

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 DUIs 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