jurisdiction over *outdoor* air quality and area-wide odors.¹² State law and local regulations address nuisance odors in general, prohibiting the “discharge from any source whatsoever quantities of air contaminants or other material that cause injury, detriment, nuisance, or annoyance to any considerable number of persons or to the public.”¹³ For land uses that have a high potential to generate odors, such as landfills, site-specific odor management plans and monitoring programs are often required as a condition of approval.¹⁴

Odors are difficult to regulate due to the often subjective nature of odor perception, the lack of established methods for quantifying odor concentrations, and the difficulties of pinpointing the source of an odor (particularly in dense urban areas).¹⁵

B. Odor control approaches in other jurisdictions

Seattle’s general odor control ordinance applies to cannabis cultivation and manufacturing, in addition to several other specific industrial land uses, and requires that odors be vented at least 10 feet above sidewalk grade and away from other uses that are within 50 feet of the vent. Seattle’s ordinance also authorizes the planning

director, in consultation with the local air pollution agency, to require additional odor mitigation measures as needed on a project-specific basis.¹⁶

Like Seattle, Denver regulates odors associated with cannabis cultivation and manufacturing using its general nuisance odor ordinance. Cultivators and manufacturers must submit an odor control plan to Denver officials describing “the odor(s), if any, originating or anticipated to originate at the premises and the control technologies to be used to prevent such odor(s) from leaving the premises.”¹⁷ In addition, odor complaints are one of the factors that Denver officials may consider when deciding whether to renew a cannabis cultivator’s local license.¹⁸

One unique aspect of Denver’s odor ordinance is its inclusion of a quantitative threshold. If an odor is still detectable after the odorous air has been diluted at a 1:7 ratio with odor-free air, it exceeds the threshold. City inspectors use a device called the “Nasal Ranger” to determine whether odor concentrations exceed this threshold.¹⁹



A Denver health inspector uses the “Nasal Ranger” to investigate an odor complaint.
Source: Jeremy P. Meyer, “When pot smells in Denver, the Nasal Ranger goes in to investigate,” Denver Post (November 10, 2013), accessed at <http://www.denverpost.com/2013/11/10/when-pot-smells-in-denver-the-nasal-ranger-goes-in-to-investigate/>.

C. Summary of relevant state law provisions and potential LA County actions

Odor		
State Law	Considerations	Potential County Actions
<p>A person shall not discharge from any source whatsoever such quantities of air contaminants or other material which cause injury, detriment, nuisance, or annoyance to any considerable number of persons or to the public, or which endanger the comfort, repose, health or safety of any such persons or the public, or which cause, injury or damage to business or property.</p> <p>The provisions of this rule shall not apply to odors emanating from agricultural operations necessary for the growing of crops or the raising of fowl or animals.</p> <p>[South Coast Air Quality Management District, Rule 402; Cal. Health & Safety Code § 41700(a)]</p>	<ul style="list-style-type: none"> • Odor is inherently subjective and difficult to quantify • May not apply to cannabis cultivation, if it is considered an “agricultural operation” 	<ul style="list-style-type: none"> • Require cannabis cultivators and manufacturers to submit an odor control plan as part of their licensing application • Provide cannabis businesses with informational resources on odor mitigation methods • Clarify enforcement procedures and responsibilities for odor complaints • Investigate the feasibility of adopting quantitative odor thresholds

Discussion Questions

1. What rules, regulations, and best practices can LA County adopt to control odors from cannabis cultivation facilities?
2. What should LA County require as part of an odor mitigation plan to ensure that cannabis cultivators have the necessary equipment in place and operational practices to minimize offsite odor?
3. How can LA County partner with cannabis cultivators to ensure that business owners are aware of and utilize best practices to control odor?

II. ENERGY

A. Issue background

Indoor cannabis cultivation is highly energy-intensive. Some estimate that indoor cannabis cultivation in California currently consumes the equivalent of 3 percent of the state's electricity, or the equivalent of one million homes.²⁰ According to data from Boulder County, Colorado, the average electricity consumption of a 5,000 square foot indoor cultivation facility is about 41,808 kilowatt-hours monthly. On a per-square-foot basis, this equates to more than seven times the average consumption of a typical commercial use, or the equivalent of 66 average households.²¹

As the graphic below illustrates, most of this energy is used by lighting fixtures, air conditioners, dehumidifiers, and fans, all of which are used to optimize growing conditions and maximize the yield and potency of cannabis plants.



The carbon footprint of indoor cannabis cultivation. Source: Evan Mills, "The Carbon Footprint of Indoor Cannabis Production," *Energy Policy* 46 (2012), pp. 58-67, accessed at <http://evanmills.lbl.gov/pubs/pdf/cannabis-carbon-footprint.pdf>.

The large amount of energy required for indoor cannabis cultivation presents challenges to growers, utilities, and governments alike. For many growers, electricity is the single largest category of expense, representing up to half the wholesale cost of cannabis.²² For utilities, the significant energy demands can strain existing transmission infrastructure, and sometimes necessitate the construction of new transmission lines and substations.²³ For local and state governments, the energy demands of cannabis production may conflict with climate sustainability goals, if that energy is generated with fossil fuels that produce greenhouse gas.

B. Energy consumption rules in other jurisdictions

Generally speaking, there are two approaches to reducing or mitigating energy consumption. “Demand-side” measures aim to reduce the amount of energy consumed, for example, by using more efficient equipment or cultivation practices. “Supply-side” measures seek to reduce the environmental impacts of energy production, for example, by obtaining a larger percentage of energy from renewable sources such as solar and wind.

Boulder County, Colorado, requires commercial cannabis cultivators to report all energy usage (including electricity, natural gas, propane, and bio-fuels), and to offset 100 percent of energy used with renewable energy generated on-site, or alternatively by paying a fee of 2.16 cents per kilowatt-hour into the Boulder County Energy Impact Offset Fund. These funds are then used to fund local carbon offset projects, such as the development of more renewable energy, and to educate growers on best practices with regards to energy usage. In addition, the detailed energy usage data reported by growers provides researchers with valuable information to develop more efficient equipment and practices for indoor cannabis cultivation.²⁴

In Oregon, a number of organizations and agencies are involved in efforts to increase the energy efficiency of the cannabis industry, including utilities, nonprofits, and the state Department of Energy. Many of the efforts in Oregon, Colorado, and Washington extend beyond regulations and mandatory requirements, and include voluntary programs such as rebates and incentives, technical assistance and outreach, and “green” product certifications.²⁵

Efforts to increase energy efficiency in cannabis cultivation have faced several challenges in other states, including:

- Limited data on energy consumption and the factors that affect it;
- A lack of established best practices and proven technologies;
- Resistance by cultivators to adopt technology or practices that could reduce the potency or quantity of their crop; and
- The high cost of capital and difficulty obtaining traditional financing, which discourages up-front investments in energy efficiency.²⁶

C. Summary of relevant state law provisions and potential LA County actions

State law does not separately address energy usage by indoor cannabis cultivators. In proposed regulations prepared by the State Department of Food and Agriculture, which have not been adopted, indoor cannabis cultivators would be required to ensure their electrical power sources are provided by any combination of the following:

- On-grid electrical power with at least 42 percent renewable sources;
- Onsite zero net energy renewable sources providing at least 42 percent of the cultivation facility's electricity;
- Purchase of carbon offsets for any portion of power above 58 percent not from renewable sources; or
- Demonstration that the equipment to be used would be 42 percent more energy efficient than standard equipment, using 2014 as the baseline year for such standard equipment.²⁷

The LA County Board of Supervisors has directed that cannabis regulations “promote sustainable businesses with limited impact on the environment, including mandates to achieve the lowest feasible energy and water consumption by utilizing methods such as renewable energy, energy efficient lighting, techniques to reduce overall lighting requirements, and water recycling[.]”²⁸ Some options available to LA County to achieve this directive could include:

- Requiring a set percentage of energy usage (up to 100 percent) to be provided by renewable sources, either on-site or off-site;
- Charging an offset fee to mitigate onsite electrical usage and to fund sustainability programs;
- Requiring detailed reporting on energy usage; and
- Partnering with utilities and nonprofits to provide cannabis cultivators with informational resources, technical assistance, and incentives/rebates.

Discussion Questions

1. How can the County effectively support the development and adoption of energy-efficient technologies and practices in cannabis cultivation?
2. What would be an appropriate mix of mandatory requirements and voluntary incentives to reduce or mitigate energy used by indoor cannabis cultivators?
3. What “supply-side” requirements should LA County require to minimize electricity usage? What “demand-side” requirements?

III. WATER

A. Issue background

There are limited data available on the amount of water needed to grow cannabis indoors, and the amounts may range widely depending on cultivation practices. The Colorado Department of Water Resources estimates that cannabis plants consume between 0.25 and 4 gallons per plant per day.²⁹

Indoor cannabis cultivation is generally less water-intensive than outdoor cultivation.³⁰ Nonetheless, minimizing water usage and maximizing efficiency is in the interests of cannabis cultivators, utilities, and governments alike.

B. Approaches to regulating water consumption in other jurisdictions

In Oregon, Washington, and Colorado, water usage for cannabis cultivation is generally governed by the same laws and regulations that apply to water usage for other agricultural activities.³¹ Generally, these rules require a cannabis cultivator to identify the water source it plans to use, and to demonstrate that it has legal rights to the water. For cultivators who plan to use a municipal water supplier, this is relatively straightforward. However, establishing a legal right to use groundwater or other non-municipal water sources is significantly more complex. Largely due to the limited availability of water in arid regions of the United States, many western states have developed intricate legal frameworks to regulate the use of water. In particular in Colorado, the complicated nature of water rights, and the importance of water to agricultural operations of all kinds, has led to legal battles in recent years, some of which have involved commercial cannabis cultivation.³²

In much of the western U.S., the federal Bureau of Reclamation (BOR) plays a key role in supplying water and selling it to local irrigation districts, which in turn supply farmers and other individual customers. In 2014, the agency issued a memorandum prohibiting the use of water supplied by BOR for cannabis cultivation. The memorandum cited the Controlled Substances Act, and stated that violations of the policy would be referred to the U.S. Department of Justice, but did not elaborate further on enforcement procedures.³³

C. Summary of relevant state law provisions and potential LA County actions

Water		
State Law	Considerations	Potential County Actions
<p>An application for a license for cultivation issued by the Department of Food and Agriculture shall identify the source of water supply.</p> <p>[Cal. Bus. & Prof. Code § 26060.1(a)]</p>	<ul style="list-style-type: none"> • There are over 200 different water supply agencies in LA County (compared with only a handful of electric utilities), which may complicate efforts to implement new policies and gather data related to water usage³⁴ 	<ul style="list-style-type: none"> • Require detailed reporting on water usage • Require the use of water recycling, irrigation sensors, and other technologies or techniques to increase water efficiency • Partner with utilities and nonprofits to provide cannabis cultivators with informational resources, technical assistance, and incentives/rebates
<p>The Department of Food and Agriculture shall include in any license for cultivation all of the following:</p> <p>(1) Conditions requested by the Department of Fish and Wildlife and the State Water Resources Control Board to (A) ensure that individual and cumulative effects of water diversion and discharge associated with cultivation do not affect the instream flows needed for fish spawning, migration, and rearing, and the flows needed to maintain natural flow variability; (B) ensure that cultivation does not negatively impact springs, riparian habitat, wetlands, or aquatic habitat; and (C) otherwise protect fish, wildlife, fish and wildlife habitat, and water quality. The conditions shall include, but not be limited to, the principles, guidelines, and requirements established pursuant to Section 13149 of the Water Code.</p> <p>(2) Any relevant mitigation requirements the Department of Food and Agriculture identifies as part of its approval of the final environmental documentation for the cannabis cultivation licensing program as requirements that should be included in a license for cultivation.</p> <p>(3) A condition that the license shall not be effective until the</p>	<ul style="list-style-type: none"> • Primarily applies to outdoor cultivation, which is not expected to be authorized in unincorporated LA County 	

Water		
State Law	Considerations	Potential County Actions
<p>licensee has demonstrated compliance with Section 1602 of the Fish and Game Code or receives written verification from the Department of Fish and Wildlife that a streambed alteration agreement is not required.</p> <p>[Cal. Bus. & Prof. Code § 26060.1(b)]</p>		
<p>If the State Water Resources Control Board or the Department of Fish and Wildlife finds, based on substantial evidence, that cannabis cultivation is causing significant adverse impacts on the environment in a watershed or other geographic area, the Department of Food and Agriculture shall not issue new licenses or increase the total number of plant identifiers within that watershed or area.</p> <p>[Cal. Bus. & Prof. Code § 26069(c)(1)]</p>	<ul style="list-style-type: none"> Primarily applies to outdoor cannabis cultivation, which is not expected to be authorized in unincorporated LA County. 	<ul style="list-style-type: none"> Consider establishing local provisions to review the effects of cannabis cultivation on sensitive environments and to take those effects into consideration upon license renewal.

Discussion Questions

1. What regulations or offset programs should the County put into place to ensure that water usage by cannabis cultivators is sustainable and of minimum impact?
2. Should LA County require the disclosure of water usage data by cultivators to inform future sustainability efforts for cannabis cultivation?

IV. PESTICIDES

A. Issue Background

Pesticides have been used to prevent pest infestation in cannabis crops, as with other agricultural operations.

However, unlike with other crops, the federal government has declined to establish standards for the use of pesticides on cannabis, citing the illegal status of cannabis under federal law. The California state legislature, in adopting the Medicinal and Adult-Use Cannabis Regulation and Safety Act (MAUCRSA), declared that “the United States Environmental Protection Agency has not established appropriate pesticide tolerances

for, or permitted the registration and lawful use of, pesticides on cannabis crops intended for human consumption pursuant to the Federal Insecticide, Fungicide, and Rodenticide Act (7 U.S.C. 136 et seq.),” and “the use of pesticides is not adequately regulated due to the omissions in federal law, and cannabis cultivated in California for California patients can and often does contain pesticide residues.”³⁵

Under MAURCRSA, the State Department of Pesticide Regulation must develop guidelines for the use of pesticides in the cultivation of cannabis and residue in harvested cannabis.³⁶ Cannabis cultivators are also precluded from using any pesticide that has been banned for use in California.³⁷

This approach is similar to pesticide regulatory efforts in Colorado, Washington, and Oregon, where the department of agriculture in each respective state has established guidelines for the use of pesticides on cannabis.³⁸

Beginning in 2018, all cannabis and cannabis products sold in California will be required to undergo laboratory testing prior to sale. State regulations will establish maximum thresholds for each pesticide, and products that exceed the threshold may not be sold to consumers.³⁹ While lab testing is intended to protect consumers from health impacts associated with pesticide residues, there will continue to be the potential for impacts on the environment from improper use and storage of pesticides, as well as potential occupational risks for those employed in commercial cannabis cultivation.

B. Potential LA County actions with respect to pesticides

In California, county agricultural commissioners are primarily responsible for monitoring and enforcing state law regarding pesticide applications within each respective county.⁴⁰ While the LA County Agricultural Commission is expected to be involved with pesticide regulation for cannabis cultivation, because the State Department of Pesticide Regulation has not yet issued guidance on acceptable pesticides for cannabis, it is unknown at this time what specific pesticide measures the LA County Agricultural Commissioner will enforce.

Some actions LA County could take to regulate pesticides, in addition to enforcing state pesticide rules, include:

- Providing informational resources to cannabis cultivators, including best practices for pesticide use, and non-chemical alternatives such as integrated pest management;
- Establishing pesticide, fungicide, and rodenticide limitations or exclusions in areas with sensitive environmental conditions; and
- Conducting unannounced inspections and testing of cannabis and cannabis products to ensure pesticides are within acceptable limits and that no banned pesticides are being used.

Discussion Questions

1. What steps should LA County take to ensure that only acceptable pesticides are used in cannabis cultivation, and that pesticide levels do not exceed maximum thresholds?
2. What education efforts could LA County provide to cultivators that could help cultivators avoid incorrect or illegal pesticide use?

SECTION 3: Cannabis Manufacturing

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I. BACKGROUND ON CANNABIS MANUFACTURING

Cannabis manufacturing involves making cannabis products from cannabis flower and other parts of the cannabis plant. Manufactured cannabis products can include edible cannabis products, tinctures, topical applications such as lotion, hash, oils, extracts, and other forms of concentrated cannabis. The images below show some of the products offered by cannabis manufacturers.

Examples of manufactured cannabis products



From left to right: chocolate bar, chocolate covered espresso beans, and mints
Source: <http://kivaconfections.com/products/>.



From left to right: lotion, drops, and beverage. Source: <http://dixieelixirs.com/products/>.



From left to right: cookie and blondie bar. Source: <http://www.korovaedibles.com/>.



From left to right: hash, “shatter,” and wax.
 Source: <https://www.leafly.com/news/cannabis-101/the-great-wide-world-of-cannabis-concentrates> and <https://www.leafly.com/news/cannabis-101/what-is-cannabis-oil-shatter-and-wax>.

II. CONSIDERATIONS FOR CANNABIS MANUFACTURERS

A. Extraction and the use of volatile solvents

Cannabis manufacturing often involves methods to extract byproducts from cannabis plant material to create concentrated cannabis products. Some concentrated cannabis products are sold directly at retail, such as butane honey oil or “BHO.” Concentrated cannabis products may also be incorporated or infused into other finished products, such as edible cannabis products.

Cannabis extraction can be achieved without solvents by mechanical means (e.g., by shaking cannabis plant material in ice water),⁴¹ or with the use of solvents.⁴² Solvents are considered either nonvolatile, such as carbon dioxide, or volatile, such as butane.⁴³

Volatile solvents have perhaps received the greatest level of attention because of their potential to explode, primarily in “do-it-yourself” home applications.⁴⁴ Explosions have been destructive, resulting in injuries, deaths, and significant property damage.⁴⁵

This has led to some local jurisdictions to propose banning cannabis manufacturing using volatile solvents.⁴⁶ However, some cannabis industry advocates argue that volatile solvent manufacturing is safe when done professionally.⁴⁷ The fire department for the City of Seattle has issued special administrative regulations governing cannabis extraction with flammable gases, including detailed requirements for extraction equipment, exhaust systems, electrical systems and appliances, and warning alarms.⁴⁸ The fire department for the City and County of Denver has issued similar special regulations, and requires explosion-proof rooms where volatile substances are used to extract cannabis.⁴⁹

B. Other considerations for cannabis manufacturers

In addition to concerns over manufacturing utilizing volatile solvents, other concerns include safety and security due to the value of cannabis products produced by manufacturers⁵⁰ and the potential for nuisance odors from manufacturing sites related to the amount of cannabis stored and processed on the site. Product theft and diversion by employees or those with access to manufacturing facilities are other potential issues, which by some estimates account for 90 percent of financial and product loss for cannabis businesses.⁵¹

Preparation of manufactured cannabis products must also be closely regulated to ensure that products are not contaminated, adulterated, or otherwise harmful to consumers. Multiple reports have identified mold, bacteria, and pesticides contained in edible cannabis products in concentrations that could sicken consumers, especially those with compromised immune systems who may be consuming cannabis products for medicinal purposes.⁵²

Finally, manufactured cannabis products must be homogenized to ensure cannabis is evenly distributed throughout the product, and accurately labeled to identify the potency of the product. Reports have shown that many edible cannabis products currently marketed and sold to consumers contain lower or high concentrations of psychoactive THC and other cannabinoids than labeled.⁵³

III. SUMMARY OF RELEVANT STATE LAW PROVISIONS AND POTENTIAL LA COUNTY ACTIONS

Cannabis Manufacturers		
State Law	Considerations	Potential County Actions
<p>Edible cannabis products must be:</p> <ul style="list-style-type: none"> • produced and sold with a standardized concentration of cannabinoids not to exceed 10 milligrams of THC per serving • delineated or scored into standardized serving sizes if the cannabis product is in solid form • homogenized to ensure uniform disbursement of cannabinoids throughout the product • manufactured and sold under sanitation standards established by the State Department of Public Health • Provided to consumers with sufficient information to enable the informed consumption of the product, including the potential effects of the cannabis product and directions as to how to consume the cannabis product <p>[Cal. Bus. & Prof. Code § 26130(c)]</p>	<ul style="list-style-type: none"> • The California Department of Public Health, Office of Manufactured Cannabis Safety, is expected to propose regulations governing cannabis manufacturing 	<ul style="list-style-type: none"> • Consider local regulations to support enforcement of state rules for cannabis product preparation and labeling • Establish local recall procedures to respond to reports of contaminated, adulterated, or mislabeled cannabis products
<p>State standards, requirements, and regulations regarding health and safety, environmental protection, security, food safety, and worker protections are minimum standards; local jurisdictions may establish additional standards, requirements, and regulations.</p> <p>[Cal. Bus. & Prof. Code § 26201]</p>	<ul style="list-style-type: none"> • The California Department of Public Health, Office of Manufactured Cannabis Safety, is expected to propose regulations governing cannabis manufacturing 	<ul style="list-style-type: none"> • Consider additional safety regulations to govern the use of volatile solvents in the manufacturing process • Consider adopting health code regulations to ensure cannabis product safety

Discussion Questions

1. Should LA County allow cannabis product manufacturing utilizing volatile solvents? If so, what additional requirements should LA County consider to ensure volatile solvent manufacturing is safe for employees and those who live and work near cannabis manufacturers?
2. What security and odor control requirements should LA County consider for cannabis manufacturers?
3. What considerations unique to cannabis manufacturing should LA County consider as it develops environmental sanitation (health code) standards for cannabis manufacturers?

SECTION 4:

Cannabis Distributors, Testing Laboratories, and Microbusinesses

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I. CANNABIS DISTRIBUTORS

Cannabis distributors are a fundamental part of the cannabis supply chain. Under state law, cannabis distributors are the only licensed business type that can transport inventory between licensed cannabis businesses.⁵⁴ Distributors are also responsible for ensuring that third-party laboratory testing is completed, and that all cannabis and cannabis product labeling and packaging meet state requirements.⁵⁵ Lastly, distributors are responsible for collecting and remitting taxes on behalf of cultivators and retailers.⁵⁶

Alcohol producers and retailers must utilize independent distributors to take alcohol from producers to retailers.⁵⁷ In contrast, cannabis retailers, manufacturers, and cultivators can also hold distributor licenses, provided the distribution business' premises are "separate and distinct."⁵⁸ For this reason, it is unknown whether distributors will more often than not be associated with other licensed businesses, or whether independent distributors will play a major role in the cannabis market.

Some issues associated with cannabis distributors include establishing security measures while products are stored and in transit,⁵⁹ and product tracking and compliance procedures.⁶⁰

II. TESTING LABORATORIES

Testing laboratories are the only cannabis businesses that must be separately and independently licensed.⁶¹ Owners and employees of a testing laboratory cannot have an interest in or be employed by another cannabis business type, including retail, cultivation, manufacturing, and distribution.⁶² Licensed testing laboratories must be accredited as required by the State Bureau of Cannabis Control (Bureau).⁶³

With limited exceptions, no cannabis or cannabis product can be sold at retail unless a representative sample of the cannabis or cannabis product has been tested by a licensed testing laboratory.⁶⁴ Testing laboratories must test samples for the following:

- Whether the THC and other cannabinoid content conforms to the product label; and
- Whether contaminants present in the testing sample are within an acceptable range to be established by the Bureau, including residual solvents, foreign material such as hair or insects, microbial impurities, and residual levels of volatile organic compounds (VOCs).⁶⁵

Testing laboratories are required to destroy any remaining cannabis or cannabis product samples after testing is complete.⁶⁶

In other jurisdictions where adult-use cannabis is legal, concerns with testing laboratories include:

- Having too few licensed testing laboratories, resulting in disruptions to the cannabis supply chain. In Oregon, strict testing standards and a relatively small number of accredited testing laboratories caused product shortages that reportedly caused some businesses to close.⁶⁷
- Testing results that are inconsistent across laboratories.⁶⁸
- Potentially fraudulent testing results by laboratories that are incentivized to approve samples for financial reasons.⁶⁹

For these reasons, regulators are concerned not only with have a sufficient number of licensed testing laboratories, but with ensuring that testing results from licensed testing laboratories are accurate and consistent across laboratories.

III. MICROBUSINESSES

A state “microbusiness” license entitles the licensee to cultivate cannabis on an area less than 10,000 square feet and to act as a licensed distributor, a manufacturer utilizing no or nonvolatile solvents, and retailer.⁷⁰ Some see cannabis microbusinesses as a way for small businesses to enter the market.⁷¹

State law generally requires microbusinesses to comply with standards applicable to cultivators, distributors, and retailers.⁷² Like retailers, microbusinesses are subject to rules requiring state licensing authorities to consider whether granting a microbusiness license would result in an excessive concentration of retailers or microbusinesses where the proposed business would operate.⁷³ Moreover, because microbusinesses will cultivate, manufacture, distribute and sell cannabis and cannabis products at retail, considerations applicable to cultivators, manufacturers, distributors, and retailers are all applicable to microbusinesses.

Discussion Questions

1. What security and other considerations are unique to cannabis distributors, and what regulations should LA County implement locally to address those concerns?
2. What steps can LA County take to ensure that a sufficient number of licensed testing laboratories are available locally to test cannabis and cannabis products sold within LA County?
3. What measures should LA County put into place to verify that licensed testing laboratories are providing reasonably consistent and accurate testing results?
4. Does allowing microbusinesses create opportunities for small businesses to enter the cannabis market? Should LA County incentivize microbusinesses to locate in unincorporated areas and, if so, what regulations should LA County put into place to ensure that impacts associated with microbusinesses are mitigated?

SECTION 5:

Location Requirements for Non-Retail Cannabis Businesses

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I. WAYS TO LIMIT THE LOCATION AND NUMBER OF CANNABIS BUSINESSES

The preparation packet for *Meeting Four: Cannabis Retailers* detailed the considerations that local regulators take into account when deciding where cannabis retailers can locate.⁷⁴ As described in the preparation packet for *Meeting Four: Cannabis Retailers*, ways that local governments control the location and number of cannabis retailers include:

For more on where cannabis businesses can locate, refer to the preparation packet for Week 4: Cannabis Retailers, pages 3-9, available at:
<http://bit.ly/2uiWe8V>

- Zoning;
- Buffering from “sensitive uses;”
- Establishing minimum distances between cannabis retailers; and
- Numerical and concentration limits on the number of retailers.⁷⁵

The strategies for controlling the location and number of other types of cannabis businesses are the same, although the policy considerations that inform locational and numerical controls vary by business type.

II. ZONING

With respect to zoning, the LA County Board of Supervisors directed departments to prepare regulations that:

- Allow cannabis cultivators, manufacturers, and distributors in **industrial** zones; and
- Allow testing laboratories in **industrial** and **commercial** zones.⁷⁶

The Board of Supervisors did not specify zoning for cannabis microbusinesses. Because such businesses include cultivation and manufacturing, the Board of Supervisors may decide to limit microbusinesses to industrial zones only.

III. **BUFFERING, DISTANCING, AND NUMERICAL AND CONCENTRATION LIMITS**

Under state law, any cannabis business may not be located within a 600-foot radius of a school (K-12), day care center (including preschools), and youth center (including, for example, youth membership clubs and video arcades), unless the local government specifies a different radius.⁷⁷

However, cannabis cultivators, manufacturers, distributors, testing laboratories, and microbusinesses each present unique operational considerations that may influence whether local regulations should alter the existing radius requirements under state law.

For example --unlike cannabis retailers -- cultivators, distributors, and manufacturers are likely to operate without drawing attention to their premises because they do not sell to consumers and because unnecessary attention may create security concerns.⁷⁸ However, as described in detail above, other considerations include odors emanating from cultivation and manufacturing facilities, the potential for explosions associated with the manufacturing process, and security concerns at licensed premises and in vehicles that transport cannabis and cannabis products stemming from the value of the products being grown, stored, and transported.

The chart below compares some of the considerations for each cannabis business type. These considerations may affect where each business type should be located.

Considerations for Cultivators, Manufacturers, Distributors, Testing Laboratories, and Microbusinesses					
Retailers	Cultivators (Indoor)	Manufacturers	Distributors	Testing Laboratories	Micro-businesses
<ul style="list-style-type: none"> • Visibility • Odors • Security concerns • Impacts associated with customer traffic • Loitering • Second-hand smoke • Access to youth • Advertising and signage 	<ul style="list-style-type: none"> • Odors • Energy requirements • Hazardous chemicals (e.g., pesticides) • Security concerns • Traffic associated with the transportation of cannabis products • Noise from equipment and employees 	<ul style="list-style-type: none"> • Odors • Security concerns • Safety concerns associated with the use of volatile solvents • Traffic associated with the transportation of cannabis products • Noise from equipment and employees 	<ul style="list-style-type: none"> • Odors • Security concerns • Traffic associated with the transportation of cannabis and cannabis products 	<ul style="list-style-type: none"> • Security concerns • Impacts associated with the transportation of samples and customer activity 	<ul style="list-style-type: none"> • Same concerns as retail businesses, small cultivators, and nonvolatile solvent manufacturing

IV. APPROACHES TAKEN BY SEATTLE, DENVER, AND PORTLAND

Local governments where commercial adult-use cannabis is legal have taken different approaches with respect to locational and numerical limits for cannabis businesses other than retailers. The chart below describes the approaches taken in Denver, Seattle, and Portland.

Locational Requirements for Cannabis Cultivators, Manufacturers, Distributors, and Testing Laboratories in Other Jurisdictions				
City	Business Type	Buffering from Sensitive Uses	Minimum Distance Between Businesses	Limits on the Number of Businesses
Denver	Cultivation ⁷⁹	1,000 feet. schools, residential districts	None	<p><i>Citywide:</i> Maximum 311 cultivation locations citywide, and 467 cultivation + retail locations</p> <p><i>Local:</i> No licenses may be issued in the five “statistical neighborhoods” with the highest number of existing cultivation businesses in any given year</p>
	Manufacturing ⁸⁰	None	None	None
	Distribution ⁸¹	None	None	None
	Testing Laboratories ⁸²	None	None	None
Seattle	Cultivation ⁸³	<p>1,000 feet. elementary and secondary schools, playgrounds</p> <p>250 feet. child care centers, game arcades, libraries, public parks, public transit centers, and recreation centers or facilities</p>	None	None
	Manufacturing ⁸⁴	Same as cultivation	None	None
	Distribution	No comparable category	No comparable category	No comparable category

Locational Requirements for Cannabis Cultivators, Manufacturers, Distributors, and Testing Laboratories in Other Jurisdictions				
City	Business Type	Buffering from Sensitive Uses	Minimum Distance Between Businesses	Limits on the Number of Businesses
	Testing Laboratories	No comparable category	No comparable category	No comparable category
Portland	Cultivation ⁸⁵	None	None	None
	Manufacturing ⁸⁶	None	None	None
	Distribution ⁸⁷	None	None	None
	Testing Laboratories ⁸⁸	None	None	None

V. SUMMARY OF POTENTIAL LA COUNTY ACTIONS AND CONSIDERATIONS

Summary of Potential Locational Requirements and Numerical/Concentration Limitations for Cannabis Businesses other than Retail	
Potential County Actions	Considerations
<ul style="list-style-type: none"> Identify “sensitive uses” or other land uses that should be buffered from cannabis businesses 	<ul style="list-style-type: none"> Sound policy considerations should guide the identification of buffered land uses and appropriate distances Schools (K-12), day care centers (including preschools), and youth centers (including youth membership clubs) are already identified as “sensitive uses” under state law, requiring a 600-foot buffer, but the County can set lower or higher buffer distances⁸⁹ Nuisance odors have been a problematic in other jurisdictions⁹⁰
<ul style="list-style-type: none"> Establish minimum distances between cannabis businesses 	<ul style="list-style-type: none"> Not required under state law Effective to reduce the concentration of cannabis businesses Some jurisdictions allow clustering of cultivators, manufacturers, distributors and testing laboratories Minimum distances could result in inequitable distribution of cannabis businesses Minimum distances could result in the presence of dispensaries in more communities, as opposed to concentrated in a single area

Summary of Potential Locational Requirements and Numerical/Concentration Limitations for Cannabis Businesses other than Retail

Potential County Actions	Considerations
<ul style="list-style-type: none"> Establish numerical or concentration limits 	<ul style="list-style-type: none"> State law excessive concentration limits apply to microbusinesses, but not cultivators, manufacturers, distributors, or testing laboratories⁹¹ Provides greater locational control within specific geographic areas Other factors, such as crime, can be taken into account Limiting the availability of testing laboratories and distributors could result in unintended impacts to the cannabis supply chain

Discussion Questions

1. What buffers should LA County establish for cultivators and manufacturers to ensure compatibility with surrounding land uses, especially with regard to odors, security, and other considerations?
2. Should LA County establish buffers for distributors and testing laboratories that are different from or more restrictive than the 600-foot buffer required under state law? Why?
3. Should LA County place concentration or numerical limits on cultivators and manufacturers? What should those limits be?
4. Should LA County require cultivators, manufacturers, distributors, and testing laboratories to be a certain distance from other cannabis businesses? What policy considerations support requiring or not requiring such distance rules?
5. Are there any features unique to microbusinesses that LA County should take into account when establishing zoning, buffering, distancing and concentration rules for microbusinesses?

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APPENDIX F

**Los Angeles County
Advisory Working Group
on Cannabis Regulation**

Meeting Six:
**TAXATION AND ECONOMIC
DEVELOPMENT**
AUGUST 17, 2017

PREPARATION PACKET

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SECTION 1:

Taxation

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I. ISSUE BACKGROUND

In states that have recently legalized adult-use cannabis, media coverage has often highlighted the significant tax revenues expected to be generated. Some have cited these revenues as one of the primary arguments in favor of legalization.¹ However, it is important to consider these potential revenues in the context of overall budget amounts, and in comparison to costs associated with cannabis regulation, education, and enforcement.

A number of considerations should factor into the design of an overall approach to taxation, particularly given the emerging nature of the licensed cannabis industry. Broadly speaking, taxation structures should strive to be fair and equitable in their application, and not to be overly cumbersome in their administration. Tax rates should be sufficient to support regulatory costs, at a minimum, but not so high as to inhibit the transition from unregulated and illegal markets to the legal, regulated marketplace.

Taxes, fees, and fines each generate revenues for state and local governments, however there are some differences. Taxes are the broadest of the three, generally applying to anyone who purchases or uses a product or service, and require voter approval. Fees are intended to recover the costs of performing a specific function, such as reviewing an application or conducting inspections at a business.² Fines are intended primarily as a punitive measure for those who fail to comply with laws or regulations.

II. CONSIDERATIONS RELATED TO TAXATION

A. Purposes of taxing cannabis

Taxes may serve different purposes. The primary purpose of most taxes is to generate revenues to fund government services. However, certain taxes are also intended to shape consumer behavior. Tax incentives are commonly offered to encourage consumers to take a certain action, such as purchasing an electric vehicle. Conversely, “sin taxes” are often levied on alcohol and tobacco in order to discourage individuals from consuming

these products, without actually making the use of these products illegal. While research has indicated that price is often a significant factor influencing consumer decisions, some have criticized “sin taxes” as a form of “social engineering” and for their regressive nature (meaning the less money a person makes, the larger percentage of his income these taxes consume).³

B. Determining an appropriate tax rate

1. Competition from the illicit market

When deciding a taxation rate for cannabis businesses, a variety of interconnected factors must be considered. One of the foremost considerations is to ensure that the licensed, regulated market remains competitive with the illicit, unlicensed market, the latter of which is entirely untaxed. This is a particular concern in the initial stages of licensing. As the legal marketplace becomes more established and economies of scale are realized, prices tend to fall, which may allow for a higher tax rate without the risk of driving consumers to the illicit market.⁴

2. Parity with nearby cities

Cannabis tax rates in nearby jurisdictions are another important consideration. If taxes are significantly lower in nearby cities or states where cannabis is legalized, consumers are likely to purchase cannabis there, in much the same way that jurisdictions with less restrictive hours of operation may attract a larger share of business.

3. Different tax rates for medical vs. non-medical cannabis

Many states, counties, and cities have established different tax rates for medical and non-medical cannabis. The rationale for such a policy is that those who need cannabis for medical purposes should be able to obtain it at a reasonably affordable price. Proponents of this viewpoint cite the fact that medical and pharmaceutical products generally are exempt from taxation.

One concern with having a lower tax rate for medical cannabis is that individuals without a legitimate medical need for cannabis will falsely claim to have such a medical condition, in order to take advantage of the lower tax rate. This is most likely to be an issue when there is a significant differential between the medical and non-medical tax rates, and when the qualifying medical conditions are relatively broad or loosely defined.

In Washington state, certain low-THC medical cannabis products are exempt from sales and use taxes.⁵

4. Allowing for tax rate adjustments within a range

As described in the previous sections, it can be challenging to set cannabis tax rates that appropriately balance multiple objectives. Moreover, market dynamics tend to change

over time, particularly in the early stages of legalization, and this may require a periodic reevaluation of tax rates to ensure that they still adequately serve policy goals and revenue needs.

In general, any change in local tax rates requires voter approval. In the case of cannabis, some jurisdictions have adopted tax ordinances that specify a range of tax rates rather than one specific rate. Raising or lowering taxes within the range typically only requires a vote of the local governing body (e.g. City Council or Board of Supervisors). This approach allows for regulators to respond to rapidly changing market conditions in a more nimble way.

C. Tax structures

Complex tax structures have proven difficult to implement and enforce. Washington State initially adopted a three-tier tax structure for adult-use cannabis, imposing a separate 25% tax on cultivation, processing, and retail sale. This tax was problematic in several ways. Many argued the overall tax burden was too high, a problem that was compounded because the manner in which taxes were paid required cannabis businesses to report them as revenue to the federal government. When combined with local taxes, the overall tax rate was approximately 95%. At the same time, the medical cannabis market in Washington was largely unregulated. As a result, sales of adult-use cannabis in the legal marketplace were slow to take off. In response to these problems, state legislators substantially revamped the tax rates and structure one year after legal sales began. Instead of taxing at three different points in the supply chain, Washington only taxes retail sales under the new system, and funds that businesses pay in state taxes are no longer reportable as income to the federal government.⁶

On the other hand, taxing various types of cannabis businesses separately does provide local governments with additional certainty in terms of how much revenue they can expect to take in. If a jurisdiction elects to tax cannabis retailers only, but other cannabis businesses (e.g. cultivators and manufacturers) become the dominant form of the industry there, the tax structure may not allow for sufficient revenue collection.

Another consideration when structuring a cannabis taxation scheme is what basis will be used to calculate the amount of tax imposed. In Colorado, taxes on cannabis sales are calculated based on the *average* market price (as calculated by the state at regular intervals), rather than the *actual* price paid in any one transaction. California will also use this approach for taxing cannabis sales starting in 2018.

In the case of cannabis cultivation, some jurisdictions impose a tax based on square footage of canopy, rather than value or volume of cannabis produced. The cities of Los Angeles and Long Beach are two local examples of jurisdictions that impose this type of tax on cultivation.

For retail sales, one novel approach would be a potency-based tax, based on the milligrams of THC (or for edible products, THC “equivalent”). Such an approach would

arguably be better-suited to the increasing variety of non-traditional forms that cannabis products can take, such as concentrates. However, calculating a potency-based tax would likely be more complicated than a tax based on value or weight. There is also some evidence that market prices align naturally with potency, meaning that consumers will pay the same amount for a milligram of THC regardless of form, in which case a potency-based tax might have effectively the same results as a standard tax.

III. CANNABIS TAXATION IN DENVER, SEATTLE, AND PORTLAND

A. Tax rates

As demonstrated in the following table showing cannabis tax rates in Denver, Seattle, and Portland, there is significant variation among the total tax rate, and the differential between adult-use and medical tax rates.

Note that the tax rates shown below do not include taxes on cultivation, manufacturing, testing, or distribution, nor do they include exemptions on certain medical cannabis products.

	Denver, CO		Seattle, WA		Portland, OR	
	<i>Adult-use</i>	<i>Medical</i>	<i>Adult-use</i>	<i>Medical</i>	<i>Adult-use</i>	<i>Medical</i>
State taxes	25%	2.9%	43.5%	37%	17%	0%
Local taxes	7.15%	3.65%	3.6%	0%	3%	0%
Total tax rate	32.15%	6.55%	44.1%	37%	20%	0%
% of sales	66%	34%	88%	12%	73%	27%

SOURCES: Leafly, “Cannabis Tax Rates: A State-By-State Guide,” accessed at <https://www.leafly.com/news/industry/marijuana-tax-rates-by-state>; City and County of Denver, “Colorado Tax Guide No. 95,” accessed at https://www.denvergov.org/content/dam/denvergov/Portals/571/documents/TaxGuide/Marijuana-Medical_and_Retail.pdf; Colorado Department of Revenue, “Sales Tax on Marijuana,” accessed at <https://www.colorado.gov/pacific/sites/default/files/Sales93.pdf>; City of Portland Office of Management & Finance, “Portland Marijuana Tax,” accessed at <https://www.portlandoregon.gov/revenue/article/620894>; Washington State Department of Revenue, “Taxes due on marijuana,” accessed at <http://dor.wa.gov/Content/FindTaxesAndRates/marijuana/Default.aspx>; Marijuana Policy Group

B. Tax revenues and distribution

1. State of Colorado

In fiscal year 2015 to 2016, cannabis taxes and fees in Colorado totaled approximately \$156.7 million.⁷ In fiscal year 2016 to 2017, that number increased to \$223.5 million⁸. For

comparison, the 2017-2018 total Colorado state budget was \$28.5 billion⁹ (including federal pass-through funds), meaning that cannabis tax revenue accounts for less than 1% of the Colorado budget.

Colorado cannabis tax revenues are distributed as follows: ¹⁰

- 55 percent for public school construction and renovations
- 40 percent for health care, health education, substance abuse prevention and treatment programs, and law enforcement
- 5 percent for distributions to local governments

2. City of Denver

Denver received \$29 million in cannabis tax revenues in 2016.¹¹ Denver's total budget is approximately \$3 billion annually (including federal and state pass-through dollars).¹²

	Denver, CO		
	2014	2015	2016
Annual Cannabis Tax Revenue	\$17 million	\$22.5 million	\$29 million

SOURCE:

https://www.denvergov.org/content/dam/denvergov/Portals/344/documents/Financial_Reports/Sales_Tax_by_Category.pdf

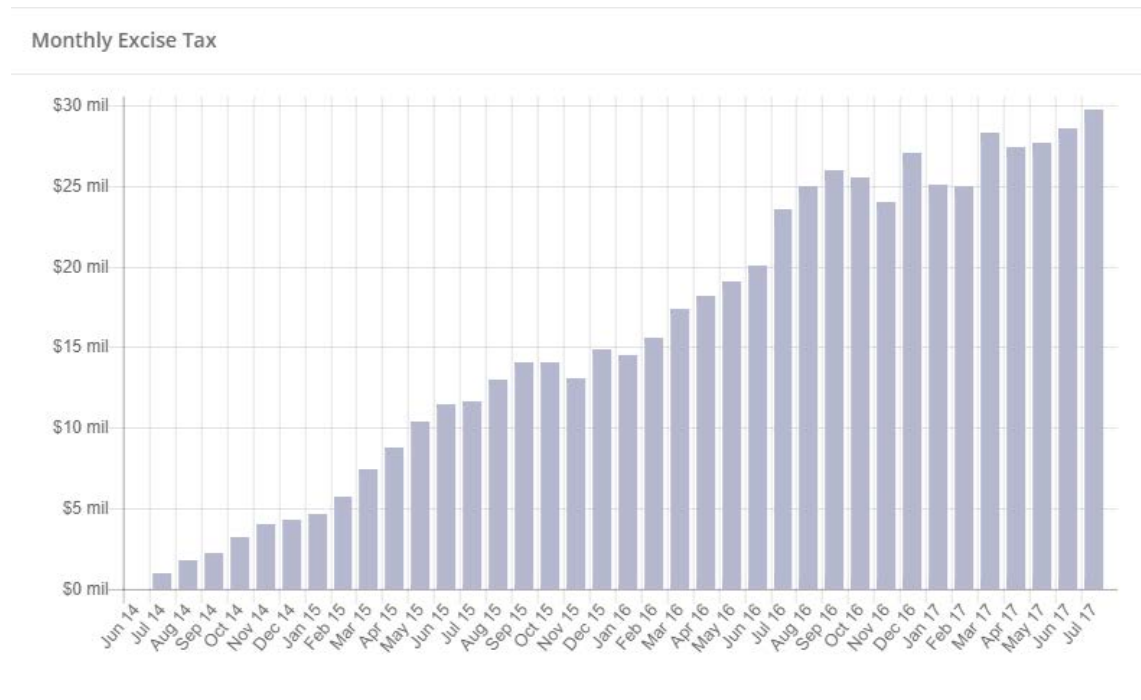
3. State of Washington

Washington state is projected to receive an estimated \$725 million in cannabis tax revenue for fiscal years 2017 to 2019 (Washington budgets for 2-year periods).¹³ Over that same time, Washington total budget is projected to be \$108.7 billion (including federal pass-through dollars).¹⁴ Similar to Colorado, cannabis tax revenue accounts for less than 1% of the total budget.

Washington state cannabis tax revenues are distributed as follows:¹⁵

- 42 percent for health care
- 31 percent for the state's general fund
- 12 percent for youth drug prevention
- 8 percent for public health education
- 6 percent for local general funds
- 2 percent for research, evaluation, and administration

State of Washington: Monthly Cannabis Tax Receipts



SOURCE: <https://502data.com/>

4. City of Seattle

In Seattle, the general sales/use tax is imposed on adult-use cannabis but not medical cannabis. Unlike in Denver and Portland, there is no cannabis-specific tax imposed at the local level, and therefore there are no revenue data to report.¹⁶

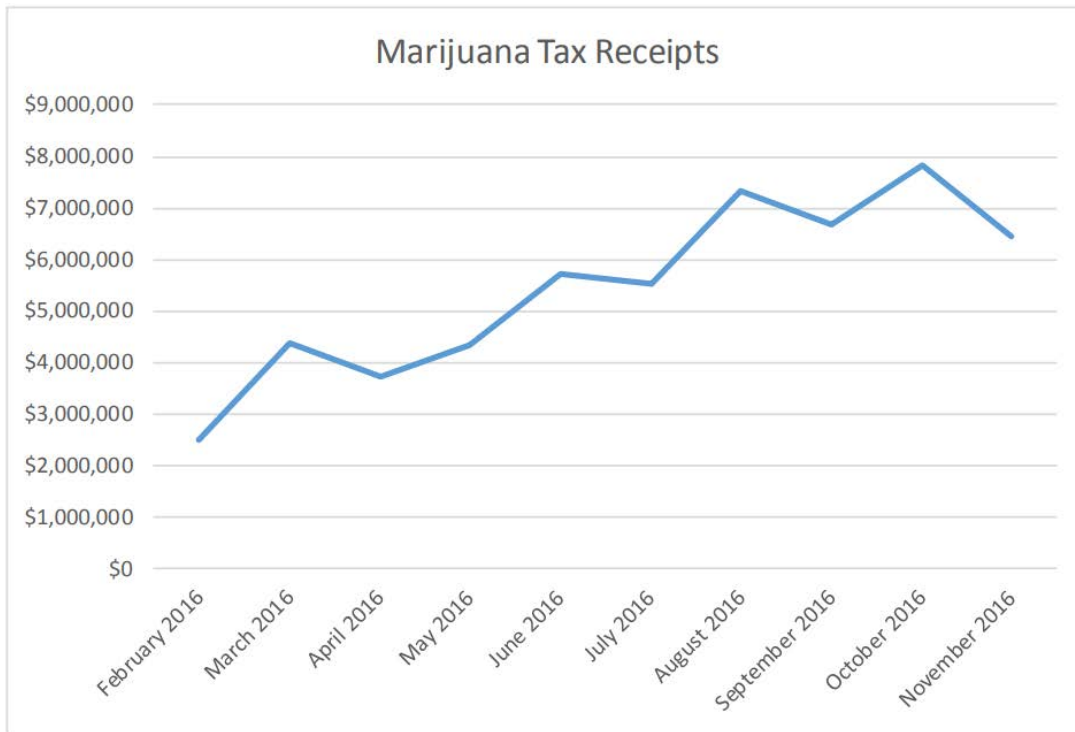
5. State of Oregon

Cannabis tax revenues in the state of Oregon totaled \$20.7 million in fiscal year 2016, and \$70.3 million in fiscal year 2017.

Oregon State cannabis tax revenues (minus administration costs) will be distributed as follows:¹⁷

- 40 percent for education
- 20 percent for purposes for mental health, alcoholism, and drug services
- 15 percent for state law enforcement
- 10 percent to cities, based on population and number of licensees
- 10 percent to counties, based on total available grow canopy size and number of licensees
- 5 percent for alcohol and drug abuse prevention, early intervention, and treatment services

State of Oregon: Monthly Cannabis Tax Receipts



SOURCE: http://www.oregon.gov/DOR/programs/gov-research/Documents/marijuana_tax_report-2016-Q1.pdf

6. City of Portland

In the City of Portland, voters established a 3% tax on recreational cannabis sales on November 8, 2016. Revenues from this tax are allocated to drug and alcohol treatment, public safety investments, and support for neighborhood small businesses.¹⁸ Data on the amount of cannabis tax revenue collected to date in Portland is unavailable at this time.

IV. CANNABIS TAXATION IN CALIFORNIA

A. State taxes

Beginning on January 1, 2018, California will impose a state excise tax of 15% on all retail sales of cannabis and cannabis products (both medical and non-medical), and a cultivation tax of \$9.25 per ounce of flowers and \$2.75 per ounce of leaves (dry-weight). Sales of non-medical cannabis will also be subject to state and local sales taxes (currently 9.25% in unincorporated Los Angeles County), however medical cannabis will be exempt from sales taxes. According to state law, cannabis distributors are the entity responsible for calculating and collecting cannabis excise taxes from cultivators, manufacturers, and retailers, and remitting these funds to the state.¹⁹

State law also allows counties and cities to impose local taxes “on the privilege of cultivating, manufacturing, producing, processing, preparing, storing, providing, donating, selling, or distributing cannabis or cannabis products by a licensee.” Any such local taxes would need to be approved by voters within that county or city.²⁰

The allocation of revenues from state taxes on cannabis is specified by law, as follows:²¹

- First, revenue will be used to cover the State’s costs to administer and enforce cannabis regulation. Then:
- \$10 million per year for 11 years to public California universities to research and evaluate the impacts of adult-use cannabis legalization
- \$3 million per year for five years to the California Highway Patrol to establish and adopt protocols to detect impaired driving
- \$10 million per year, increasing each year by \$10 million reaching \$50 million in 2022, for grants to local health departments and community-based nonprofits supporting “job placement, mental health treatment, substance use disorder treatment, system navigation services, legal services to address barriers to reentry, and linkages to medical care for communities disproportionately affected by past federal and state drug policies
- \$2 million per year to the University of California at San Diego Center for Medical Cannabis Research to study medical cannabis
- Remaining revenues will be distributed as follows:
 - 60% to youth programs, including drug education, prevention, and treatment
 - 20% to remediate environmental damage from illegal cannabis cultivation
 - 20% to programs designed to reduce driving under the influence of cannabis, including training programs for law enforcement

The state Legislative Analyst estimates that total state and local revenues from cannabis taxation could range “from the high hundreds of millions of dollars to over \$1 billion annually,” but notes that it will likely take several years for revenues to reach these levels.²²

B. Other cities in Los Angeles County

1. City of Los Angeles

On March 7, 2017, voters in the City of Los Angeles approved Measure M, which established the following taxes on cannabis businesses:

- **Cultivation, manufacturers** – 2% of gross receipts
- **Testing, distribution** – 1% of gross receipts
- **Retailers** – 5% of gross receipts (medical), 10% of gross receipts (non-medical)

2. City of Long Beach

Voters in Long Beach approved Measure MA on November 8, 2016, which established the following taxes on cannabis businesses:²³

- **Cultivation** – \$12-15 per square foot
- **Manufacturers, testing, distribution, and delivery** – 6-8% of gross receipts
- **Retailers** – 6-8% of gross receipts (medical), 8-12% of gross receipts (non-medical)
- All cannabis businesses are required to pay a minimum tax of \$1,000 annually.

The taxes set by Measure MA could be increased or decreased within the established ranges by the City Council, and were initially set at the minimum within each respective range. The tax rates established by Measure MA are lower than those established by an ordinance the city adopted in 2014, but higher than those proposed by a competing measure on the same ballot. Measure MA requires annual expenditure reports by the City Manager, and is expected to raise approximately \$13 million annually in general fund revenue.²⁴

3. City of Bellflower

On March 7, 2017, voters in the City of Bellflower approved Measure B, which established the following taxes on cannabis businesses:²⁵

- **Cultivation, excluding nurseries** – \$15 per square foot of canopy, based on the maximum square footage allowed by the city permit. Beginning in 2020, tax will increase \$2.50 yearly, to a maximum rate of \$25 per square foot. Tax will increase based on CPI beginning in 2024.

- **Nurseries** – \$2 per square foot of canopy, based on the maximum square footage allowed by the city permit. Beginning in 2020, tax will increase \$1.50 yearly, to a maximum of \$5 per square foot. Tax will increase based on CPI beginning in 2024.
- **Transportation** – \$1,500 annual tax on all transportation businesses.
- **Retailers, manufacturers, testing, distribution, and delivery** – 5% of gross receipts, increasing by 2.5% each year beginning in 2020 to a maximum rate of 10%.

Apart from setting these tax rates, Measure B did not establish regulations for cannabis businesses in Bellflower, however at the time of the election, the City Council was considering another ordinance to allow up to 12 cannabis dispensaries in the city.²⁶

Proponents of the measure estimated that these taxes would raise up to \$3 million per year. Because Measure B imposed a general tax, “all tax revenue would be available for use by the City to pay for general City operations and services. The City would not be legally bound in any way to use the tax monies for any special purpose or for any particular facilities or programs.” The official argument in favor of the measure stated that these funds could be used for “law enforcement, including additional neighborhood patrols, parks and recreation and after-school programs.”²⁷

4. City of Carson

Voters in the City of Carson approved Measure KK on November 8, 2016, establishing a tax of 18% of gross receipts for cannabis cultivation, manufacturing, distribution, testing, and retail sales, and a \$25 per square foot tax for cannabis cultivation. At the time the tax measure was approved, the City Council was not considering allowing cannabis businesses in the city, however the measure would apply “if a future Carson City Council or if voters of Carson through another ballot measure permit cannabis business activities.”²⁸ Proponents of the measure emphasized its purpose as youth prevention rather than revenue generation, stating that “it is important for us to discourage purchasing marijuana among price-sensitive groups.”²⁹

V. CONSIDERATIONS AND POTENTIAL ACTIONS FOR LA COUNTY

Taxation	
Considerations	Potential County Actions
<ul style="list-style-type: none"> Any local tax would require voter approval The cumulative amount of local and state taxes should be considered in order to avoid inhibiting the transition from unregulated to regulated markets 	<ul style="list-style-type: none"> Establish a local tax for cannabis and cannabis products Prioritize the allocation of local tax revenues for funding specific programs or services

Discussion Questions

- Besides retail sales, should the County tax cannabis at other points in the supply chain (e.g. cultivation, manufacturing, lab testing, distribution)? Why or why not?
- Should the County consider a tax based on the potency (THC content) of cannabis and cannabis products?
- Should the County tax medical and non-medical cannabis at different rates?
- Do you have concerns about tax compliance, and if so, how can the County ensure that businesses accurately report all taxable transactions?
- With consideration to how *state* tax revenues will be allocated, which programs or services would you prioritize for funding by *local* tax revenues, if the county adopts a cannabis tax?

SECTION 2:

Economic Development

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I. ISSUE BACKGROUND

Along with the potential to generate new tax revenues, another frequently cited argument in favor of cannabis legalization is the potential for the cannabis industry to create new jobs and revitalize areas currently suffering from a lack of investment.³⁰

Conversely, opponents of cannabis legalization have argued that legalization will worsen existing conditions in communities already suffering from high rates of unemployment and blight. Others worry that cannabis businesses could displace other community-serving businesses such as family restaurants, small grocers, and laundromats, if cannabis businesses are willing and able to pay higher rent rates as compared to other businesses.

Even among those who believe that the cannabis industry will promote economic development, there is some concern that those benefits will not accrue to local communities, but will instead be reaped by distant investors. Many jurisdictions that have licensed cannabis businesses have taken measures to ensure that economic benefits remain within the communities in which these businesses are located.

II. ESTIMATING THE SIZE OF THE CANNABIS INDUSTRY

A. Market trends and patterns in Colorado

There is a limited amount of available data on the size and economic impacts of the cannabis industry, partly because labor and economic statistics are typically tracked by the federal government rather than state and local governments. Among the few studies that have been published to date, there are major variations in terms of the assumptions used for economic modeling and the resulting forecasts. Therefore, numbers for the cannabis industry should be understood as rough estimates with a potentially large margin of error. As more data is collected on the cannabis industry in an increasing number of states, this data should become more reliable in the years to come.

Marijuana Policy Group, an economic and policy consulting firm, released a study in October 2016 that attempted to quantify the economic impacts associated with the cannabis industry in Colorado.³¹ Some of the key findings from the study are as follows:

- In 2015, Colorado's cannabis industry direct and indirectly generated 18,005 jobs and \$2.39 billion in economic activity (total sales were \$996 million).
- Demand for cannabis is projected to grow by 11.3% per year through 2020, driven by factors including the ongoing shift from an illicit market to a legal market and growth in cannabis-related tourism. However, this annual growth rate is substantially less than what was seen in the initial years of legalization (e.g. 42.4% increase in sales from 2014 to 2015), and the Colorado market will become saturated by 2020.
- Because the cannabis industry is wholly confined within Colorado (due to laws prohibiting cannabis commerce across state lines), spending on cannabis creates more output and employment per dollar spent than 90% of industries in Colorado.

B. Predictions for the California market

Another study, issued by ICF International in April 2016, examined demand estimates and industry trends from Colorado and applied these to California in order to predict the future scale of the in-state cannabis industry. Some of the study's findings include:

- With the legalization of adult-use cannabis, annual sales in California could reach \$15.9 to 20.2 billion, based on an annual demand of 2.9 to 3.7 million pounds of cannabis.
- The cannabis industry could directly and indirectly generate between 81,000 and 103,000 total jobs, with total labor income (wages and salaries) ranging between \$3.6 and \$4.5 billion.

A more recent study, commissioned by the California Department of Food and Agriculture and prepared by ERA Economics in January 2017, came up with a slightly lower estimate for in-state cannabis demand, ranging between 2.2 and 2.6 million pounds.³²

C. Predictions for the Los Angeles Market

A November 2016 study prepared by the Marijuana Policy Group estimated the cannabis demand and market value for Los Angeles County as a whole, including both the incorporated cities and unincorporated areas. The report forecasts that annual demand from residents and visitors in the county will be approximately 474,000 pounds (215.2 metric tons). Of this amount, the report estimates that 70%, or approximately 332,000 pounds (150.6 metric tons) will be sold through regulated markets, representing a market value of \$1.68 billion. The table below breaks down these numbers in further detail.³³

Marijuana Product Market Share, by Regulated Market

Product Type	Demand (Metric Tons of Flower Equivalent)	Average Price	Market Value (\$ Millions)
Medical Marijuana			
Flower	71.7	\$6.00 Per Gram	\$430.0
Concentrates	6.0	\$25.00 Per Gram	\$29.3
Infused Edibles	6.4	\$10.00 Per 50mg Unit	\$130.5
Infused Non-Edibles	1.3	\$8.00 Per Unit	\$104.4
Total	85.3	-	\$694.3
Recreational Marijuana			
Flower	48.3	\$10.00 Per Gram	\$483.3
Concentrates	5.2	\$40.00 Per Gram	\$41.0
Infused Edibles	9.8	\$13.00 Per 50mg Unit	\$259.8
Infused Non-Edibles	2.0	\$10.00 Per Unit	\$199.8
Total	65.3	-	\$983.9
Grand Total LAC Marijuana Market Size	150.6		\$1,678.2

Source: MPG calculations based on Colorado and Washington market data, as well as review of California medical marijuana prices.

SOURCE: Marijuana Policy Group, "Los Angeles County Marijuana Market Size, Tax Revenues, and Regulatory Burden," accessed at http://file.lacounty.gov/SDSInter/bos/bc/1006442_2016-11-15-BoardMemoandReportRegardingthePassageofProp64.pdf

III. THE CANNABIS INDUSTRY AND LOCAL REAL ESTATE MARKETS

A. Catalyst for revitalization or displacement?

As cannabis businesses begin to locate in a given area, this could affect surrounding businesses (commercial/industrial districts) and real estate markets in a number of different ways:

- **Blight:** Primarily a concern related to retailers, particularly in areas already suffering from disinvestment.
 - o *See related discussions in week 2 (youth access/exposure), week 3 (public health/safety), and week 4 (retailers) meeting packets.*
- **Revitalization:** In places with high commercial/industrial vacancy rates, some hope the cannabis industry will fill empty warehouses, office parks, and storefronts.
- **Displacement:** In places with lower commercial vacancy rates, some worry that cannabis businesses will displace other neighborhood-serving businesses such as grocery stores and laundromats, because they will be able to afford higher rents.

B. Factors that influence where businesses locate

In deciding where to set up shop, any business must consider a variety of factors and weigh them against each other. Cannabis businesses are no exception. The specific considerations will vary between different business types such as retailers, cultivators, and manufacturers, and may include some or all of the following:

- Regional real estate economics, i.e. availability and price of appropriately zoned land and buildings
 - *Cultivators and manufacturers* may require specialized buildings and infrastructure. As a result, those businesses may be more likely to locate in new, purpose-built buildings at the urban periphery, rather than reusing existing buildings in urban centers.
 - *Retailers* have less specialized needs and so this is less likely to be an issue for them.
- Availability and ease of obtaining local licenses
- Proximity to suppliers and/or end markets / proximity to transportation
- Availability and price of labor
- Availability and price of power/water (for cultivators)
- Local tax rates
- Other local regulations

C. Community benefits agreements

A Community Benefits Agreement (CBA) is a legally enforceable, project-specific agreement between community groups and a developer, setting forth a range of community benefits that the developer agrees to provide as part of a development project. A CBA is typically created through a negotiation process between the developer and organized representatives of affected communities. The developer agrees to shape the development in a certain way or to provide specified community benefits, and in exchange, the community groups promise to support the proposed project. In the context of real estate development, examples of community benefits include providing subsidized commercial space or affordable housing units; constructing and maintaining public amenities such as parks and recreational facilities; inclusion of sustainable design features; cash or in-kind contributions to support local nonprofit organizations; and local worker hire and living wage requirements.³⁴

Some states and localities have chosen to require cannabis businesses to submit community benefits plans/agreements as part of the licensing process.³⁵ In California, cities such as Los Angeles, Berkeley, and San Leandro either require or incentivize cannabis businesses to submit community benefit agreements.³⁶

Community benefit agreements are one way to ensure that cannabis businesses do not negatively impact surrounding areas, and they may increase levels of community acceptance and support for cannabis businesses. However, if required, these agreements need to be crafted carefully and in a transparent manner, to ensure that

benefits do not accrue unequally to any one party. Another consideration is that the increased costs for cannabis businesses could encourage illicit market activity or encourage businesses to locate elsewhere.

IV. SUMMARY OF RELEVANT STATE LAW PROVISIONS AND POTENTIAL LA COUNTY ACTIONS

Economic Development		
State Law	Considerations	Potential County Actions
<p>After covering administrative and enforcement costs, the state will allocate excise tax revenue as follows:</p> <p><i>\$10 million per year to a public university or universities in California to fund research on topics including but not limited to:</i></p> <ul style="list-style-type: none"> • Whether additional protections are needed to prevent unlawful monopolies or anti-competitive behavior from occurring in the adult-use cannabis industry and, if so, recommendations as to the most effective measures for preventing such behavior. • The economic impacts in the private and public sectors, including, but not necessarily limited to, job creation, workplace safety, revenues, taxes generated for state and local budgets, and criminal justice impacts, including, but not necessarily limited to, impacts on law enforcement and public resources, short and long term consequences of involvement in the criminal justice system, and state and local government agency administrative costs and revenue. <p><i>\$10 million per year, increasing by an addition \$10 million per year up to a maximum of \$50 million per year:</i></p> <p>For the Governor's Office of Business and Economic Development, in consultation with the Labor and Workforce Development Agency and the State Department of Social Services, to administer a community reinvestments grants program to local health departments and at least 50 percent to qualified community-based nonprofit organizations to support job placement, mental health treatment, substance use disorder treatment, system navigation services, legal services to address barriers to reentry, and linkages to medical care for communities disproportionately affected by past federal and state drug policies. The office shall solicit input from community-based job skills, job placement, and legal service providers with</p>	<ul style="list-style-type: none"> • Community benefit agreements need to be crafted carefully and in a transparent manner, to ensure that benefits do not accrue unequally to any one party. • Increased costs for cannabis businesses could encourage illicit market activity or encourage businesses to locate elsewhere. 	<ul style="list-style-type: none"> • If a local cannabis tax is imposed, a portion of the revenues could be allocated to economic development programs. • The County could require cannabis businesses to submit a community benefits agreement as a condition of licensing.

Economic Development		
State Law	Considerations	Potential County Actions
<p>relevant expertise as to the administration of the grants program. In addition, the office shall periodically evaluate the programs it is funding to determine the effectiveness of the programs, shall not spend more than 4 percent for administrative costs related to implementation, evaluation, and oversight of the programs, and shall award grants annually, beginning no later than January 1, 2020.</p> <p>[Cal. Revenue and Taxation Code § 34019]</p>		

- Discussion Questions**
1. Should the County require cannabis businesses to submit community benefit plans/agreements as a condition for licensing?
 2. What can be done to avoid displacement of other businesses?

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APPENDIX G

**Los Angeles County
Advisory Working Group
on Cannabis Regulation**

Meeting Seven:

EQUITY

AUGUST 24, 2017

PREPARATION PACKET

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SECTION 1:

Cannabis Legalization and Equity

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I. THE “WAR ON DRUGS”

In 1971, President Richard Nixon declared that drug abuse was “America’s public enemy number one.”¹ This declaration marked the beginning of what would come to be known as the “war on drugs,” resulting in increased criminalization of drug possession and use, the introduction of mandatory drug sentencing laws, and, through the Reagan years, an emphasis on incarcerating individuals who use drugs.²

The “war on drugs” has been widely criticized as a failure.³ Critics cite to the increasing availability of drugs and drug overdoses as evidence that the war on drugs has done little to control drug abuse in the United States.⁴ In addition, drug enforcement policies resulted in disproportionate impacts to minority communities, in particular black and Latino communities, with some scholars referring to the “war on drugs” as the “new Jim Crow.”⁵ For example, Human Rights Watch reported in 2009 that from 1980 to 2007, drug arrest rates for African Americans were 2.8 to 5.5 times higher than those of whites.⁶

Specific to cannabis, according to a study conducted by the American Civil Liberties Union, the vast majority of cannabis arrests in the United States from 2001 to 2010 (approximately 88 percent) were for possession offenses, not drug sales, indicating that those most affected by criminal cannabis laws are individuals who use cannabis, not cannabis producers or dealers.⁷

Moreover, although cannabis usage rates are comparable among whites, African Americans, and Latinos,⁸ in 2010 African Americans were approximately 3.73 times more likely nationally than whites to be arrested for cannabis possession.⁹ In Los Angeles County cities between 2006 and 2008, Latinos were arrested for cannabis possession about twice as often as whites.¹⁰

II. EFFECTS OF DRUG ARREST AND INCARCERATION

In 2016, the San Francisco Cannabis State Legalization Task Force (Task Force) published a report documenting some of the adverse effects that cannabis and other drug arrests and incarceration have had on individuals and communities, in particular communities of color. Among those effects, the Task Force explained that individuals may find it difficult to obtain and sustain employment, housing, public assistance, loans,

and financial aid, and may face reduced educational opportunities.¹¹ Communities that experienced drug arrest and incarceration on a large scale have been socially and economically disadvantaged, with serious adverse impacts to long term community outcomes.¹²

Citing to a report by the California Blue Ribbon Commission on Marijuana Policy, the Task Force also identified the often exacerbated effects of drug arrest and incarceration on youth, including:

- The sometimes lifetime stigma of having been arrested or jailed;
- Ineligibility for federal student loans;
- Reduced job opportunities due to pre-employment criminal background screening;
- Fines and attorneys' fees, which disproportionately affect lower income and poor individuals; and
- Increased immigration or naturalization problems.¹³

III. THE CONNECTION BETWEEN CANNABIS LEGALIZATION AND EQUITY

For many, cannabis legalization is a matter of social justice and is necessary to end historical and present day disparate impacts to communities of color from the “war on drugs.”¹⁴ Proposition 64, approved by California voters in November 2016, recognized these principles of social justice by legalizing the use, transportation, and possession of cannabis by adults age 21 and over (within certain quantity limits), and by providing those convicted of cannabis offenses that are now either legal or carry lesser penalties the opportunity to have their sentences reduced or their conviction records destroyed.¹⁵ Proposition 64 also set aside up to \$50 million annually in cannabis tax revenue for program grants “for communities disproportionately affected by past federal and state drug policies.”¹⁶

However, concerns about the disparate enforcement of drug laws persist post-cannabis legalization. For example, adult-use (recreational) cannabis became legal in Colorado in 2014. Since then, the overall number of cannabis arrests has plummeted by over 80 percent.¹⁷ Despite falling arrest rates, data from 2015 show that people of color are still approximately 2.5 times more likely than whites to be arrested for a cannabis offense.¹⁸

Disparate law enforcement impacts in minority communities present a complex, layered, and deeply challenging problem that extends well beyond the scope of the LA County Advisory Working Group on Cannabis Regulation.¹⁹ There is one area in particular, however, where commercial cannabis regulation intersects with potentially disparate law enforcement impacts: public consumption. Because California law precludes the smoking of cannabis in any public place,²⁰ and because landlords are free under state law to preclude the consumption of cannabis in rental units,²¹ many worry this will leave no place for minorities to consume cannabis legally, resulting in higher rates of citations and arrests.²²

Additionally, many are concerned that poor and minority communities will be left behind by the cannabis “green rush,” as individuals in those communities generally have less access to capital and other resources, and many have criminal convictions that could disqualify them from receiving a state or local license to operate a cannabis business.²³ Framed in this way, equity would ensure not only that cannabis legalization stops the harm caused by the “war on drugs” to certain communities, but also that poor and minority communities do not face inequitable barriers to entry into the cannabis market.

At the same time, individuals who live in communities hardest hit by the “war on drugs” are sometimes skeptical of the benefits that cannabis legalization will bring to their community.²⁴ These individuals are concerned that an influx of legal cannabis and cannabis retailers may compound existing neighborhood problems, such as relatively higher crime and poverty rates, a high density of alcohol outlets, and lack of access to healthy foods.²⁵ Through this lens, equity must also take into account the long term health outcomes for communities hardest hit by the war on drugs, sometimes referred to as “health equity.”

This preparation packet addresses each of these aspects of equity in turn.

SECTION 2:

Addressing Barriers to Entry

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I. BARRIERS TO OWNING A CANNABIS BUSINESS

A. Criminal barriers

As discussed above, past enforcement of drug laws disproportionately impacted minorities. Because of this legacy, minority applicants are more likely to face barriers due to prior arrests and convictions for drug-related offenses. For those seeking to participate in the commercial cannabis industry, prior criminal convictions could prevent a person from obtaining a license to own and operate a cannabis business. In some circumstances, individuals with criminal histories could also be precluded from employment opportunities within cannabis businesses.

In Colorado, state law prohibits issuing cannabis licenses to applicants who have any felony conviction within the past five years or any drug-related felony within the past ten years after a sentence has been served.²⁶ In addition to felony convictions that trigger a mandatory denial, the state licensing authority can consider the applicant's aggregate criminal history when assessing suitability for issuing a license.²⁷ Employees of cannabis businesses must also be licensed in Colorado, and the state rejects occupational licensing to individuals who have a drug felony that was discharged within the past ten years.²⁸ If the applicant's conviction is for a crime that would not lead to a criminal conviction under present day laws, the state has discretion to approve the application.

Washington State evaluates an individual's entire criminal history and assesses points for each conviction, which could lead to the denial of a license application.²⁹ The licensing agency may choose not to assess points against applicants with certain drug-related misdemeanors. Otherwise, Washington prohibits licensing to applicants with a felony conviction within the last ten years.³⁰

In California, rules regarding criminal history are more liberal than in Colorado or Washington. California licensing authorities have broad discretion to review the totality of one's criminal history when considering whether to grant cannabis licenses. According to state law, an application *may* be denied if "the applicant, owner, or licensee has been convicted of an offense that is substantially related to the

qualifications, functions, or duties of the business or profession for which the application is made.”³¹ The law defines offenses that are “substantially related” to “include, but not be limited to” the following:

- Violent or serious felony convictions (as those terms are defined by law);
- Felony convictions involving fraud, deceit, or embezzlement;
- Felony convictions for selling or giving away any controlled substance to a minor; and
- Felony convictions for drug trafficking with enhancements.³²

However, even if an applicant has been convicted of a “substantially related” crime, the licensing authority can still grant the license if it determines that the applicant is “otherwise suitable” and that granting the license “would not compromise public safety,” after conducting “a thorough review of the nature of the crime, conviction, circumstances, and evidence of rehabilitation of the applicant or owner.”³³

Moreover, the law specifically states that prior convictions for possession or sale of a controlled substance shall *not* be considered “substantially related” and shall not be the sole grounds for application denial if the sentence has already been served.³⁴ Further, the law states that a “substantially related” conviction shall not be the sole basis for denying a license if the applicant has obtained a certificate of rehabilitation.³⁵

In addition to state licensing rules, cities and counties in California are likely able to impose their own criminal background requirements for cannabis licensing. These local requirements could be more restrictive than under state law and could result in fewer opportunities for minority applicants, depending on the specific regulations.

B. Economic barriers

Another major barrier that may limit minority participation in the cannabis industry is the significant amount of capital required to open and operate a licensed cannabis business. One source estimated in early 2016 that it would take at least \$250,000 to open a licensed cannabis business, and these funds generally need to be in the form of cash, as banks will not grant business loans to cannabis-related businesses.³⁶ Many of these costs are driven by complex regulatory requirements and uncertainty around licensing timeframes. Intense competition within the industry could increase the costs of available real estate, especially in jurisdictions that restrict where cannabis businesses can locate.³⁷ These capital requirements make it harder for members of lower income minority neighborhoods to enter the marketplace as owners.³⁸

One source estimated in early 2016 that it would take at least \$250,000 to open a licensed cannabis business, which would need to be liquid as banks will not grant business loans to cannabis-related businesses.

C. *Technical barriers*

Complex permitting and compliance requirements are a third major obstacle to participation in the licensed cannabis industry. The licensing process can be difficult to navigate due to a complex array of local and state regulations, multiple interconnected timelines, and technical requirements from various different agencies. Many prospective applicants hire attorneys to help navigate the legal process of filling out and submitting lengthy forms and attachments. These forms have legal consequences and often require a great deal of business planning in advance of submitting the applications.

In some jurisdictions, there is a limit or cap on the total number of cannabis business licenses that may be issued. This creates a highly competitive environment for those licenses. Applicants have to invest a significant amount of time and resources constructing a competitive application, and must have the ability to navigate a complex bureaucratic process. The combination of these factors can act as a deterrent for under-resourced groups.³⁹

A lack of education about business opportunities in the cannabis industry is also cited as a technical barrier to minorities entering the cannabis space.⁴⁰

II. *EFFORTS IN OTHER JURISDICTIONS TO REDUCE BARRIERS TO OWNING A CANNABIS BUSINESS*

A. *Set-asides*

A growing number of states and local jurisdictions have taken measures to address equity issues in the cannabis industry. Among the most significant economic benefits offered by the industry are opportunities for business ownership. Because of this, many jurisdictions have addressed equity through their processes for allocating cannabis business licenses. The chart below summarizes some of the efforts outside of California to set aside business opportunities for minorities and individuals in communities disproportionately affected by the “war on drugs.”

Jurisdiction	Set-asides	Considerations
Florida	One of approximately 10 statewide licenses must be issued to a company where the owner is a member of the Florida Chapter of the Black Farmers and Agriculturalists Association (BFAA) ⁴¹	African Americans make up approximately 16.8 percent of Florida’s population, according to U.S. census statistics ⁴²

Jurisdiction	Set-asides	Considerations
Maryland	Governor has ordered a “disparity study” to determine whether minorities face barriers to entering the state’s medical cannabis industry (this study is a legal prerequisite for the state to consider race explicitly when awarding licenses) ⁴³	Study ordered in response to a lawsuit challenging the Maryland Medical Cannabis Commission’s proposal to award cannabis business licenses to 15 cultivation companies, none of which were black-owned. ⁴⁴
Ohio	15 percent of medical cannabis business licenses must be awarded to minority groups	This approach gives regulators clear benchmarks for minority participation in the cannabis industry, but it does not give regulators guidance on how to implement a process that arrives at minority participation, nor does it give guidance on how to proceed if there are not enough qualified minority applications to meet the 15-percent threshold ⁴⁵
Massachusetts	Recent law establishes a 25-member panel to advise the state’s cannabis commission, and this panel will include five seats for individuals with backgrounds in social justice, criminal justice reform, and minority business development ⁴⁶	Gives minority groups a voice in the initial rollout and subsequent monitoring of Massachusetts’ regulatory framework for adult-use and medical cannabis
Washington, D.C.	Law requires a preference to local minority-owned companies when applying for licenses to operate medical cannabis businesses ⁴⁷	Regulations to implement the law have not yet been adopted

In California, the City of Oakland has been at the forefront of equity cannabis licensing.⁴⁸ Oakland requires a “one to one” application process where, for every license the city grants to a “general” applicant, one license must be issued to an “equity” applicant.⁴⁹ To qualify as an “equity” applicant, an Individual must make less than 80 percent of Oakland’s median income, and either have been arrested for a drug crime within the last 10 years, or have lived in neighborhoods with high rates of criminal drug enforcement.⁵⁰

Whether and how well each of the above-described set-asides works to incentivize minority cannabis business ownership is not yet known. Further study and, likely, legislative and regulatory adjustments will be necessary to ensure that equity measures achieve their intended goals.

B. Other strategies to reduce barriers to owning a cannabis business

The chart below summarizes other potential strategies to reducing barriers to entry into the cannabis industry:

Strategy	Description
Incubators	Incubators specialize in developing startup businesses in competitive markets, which could be helpful to minority businesses formed for the purpose of participating in the regulated cannabis industry. For example, Oakland offers application priority to non-equity applicants that provide free rent or real estate to equity applicants. ⁵¹
Business loans and financial assistance	A system for providing business loans and other financial assistance, for façade improvements, for example, to certain small businesses could relieve barriers due to lack of access to capital. However, because loan funding is often backed by federal dollars, traditional business loans and financial assistance may not be available for cannabis businesses.
Business assistance	Incorporating cannabis businesses into existing governmental programs supporting and incentivizing small business development could help cannabis “mom-and-pops” and under-resourced applicants establish a cannabis business and compete in the industry. Small business assistance programs often include a “concierge,” which serves as a point of contact for small business owners and provides assistance navigating a complex regulatory system.
Incentives for small businesses	The State of California offers license types for small-scale and cottage cultivators, as well as microbusinesses, which allow for cultivation, manufacturing, distribution and retail of limited amounts of cannabis with a single license. ⁵² Prioritizing these license types, or setting aside a certain number for these types of licenses, could increase opportunities for small and minority-owned businesses. However, whether such businesses will be able to remain competitive against other larger, well-capitalized businesses is unknown. Reduced application and compliance fees represent another potential way to encourage small and minority business participation.

III. POTENTIAL SOLUTIONS TO PROMOTE EQUITABLE EMPLOYMENT OPPORTUNITIES

The cannabis industry has the potential to create tens of thousands of jobs in California through the end of this decade. A 2016 white paper estimated that California’s licensed cannabis industry could eventually generate between 81,000 and 103,000 total jobs, with total labor income (wages and salaries) ranging between \$3.6 and \$4.5 billion.⁵³ Another recent study estimated that Colorado’s legal cannabis industry directly and indirectly generated approximately 18,000 jobs as of 2015.⁵⁴

However, many are concerned that minorities and low-income individuals could be excluded from employment opportunities in the cannabis industry, either because of criminal background pre-screening, lack of education about opportunities to participate in the cannabis industry, or other reasons. Some of the solutions that local governments already utilize to create inclusive job environments and reduce relatively high rates of unemployment in certain communities are also potentially available to cannabis businesses. Some of these solutions are described in the chart below.

Potential Solution	Description
Local hiring requirements	Local worker hiring is a standard requirement in many government contracts, including contracts with LA County. ⁵⁵ Requiring licensed businesses to hire some or all of their employees locally may help achieve greater rates of minority hiring. However, local worker hiring requirements could lead to shortfalls of qualified staff, especially in the absence of a robust pool of local applicants.
Diversity plans	LA County could offer incentives to business applicants that present detailed plans to hire, train, and advance minority and women applicants. However, whether regulators can adequately enforce such diversity planning remains an open question.
Training programs	Any incentives or requirements that businesses hire minority workers should be coupled with training programs offered by employers to allow individuals holding entry level positions to move up within the organization or establish their own businesses.
Living wage requirements	LA County could incentivize businesses to provide “living wages” to every employee, over and above existing minimum wage. However, such wages could result in higher costs for businesses that are expensive for LA County to offset.

Discussion Questions

1. What types of criminal background check requirements should LA County implement for applicants seeking a cannabis license? How would those requirements balance equity concerns with the need to protect public safety and prevent organized crime from participating in the legal cannabis marketplace?
2. What programs, policies, or incentives should LA County consider to ensure that small businesses and individuals living in communities hardest hit by the war on drugs are able to own cannabis businesses?
3. How can LA County partner with the cannabis industry to increase the proportion of minority-owned cannabis businesses?
4. What types of outreach would be most effective to engage potential minority cannabis business owners or employees?

SECTION 3:

Public Consumption

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I. ISSUE BACKGROUND

Proposition 64 did not change existing law making it illegal to consume cannabis in a public place or in any place where tobacco smoking is prohibited.⁵⁶ Nor did Proposition 64 limit the rights of owners of rental property to restrict the cultivation or consumption of cannabis within rental units.⁵⁷

While these prohibitions under Proposition 64 are arguably well supported by sound policy, some suggest these prohibitions create a “trap,” leading to increased citations and arrests for minorities.⁵⁸ As explained above, data from Colorado indicates that while cannabis arrests decreased substantially post-legalization, African Americans were still much more likely than whites to face arrest for illegal cultivation or possession beyond the legal limit,⁵⁹ and cannabis arrest rates for school-aged youth was more racially disproportionate after legalization.⁶⁰ Citing these studies, one scholar predicts that minorities will continue to face increased rates of cannabis-related arrest post-legalization for two principal reasons:

- Poor residents, disproportionately racial minorities, are forced into public places for much of their day due to overcrowding in the home, causing them to consume cannabis in a public place rather than at home, where it would be legal; and
- Racial minorities, which are more likely to be renters than whites, are subject to residential lease provisions outlawing smoking or the consumption of cannabis, and may be more likely to consume cannabis outside their residences in public places.⁶¹

II. LEGAL ON-SITE CONSUMPTION AS A POTENTIAL SOLUTION TO INEQUITABLE ENFORCEMENT OF PUBLIC CANNABIS CONSUMPTION LAWS

One potential solution offered to address inequities in the criminalization of public cannabis consumption is for local governments to allow places where it is legal to consume onsite. Under California law, a local government may allow for the smoking, vaporizing, and ingesting of cannabis or cannabis products on the premises of a licensed cannabis retailer or microbusiness, so long as:

- Access to the area where cannabis consumption is allowed is restricted to persons 21 years of age and older;
- Cannabis consumption is not visible from any public place or non-age-restricted area; and
- The sale or consumption of alcohol or tobacco is not allowed on the premises.⁶²

Onsite or social consumption laws are controversial. In November 2016, Denver voters approved Initiative 300, granting businesses the ability to apply for a license to allow for adult cannabis consumption in designated areas.⁶³ However, many anti-social consumption advocates cited concerns about driving under the influence and the potential for mixing alcohol and cannabis, which affected how Denver implemented the initiative.⁶⁴ Some have asked local governments to take a wait-and-see approach to onsite consumption, until state cannabis regulations are finalized, licensing begins, standards for driving under the influence of cannabis are established, and the cannabis industry develops.⁶⁵

Discussion Questions

1. How can LA County balance the equity concerns regarding public consumption of cannabis with the health and safety concerns of allowing onsite cannabis consumption?
2. What types of education and outreach would be effective to alert people about the risks of consuming cannabis in public or possessing more than the legal limit of cannabis?

SECTION 4:

Health Equity

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I. ISSUE BACKGROUND

In February 2017, the LA County Board of Supervisors, concerned that the County’s “most vulnerable communities [would be] left alone to shoulder the burdens of marijuana legalization”,⁶⁶ adopted a motion directing LA County departments to prepare regulations for commercial cannabis that took into account “equitable development” principles, including regulations that promote positive benefits for communities disproportionately impacted by the “war on drugs” while protecting those same communities from potential negative impacts from cannabis legalization.⁶⁷

The concept of “health equity,” understood as the attainment of the highest level of health for all people,⁶⁸ is a key factor that County departments must consider when implementing the Board of Supervisors’ directives on cannabis regulation. Communities hardest hit by the “war on drugs” often have higher rates of crime, lower educational attainment, a lack of access to essential services, such as mental health treatment, drug abuse treatment services, and health care, and limited choices when it comes to accessing healthy foods.⁶⁹ A regulatory priority, therefore, is ensuring that adding legal, licensed cannabis retailers to these communities does not negatively impact overall health outcomes in these communities.

II. POTENTIAL HEALTH IMPACTS TO COMMUNITIES ASSOCIATED WITH LEGALIZED CANNABIS

A. A high density of cannabis retailers could impact neighborhood health and ecology

As local jurisdictions develop laws and local policies for legalized cannabis use, it is essential to better understand the impacts of neighborhood ecology and cannabis dispensary density on public health.⁷⁰ For example, one study found that the density of local cannabis dispensaries is associated with a greater number of hospitalizations for primary or secondary marijuana abuse/dependence.⁷¹ In addition, because lower-income minority communities generally have less access to healthy food outlets but an overabundance of liquor stores, which is part of the legacy of several decades of systematic disinvestment in low-income neighborhoods of color,⁷² adding a high density of cannabis dispensaries could potentially compound these existing problems.⁷³

Cannabis retail density was discussed at length in the preparation packets for *Meeting Two: Youth Access and Exposure*⁷⁴ and *Meeting Four: Cannabis Retailers*.⁷⁵ Some of the strategies identified in the preparation packet for reducing the density of cannabis retailers include establishing buffers between cannabis retailers and sensitive uses, setting concentration limits based on population size, land area, or other factors, and placing a limit on the overall number of licenses that will be issued to cannabis retailers. These strategies can be implemented not only to reduce youth access and exposure to recreational cannabis, but also to ensure that an overconcentration of cannabis retailers does not negatively impact LA County communities.

B. Effects of secondhand cannabis smoke

The known health risks of secondhand exposure to cigarette smoke – to the heart or lungs, for instance – raise questions about whether secondhand exposure to cannabis smoke poses similar health risks. A 2016 study in rats found that secondhand exposure to cannabis smoke affected blood vessel function as much as secondhand tobacco smoke, and the effects were independent of THC concentration.⁷⁶ Similar research has not yet been conducted with human subjects, but the toxins and tar levels known to be present in cannabis smoke raise concerns about exposure among vulnerable populations, such as children, people with asthma, and those living in multifamily and subsidized housing.⁷⁷

In addition to the potential health risks from secondhand smoke, general exposure can be a nuisance to neighbors.⁷⁸ This is especially true in multi-unit residential settings, and affected residents sometimes have few options to stop neighbors' smoke from infiltrating their living spaces.⁷⁹

Comprehensive secondhand smoking ordinances that include tobacco and cannabis smoke are practical and effective ways local governments can deal with the issue of secondhand smoke among residential housing units. Landlords are also free to enforce smoking restrictions within rental properties.⁸⁰ These restrictions could provide some relief to residents affected by neighbors' secondhand smoke.

With respect to public housing, in December 2016, the federal Housing and Urban Development Department instituted a rule requiring all public housing agencies implement a "smoke-free" policy banning the use of prohibited tobacco products in order to improve indoor air quality, benefit the health of residents, visitors and staff, reduce the risk of fires, and lower overall maintenance costs.⁸¹ While these same benefits could apply to policies against cannabis smoke as well, consideration must be made for the potential hardships to residents using medical cannabis.⁸² Similarly, as explained above, such restrictions could impact minority communities disproportionately by driving cannabis smoking outdoors into public places where it is illegal.

It is expected that the issue of secondhand cannabis smoke will continue to be a source of friction between neighbors living near each other or in the same multifamily housing

complex. Any regulations adopted by LA County should strive to balance the interests of those who wish not to be affected by secondhand smoke with the equity concerns outlined above.

C. Access to drug treatment resources

Racial and ethnic disparities in access to the health care system in the United States are well documented.⁸³ Minorities often have less access to services critical to health maintenance and improvement than whites do, including substance abuse disorder treatment.⁸⁴

Cannabis legalization could result in increased rates of cannabis use and abuse over time. The outcomes of increased rates of cannabis abuse could be felt disproportionately in communities of color, absent efforts to provide those communities with adequate education, prevention, intervention and treatment services.

Discussion Questions

1. What policies should LA County implement to ensure that communities hit hardest by the “war on drugs” are not harmed by the proliferation of cannabis retailers in their communities?
2. What regulations should LA County adopt regarding secondhand cannabis smoke? How do those regulations balance the rights of those who do not wish to be exposed to cannabis with equity concerns and compassion for those who use cannabis to treat serious illnesses?

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⁷⁹ Noelle Crombie, “Marijuana odors bugging you? Annoyed neighbors have few options, officials say,” *The Oregonian* (March 20, 2015), accessed at http://www.oregonlive.com/marijuana/index.ssf/2015/03/marijuana_odors_bugging_you_re.html

⁸⁰ Cal. Health & Safety Code § 11362.45(g).

⁸¹ Code of Federal Regulations, Title 24, part 965.653.

⁸² Nancy Cook Lauer, “Resident who uses medical marijuana upset about public housing complex's smoking ban,” *Hawaii Tribune Herald* (May 10, 2017), accessed at <http://hawaiitribune-herald.com/news/local-news/resident-who-uses-medical-marijuana-upset-about-public-housing-complex-s-smoking-ban>

⁸³ Celia C. Lo, et al., “Racial/Ethnic Differences in Access to Substance Abuse Treatment,” *Journal of Health Care for the Poor and Underserved* (2011), vol. 22(2), pages 621-637, accessed at <https://muse.jhu.edu/article/430676/pdf>.

⁸⁴ Celia C. Lo, *supra*, note 83.

APPENDIX H

LOS ANGELES COUNTY
ADVISORY WORKING GROUP ON CANNABIS REGULATION

Mission: *To develop recommendations that will provide a framework for the development of regulations for commercial and personal-use cannabis in unincorporated areas of Los Angeles County. These recommendations will provide guidance to County policymakers and may also be useful to cities and other counties throughout California that are studying cannabis regulations.*

SUMMARY OF MEETING ONE – Kickoff and Orientation, June 29, 2017

- 1. Topic Area(s):** Process overview, review of ground rules of participation, guiding principles for making recommendations, objectives and topic areas.
- 2. Working Group Participants:** Donnie Anderson (*California Minority Alliance and Southern California Coalition*), Beth Burnam (*Resource Conservation District of the Santa Monica Mountains*), Valerie Coachman-Moore (*Coachman-Moore & Associates*), Jonatan Cvetko (*Angeles Emeralds*), Manuel Duran (*Maravilla Businesspersons Association*), Matt Garland (*San Pedro Neighborhood Council*), Dr. Rachel Gonzales-Castaneda (*Azusa Pacific University*), Patricia Guerra (*Community Coalition*), Aaron Lachant (*Nelson Hardiman, LLP*), Cat Packer (*Drug Policy Alliance, in place of Lynne Lyman*), Javier Montes (*UCBA Trade Association*), Dr. Alisa Padon (*Public Health Institute*), Melahat Rafiei (*Progressive Solutions Consulting*), Dr. Monica Sanchez (*Los Angeles County Office of Education*), and Wayne Sugita (*Los Angeles County Department of Public Health, Retired*)
- 3. Facilitators and Presenters:** Joe Nicchitta (*Office of Cannabis Management, Los Angeles County Chief Executive Office*), Sheri Dunn Berry (*Community Partners*)

4. Decision Making:

The advisory working group agreed to use a consensus-based decision-making process throughout the course of their meetings. A consensus-based process favors inclusivity, collaboration, and full-group participation with a goal of reaching full agreement.

5. Principles of Participation - Ground Rules for meetings:

The advisory working group reviewed the ground rules for meetings, and accepted them as presented. They are:

- Meetings will begin and end on time.
- Working group members will read distributed materials before each meeting.
- Working group members will work efficiently with the goal of effectively discussing every issue.
- All statements, documents, and written communications are considered public record.

- Working group members will treat each other respectfully.
- Working group members will not unduly interrupt each other.
- Working group members will make best efforts to reach consensus on recommendations at each meeting.
- Without setting aside their experience, perspectives, and beliefs, working group members will act in the interest of the County and its constituents and not for personal gain.
- Working group members will attend at least one community listening session.

6. Principles of Participation – Guiding Principles for Making Recommendations:

The advisory working group reviewed and accepted the following guiding principles that members must maintain when considering recommendations:

- Recommendations must be consistent with the policies of the Board of Supervisors, as identified in its cannabis motions dated February 7, 2017.
- Recommendations must be consistent with state law and regulations.
- Compliance with regulations must be achievable, repeatable, and defensible.
- The County must be able to enforce compliance with regulations.
- Monitoring for compliance with regulations must be achievable, repeatable, and not overly burdensome or intrusive.

7. Topic Areas for Future Meetings:

The advisory working group approved the following topic areas for discussion at later meetings:

Meeting 2: Youth Access and exposure

Meeting 3: Public Health and safety, and personal cultivation

Meeting 4: Retailers

Meeting 5: Cultivators, manufacturers and other businesses

Meeting 6: Compliance and taxation

Meeting 7: Licensing, equity and economic development

Meeting 8: Consideration and approval of final recommendations

8. Objectives:

The advisory working group reviewed the draft objectives presented to guide the group as it develops recommendations. Working group members will be asked to demonstrate how each recommendation achieves one or more objectives. Through a facilitated process of discussion, re-wording of stated objectives and drafting new objectives, members arrived at consensus and agreed to the objectives as follows:

1. Manage underage exposure to cannabis, and prevent underage access to and use of cannabis.
2. Prevent adult use disorders associated with cannabis and the abuse of cannabis by adults.
3. Promote the health and safety of the public, equitably.
4. Prevent the unlawful production, distribution and sale of cannabis, equitably.
5. Protect the peace, comfort, and safety of county neighborhoods.
6. Promote compatibility with existing neighborhoods.
7. Prevent any one community/communities from unduly shouldering the burdens of cannabis legalization.
8. Promote positive benefits for communities, especially those disproportionately impacted by historical drug enforcement policies.
9. Pursue equity in licensing and cannabis business ownership.
10. Protect the environment.
11. Maximize the transition from an unlicensed and unregulated cannabis marketplace to a licensed and compliant cannabis marketplace.
12. Allow reasonable economic growth for the licensed cannabis industry.
13. Make sure enforcement is equitable for individuals.
14. Promote equitable community economic development.

9. Tabled for Later Discussion:

Several issues emerged which were tabled for later discussion within specific topic areas:

- Parental rights, application of state law, and perception of cannabis use as a threat to child safety
- Educational campaigns are a strategy to achieve Objective #1.
- Concern was also expressed about marketing and advertising, product quality control and worker protection.

10. Public Comment:

No public comment was offered at this meeting.

11. Next Advisory Working Group Meeting: July 20, 2017

Topic: Youth Access and Exposure

Location: Community Partners (Suite C), 1000 North Alameda St., Los Angeles CA 90012

12. Appendix: Advisory Working Group Meeting One Agenda

Los Angeles County Advisory Working Group on Cannabis Regulation

AGENDA

Meeting 1: Thursday, June 29, 2017

9:00 AM	Welcome and Staff Introductions
9:10 AM	Agenda Review
9:25 AM	Advisory Working Group Member Introductions
9:55 AM	Ground Rules for Participation
10:00 AM	Guiding Principles for Making Recommendations
10:10 AM	Objectives
10:50 AM	Break
11:00 AM	Future Meetings and Topics
11:30 AM	Listening Sessions
11:40 AM	Perspectives on Larger Process and Next Steps
11:50 AM	Public Comments
12:00 PM	End

APPENDIX I

**LOS ANGELES COUNTY
ADVISORY WORKING GROUP ON CANNABIS REGULATION**

Mission: *To develop recommendations that will provide a framework for the development of regulations for commercial and personal-use cannabis in unincorporated areas of Los Angeles County. These recommendations will provide guidance to County policymakers and may also be useful to cities and other counties throughout California that are studying cannabis regulations.*

SUMMARY OF MEETING TWO – Youth Access and Exposure, July 20, 2017

- 1. Topic Area(s):** Youth Access and Exposure to Cannabis

- 2. Working Group Participants:** Kathy Smith, sitting in for Donnie Anderson (*California Minority Alliance and Southern California Coalition*), Beth Burnam (*Resource Conservation District of the Santa Monica Mountains*), Valerie Coachman-Moore (*Coachman-Moore & Associates*), Jonatan Cvetko (*Angeles Emeralds*), Manuel Duran (*Maravilla Businesspersons Association*), Matt Garland (*San Pedro Neighborhood Council*), Dr. Rachel Gonzales-Castaneda (*Azusa Pacific University*), Patricia Guerra (*Community Coalition*), Lisa Montague, sitting in for Aaron Lachant (*Nelson Hardiman, LLP*), Lynne Lyman (*Drug Policy Alliance*), Javier Montes (*UCBA Trade Association*), Dr. Alisa Padon (*Public Health Institute*), Melahat Rafiei (*Progressive Solutions Consulting*), Dr. Monica Sanchez (*Los Angeles County Office of Education*), Dr. Avelardo Valdez (*University of Southern California*), Hon. Vivian Romero (*Mayor, City of Montebello*), and Wayne Sugita (*Los Angeles County Department of Public Health, Retired*)

- 3. Facilitators and Presenters:** Joe Nicchitta (*Office of Cannabis Management, Los Angeles County Chief Executive Office*), Max Thelander (*Office of Cannabis Management, Los Angeles County Chief Executive Office*), Sheri Dunn Berry (*Community Partners*)

- 4. Decision Making:**

The group agreed to a change in meeting format to provide work group members additional time to review topic information before developing recommendations. After each meeting, group members will develop and submit recommendations to facilitators for review and discussion at the following meeting. Consensus on recommendations for the previous week’s topic will be reached at the beginning of the following meeting.

- 5. Presentation:** Youth Access and Exposure, Presented by Joe M. Nicchitta, Countywide Coordinator for the Office of Cannabis Management

6. Presentation: Prevention System of Services, Presented by Yolanda Cordero, MPA Interim Chief, Prevention Services Division, LA County Dept. of Public Health Division of Substance Abuse Prevention and Control

7. Panel: Youth Perspectives on Commercial Cannabis, with Miguel Sanchez, Community Coalition, Tauheedah Shakur, Youth Justice Coalition, and Clarissa Resendez, Dispensary Assistant Manager

8. Public Comment(s):

1. Joan Irvine, a consultant, suggested that online parental control filtering systems, which already exist and have been successfully used by the adult entertainment industry, could be used by the cannabis industry to prevent youth access to cannabis.
2. Alice Cepeda, a student, offered the comment that youth who require cannabis for medical reasons should have special consideration in any regulatory framework.

9. Next Advisory Working Group Meeting: July 27, 2017

Topic: Public health and safety and Cannabis Cultivation for Public Use

Location: Community Partners (Suite C), 1000 North Alameda St., Los Angeles CA 90012

Los Angeles County Advisory Working Group on Cannabis Regulation

AGENDA

Meeting 2: Thursday, July 20, 2017

- 9:00 AM** Welcome and Check-in
- 9:10 AM** Agenda Review
- 9:15 AM** Review of Orientation Meeting Decisions
- Ground Rules
 - Principles
 - Objectives
- 9:25 AM** Issue Overview: Youth Access and Exposure to Cannabis
- Summary of key topics to consider
 - State law provisions and potential LA County Actions
 - Questions for reflection and discussion
- 10:15 AM** Break
- 10:30 AM** Presentation on Prevention System of Services
Yolanda Cordero, MPA
Interim Chief, Prevention Services Division, LA County Dept. of Public Health
Division of Substance Abuse Prevention and Control
- 11:10 AM** Youth Perspectives on Commercial Cannabis
- Miguel Sanchez, Community Coalition
 - Tauheedah Shakur, Youth Justice Coalition
 - Clarissa Resendez, Dispensary Assistant Manager
- 11:35 AM** Update on Input from Public Listening Sessions
- 11:45 AM** Suggested Process for Developing Recommendations and “Homework”
- 11:50 AM** Public Comments
- 12:00 PM** End

APPENDIX J

LOS ANGELES COUNTY
ADVISORY WORKING GROUP ON CANNABIS REGULATION

Mission: *To develop recommendations that will provide a framework for the development of regulations for commercial and personal-use cannabis in unincorporated areas of Los Angeles County. These recommendations will provide guidance to County policymakers and may also be useful to cities and other counties throughout California that are studying cannabis regulations.*

SUMMARY OF MEETING THREE – Public Health and Safety and Cannabis Cultivation for Personal Use, July 27, 2017

- 1. Topic Area(s):** Youth Access and Exposure to Cannabis (Review and finalize recommendations); Public Health and Safety and Cannabis Cultivation for Personal Use (Overview)
- 2. Working Group Participants:** Donnie Anderson (*California Minority Alliance and Southern California Coalition*), Beth Burnam (*Resource Conservation District of the Santa Monica Mountains*), Valerie Coachman-Moore (*Coachman-Moore & Associates*), Jonatan Cvetko (*Angeles Emeralds*), Manuel Duran (*Maravilla Businesspersons Association*), Matt Garland (*San Pedro Neighborhood Council*), Dr. Rachel Gonzales-Castaneda (*Azusa Pacific University*), Karren Lane in for Patricia Guerra (*Community Coalition*), Aaron Lachant (*Nelson Hardiman, LLP*), Lynne Lyman (*Drug Policy Alliance*), Javier Montes (*UCBA Trade Association*), Dr. Alisa Padon (*Public Health Institute*), Melahat Rafiei (*Progressive Solutions Consulting*), Arles A. Benavides in for Dr. Monica Sanchez (*Los Angeles County Office of Education*), Dr. Avelardo Valdez (*University of Southern California*), Hon. Vivian Romero (*Mayor, City of Montebello*), and Wayne Sugita (*Los Angeles County Department of Public Health, Retired*)
- 3. Facilitators and Presenters:** Joe Nicchitta (*Office of Cannabis Management, Los Angeles County Chief Executive Office*), Sheri Dunn Berry (*Community Partners*)
- 4. Decision Making:**
 - The Advisory Working Group members submitted 42 recommendations.
 - From the 42 recommendations, OCM synthesized 18 recommendations for review by the Advisory Working Group. Some recommendations were combined due to

similarity or repetition, not submitted due to conflict with existing state law or set aside for discussion under other topic areas.

- Twelve recommendations listed below were reviewed. Nine were accepted by the group. Three were tabled for later discussion. The remaining seven recommendations will be reviewed and discussed at the next meeting.

5. Decisions on Proposed Final Recommendations on Youth Access and Exposure

Recommendation #1 - Education

The County should produce and widely distribute science-based, non-judgmental information on the risks and potential harms of cannabis use by children and youth. The information should be distributed using methods that are effective in reaching children and youth, as well as their parents, caregivers, and adult family members. The information should be conveyed in an objective, non-judgmental manner that is easily understood by persons with limited literacy and available in all key languages. Cannabis retail businesses should be required to post this information in a highly visible place.

Recommendation #2 - Education

The County should provide science-based, non-judgmental education and prevention resources for youth, and work with educators and youth service providers on effective ways to inform youth about the harms of underage recreational cannabis use, including but not limited to peer-to-peer and early intervention strategies for drug abuse prevention.

Recommendation #3 - Education

The County should provide science-based, non-judgmental education and prevention resources to ensure that local regulations allow for safe, responsible medical cannabis use by persons under the age of 21 where recommended by a doctor, and provide education to parents and caregivers about safe storage and responsible use practices to prevent underage nonmedical access to cannabis.

Recommendation #4 - Education

The County should prioritize the use of cannabis tax revenue to provide schools and youth service providers with accurate, science-based, non-judgmental and comprehensive education, prevention strategies and early risk-reduction interventions that aim to prevent underage recreational use; other supportive programming, such as after-school and out-of-school activities will also be prioritized.

Recommendation #5 - Education

The County should work with schools, school districts, and youth centers to post signage at facility entrances stating that the possession of cannabis is prohibited. Signage should be highly visible and in multiple languages.

Recommendation #6 - Public Consumption

Decision Note: The Working Group agreed they will need further discussion during recommendations on public health and safety.

The County should develop and implement a comprehensive secondhand smoke ordinance, which would address both tobacco and cannabis smoke, to reduce health risks to youth, employees, and other members of the public.

Recommendation #7 - Packaging/Labeling

The County should ensure sufficient resources and funding to enforce state laws requiring child-resistant exit packaging for all products sold at retail or delivered to consumers.

Recommendation #8 - Age Verification

The County should conduct regular unannounced compliance checks, no less than twice yearly, to ensure cannabis retailers comply with age-restriction laws, and should establish progressive penalties, up to and including license revocation, for cannabis retailers, including delivery services that do not comply with age-restriction laws.

Recommendation #9 - Age Verification

The County should require all retail cannabis sales personnel to complete documented training on age verification requirements, accepted age-verification practices, including but not limited to electronic age verification practices and other techniques to prevent underage youth from entering or loitering in the vicinity of retail outlets. Cannabis retailers should be held accountable for ensuring that all retail sales employees complete training before conducting sales. Progressive consequences (penalties including fines and suspensions to operate) should be implemented and should include license revocation, where appropriate. The County should conduct regular compliance checks with cannabis retailers.

Recommendation #10 - Age Verification

Decision Note: The Working Group agreed they will need further discussion during recommendations on retailers.

The County should implement appropriate regulations on the retail delivery of cannabis to ensure that delivery does not become an avenue for underage youth to access cannabis. Such regulations could include the use of age-verification technology during deliveries and special recordkeeping requirements. When considering regulations for retail cannabis delivery, the County Board of Supervisors should review research concerning youth access to alcohol in jurisdictions where alcohol delivery is permitted.

Recommendation #11 - Fines/Penalties

The County should evaluate the feasibility of adding cannabis to a social host ordinance that holds individuals responsible for knowingly providing a place on property they control where nonmedical underage cannabis use takes place, regardless of who provides the cannabis products.

Recommendation #12 - Public Consumption

Decision Note: The Working Group agreed they will need further discussion during recommendations on public health and safety.

The County should preclude the smoking of cannabis within 1,000 feet of schools (K-12), day care centers (including preschools), youth centers, parks, libraries, and public transportation stops near those places, except upon the grounds of a private residence and provided cannabis smoke cannot be detected on the grounds of the school, day care center, youth center, park, library, or public transportation stop.

Process Note: Due to time constraints, the Advisory Working Group agreed to table discussion of the remaining seven recommendations until next week's meeting.

6. Panel: Perspectives on Public Health & Safety & Cannabis Cultivation for Personal Use

Elizabeth Padilla, LA County District Attorney's Office; Nick Stewart-Oaten, LA County Public Defender's Office; Bruce Brodie, LA County Alternate Public Defender's Office; Glenn Walsh, LA County Sheriff's Department

7. Public Comment: Adam Vine, nonprofit leader, relayed that since cannabis legalization in Colorado was enacted, teen usage has not increased, but arrest rates for black and Latino youth have increased. He requested that equitable enforcement be made a priority for the Advisory Working Group to prevent more mass incarceration of people of color. He also supported the need to include more youth voices in the recommendation process.

8. Next Advisory Group Meeting: August 3, 2017

Topic: Cannabis Retailers

Location: Community Partners (Suite C), 1000 North Alameda St., Los Angeles, CA 90012

Los Angeles County Advisory Working Group on Cannabis Regulation

AGENDA Meeting 3: Thursday, July 27, 2017

- 9:00 AM** Welcome and Check-in
- 9:05 AM** Agenda Review and Meeting Goals
- 9:10 AM** Final Recommendations on Youth Access and Exposure Recommendations
- Facilitated group discussion to reach consensus on recommendations submitted by working group members
- 10:30 AM** Break
- 10:40 AM** Overview of Issues: Public Health and Safety & Cannabis Cultivation for Personal Use
- Summary of key topics to consider
 - State law provisions and potential LA County Actions
 - Questions for reflection and discussion
- 11:10 AM** Perspectives on Public Health and Safety & Cannabis Cultivation for Personal Use
- Glenn Walsh, LA County Sheriff's Department
 - Elizabeth Padilla, LA County District Attorney's Office
 - Bruce Brodie, LA County Alternate Public Defender's Office
 - Nick Stewart-Oaten, LA County Public Defender's Office
- 11:50 AM** Public Comments
- 12:00 PM** End

APPENDIX K

LOS ANGELES COUNTY
ADVISORY WORKING GROUP ON CANNABIS REGULATION

Mission: *To develop recommendations that will provide a framework for the development of regulations for commercial and personal-use cannabis in unincorporated areas of Los Angeles County. These recommendations will provide guidance to County policymakers and may also be useful to cities and other counties throughout California that are studying cannabis regulations.*

SUMMARY OF MEETING FOUR – Cannabis Retailers, August 3, 2017

- 1. Topic Area(s):** Youth Access and Exposure (Finalize recommendations – continued); Public Health and Safety, and Cannabis Cultivation for Personal Use (Finalize recommendations); Cannabis Retail Operations (Overview)
- 2. Working Group Participants:** Donnie Anderson (*California Minority Alliance and Southern California Coalition*), Beth Burnam (*Resource Conservation District of the Santa Monica Mountains*), Valerie Coachman-Moore (*Coachman-Moore & Associates*), Jonatan Cvetko (*Angeles Emeralds*), Matt Garland (*San Pedro Neighborhood Council*), Patricia Guerra (*Community Coalition*), Aaron Lachant (*Nelson Hardiman, LLP*), Lynne Lyman (*Drug Policy Alliance*), Javier Montes (*UCBA Trade Association*), Dr. Alisa Padon (*Public Health Institute*), Melahat Rafiei (*Progressive Solutions Consulting*), Wayne Sugita (*Los Angeles County Department of Public Health, Retired*) Dr. Avelardo Valdez (*University of Southern California*), Hon. Vivian Romero (*Mayor, City of Montebello*)
- 3. Facilitators:** Joe Nicchitta (*Office of Cannabis Management, Los Angeles County Chief Executive Office*), Sheri Dunn Berry (*Community Partners*)
- 4. Process Note:**
Advisory Working Group Meetings 7 and 8, on August 24th and August 31st, will be extended by two hours and rescheduled for 9:00 am - 2:00 pm to accommodate more discussion and finalizing of recommendations.
- 5. Decision Making:**
 - The remaining 4 recommendations for Youth Access and Exposure were reviewed and discussed. Of those, 1 final recommendation was accepted, and 3 were tabled for *Future Consideration* to be revisited by the group. Items for *Future Consideration* are proposed to be carefully considered at the County's discretion, once the legalized recreational market is established and pending legislation is passed.
 - The Advisory Working Group members submitted 45 recommendations for Public Health and Safety, and Cannabis Cultivation for Personal Use.

- From the 45 recommendations, OCM synthesized 23 recommendations for review by the Advisory Working Group. Some recommendations were combined due to similarity or repetition, not submitted due to conflict with existing state law or set aside for discussion under other topic areas.
- Twelve recommendations listed below were reviewed. Six were accepted by the group. Five were tabled for later discussion in other topic areas and one was set aside pending additional information requested by the Working Group. Eleven remaining recommendations on Public Health and Safety and Cannabis Cultivation for Personal Use will be reviewed at the next meeting.

6. Decisions on Final Recommendations on Youth Access and Exposure (continued from last week)

Recommendation #13 - Advertising and Marketing

The County should advocate for changes to state law to prohibit cannabis advertising in broadcast, cable, radio, print, and digital communications where less than 85 percent of the audience is reasonably expected to be 21 years of age or older, as determined by reliable, up-to-date audience composition data, consistent with rules applicable to tobacco advertising.

Recommendation #14 - Advertising and Marketing

Decision Note: The Working Group agreed to move this recommendation to *Recommendations for Future Consideration*.

The County should consider prohibiting the sale of cannabis for less than the listed price, including but not limited to happy-hour type promotions, discounts, coupons, and buy-one-get-one-free promotions.

Recommendation #15 - Youth Access and Exposure

Decision Note: The Working Group agreed to move this recommendation to *Recommendations for Future Consideration* and requested more specificity regarding the meaning of “where youth congregate.”

The County should adopt local regulations prohibiting: advertising (distribution of flyers, promotional items) to be conducted at a 1000 ft. distance from schools, youth centers and daycare centers in a manner so as not to target underage youth. The County should implement progressive fines and penalties, up to and including license revocation, to deter such practices and should conduct regular compliance checks with cannabis retailers.

Recommendation #16 - Advertising and Marketing

Decision Note: The Working Group agrees to move this recommendation to *Recommendations for Future Consideration Appendix*. Assembly Bill 350 aims to address this recommendation. The Working Group agrees the Office of Cannabis Management should monitor the legislation and ensure it succeeds in addressing it later after the law has passed.

The County should adopt an ordinance prohibiting advertising, marketing, products, and product-design practices that are attractive to or targeted at youth. The ordinance should be consistent with state law and regulation, and clearly describe products considered to be attractive to youth, and advertising and marketing practices that target youth. The County should implement progressive fines and penalties, up to and including license revocation, for violations of the ordinance. The County should lobby the state for legislation and regulation that clearly define and prohibit advertising, marketing, products, and product-design practices that are attractive to or targeted at youth.

- End of Recommendations on Youth Access and Exposure -

7. Decisions on Final Recommendations on Public Health and Safety and Cannabis Cultivation for Personal Use

Recommendation #1 - Public Consumption

Decision Note: The Working Group agreed they will need further discussion during recommendations on Equity.

The County should preclude the smoking of cannabis within 1,000 feet of schools (K-12), day care centers (including preschools), youth centers, parks, libraries, and public transportation stops near those places, except upon the grounds of a private residence and provided cannabis smoke cannot be detected on the grounds of the school, day care center, youth center, park, library, or public transportation stop.

Recommendation #2 - Public Consumption

Decision Note: The Working Group agreed they will need further discussion during recommendations on Equity.

The County should develop and implement a comprehensive secondhand smoke ordinance, which would address both tobacco and cannabis smoke, to reduce health risks to youth, employees, and other members of the public.

Recommendation #3 - Banking

The County should investigate the feasibility of creating a public bank to serve the cannabis industry.

Recommendation #4 - Banking

The County should explore the feasibility of using third-party services to handle financial transactions, such as tax payments, between cannabis businesses and the County to reduce risks involved with cash only payment methods, and should implement adequate security measures and business capabilities at County offices, including exploring adding new payment offices, to handle the anticipated increase in cash payments by cannabis businesses.

Recommendation #5 - Crime

In connection with any new license or renewal application, the County should require each cannabis business to submit a security plan that implements industry best practices to deter crime and facilitate response and intervention by law enforcement.

Recommendation #6 - Crime

Decision Note: The Working Group agreed they will need further discussion during recommendations on Taxation.

The County should prioritize the spending of cannabis tax revenue on law enforcement to respond in areas with identifiable criminal or quality-of-life issues associated with cannabis businesses.

Recommendation #7 - Crime

The County should ensure law enforcement is properly trained to prevent racial, ethnic, mental health and age-related profiling when interacting with community residents on cannabis-related issues.

Recommendation #8 - Crime

County law enforcement should partner with cannabis businesses to understand the businesses' unique security concerns, including assigning a law enforcement liaison to interface directly with each cannabis business.

Recommendation #9 - Driving under the influence of drugs

Decision Note: The Working Group agreed they will need further discussion during recommendations on Cannabis Retailers.

The County should impose distance requirements between alcohol outlets and cannabis retail outlets.

Recommendation #10 - Driving under the influence of drugs

Decision Note: The Working Group agreed they will need further discussion during recommendations on Taxation and Revenue.

The County should make funds available for research collaboratives between the County, universities, research groups and law enforcement to identify standards and best practices for the accurate testing of DUIs for cannabis.

Recommendation #11 - Driving under the influence of drugs

The County should advocate for state legislation that clarifies cannabis open container laws to ensure both residents and law enforcement understand what is and is not legal.

Recommendation #12 - Driving under the influence of drugs

Decision Note: The Working Group agreed clarification is needed before a decision is made, from the Office of the Public Defender to understand their position of support and advocacy for the laboratory equipment.

The County should make funds available to purchase laboratory equipment necessary to detect the presence of active THC in the blood.

- End of Recommendations on Public Health and Safety –

8. Panel: Perspectives on Cannabis Retail Operations

Panelists:

- Dan Edwards, Associate General Counsel, MedMen
- Ari Roughton, Western Regional Retail Manager, MedMen
- Amanda Ostrowitz, Co-founder and Chief Strategy Officer CannaRegs

9. Public Comment: Andre D. Tate voiced his concerns about the validity and reliability of using a machine to determine an individual's degree of cannabis intoxication; he highlighted the negative impact of open container laws and the need for those laws to be applied to prescription drugs and addressed the need for restrictions on advertising and marketing, particularly where kids are concerned.

Los Angeles County Advisory Working Group on Cannabis Regulation

AGENDA

Meeting 4: Thursday, August 3, 2017

- 9:00 AM** Welcome, agenda review, and suggested timeline revision
- 9:10 AM** Workshop recommendations on Youth Access and Exposure, Public Health and Safety, and Cannabis Cultivation for Personal Use
- Facilitated group discussion to reach consensus on recommendations submitted by working group members
- 11:00 AM** Break
- 11:15 AM** Perspectives on Cannabis Retail Operations
- Dan Edwards, Associate General Counsel, MedMen
 - Ari Roughton, Western Regional Retail Manager, MedMen
 - Amanda Ostrowitz, Co-founder and Chief Strategy Officer, CannaRegs
- 11:50 AM** Public Comments
- 12:00 PM** End

APPENDIX L

LOS ANGELES COUNTY
ADVISORY WORKING GROUP ON CANNABIS REGULATION

Mission: *To develop recommendations that will provide a framework for the development of regulations for commercial and personal-use cannabis in unincorporated areas of Los Angeles County. These recommendations will provide guidance to County policymakers and may also be useful to cities and other counties throughout California that are studying cannabis regulations.*

**SUMMARY OF MEETING FIVE: Cannabis Cultivators, Manufacturers and Other Businesses –
August 10, 2017**

- 1. Topic Areas:** Public Health and Safety and Cannabis Cultivation for Personal Use (Final recommendations); Cannabis Cultivation, Manufacturing and Other Businesses (Overview)
- 2. Working Group Participants:** Donnie Anderson (*California Minority Alliance and Southern California Coalition*), Beth Burnam (*Resource Conservation District of the Santa Monica Mountains*), Valerie Coachman-Moore (*Coachman-Moore & Associates*), Jonatan Cvetko (*Angeles Emeralds*), Manuel Duran (*Maravilla Businesspersons Association*), Matt Garland (*San Pedro Neighborhood Council*), Patricia Guerra (*Community Coalition*), Aaron Lachant (*Nelson Hardiman, LLP*), Lynne Lyman (*Drug Policy Alliance*), Javier Montes (*UCBA Trade Association*), Dr. Alisa Padon (*Public Health Institute*), Melahat Rafiei (*Progressive Solutions Consulting*), Dr. Monica Sanchez (*LA County Office of Education*); Charlie Kaplan sitting in for Dr. Avelardo Valdez (*University of Southern California*), Hon. Vivian Romero (*Mayor, City of Montebello*);
- 3. Facilitators:** Joe Nicchitta (*Office of Cannabis Management, Los Angeles County Chief Executive Office*), Sheri Dunn Berry (*Community Partners*)
- 4. Process Note:** The meeting schedule and topics for discussion were adjusted as reflected below.
 - August 17, 9 AM – 12 PM, Topics: Economic Development and Taxation
 - August 24, 9 AM – 2 PM, Topic: Equity
 - August 31, 9 AM – 2 PM, Topic: Review, refinement and prioritizing of recommendations

5. Decision Making:

- The remaining nine recommendations for Public Health and Safety were reviewed and discussed. Of those, eight final recommendations were accepted. One recommendation was not accepted as consensus was not reached.
- The Advisory Working Group members submitted three recommendations for Cannabis Cultivation for Personal Use, and 11 recommendations for consideration for Cannabis Retailers
- Of the three recommendations reviewed and discussed for Personal Cultivation, one will be revisited with additional information during the next meeting, one was accepted as a final recommendation, and one will be subjected to further review by a sub-committee of the Advisory Working Group (Valerie Coachman-Moore, Manuel Duran, Matt Garland and Lynne Lyman) to determine appropriate language for resubmission to the entire group.
- Review of the 11 recommendations for Cannabis Retailers was postponed until the next meeting.

Final Recommendations on Public Health & Safety

Recommendation #12 - Driving under the influence of drugs

The County should set aside funds for the Department of Public Health to assess the efficacy of laboratory equipment to detect the presence of active THC in the blood and its correlation to impairment.

Recommendation #13 - Driving under the influence of drugs

The County should investigate incorporating evidence-based interventions administered by appropriately trained public health professionals into alcohol and drug DUI programs, such as Screening, Brief Intervention, and Referral to Treatment (SBIRT) in a non-law enforcement setting.

Recommendation #14 - Overconsumption

Decision Note: Considered, but no consensus reached. The recommendation will NOT move forward. The group may revisit this recommendation with the recognition that overconsumption is a concern, and a potentially a problem, particularly with youth.

The County should explore the feasibility of requiring that cannabis businesses individually wrap each serving of an edible cannabis product.

Recommendation #15 – Overconsumption

Decision Note: Considered, but no consensus reached. The recommendation will NOT move forward. The group may revisit this recommendation.

The County should explore the feasibility of limiting the potency of recreational cannabis and cannabis products sold by licensed County cannabis retailers, including limits of 20 percent THC content for cannabis flower and 50 percent THC content for cannabis products.

Recommendation #16 - Overconsumption & Education

The County should explore whether to supplement state required labels for recreational edible cannabis products sold in County cannabis stores to provide information to consumers about how to avoid overconsumption and include warnings about cannabis use by women who are pregnant and breastfeeding, driving under the influence of cannabis, recreational youth cannabis use or other potential health impacts.

Recommendation #17 - Education

The County should explore the feasibility of developing and testing a universal symbol to be placed on every cannabis and cannabis product package label sold in County cannabis stores to easily identify that a product contains cannabis.

Recommendation #18 - Education

The County should require cannabis retailers to post multi-lingual signage alerting consumers that the possession and use of cannabis could impact a person's immigration status under federal law and could violate the terms of a person's parole or probation.

Recommendation #19 - Education

The County should implement a wide-ranging, multilingual and culturally competent multimedia campaign to educate the public, including tourists, about state and local cannabis laws and responsible cannabis use. The County should immediately pursue available state funding to support the education campaign.

END of Public Health and Safety Recommendations

Final Recommendations on Personal Cultivation

Recommendation #1 - Personal Cultivation

Decision Note: The group agreed to table this recommendation for discussion at the next meeting.

The County should allow every qualified medical patient to grow up to 12 immature or six mature cannabis plants, as set forth in California Health and Safety Code section 11632.77.

Recommendation #2 - Personal Cultivation

The County should provide information on best practices for indoor and outdoor personal cannabis cultivation, including responsible pesticide use, waste disposal, odor control, and other health and safety concerns, and should establish a voluntary inspection program focused on safety and security.

Recommendation #3 - Personal Cultivation

Decision Note: Lynne, Valerie, Manuel, and Matt volunteered to participate in a subcommittee to find common ground on language to bring back to the Advisory Working Group for review.

The County should repeal existing restrictions on the outdoor cultivation of cannabis for personal use.

END PERSONAL CULTIVATION RECOMMENDATIONS

6. Panel: Perspectives on Cannabis Cultivation, Manufacturing and Other Businesses

- Rick Fischer, Executive Vice President Canndescent
- Tony Daniel, Vice President for Sales and Marketing, Steep Hill Labs, Inc.
- Charlie Cangialosi, Director of Sales, Kiva Confections

7. Public Comments:

- Joseph Papa, chemist and lab professional took issue with the word “volatile extractions” to describe processes involving cannabis, and suggested they should have the same classification as propane.
- August Papa, cannabis patient and lab manager, encouraged businesses to operate under good business practices.
- Steve Hoyer, environmentalist, opposed the LA County restrictions for the use of agriculture and voiced concerns about energy consumption.
- John Bowman, suggested that LA County not ban outdoor commercial cultivation due to economic and environmental considerations.
- Adam Vine, nonprofit leader, spoke about the intersection of certain issues such as Youth Access and Exposure, which continues to be a concern when other topics are discussed.

Los Angeles County Advisory Working Group on Cannabis Regulation

AGENDA

Meeting 5: Thursday, August 10, 2017

- 9:00 AM** Welcome and proposed change in topic areas
- 9:05 AM** Workshop recommendations on Public Health and Safety;
Cannabis Cultivation for Personal Use; and Cannabis Retail Operations
- o Facilitated group discussion to reach consensus on recommendations submitted by working group members
- 10:55 AM** Break
- 11:05 AM** Perspectives on Cannabis Cultivation, Manufacturing and Other Businesses
- o Rick Fisher, Executive Vice President, CannDESCENT
 - o Tony Daniel, Vice President for Sales & Marketing, Steep Hill Labs, Inc.
 - o Charlie Cangialosi, Director of Sales, Kiva Confections
- 11:55 AM** Public Comments
- 12:00 PM** End

APPENDIX M

LOS ANGELES COUNTY
ADVISORY WORKING GROUP ON CANNABIS REGULATION

Mission: *To develop recommendations that will provide a framework for the development of regulations for commercial and personal-use cannabis in unincorporated areas of Los Angeles County. These recommendations will provide guidance to County policymakers and may also be useful to cities and other counties throughout California that are studying cannabis regulations.*

SUMMARY OF MEETING SIX: Taxation and Revenue – August 17, 2017

- 1. Topic Area(s):** Cannabis Cultivation, Manufacturing and Other Businesses (Final Recommendations); Taxation and Economic Development (Overview)
- 2. Working Group Participants:** Donnie Anderson (*California Minority Alliance and Southern California Coalition*), Valerie Coachman-Moore (*Coachman-Moore & Associates*), Jonatan Cvetko (*Angeles Emeralds*), Matt Garland (*San Pedro Neighborhood Council*), Patricia Guerra (*Community Coalition*), Aaron Lachant (*Nelson Hardiman, LLP*), Lynne Lyman (*Drug Policy Alliance*), Javier Montes (*UCBA Trade Association*), Dr. Alisa Padon (*Public Health Institute*), Melahat Rafiei (*Progressive Solutions Consulting*), Dr. Avelardo Valdez (*University of Southern California*), Hon. Vivian Romero (*Mayor, City of Montebello*), Dr. Monica Sanchez (*Los Angeles County Office of Education*), Manuel Duran (*President, Maravilla Businesspersons Association*), Wayne Sugita (*Division of Substance Abuse, Prevention, and Control, Los Angeles County Dept. of Public Health*), and Dr. Rachel Gonzales-Castaneda (*Azusa Pacific University*)
- 3. Facilitators and Presenters:** Cheri Thomas (*Office of Cannabis Management, Los Angeles County Chief Executive Office*), Sheri Dunn Berry (*Community Partners*)
- 4. Process Note:** As of August 17, 2017, nineteen community listening sessions were held in locations across all five County supervisorial districts.
- 5. Decision Making:**
 - Of two remaining recommendations for Personal Cultivation, one will be revisited next week pending additional information, and one was reviewed and accepted by the Advisory Working Group after further consideration from a Working Group Sub-Committee.
 - Of the 16 recommendations for Cannabis Retailers, 12 were reviewed and discussed. Eight final recommendations were accepted (including two recommendations that were merged into one), two were not moved forward, and one was postponed until next week to allow for more discussion.

- Recommendations submitted by individual Advisory Working Group members yielded 12 recommendations for Cannabis Cultivators, Manufacturing and other Businesses.

Final Recommendations on Personal Cultivation

Recommendation #1 - Personal Cultivation

Decision Note: The group agreed to table this recommendation again for discussion at the next meeting.

The County should allow every qualified medical patient to grow up to 12 immature or six mature cannabis plants, as set forth in California Health and Safety Code section 11632.77.

Recommendation #3 - Personal Cultivation

The County should consider the impact of existing restrictions on the outdoor cultivation of cannabis for personal use, to be in line with state guidelines.

Final Recommendations on Cannabis Retailers

Recommendation #1 - Delivery

The County should implement appropriate regulations on the retail delivery of cannabis to ensure that delivery does not become an avenue for underage youth to access cannabis. Such regulations could include the use of age-verification technology during deliveries and special recordkeeping requirements. When considering regulations for retail cannabis delivery, the County Board of Supervisors should review research concerning youth access to alcohol in jurisdictions where alcohol delivery is permitted.

Recommendation #2 - Delivery

The County should require that, prior to engaging in cannabis delivery, a cannabis retailer register the identity of delivery drivers and vehicles used for delivery with the County and law enforcement ongoing as needed. The delivery vehicle should be solely for the purpose of the cannabis industry and with no visible identification. Law enforcement should be properly trained to enforce this.

Recommendation #3 - Delivery

Decision Note: No consensus was reached and recommendation will NOT move forward, but OCM was asked to track and monitor this issue as applicants pursue retail business licenses moving forward.

The County should require applicants for cannabis retail businesses to specify whether they propose to conduct on-site (storefront) sales, delivery-only sales, or both.

Recommendation #4 - Hours of Operations

Subject to state law or regulation, the County should set hours of operation for cannabis retail storefronts that allows sufficient customer access before and after work hours, but should consider allowing extended hours for medical cannabis delivery only after retail storefronts are required to close.

Recommendation #5 - Limits on the number of licenses/concentration of retailers

Decision Note: The Working Group agreed to create the following recommendation by merging two recommendations related to limits on licenses and retail concentration.

The County should consider alternatives to capping the number of cannabis retail licenses, such as implementing a discretionary process, such as a conditional use hearing, that requires the hearing body to find that issuing the cannabis retail license is needed and will not result in an overconcentration in any neighborhood consistent with state law and zoning based on the ratio of retail licenses to population and other key indicators that impact quality of life and environment, including, for example, whether a cannabis retailer proposes to locate in a high crime reporting district. Per capita should not be considered. The County should conduct an analysis with GIS to study population density to prevent overconcentration based on current state sensitive-use buffers. The County should consider alternatives to setting minimum distances between retailers, being sensitive to commercial and industrial zones.

Recommendation #6 – Limits on number/concentration of retailers was not moved forward

Recommendation #7 - Loitering and onsite consumption

The County should require cannabis retail businesses to have a security plan in place to prevent the misuse of recreational cannabis consumption by employees, and to prevent loitering and cannabis consumption in parking lots, alleys and other open areas adjacent to their businesses. The respective business should be well-lit, kept clean and debris-free by the business operator. Businesses should clearly display signs with “no loitering, no public drinking, and no public cannabis use” in the business and immediately outside.

Recommendation #8 - Onsite signage

Signage should comply with current County guidelines. Signage should be functional rather than promotional. County should further explore signage possibilities to maximize business operations, reduce appeal to children and youth, and nuisance to neighborhoods. The County should consider restricting signage on vehicles, pending legal analysis.

Recommendation #9 - Security

In connection with any new license or renewal application, the County should require each cannabis business to submit an individualized security plan that implements industry best practices to deter crime and facilitate response and intervention by law enforcement, including but not limited to physical improvements to deter crime, camera and alarm systems, and onsite security personnel.

Recommendation #10 - Zoning

Decision: Considered, but no consensus reached. The recommendation will NOT move forward.

The County should ensure that cannabis retailers are equitably distributed across unincorporated Los Angeles County.

Recommendation #11 – Zoning/buffering from sensitive uses was skipped to be discussed at a future meeting

Recommendation #12 - Employee Requirements

The County should require mandatory retail employee/budtender training on how to maintain a safe retail environment, how to avoid sales of cannabis to individuals under the influence of alcohol or other drugs, and how to provide consumer education on safe and responsible product use and health risks and consequences, particularly for novice users.

- END CANNABIS RETAILERS RECOMMENDATIONS -

- 6. Speaker:** Taxes and Growth: Experience and Perspectives for Los Angeles County
- Miles K. Light, Founding Partner, Marijuana Policy Group

7. Public Comments:

- Maleena Lawrence requested information about key dates related to this subject matter and asked whether a plan was in place to ensure cannabis retailers are evenly distributed throughout the County to avoid blight and overconcentration in lower income neighborhoods. She also inquired about foreign buyers and strategies to protect citizens from industry developers coming into their neighborhoods.
- Anya Titora, student and dispensary employee, expressed concern regarding using the marijuana leaf symbol on signage as the cannabis industry moves forward. She also mentioned the common use of tinctures and balms, which are non-psychoactive, and therefore should not be a concern with regard to employee cannabis consumption at retailers.

Los Angeles County Advisory Working Group on Cannabis Regulation

AGENDA

Meeting 6: Thursday, August 17, 2017

- 9:00 AM** Welcome and agenda review
- 9:05 AM** Workshop recommendations on Personal Cultivation and Cannabis Cultivation for Personal Use; and Cannabis Retail Operations
- Facilitated group discussion to reach consensus on recommendations submitted by working group members
- 10:50 AM** Break
- 11:05 AM** Taxes and Growth: Experience and Perspectives for Los Angeles County
- Miles K. Light, Founding Partner, Marijuana Policy Group
- 11:55 AM** Public Comments
- 12:00 PM** End

APPENDIX N

LOS ANGELES COUNTY
ADVISORY WORKING GROUP ON CANNABIS REGULATION

Mission: *To develop recommendations that will provide a framework for the development of regulations for commercial and personal-use cannabis in unincorporated areas of Los Angeles County. These recommendations will provide guidance to County policymakers and may also be useful to cities and other counties throughout California that are studying cannabis regulations.*

SUMMARY OF MEETING SEVEN: Equity – August 24, 2017

- 1. Topic Areas:** Cannabis Retailers, Cannabis Cultivation, Cannabis Manufacturing, and Taxation and Economic Development (Final Recommendations); Equity (Overview)

- 2. Working Group Participants:** Donnie Anderson (*California Minority Alliance and Southern California Coalition*), Beth Burnam (*Resource Conservation District of the Santa Monica Mountains*), Valerie Coachman-Moore (*Coachman-Moore & Associates*), Jonatan Cvetko (*Angeles Emeralds*), Matt Garland (*San Pedro Neighborhood Council*), Patricia Guerra (*Community Coalition*), Aaron Lachant (*Nelson Hardiman, LLP*), Lynne Lyman (*Drug Policy Alliance*), Javier Montes (*UCBA Trade Association*), Dr. Alisa Padon (*Public Health Institute*), Melahat Rafiei (*Progressive Solutions Consulting*), Dr. Avelardo Valdez (*University of Southern California*), Hon. Vivian Romero (*Mayor, City of Montebello*), Dr. Monica Sanchez (*Los Angeles County Office of Education*), Manuel Duran (*President, Maravilla Businesspersons Association*), and Dr. Rachel Gonzales-Castaneda (*Azusa Pacific University*)

- 3. Facilitators:** Joe Nicchitta (*Office of Cannabis Management, Los Angeles County Chief Executive Office*), Sheri Dunn Berry (*Community Partners*)

- 4. Process Note:** The group agreed to extend the hours final Advisory Working Group Meeting on August 31, 2017 from 9:00 am - 4:00 pm.

- 5. Decision Making:**

BEGIN Recommendations on Cannabis Retailers

Recommendation #1

The County should evaluate the feasibility of requiring cannabis licensees to include accurate, science-based warning labels on cannabis advertising, similar to those required in the context of alcohol and tobacco.

Recommendation #2 - Signage/Advertising

Part A

The County should restrict cannabis advertising at or sponsorship of events, including but not limited to concerts, fairs, festivals and sporting events at County owned or operated facilities, consistent with how alcohol and tobacco products are treated. Exemptions should be considered for health and wellness events.

Part B

The County should advocate for changes to state law to expand the restrictions in Business and Professions Code section 26151(b) to include advertising at or sponsorship of events, including but not limited to concerts, fairs, festivals and sporting events.

Recommendation #3 - Signage/Advertising - From August 17, 2017 Working Group Meeting

The County should evaluate the feasibility of prohibiting branded merchandise primarily marketed to and used by youth, including but not limited to toys, games, video game systems, and clothing.

Recommendation #4 - Retailers - From August 17, 2017 Working Group Meeting

Decision Note: The Advisory Working Group did not reach consensus on buffers between cannabis retailers and alcohol outlets, transit stops and colleges.

Part A

At a minimum, the County should require cannabis retailers to locate not less than 1,000 feet from schools (K-12), and 600 feet from daycare centers and youth centers.

Part B

The County should consider establishing 600 foot buffers between cannabis retailers from public parks, playgrounds, and libraries. The County should consider whether to establish minimum distances between cannabis retailers and licensed youth alcohol or drug abuse treatment facilities. The County should carefully study any buffering and minimum distance rules to ensure that such rules will not unreasonably eliminate the ability of cannabis businesses to establish in unincorporated County areas, incentivize the continued operation of the unlicensed cannabis market, or create other unintended consequences such as the inequitable distribution of cannabis businesses throughout the County.

Part C

The County should ensure a variance procedure is available to applicants seeking to establish a cannabis retail business.

Part D

The County should publish a map depicting where cannabis retailers can locate prior to adopting any buffering regulations.

- END Retailers -

- BEGIN Cannabis Cultivators, Manufacturers etc. Recommendations -

Recommendation #1 - Location Requirements

Decision Note: Consensus was not reached regarding cannabis cultivators, manufacturers, distributors being located solely in industrially zoned areas and buffered from residential zones.

Cultivators, Manufacturers, Distributors, Microbusinesses

Cannabis cultivators, manufacturers, distributors and microbusinesses should be required to obtain discretionary permits.

Testing Laboratories

Cannabis testing laboratories should be permitted through a ministerial approval process.

Recommendation #2 - Cultivators/Manufacturers

The County should require cannabis cultivators and manufacturers to submit for County review and approval prior to commencing operations, and in connection with any license renewal, an operating plan that addresses the following components to the satisfaction of the County:

- Odor control and mitigation, both within the facility and outside the facility;
- Energy conservation and sustainability;
- Water conservation and sustainability;
- Waste and wastewater disposal;
- The application and storage of pesticides, fertilizers and other hazardous chemicals;
- Environmental sanitation standards consistent with the production of food products; and
- Security.

Recommendation #3 - Cultivators

The County should conduct an analysis of the environmental impacts of indoor versus outdoor cultivation, and the differential effects in terms of revenue and regulatory and enforcement costs of allowing or prohibiting commercial outdoor cultivation.

Recommendation #4 - Cultivators

The County should evaluate whether offering a license type comparable to a State Type 1C-speciality cottage cultivation license could stimulate regenerative agriculture in urban areas and encourage small business operators.

Recommendation #5 - Cultivators

The County should require cultivators to allow the utility company to provide their monthly electricity usage for two years and then consider additional regulations for cannabis cultivation to make cultivation more energy efficient and offer incentives for efficient energy usage.

Recommendation #6

The County should adopt regulations to support the enforcement of state rules for cannabis product preparation and labeling.

6. Panel: Perspectives on Equity

- Cat Packer, Executive Director, Los Angeles Department of Cannabis Regulation
- Cynthia Harding, Chief Deputy Director, LA County Department of Public Health

7. Public Comments:

- Adam Vine, co-founder Cage Free Cannabis, wanted to put the discussion into context, given the presence of so many white men as presenters on various subjects. He noted that thousands of people of color have been arrested and incarcerated because of the War on Drugs, jobs, educational opportunities, and family members have been lost. He suggested the County has an obligation and opportunity to lead, innovate and repair the damage through equity.
- Eddie Torres, President, East LA Chamber of Commerce and long-term East LA resident noted that there are many dispensaries that are conducting illegal activities. He mentioned problems with parking and public use, and voiced concerns about exposure to youth. He wanted to make sure marijuana is regulated and urged the County to be responsible – to not go for profit when souls are at stake. He urged the group to consider the implications of drug use on youth and law enforcement in relation to increases in crime.
- Darrel Davenport, wanted to look at the issue from the perspective of jobs and economics, and suggested that California can be a good role model by reducing the demonization of cannabis. He noted that the group was making things very complicated and was concerned that if they didn't move to simplify regulations, they will thwart young people who want jobs. He does not want big businesses like Monsanto to win on this, suggesting "the last should come first."
- Anya Titova, cannabis dispensary worker and member of California Minority Alliance, urged that when talking about public use, the group should consider homeless and transient youth who do not have a residence or a safe place to smoke.

- Justin Andrew Marks, from the Liberty Hill Foundation, offered his contact information to those interested in partnership, collaboration or connection with community-based organizations that are dealing with community issues related to cannabis.
- Jackie Stubeck, cannabis and education advocate, suggested the County take the lead on integrating equity into the new cannabis regulations, because they have an opportunity to get this right.

Los Angeles County Advisory Working Group on Cannabis Regulation

AGENDA

Meeting 7: Thursday, August 24, 2017

- 9:00 AM** Welcome and review recommendations summary
- 9:10 AM** Finish workshopping recommendations tabled from August 10th and 17th
- Topics include: Public Health and Safety, Personal Cultivation, Cannabis Retailers, Cannabis Cultivation, Cannabis Manufacturing, and Taxation and Economic Development
- o Facilitated group discussion to reach consensus on recommendations submitted by working group members
- 11:00 AM** Break
- 11:10 AM** Perspectives on Equity
- o Social Equity and Cannabis
Cat Packer, Los Angeles Department of Cannabis Regulation
 - o Health Equity and Cannabis
Cynthia Harding, MPH, LA County Department of Public Health
- 12:00 PM** Workshop recommendations on Taxation and Economic Development
- (Lunch will be provided for Advisory Working Group members during the afternoon recommendations discussion)
- 1:50 PM** Public Comments
- 2:00 PM** End

APPENDIX O

LOS ANGELES COUNTY
ADVISORY WORKING GROUP ON CANNABIS REGULATION

Mission: *To develop recommendations that will provide a framework for the development of regulations for commercial and personal-use cannabis in unincorporated areas of Los Angeles County. These recommendations will provide guidance to County policymakers and may also be useful to cities and other counties throughout California that are studying cannabis regulations.*

SUMMARY OF MEETING EIGHT – Final Recommendations, August 31, 2017

- 1. Topic Area(s):** Cultivation, and Cannabis Manufacturing/Microbusiness/Testing; Taxation and Economic Development; Public Health and Safety and Personal Cultivation; Equity (Final Recommendations)
- 2. Working Group Participants:** Donnie Anderson (*California Minority Alliance and Southern California Coalition*), Beth Burnam (*Resource Conservation District of the Santa Monica Mountains*), Valerie Coachman-Moore (*Coachman-Moore & Associates*), Jonatan Cvetko (*Angeles Emeralds*), Matt Garland (*San Pedro Neighborhood Council*), Patricia Guerra (*Community Coalition*), Aaron Lachant (*Nelson Hardiman, LLP*), Lynne Lyman (*Drug Policy Alliance*), Javier Montes (*UCBA Trade Association*), Dr. Alisa Padon (*Public Health Institute*), Melahat Rafiei (*Progressive Solutions Consulting*), Hon. Vivian Romero (*Mayor, City of Montebello*), Dr. Monica Sanchez (*Los Angeles County Office of Education*); Manuel Duran (*President, Maravilla Businesspersons Association*), and Dr. Rachel Gonzales-Castaneda (*Azusa Pacific University*)
- 3. Facilitators:** Joe Nicchitta (*Office of Cannabis Management, Los Angeles County Chief Executive Office*), Cheri Thomas (*Office of Cannabis Management, Los Angeles County Chief Executive Office*), Max Thelander (*Office of Cannabis Management, Los Angeles County Chief Executive Office*), and Sheri Dunn Berry (*Community Partners*)
- 4. Decision Making:**

BEGIN RECOMMENDATIONS ON CULTIVATORS/MANUFACTURERS/MICROBUSINESS/TESTING

Recommendation #8 - Microbusinesses

The County should offer a license type for microbusinesses and should apply regulations to microbusinesses consistent with those applied to cannabis retailers, manufacturers, distributors, and cultivators. The County should use the microbusiness license to encourage local ownership and the participation of small businesses in the cannabis marketplace.

Recommendation #9 - Testing Labs

The County should allow an appropriate ratio of cannabis testing laboratory licenses to dispensary, cultivation, and manufacturing licenses, to ensure sufficient and speedy testing. The County should consider giving application priority to existing laboratories that perform similar testing on non-cannabis products.

Recommendation #10 - Limits on Number/Concentration

The County should consider alternatives to capping the number of non-retail cannabis licenses, such as requiring the hearing body for a discretionary use permit to find that issuing the license is needed and will not result in an overconcentration in any neighborhood consistent with state law and zoning based on the ratio of licenses to population and other key indicators that impact quality of life and environment.

– END RECOMMENDATIONS ON CULTIVATORS/MANUFACTURERS/MICROBUSINESS/TESTING –

BEGIN RECOMMENDATIONS ON PUBLIC HEALTH AND SAFETY AND PERSONAL CULTIVATION

Recommendation #1 - Personal Medical Cultivation

The County should follow state rules (Compassionate Use Act) regarding personal cultivation for qualified medical patients, with no more than 3 patients cultivating per residence.

Recommendation #2 - Secondhand Smoke

The County should work with state and local housing authorities to implement policies that minimize exposure to second hand cannabis smoke within affordable housing units.

Recommendation #3 - Public Consumption

The County should conduct a study, and implement a comprehensive secondhand cannabis smoke campaign to reduce health risks to youth, employees, and other members of the public. The study and the campaign will be used to explore concrete policy options for regulating secondhand smoke.

– END PUBLIC HEALTH AND SAFETY AND PERSONAL CULTIVATION –

BEGIN RECOMMENDATIONS ON TAXATION AND ECONOMIC DEVELOPMENT

Recommendation #1 - Compliance

The County should establish sufficient civil penalties, not less than \$20,000 per day or penalties levied by surrounding jurisdictions, and work with utility providers to shut off utilities as a deterrent to combat unlicensed operators.

Recommendation #2 - Compliance

The County should ensure that its application and licensing processes are sufficiently robust to identify and prevent organized crime from participating in the licensed cannabis marketplace.

Recommendation #3 -Tax Rates/Structure

Part A

The County should implement a low initial tax rate and be differentiated by type of license, including a volume tax for cultivators and a square footage tax for nurseries.

Part B

The County should increase its initial low tax rate over time as the licensed cannabis market establishes to a rate comparable with surrounding jurisdictions, including in particular the City of Los Angeles.

Part C

The County's cannabis tax ordinance should provide flexibility to increase and decrease taxes in response to changing market conditions and changing consumption patterns for young adults as tracked by Public Health, and legislation or regulation at the federal and state levels.

Recommendation #4 –Tax Revenue Allocation

The County should allocate funds needed for regulating the cannabis industry. (10% to OCM and other County departments, and 10% to law enforcement to be used for community engagement, implicit bias training, and diversion programs), in an amount not to exceed 20% of annual revenue. The remaining 80% should be broken out as listed below:

- 50% of the annual revenue should be directed to science-based youth and young adult access prevention, intervention, and treatment (including training), including direct funding to youth centers (i.e. Parks After Dark) and after-school programming, community education, research, assessment/evaluation tools, and reporting funding, with 50% of this funding going to community-based organizations (including capacity building and training), and no less than 25% going to health promotion, disease prevention, and health equity, as defined by public health.
- 15% of annual revenue should go to an “Equity Fund,” established to support equity applicants,
- 5% of annual revenue should go to programs in communities where licensed and unlicensed cannabis businesses are located, with funds concentrated where businesses are concentrated, to ensure that cannabis tax revenue stays local.
- 10% of annual revenue will be directed to LA-based community colleges and nonprofit vocational schools for job training, workforce development, and workforce programs (retail, manufacturing, ancillary, agricultural, administrative), prioritizing enrollment by those most disproportionately impacted by the historical and ongoing “War on Drugs,” such as arrests, convictions, incarcerations, poverty, lack of opportunities for education and employment.

Recommendation #5 - Community Benefit Agreements

The County should require cannabis businesses to adopt community benefit agreements (CBA) to give back to the local community. The CBA can take many forms, which can be fleshed out by criteria developed by the Equity Oversight Committee working with the OCM. CBA elements could include a percentage of profit giveback to community organizations, serving as an incubator to an equity applicant, community clean-ups, and other support options.

Recommendation #6 - Local and Disadvantaged Worker Hire

The County should require cannabis businesses to hire no less than 30% local workers. As guidance to define local workers, the County should utilize the County’s existing local worker hire provisions to define local workers and minimum hiring requirements.

The County should also consider incentives for cannabis businesses that hire a minimum percentage of employees who were formerly incarcerated or convicted, unemployed, veterans, and/or meet low-income definition. This would go through the Cannabis Equity Oversight Committee.

New Recommendation Proposed at Meeting - Local and Disadvantaged Worker Hire

The County should require a minimum of 51% of all ownership stakes in any cannabis business, except for testing labs, licensed in the County of LA to belong to individuals who have lived in LA County for a minimum of three years prior to the application. This policy should be re-assessed after five years to see whether the policy has had a positive impact on small business ownership.

– END TAXATION AND ECONOMIC DEVELOPMENT –

BEGIN EQUITY RECOMMENDATIONS

Recommendation #1 - Background Checks

The County should not automatically disqualify applicants with criminal backgrounds, but should consider all available evidence in order to evaluate an applicant's fitness to receive a cannabis business license from the County.

Recommendation #2 -Equity Program – Eligibility Criteria and Components

Part A

The County should set aside a certain percentage of licenses for “equity applicants,” with the goal of one-to-one applications. “Equity applicants” should include businesses where greater than 50 percent of the business is owned, in perpetuity, by persons who meet a certain income level, LA County residency (with a minimum of 3 years) and impacted person status, geography (prioritizing those from impacted neighborhoods within LA County), and other requirements that promote the equitable ownership of licenses by community members hardest hit by the “war on drugs.” Research on eligible “equity applicants” should include study of the Targeted Areas Preferences Act of 1986.

Part B

The County should offer “equity applicants” priority licensing, reduced fees, consider tax incentives excluding excise tax, and other similar incentives or benefits to reduce barriers to entry.

Part C

To reduce the burden on and risk for “equity applicants,” the County should allow “equity applicants” to apply for a cannabis business license without having secured a physical location. The County should provide “equity applicants” up to 6 months to secure compliant premises upon conditional approval of the cannabis business license application. The discretionary hearing will take place after the location is identified.

Part D

The County should work with interested investors to offer low-interest startup and business finance loans to “equity applicants.”

Part E

The County should create an incubator program, which would provide start-up, business development, access to capital, and other assistance to “equity applicants” seeking to establish a business in the competitive cannabis marketplace.

Part F

The County should conduct an assessment of the equity program after five years.

Note: “Impacted person status” indicates that a person has ever been arrested, convicted, incarcerated, or under the supervision of parole or probation.

Recommendation #3 - Disadvantaged Worker Hire

The Advisory Working Group agreed to fold the language for this recommendation into Recommendation #6 for Local and Disadvantaged Workers.

Recommendation #4 - Limit on number of licenses held by one entity

To promote small businesses and restrict monopolization of the unincorporated County market, the County should limit the number of cannabis business licenses of any one type that any one individual or business entity can obtain within unincorporated areas, and should study the feasibility of limiting the size of retail cannabis businesses.

Recommendation #5 – Priority Licensing for Nonprofit Businesses

The Advisory Working Group agreed not to consider this recommendation in favor of waiting to see what the State of California will do. State law already requires the Bureau of Cannabis Control to investigate the feasibility of creating one or more classifications of nonprofit licenses by January 1, 2020, and includes provisions for temporary local licensing of nonprofits. (California Business and Professional Code Section 26070.5)

Recommendation #6 - Cannabis Equity Oversight Committee

The County should establish a permanent Cannabis Equity Oversight Committee to monitor and guide implementation of all equity programs and policies related to cannabis, including tracking and analyzing cannabis-related enforcement, including but not limited to citations, arrests, and business closures. The Cannabis Equity Oversight Committee should issue public reports on its findings at least once per year and be representative of a diverse group of community interests with no more than one representative from a law enforcement agency, such as an officer serving in a program like Community Safety Partnerships. The committee should strive when possible, for consensus based decision making.

Recommendation #7 - On-site Consumption (at licensed businesses)

As a harm reduction measure and to incentivize responsible consumption, the County should consider implementing a time-limited pilot program to allow for on-site consumption at licensed cannabis retailers and microbusinesses if separate consumption areas are provided. There should be a separate license and eligibility for the pilot program which should be limited to businesses who use responsible sales and service training and are located near public transportation, in order to reduce the amount of driving to and from such locations. As part of this pilot program, the County should track data indicators to track the needs for onsite consumption and analyze the outcomes from allowing on-site consumption and assess impacts on public health and safety, including but not limited to changes in the number of citations for driving under the influence of drugs, public consumption, odor complaints, and health impacts for employees of these businesses. Engage community stakeholders, which would include businesses, in developing this pilot program. Applicants should go through a discretionary hearing and demonstrate how they will handle DUIDs and secondhand smoke.

Recommendation #8 – Mapping

Process Note: Proposed revision to recommendation No. 37, Part D (Cannabis Retailers – Location) Consensus reached August 24, 2017.

The County should publish a map depicting where cannabis retailers can locate prior to adopting any buffering regulations. This map should include demographic and socioeconomic data for the County’s unincorporated areas.

Recommendation#9 - Existing Businesses

The County should provide a “pathway to legalization” for existing, unlicensed cannabis businesses, provided these businesses cease operations during the application process and meet all zoning, buffering, and distancing requirements established by the County for cannabis businesses generally.

New Recommendation Proposed at Meeting – Technical assistance for all applicants

The County should assist applicants during the application process, or contract with nonprofits to provide such technical assistance. The County should offer ongoing technical and business assistance to applicant to help them remain compliant with applicable regulations.

New Recommendation Proposed at Meeting – Limit on applications per location

The County should allow only one application at a time per proposed premises to eliminate multiple applications from one locations.

- - END OF RECOMMENDATIONS –

5. Public Comments:

- Tyrone Freeman, representing California Minority Alliance, urged the working group to recommend policies that could promote equitable ownership and employment opportunities to increase economic opportunities for communities disproportionately impacted by the war on drugs.
- Alexis D'Angelo, a cannabis patients' rights advocate from Women Grow, emphasized the medical benefits cannabis offers and encouraged working group members to recommend regulations for the Board of Supervisors that do not overly restrict access.

Los Angeles County Advisory Working Group on Cannabis Regulation

AGENDA

Meeting 8: Thursday, August 31, 2017

- 9:00 AM** Welcome and review process for addressing final recommendations
- 9:10 AM** Workshop recommendations
- Topics include: Equity, Taxation and Economic Development, Public Health and Safety, Personal Cultivation, and Cannabis Manufacturing/Microbusiness/Testing
- Facilitated group discussion to reach consensus on recommendations submitted by working group members
- 11:00 AM** Break
- 11:10 AM** Workshop recommendations
- 12:20 PM** Public Comments
- 12:30 PM** Working lunch while continuing to workshop recommendations
- 1:45 PM** Break
- 2:00 PM** Finish workshopping recommendations
- 3:00 PM** Global review of Advisory Working Group recommendations
- 3:45 PM** Final comments
- 4:00 PM** End

APPENDIX P

Advisory Working Group Meetings - Public and County Attendees
Meeting 1 - June 29, 2017

First Name	Last Name	Company
Freddie	Agyin	LA County Department of Public Health
Maggie	Becerra	LA County Department of Consumer and Business Affairs
Erik	Conard	LA County Counsel
Yolanda	Cordero	LA County Department of Public Health, SAPC
Holly	Francisco	Los Angeles County Sheriffs Department
Larry	Jaramillo	LA County Department of Regional Planning
Scott	Lopez	Stelo Ag
Scott	Macdonald	LA County Department of Consumer and Business Affairs
Sergio	Marquez	Treasurer and Tax Collector
Noro	Zurabyan	LA County Counsel

Advisory Working Group Meetings - Public and County Attendees
Meeting 2 - July 20, 2017

First Name	Last Name	Company
Freddie	Agyin	LA County Department of Public Health
Jacob	Albert	Urban Peace Institute
Christine	Belden	Agricultural Commissioner Weights & Measures Department
Arles	Benavides	Spiritt Family Services
Hilary	Brown	Englander Knabe & Allen
Alice	Cepeda	University of Southern California
Greg	Creekmur	Agricultural Commissioner Weights & Measures Department
Gilbert	Espinoza	Urban Peace Institute
Tyrone	Freeman	California Minority Alliance
Cynthia	Harding	LA County Department of Public Health
Joan	Irvine	Joan Irvine Consulting
Larry	Jaramillo	Department of Regional Planning
Keith	Knox	Treasurer and Tax Collector
Mikael	Long	Angeles Emeralds
Scott	MacDonald	Department of Consumer and Business Affairs
Tom	McNamarra	Attorney
Victor	Melgoza	Self
David	Miranda	Urban Peace Institute
Ashley	Moore	
Gilbert	Mora	RAM
Andrea	Ross	County Counsel
Miguel	Sabor	County Counsel
Tara	Saremi	
Hyunhye	Seo	LA County
Anya	Titova	California Minority Alliance
Adam	Vega	Self
Adam	Vine	Cage Free Cannabis

Advisory Working Group Meetings - Public and County Attendees
Meeting 3 - July 27, 2017

First Name	Last Name	Company
Jacob	Albert	Urban Peace Institute
Christine	Belden	Agricultural Commissioner Weights & Measures Department
Pabina	Bista	LA County Department of Public Health
Hilary	Brown	Englander Knabe & Allen
Scott	Carwile	HHC
Genevieve	Clavreul	
Greg	Creekmur	Agricultural Commissioner Weights & Measures Department
B	Dory	Self
Cesar	Garcia	
Sheila	Grisham	Self
Cynthia	Harding	Department of Public Health
Joe	Kelly	Treasurer and Tax Collector
Karen	Lane	Community Coalition
Brenda	Lopez	Department of Public Health
Scott	MacDonald	Department of Consumer and Business Affairs
Noelle	Maryne	BHS
Tom	McNamarra	Attorney
Amir	Moore	California Minority Alliance
Solomon	Moore	California Minority Alliance
Asha	Moore	California Minority Alliance
Andrea	Ross	County Counsel
Hyunhye	Seo	LA County
Brian	Stigler	Department of Consumer and Business Affairs
Anya	Titova	California Minority Alliance
Adam	Vine	Cage Free Cannabis

Advisory Working Group Meetings - Public and County Attendees
Meeting 4 - August 3, 2017

First Name	Last Name	Company
Alex	Adams	AVN
Freddie	Agyin	LA County Department of Public Health
Hilary	Brown	Englander Knabe & Allen
Scott	Carwile	HHC
Yolanda	Cordero	LA County Department of Public Health, SAPC
Greg	Creekmur	Agricultural Commissioner Weights & Measures Department
Cesar	Garcia	
Larry	Jaramillo	Department of Regional Planning
Joe	Kelly	Treasurer and Tax Collector
David	Miranda	Urban Peace Institute
Fabiola	Montiel	First 5 LA
Sabra	Purifoy	Department of Consumer and Business Affairs
Sari	Sted	County Counsel
Andre	Tate	Marcia PI Inc.
John	Todd	LA County Fire Department
Adam	Vine	Cage Free Cannabis
Glenn	Walksh	LA County Sheriff's Department

Advisory Working Group Meetings - Public and County Attendees
Meeting 5 - August 10, 2017

First Name	Last Name	Company
Freddie	Agyin	LA County Department of Public Health
Christine	Belden	Agricultural Commissioner Weights & Measures Department
Ernesto	Bobadilla	Department of Consumer and Business Affairs
John	Bowman	
Hilary	Brown	Englander Knabe & Allen
Yolanda	Cordero	LA County Department of Public Health, SAPC
Greg	Creekmur	Agricultural Commissioner Weights & Measures Department
Gilbert	Espinoza	Urban Peace Institute
Rick	Fisher	Canndescent
Danny	Francisco	Canndescent
David	Garcia	
Elizabeth	Ginsberg	Treasurer and Tax Collector
Cynthia	Harding	LA County Department of Public Health
Steve	Hoye	
Emily	Issa	County Counsel
Cortland	Jackson	Access
Al	Jackson	
Isaiah	Jenkins	ICWC
Scott	Lopez	STELO AG
Albert	Melena	SFU Partnership
Victor	Melgoza	Self
Fabiola	Montiel	First 5 LA
Solomon	Moore	California Minority Alliance
Jason	Palm	Blu Wolf
Joseph	Papa	
August	Papa	
Mickey	Schaffer	LA County Fire Department
Anya	Titova	California Minority Alliance
Adam	Vega	Self
Adam	Vine	Cage Free Cannabis
Jay	Weiss	
Lauren	Yokomizo	Supervisor Hahn's Office

Advisory Working Group Meetings - Public and County Attendees
Meeting 6 - August 17, 2017

First Name	Last Name	Company
Freddie	Agyin	LA County Department of Public Health
Christine	Belden	Agricultural Commissioner Weights & Measures Department
Ernesto	Bobadilla	Department of Consumer and Business Affairs
Hilary	Brown	EKA
Yolanda	Cordero	LA County Department of Public Health, SAPC
Greg	Creekmur	Agricultural Commissioner Weights & Measures Department
Darrel	D	
Azita	Fatheree	LA County Commission on Local Government Services
Thomas	Faughnan	County Counsel
Christian	Gonzalez	Seed 2 Stem
Cynthia	Harding	Department of Public Health
Larry	Jaramillo	Department of Regional Planning
Isaiah	Jenkins	ICWC
Joe	Kelly	Treasurer and Tax Collector
Miles	Light	MJ Policy Group
Justin	Marks	Liberty Hill Foundation
Victor	Melgoza	Self
Richard	Montes	Oculus1
Fabiola	Montiel	First 5 LA
Solomon	Moore	California Minority Alliance
Richard	Stillwagon	LA County Fire Department
Anya	Titova	California Minority Alliance
Adam	Vega	Self
Adam	Vine	Cage Free Cannabis

Advisory Working Group Meetings - Public and County Attendees
Meeting 7 - August 24, 2017

First Name	Last Name	Company
Freddie	Agyin	LA County Department of Public Health
Arles	Benavides	Spiritt Family Services
Hilary	Brown	EKA
Scott	Carwile	HHC
Robert	Chala	University of Southern California
Yolanda	Cordero	LA County Department of Public Health, SAPC
Greg	Creekmur	Agricultural Commissioner Weights & Measures Department
Ernie	Dehoyos	Maximus
Gilbert	Espinoza	Urban Peace Institute
Selena	Estenos	
Christian	Gonzalez	Seed 2 Stem
Virgil	Grant	California Minority Alliance
Gabriel	Guzman	Latinos For Cannabis
Roberto	Haraldson	Acmenaturals.com
Cynthia	Harding	Department of Public Health
Neil	Holmes	Hult Group
Ingrid	Hult	Hult Group
Larry	Jaramillo	Department of Regional Planning
Joe	Kelly	Treasurer and Tax Collector
Maleena	Lawrence	
Justin	Marks	Liberty Hill Foundation
Richard	Medina	Latinos For Cannabis
Victor	Melgoza	Self
Laura	Monaco	
Fabiola	Montiel	First 5 LA
Solomon	Moore	California Minority Alliance
Shahieda	Palmer	County Counsel
Jane	Steinberg	USC Keck Medicine
Andre	Tate	Marcia PI Inc.
Anya	Titova	California Minority Alliance
Eddie	Torres	East LA Chamber of Commerce
Adam	Vega	Self
Kathleen	Villarreal	Angeles Emeralds
Adam	Vine	Cage Free Cannabis
Joshua	Wilson	
Lauren	Yokomizo	Supervisor Hahn's Office

Advisory Working Group Meetings - Public and County Attendees
Meeting 8 - August 31, 2017

First Name	Last Name	Company
Christine	Belden	Agricultural Commissioner Weights & Measures Department
Hilary	Brown	EKA
Tracey	Chavira	Cerrell Associates
Yolanda	Cordero	LA County Department of Public Health, SAPC
Greg	Creekmur	Agricultural Commissioner Weights & Measures Department
Darrel	D	
Alexis	D'Angelo	
Dave	Ebersold	
Gilbert	Espinoza	Urban Peace Institute
Azita	Fatheree	LA County Commission on Local Government Services
Tyrone	Freeman	California Minority Alliance
Cortland	Jackson	Access
Larry	Jaramillo	LA County Department of Regional Planning
Maleena	Lawrence	
Clara	Mejia Orta	UFCW Local 770
Laura	Monaco	
Fabiola	Montiel	First 5 LA
Solomon	Moore	California Minority Alliance
John	Sato	
Glen	Schrader	CI Bio Sys Inc
John	Sonego	LA County Department of Public Health, SAPC
Andre	Tate	Marcia PI Inc.
Max	Trunkul	Angeles Emeralds
Steve	Vezerian	
Ernie	Villalobos	SGV Herbal Healing Inc.
Rose	Villalobos	SGV Herbal Healing Inc.
Tony	Villalobos	SGV Herbal Healing Inc.
Wendy	Villatta	Cerrell Associates
Henry	Wong	Angeles Emeralds