



County of Los Angeles CHIEF EXECUTIVE OFFICE

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November 17, 2017

To: Supervisor Mark Ridley-Thomas, Chairman
Supervisor Hilda L. Solis
Supervisor Sheila Kuehl
Supervisor Janice Hahn
Supervisor Kathryn Barger

From: Sachi A. Hamai
Chief Executive Officer

THIRD QUARTERLY REPORT REGARDING THE DEVELOPMENT OF CANNABIS REGULATIONS AND OTHER ACTIVITIES RELATED TO THE LEGALIZATION OF CANNABIS (ITEMS NO. 3 AND 9, AGENDA OF FEBRUARY 7, 2017)

On February 7, 2017, your Board adopted two motions (collectively referred to herein 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 and sale of cannabis throughout the County. Your Board further directed the OCM to coordinate with all affected County departments to provide a written status update to your Board on a quarterly basis.

The OCM submitted its first quarterly report on May 23, 2017, and its second quarterly report on August 16, 2017. The second quarterly report discussed:

- The efforts of the Los Angeles County Advisory Working Group on Cannabis Regulation (Advisory Working Group), which convened in June 2016, and had held five of eight scheduled meetings at the time of the second quarterly report;
- The status of community listening sessions on cannabis regulations being held throughout the County. At the time of the second quarterly report, 18 of 20 total listening sessions had taken place; and
- The OCM's ongoing efforts to engage cities and other counties.

This third quarterly report updates your Board on the outcome of the Advisory Working Group and community listening sessions, the OCM's development of a city engagement plan to promote regional uniformity of cannabis regulations, and other developments.

Los Angeles County Advisory Working Group on Cannabis Regulation (June – August 2017)

As described in the second quarterly report, the OCM convened the Advisory Working Group on June 29, 2017, to prepare recommendations to guide the County's development of a regulatory program for cannabis in unincorporated County areas. Advisory Working Group members represented a diverse range of stakeholders and experts, including public health experts, drug policy experts, academics, drug prevention specialists, cannabis industry representatives, local elected officials, and community stakeholders. Each Board office recommended up to two members to represent their respective districts.

The Advisory Working Group met eight times and discussed the following topics:

- June 29, 2017 Kickoff and orientation;
- July 20, 2017 Preventing youth access and exposure to cannabis;
- July 27, 2017 Public health and safety issues;
- August 3, 2017 Regulations for cannabis retailers;
- August 10, 2017 Regulations for cannabis cultivators, manufacturers, distributors, testing laboratories, and microbusinesses;
- August 17, 2017 Taxation and economic development;
- August 24, 2017 Equity; and
- August 31, 2017 Consideration and approval of final recommendations.

The Advisory Working Group approved 64 recommendations to guide the development of a cannabis regulatory program for unincorporated County areas. All recommendations were reached by consensus, meaning that each member present had to agree to a recommendation before it would be carried forward. Because of the diverse backgrounds, expertise, and priorities of working group members, the consensus process allowed for meaningful discussion, compromise, and recommendations that reflected the interests and viewpoints of every member – not simply the majority.

On October 24, 2017, the OCM published a 301-page report detailing the efforts of the Advisory Working Group and its recommendations. The report can be accessed on the OCM's website, at <http://cannabis.lacounty.gov/wp-content/uploads/2017/10/2017-10-24-FINAL-AWG-Recommendations-Report.pdf>.

More information about the Advisory Working Group is available at <http://cannabis.lacounty.gov/cannabis-advisory-working-group>.

Community listening sessions on cannabis regulation (June – August 2017)

As described in the second quarterly report, the OCM convened public workshops (“listening sessions”) on cannabis regulation throughout the County at locations identified by each Board office. Listening sessions began on July 12, 2017, in Topanga and ended on August 31, 2017, in East Los Angeles. In total, the OCM conducted 20 community listening sessions, including a Spanish-language listening session in East Los Angeles at the request of community members. Listening sessions took place at the following locations:

- **First District:** La Puente, West Covina, Walnut Park, and three in East Los Angeles;
- **Second District:** Athens/Willowbrook, West Athens/Westmont, Lennox, and Florence-Firestone;
- **Third District:** Topanga Canyon and Santa Monica Mountains/Calabasas;
- **Fourth District:** South Whittier, Hacienda Heights, West Whittier/Los Nietos, and Rowland Heights; and
- **Fifth District:** Quartz Hill, Altadena, Santa Clarita Valley/Castaic, and Claremont/La Verne/San Dimas.

The purpose of the listening sessions was to obtain feedback from the community to inform the development of cannabis regulations for unincorporated areas. Listening sessions were facilitated by professional facilitators to maximize feedback received at each session. Community concerns raised during the listening sessions were documented and recorded by notetakers. In addition, any written comments received by the OCM during a listening session or submitted by mail, email, or through a comment box on the OCM's website were collected and recorded.

On October 25, 2017, the OCM published a 449-page report documenting the results of the community listening sessions. The report is available on the OCM website at <http://cannabis.lacounty.gov/wp-content/uploads/2017/10/Public-Listening-Session-Report.pdf>.

More information about the community listening sessions is available at <http://cannabis.lacounty.gov/listening-sessions/>.

Strategic plan for city engagement

The Cannabis Motions directed the OCM to work with local cities to promote uniformity of regulations and best practices within the entire County, with the goals of preventing impacts to any one city or unincorporated community from cannabis businesses in nearby cities or communities, and disparate impacts to and an over-concentration of cannabis businesses in economically disadvantaged communities.

State cannabis laws provide cities and counties with a great degree of local control over where cannabis businesses may be sited and how to regulate those businesses. While this local control provides cities and counties the ability to tailor their cannabis regulatory program to their specific needs and desires, it also creates the potential for a patchwork of regulations across metropolitan areas like Los Angeles County, and the possibility that jurisdictions with more permissive cannabis regulations could have undesirable impacts on neighboring jurisdictions with more restrictive regulations or which prohibit cannabis businesses.

To further your Board's directive to promote uniformity of cannabis regulations across jurisdictional boundaries, the OCM has developed a strategic plan for city engagement. Through the plan, the OCM will focus initially on three primary strategies:

- The OCM will actively engage other local governments to combat unlicensed businesses, establish uniform regulations and best practices for cross-jurisdictional activities, such as commercial cannabis delivery, and work with contract cities to develop model ordinances that will allow County departments, such as the Department of Public Health, to enforce uniform cannabis rules in all contract cities;
- The OCM will serve as a resource to local governments on best practices to control cannabis effectively and equitably, including making information available on the OCM's website and hosting webinars and a convening for area regulators to discuss cannabis regulations; and
- The OCM will partner with County departments and other government agencies to educate consumers about responsible cannabis use and minimizing health risks and impacts to those who choose not to use cannabis.

A copy of the strategic plan for city engagement is attached. Because the cannabis marketplace is new and dynamic, and because of frequent changes to state cannabis laws and regulations, we expect that cross-jurisdictional priorities and issues will continue to change. The OCM will review the strategic plan for city engagement quarterly and revise it as necessary to account for changing priorities and emerging issues.

Uniform emblem program for cannabis retailers

On June 26, 2017, your Board allocated \$350,000 to the OCM to develop an emblem to be displayed on the exterior of licensed cannabis retailers and a messaging campaign to allow consumers to identify licensed cannabis retailers quickly and easily and avoid unlicensed businesses that are a source of blight and nuisance in cities and unincorporated areas, and that sell products which are not subject to safety standards or testing.

To best achieve your Board's directive, the OCM has solicited the participation of area cities in the emblem program. Partnering with cities to use a uniform emblem will maximize the effectiveness of the emblem program to protect consumers and community from unlicensed commercial cannabis activity. To date, the OCM has received written statements of intent to participate in the program from the Cities of Los Angeles and Long Beach. The OCM is continuing to reach out to other area cities to expand the geographic scope of the emblem program. At this time, the OCM plans to solicit vendor proposals to develop the emblem and messaging campaign, and anticipates having a vendor under contract in the first quarter of 2018.

A detailed description of the uniform emblem program is attached.

Development of recommendations for cannabis regulations

The OCM continues to work closely with County departments to prepare recommendations for a cannabis regulatory framework for unincorporated areas. The OCM intends to make these recommendations available for public review in December 2017 or January 2018, and to return to your Board for consideration of the recommendations in early 2018. The recommendations will be informed by the efforts of the Advisory Working Group and community feedback.

Should you have any questions concerning this matter, please contact Joseph M. Nicchitta, Cannabis Management Officer, at (213) 974-4530 or jnicchitta@ceo.lacounty.gov. For questions regarding the strategic plan for city engagement, you may also contact Daniel Kelleher, city liaison for the Office of Cannabis Management, at (213) 974-6879 or dkelleher@ceo.lacounty.gov.

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Attachments

- c: Executive Office, Board of Supervisors
- County Counsel
- Assessor
- District Attorney
- Sheriff
- Agricultural Commissioner/Weights and Measures
- Alternate Public Defender
- Consumer and Business Affairs
- Fire
- Human Resources
- Public Defender
- Public Health
- Public Works
- Regional Planning
- Sherriff Civilian Oversight Commission
- Treasurer and Tax Collector



Office of Cannabis Management

Strategic Plan for City Engagement

Version 1

Revised: November 17, 2017

Purpose

The purpose of this plan is to promote uniform regulations and best practices for commercial cannabis throughout the Los Angeles County region.

Goals

1. Prevent impacts to any one city or unincorporated community from cannabis businesses in nearby cities or communities.
2. Prevent disparate impacts to and an overconcentration of cannabis businesses in economically disadvantaged communities.

Strategies and Objectives

Strategy 1: Actively engage cities and other counties to establish uniform regulations and best practices on cross-jurisdictional cannabis issues.

Objective 1.1: Secure city participation in the County's Uniform Emblem Program for licensed cannabis retailers to drive consumer behavior away from unlicensed businesses.

Objective 1.2: Obtain agreement on uniform rules for cannabis delivery, including rules for electronic verification of identity and age, GPS logging of drop-off locations, frequency, and associated sales, safety and parking protocol, and a reciprocity program for delivery retailers licensed in other jurisdictions.

Objective 1.3: Work with the Departments of Fire, Public Health, and Public Works to ensure that contract cities adopt model ordinances to regulate environmental health, fire, and building and safety laws, and provide for appropriate county enforcement and cost recovery.

Strategy 2: Serve as a resource to cities and other counties and provide research, expertise, and information on best practices for cannabis regulation that empower local regulators to pass laws and regulations that control cannabis effectively and equitably.

Objective 2.1: Present at public commissions, seminars, symposiums, and government bodies, including, but not limited to, councils of governments, to inform

local government officials of the County's available resources and information on commercial cannabis regulation.

Objective 2.2: Develop content on the <http://cannabis.lacounty.gov> website specific to local governments considering regulation of commercial cannabis to help guide and inform effective and equitable policy decisions.

Objective 2.3: Host a series of webinars featuring subject matter experts and government officials discussing the challenges and issues to be addressed with local regulations and efforts made to address them.

Objective 2.4: Organize a symposium or workshop for local city governments to facilitate open dialogue and sharing of best practices, and featuring experts and local officials discussing critical issues in commercial cannabis regulation.

Objective 2.5: Communicate directly with city officials across the county to supply information and invite engagement and collaboration with the county and local governments.

Strategy 3: Partner with city, county, and state agencies to educate consumers about responsible cannabis use, and minimizing impacts to those who choose not to use cannabis.

Objective 3.1: Organize recurring meetings between partner agencies to provide updates and discuss education campaign.

Objective 3.2: Ensure unified messaging to consumers throughout the county on responsible cannabis use.

Ongoing Evaluation

The cannabis regulatory landscape is changing rapidly, both at the state and local levels. This plan will be reevaluated periodically, but not less than quarterly, and revised as needed to ensure that existing objectives remain current, and that new issues are addressed.



Universal Emblem Program and Education Campaign to Protect Consumers from Shopping at Unlicensed Cannabis Retailers

Summary:

An important component of any comprehensive program of consumer protection is empowering consumers to make informed choices that minimize health and safety risks. The universal emblem program for cannabis retailers and associated education campaign will allow consumers to identify licensed cannabis retailers quickly and easily and avoid unlicensed businesses that sell products which are not subjected to health and safety standards or testing.

Why the emblem program and education campaign are needed:

Cannabis retailers have opened and operated in unincorporated County areas for many years. The concentration of unlicensed retailers has generally increased over the past decade. Following the passage of Proposition 64 (Adult Use of Marijuana Act), many consumers do not understand that unlicensed cannabis retailers are not allowed under local law to sell cannabis products, and many do not understand the safety risks of shopping at an unlicensed cannabis retailer.

Unlicensed cannabis retailers are not regulated under generally applicable health, safety, and sanitation laws. As a result, these retailers sell products that may be more likely to be contaminated by mold, fungus, pesticides, human byproducts, chemicals, and other adulterants; that may have been produced in unsanitary conditions; or that have an unknown origin. Unlicensed retailers also do not tend to comply with life/safety laws, such as ingress/egress and emergency exit requirements, occupancy limits, fire code standards, and other important safety regulations. In addition, unlicensed retailers may be associated with criminal activity. As a result, consumers who shop at unlicensed retailers could be harmed.

Direct enforcement against unlicensed cannabis retailers includes criminal and civil actions to shutter businesses. However, such actions have not seen immediate success in unincorporated County areas, as unlicensed cannabis retail businesses continue to operate, and new ones continue to open, throughout unincorporated areas. This problem is not unique to unincorporated County areas. Some cities and other counties are also having difficulty controlling the number of unlicensed cannabis retailers operating within their jurisdictions. For example, some estimate that over 1,500 unlicensed retailers are operating within the City of Los Angeles.

Indirect enforcement activities can complement direct enforcement by making it less profitable for unlicensed cannabis retailers to operate. In particular, consumer education campaigns can drive customers away from unlicensed retailers if consumers are aware of the risks associated with shopping at illegal cannabis stores. A universal emblem that is required to be displayed by licensed cannabis retailers is a relatively straightforward way for a consumer to determine whether a retail facility has received the appropriate authorizations to operate. Such an emblem would allow consumers to “vote with their feet” by refusing to frequent unlicensed retailers, creating disincentives for unlicensed retailers to operate within the County.

Universal Emblem Program and Education Campaign to Protect Consumers from Shopping at Unlicensed Cannabis Retailers

An example of a similar program that has succeeded in protecting consumers and shaping their behavior in a beneficial way is the health grade placard program administered by the County Department of Public Health for retail food establishments. The letter grade displayed outside of a restaurant alerts a consumer to the restaurant's level of compliance with applicable environmental health laws.

Emblem program description:

- Develop a universal emblem indicating that a retail cannabis storefront has received all appropriate licenses and permits to operate;
- Issue the emblem to licensed retail cannabis storefronts and mandate that the emblem be displayed in a manner that allows a consumer to identify the business as licensed prior to entering the premises;
- Revoke the emblem for certain violations, as stated in applicable regulations to be developed by the County;
- Partner with industry groups and websites (e.g., WeedMaps) to promote licensed businesses only;
- Pursue a consumer education campaign in digital and broadcast media to educate consumers about the significance of the emblem and the health and safety risks to consumers who shop at unlicensed retail marijuana businesses; and
- Make the emblem program available to cities throughout Los Angeles County and to other counties and cities across the region.

Objectives:

- Enforce consumer protection laws making it illegal for unlicensed cannabis retailers to sell cannabis and cannabis products to consumers;
- Alert consumers to the health and safety risks of purchasing cannabis and cannabis products from unlicensed retailers;
- Drive consumer behavior away from unlicensed cannabis retailers; and
- Reduce incentives for unlicensed cannabis retailers to operate within the unincorporated County areas and in cities.

Funding:

The County Board of Supervisors has authorized the use of \$350,000 to fund the emblem program and associated education campaign.