

LA Cannabis Regulation Summary and Notes

Doug Fitzsimmons / SORO NC / 19 July 2017

The City is considering two complementary cannabis proposals: [draft regulations for commercial cannabis activity](#), and an [ordinance limiting commercial cannabis locations](#) (with [more info here](#)).

The regulations are intended to create a responsible and legitimate class of cannabis business that will, to the greatest extent possible, supplant the black market. We have to balance the desire to regulate with the need to have a stable, predictable cannabis business environment.

The notes are my own. This is not intended to be exhaustive or include every proposed item, but rather highlight the main recommendations contained in the City's proposed regulations for NCs considering motions of their own.

Note that additional State regulations apply, and the City will certainly have to introduce additional ordinances over time. Provisions under Proposition D (which covered retail medical marijuana sales) expire Jan. 1, 2018.

At the end, I've enlarged areas of a map created by City Planning that roughly projects the areas in the Westside eligible for retail sales locations.

Topic	Ordinance Proposal	Notes
Allowed businesses	Retail (may have delivery), delivery only, microbusiness (retail + small indoor cultivation and/or manufacture), indoor cultivation, non-volatile manufacturer, testing lab, distributor, transporter.	Testing labs will take time to get up and running; standards are being debated now.
Prohibited businesses	<i>Explicitly prohibited:</i> outdoor cultivation, mixed-light (greenhouse) cultivation, or manufacturing with volatile solvents. <i>Not mentioned:</i> event permits, cannabis "bars," restaurants.	The State does allow outdoor, mixed-light, and volatile manufacturing. Other municipalities permit those activities. While these other "not mentioned" uses could be workable (and reduce illegal public consumption), sales of unpackaged product with no standardized dosage are currently prohibited by the State.
Approval process	Commission hearing within 30 days of completed retail application. Considers application, Cannabis Dept. recommendation, correspondence from State and other City Depts., and public testimony. Existing Prop D-compliant dispensaries would be given priority processing. After Prop-D businesses are processed, the City intends to implement a social equity program to be determined later. Among other items, applicants must provide proof that the NC has been provided proper notice of the initial application, and considered discussing the pending application at a meeting of the board of the NC. Non-retail businesses may be approved by the Dept. without public hearing.	No formal NC role in annual renewal, although NCs could certainly submit a letter. PLUM has floated a proposal to set up a separate Land Use review, with a separate approval and appeals process. While this may have some benefits, it is cumbersome, unfunded, and really should be a standard report folded into the main application process.

Reasons for denial	<p>Did not comply with application requirements; site plan substantially inaccurate; denied access to Dept. staff; misrepresentation on application; failed to correct deficiencies in application.</p> <p>Applications will be rejected for City and State employees having anything to do with cannabis, including LAPD; people and entities convicted of illegal volatile cannabis manufacturing within last 10 years; people and entities convicted of wage or labor laws within last 5 years.</p>	<p>NC opposition is not grounds for denial in and of itself.</p> <p>The State has its own regulations for rejecting people with convictions for violent felony, some serious felonies, fraud, embezzlement, and drug trafficking with enhancements. Minor drug offenses are not grounds for rejection.</p>
Licensing	Requires license from State; City would only issue a “certificate of compliance” granting limited immunity to local prosecution.	This is very, very problematic. The State explicitly requires a license from the City, and it’s unclear whether this would be good enough. And as we’ve seen with the Prop D debacle, we need an unambiguous licensing system that provides protection for the business and for consumers—and the inclusion of commercial cannabis activities as enumerated uses in the City’s municipal code.
General operational requirements	Video surveillance; security service; alarm; parking lot monitoring; fire-proof safe; air-filtering to neutralize product odor; exterior “no smoking” signs; designated neighborhood liaison w/ posted contact info; no consumption on premises; no events on premises; subject to inspections and audits at any time	There’s been some debate about armed guards, but State security service licensing seems to prohibit it, and there are definitely pros and cons.
Retail operational requirements	Maximum 6am–9pm operating hours (patrons out by 9:15); no window display of product; no free samples; required age verification; must keep accurate sales records and destroy any returns; inventory reconciliation every week; no sales of untested product (after initial grace period); mandatory City/LAPD training for all employees; single door for patrons (others kept locked from outside); no drive-throughs or walk-up windows; no alcohol or tobacco sales; no DJs or exterior speakers; no video games, pool tables, etc.	<p>Prop D previously limited hours to 10am–8pm. However, this tended to concentrate sales in the evening hours and posed difficulties for people working later shifts.</p> <p>The State prohibits sale of product at less than cost.</p>
Delivery operational requirements	In-person delivery to physical LA addresses (no drones, no street corners); IDs for delivery staff; GPS vehicle tracking; delivery only within State-limited hours; may carry no more than \$3000 worth of product hidden from view in car; may not use product while delivering; retain delivery receipts; may not deviate from delivery path (except to get food, gas, or for safety reasons).	<p>Delivery-only, in particular, has the potential to alleviate some of the neighborhood impact of retail.</p> <p>Consider slightly extending hours for delivery...11pm?</p>
Product tracking	Requires seed-to-sale tracking system. All product is scanned in and accounted for at	Very rigorous and used by other states. Usually done via RFID tag scanning.

all times, and the State system identifies handling anomalies.

Retail siting

May only be in CR Limited, C1 Limited, C1.5 Limited, C2, C4, C5, and CM Commercial Zones, or HI Hybrid, M1 Limited, M2 Light, and M3 Heavy Industrial Zones. (Some Specific Plans also apply, including LAX and Playa Vista.)

Prohibited within 800' of schools, parks, libraries, substance abuse centers, and other cannabis retailers or microbusinesses as measured from property lines.

Existing businesses complying with Prop D are grandfathered in—until they move.

Delivery-only businesses are not subject to 800' limits.

This is the proposed method to limit the number and density of retail businesses (see Planning's maps). It does not take into account size of market or ability to meet demand. Remember that excess demand flows directly into the black market. Suggestion: conduct market sizing study every 5 years and re-assess limits.

State law sets the radius at 600' of child care and youth centers.

Prop D set the radius at 1000' of schools and at 600' of parks, libraries, religious institutions, child care and youth centers, substance abuse treatment centers, and other medical marijuana businesses. Also, dispensaries couldn't directly abut residential (although it could be separated by an alley).

It is notably difficult to define what constitutes a religious institution.

Non-retail siting

MR1 Restricted, M1 Limited, MR2 Restricted Light, M2 Light, and M3 Heavy Industrial Zones. (Some Specific Plans also apply, including LAX and Playa Vista.)

Distributors and testing labs may also be sited in CM Commercial Manufacturing and HI Hybrid Industrial Live/Work Zones.

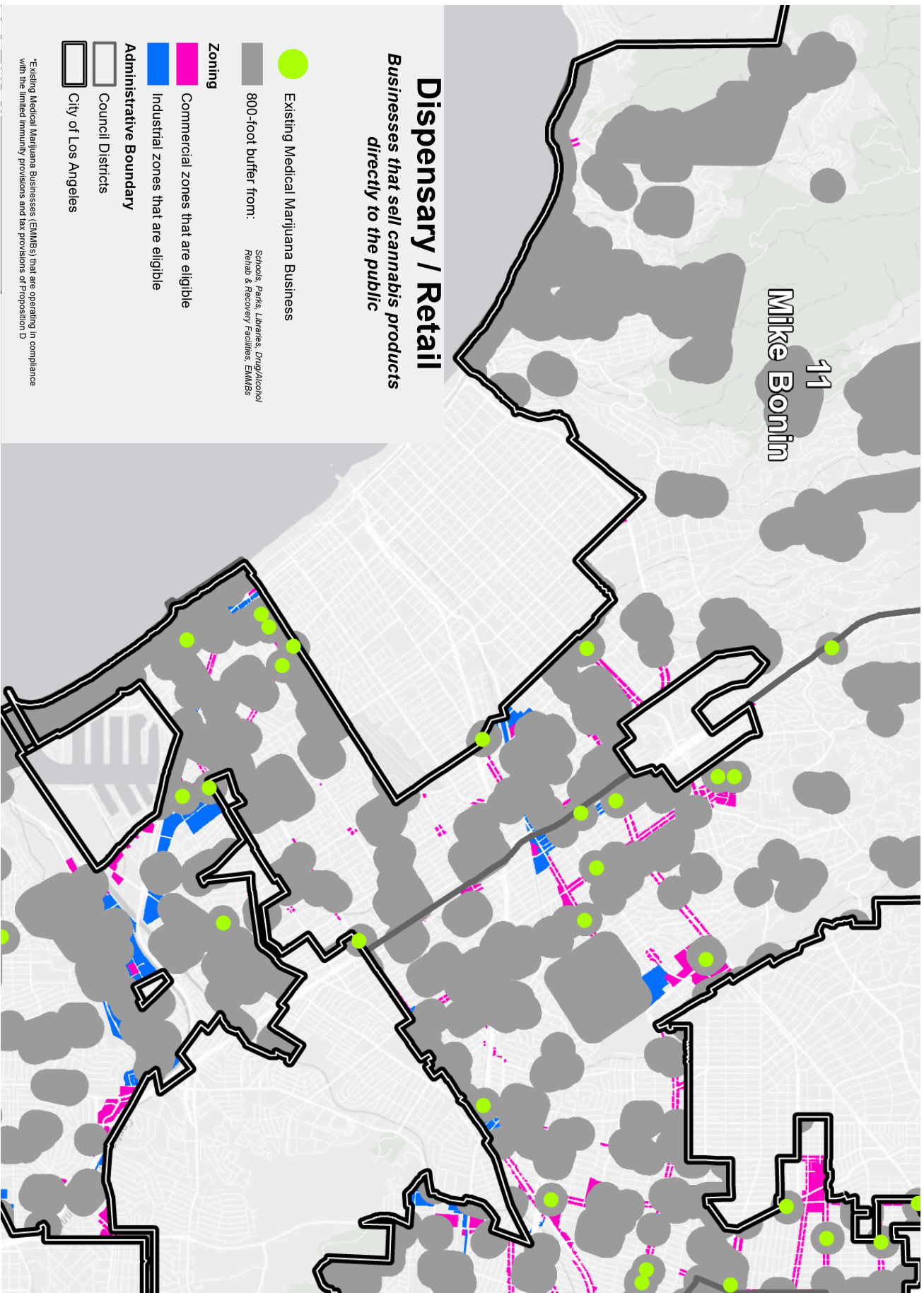
Each use has its own specific regulations. The goal here is that these activities wouldn't have any notable impact in industrial zones.

These uses would not be subject to distancing requirements.

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Dispensary / Retail

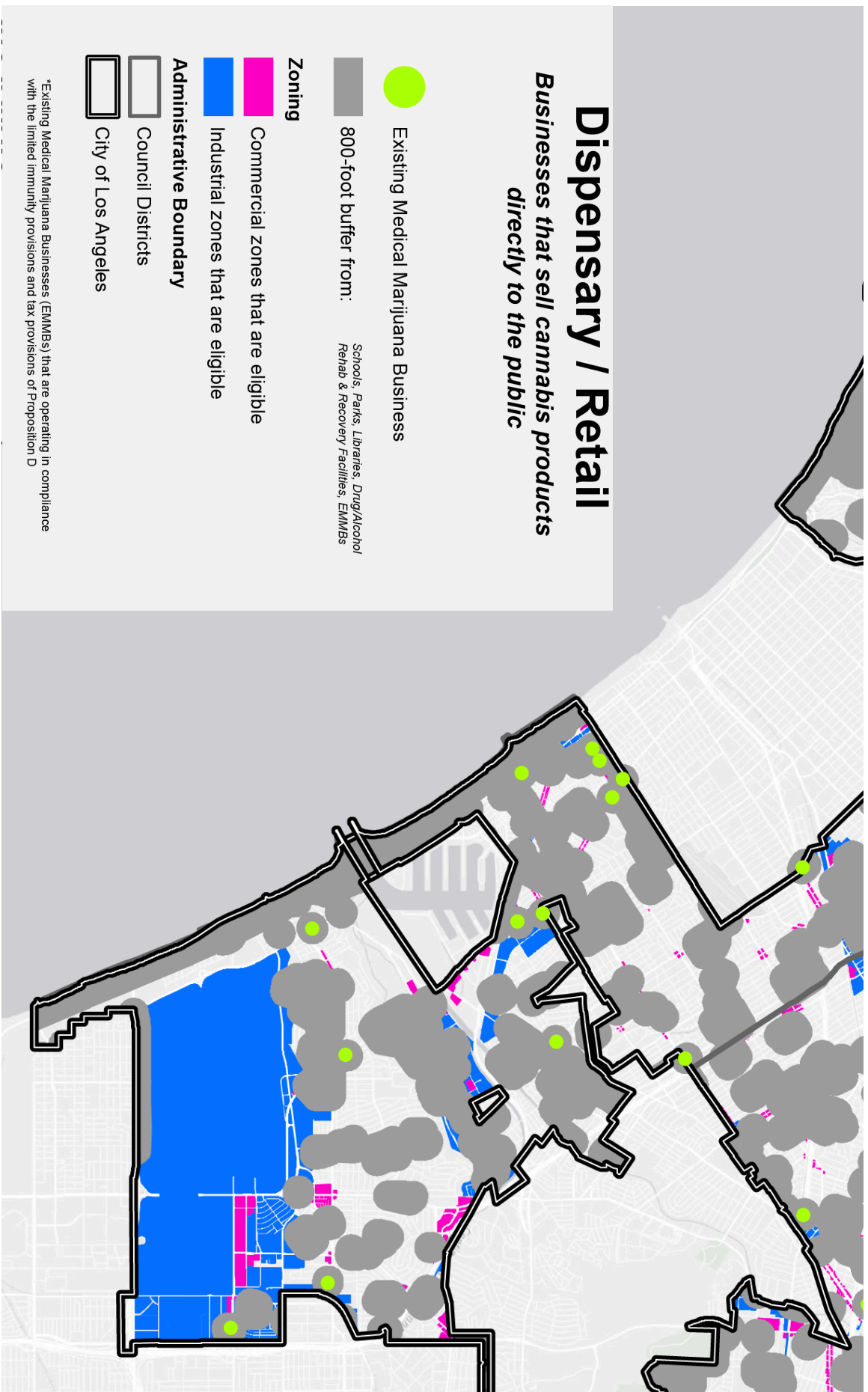
Businesses that sell cannabis products
directly to the public




*Existing Medical Marijuana Businesses (EMMBs) that are operating in compliance with the limited immunity provisions and tax provisions of Proposition D

Dispensary / Retail

Businesses that sell cannabis products directly to the public



 Existing Medical Marijuana Business

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


Zoning

 Commercial zones that are eligible

 Industrial zones that are eligible

Administrative Boundary

 Council Districts

 City of Los Angeles

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