

ATTACHMENT I: ANALYSIS OF REGULATORY FRAMEWORK

This Attachment I describes the Office of Cannabis Management's (OCM) public outreach efforts regarding cannabis legalization and regulation, and provides an analysis of each regulatory framework component for regulating commercial medical and adult-use (recreational) cannabis in unincorporated areas.

I. Summary of Public Outreach Efforts

A. Advisory Working Group

The OCM convened the Los Angeles County Advisory Working Group on Cannabis Regulation (Advisory Working Group) on June 29, 2017, to prepare recommendations to guide the County's development of a regulatory program for cannabis in unincorporated 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 its district.

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
- August 31, 2017 Consideration and approval of final recommendations

The Advisory Working Group approved 64 recommendations, all of which were reached by consensus, meaning that each member present agreed to a recommendation before it was 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 online at <http://cannabis.lacounty.gov/wp-content/uploads/2017/10/2017-10-24-FINAL-AWG-Recommendations-Report.pdf>.

The Advisory Working Group's recommendations are discussed in detail below and are attached in full in Attachment II: Advisory Working Group Recommendations. The OCM is continuing to analyze all of the recommendations for potential implementation prior to or during permitting.

B. Public Listening Sessions

The OCM convened 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
- **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 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>.

Community feedback has been incorporated into the draft policy framework, and relevant community concerns are discussed below.

II. Analysis of Policy Framework Components

A. Framework Component No. 1: Create a new cannabis commission

1. Background

On February 7, 2017, your Board adopted a motion that, among other things, directed the CEO and the OCM to coordinate with affected County departments to prepare regulations for

commercial medical and adult-use cannabis in unincorporated areas. On November 7, 2017, your Board adopted a motion that directed the CEO, the OCM, and the Department of Public Health to work together to incorporate health equity principles into regulations for cannabis retailers. Your Board specifically identified establishing a discretionary hearing process for cannabis retailers and directed the CEO to identify an existing or new County hearing body to conduct the discretionary review.

2. Advisory Working Group recommendations and community feedback to establish a discretionary hearing process for cannabis businesses

The Advisory Working Group recommended that the County require cannabis businesses, including retailers, cultivators, and manufacturers, to obtain a discretionary entitlement after a public hearing. (See Attachment II, Recommendations No. 32, 41, 49.) Although the Advisory Working Group did not provide a recommendation about which County hearing body should conduct such a hearing and discretionary review, the Advisory Working Group did emphasize that the process should allow for community participation and take into account potential negative impacts from cannabis businesses, including negative community health consequences that could arise from the overconcentration of cannabis businesses and quality-of-life impacts.

The OCM also received numerous comments during listening sessions that cannabis businesses should be required to obtain a discretionary permit and undergo a public hearing before they were allowed to operate. In East Los Angeles, for example, the local chamber of commerce provided extensive commentary about the need to require a discretionary permit process to ensure responsible business development and community input.

Furthermore, while not all agreed that cannabis businesses should be allowed in their communities, people tended to agree that cannabis businesses should positively contribute to the physical and economic health of the communities where they locate. Listening session participants shared a desire to have input on where and what businesses locate in their community.

Finally, the OCM received comments from representatives of the Acton Town Council and the Hacienda Heights Improvement Association requesting that the County establish clear standards governing how a decision on a cannabis business application is made.

3. Creating a new cannabis commission

As of January 2018, permitted commercial cannabis businesses in California are extensively regulated under a complex scheme of state regulations. For local jurisdictions, cannabis permitting presents unique challenges. Regulators and officials considering cannabis business applications must be deeply familiar with applicable regulations, understand the commercial cannabis supply chain, and should expect to closely monitor the local cannabis industry and adjust ordinances and regulations to meet the changing market.

In addition, your Board has directed the creation of a health equity model for cannabis retail permitting. Merging principles of health equity into the cannabis permitting process represents a profound and positive change in how the County assesses impacts and mitigation in unincorporated communities.

A new, five-member cannabis commission appointed by the Board of Supervisors will be in the best position to evaluate cannabis business applications and advise the Board on changing market conditions and cannabis policies. Prior to service, cannabis commissioners should participate in a mandatory orientation regarding State and local cannabis laws, the operation of cannabis businesses, health impacts, and equity issues as they relate to cannabis regulation and commercial cannabis businesses, and other pertinent topics.

Furthermore, to provide cannabis commissioners with the necessary expert advice and counsel to carry out their duties, the following advisory (non-voting) members or their designees could be assigned to the commission:

- The Treasurer and Tax Collector;
- The County Agricultural Commissioner;
- The County Fire Chief;
- The County Health Officer;
- The Director of the Center for Health Equity; and
- The Director of Regional Planning.

4. Cannabis commission's duties

Consistent with your Board's directives, the Advisory Working Group's recommendations, and community feedback, the cannabis commission would principally serve in a quasi-judicial capacity (i.e., as a hearing body) to conduct public hearings and approve, conditionally approve, or deny cannabis permit applications. The cannabis commission would also act as an oversight and monitoring body, and will be advisory to the Board of Supervisors on issues related to cannabis. A summary of the cannabis commission's key duties is provided in Table 1, below.

The cannabis commission's decisions on cannabis permit applications would be guided by a "burden of proof" that an applicant must meet before the cannabis commission may approve a business application. The "burden of proof" will include, at a minimum, the following requirements to ensure the proposed cannabis business is compatible with the neighborhoods in which it seeks to locate and will not unduly impact health outcomes:

- Whether the proposed business is a sufficient distance from all sensitive uses (described in Framework Component No. 5, below);
- Whether the proposed business is adequately buffered from other potentially affected areas or facilities, such as nearby residences or places where children congregate;
- Whether operation of proposed business will cause blight, negatively affect community health outcomes, or create or contribute to an overconcentration of businesses known to

be detrimental to community health outcomes, such as liquor stores, tobacco stores, and similar businesses; and

- Whether the proposed business will endanger the safety of people, property, or nearby natural areas.

The “burden of proof,” including all appropriate definitions and standards, would be finalized as part of the ordinance creating the cannabis commission and permitting process, and would be presented to your Board for your consideration.

Table 1 Cannabis Commission Duties and Functions	
Quasi-Judicial	Oversight and Advisory
<ul style="list-style-type: none"> • Conduct public hearings and approve, conditionally approve, or deny an application to establish or continue operating a cannabis business. • Conduct permit renewal hearings. • Conduct permit revocation hearings. • Act as the lead County agency pursuant to the California Environmental Quality Act (CEQA) for a cannabis permit application. • Other duties as needed to carry out the commission’s quasi-judicial functions. 	<ul style="list-style-type: none"> • Conduct routine “status hearing” after a cannabis permit has been approved to check on the status of the business, and compliance with conditions and regulations. • Conduct “corrective action hearings” when a cannabis business has been cited for violating a condition of approval or has received an excessive amount of community complaints. • Direct the preparation of and review staff reports regarding the effectiveness of cannabis regulations in unincorporated areas, health equity considerations, and unlicensed cannabis business activity, among other cannabis-related issues. • Recommend cannabis-related policy or ordinance changes to the Board of Supervisors. • Other duties as needed to carry out the commission’s oversight and advisory functions.

B. Framework Component No. 2: Complete a health impact assessment to inform cannabis permitting decisions and future cannabis policy

1. Background

On November 7, 2017, your Board adopted a motion requiring that cannabis regulations for unincorporated areas include health equity models to empower a County hearing body to conditionally approve or deny an application for a cannabis business, especially if the business will cause incremental impacts to community health.

2. Advisory Working Group recommendations and community feedback on health equity

The Advisory Working Group recognized the need to address potential impacts in communities already struggling with high crime, blight, and other issues. (See Attachment II, Recommendations No. 32 and 49.)

At listening sessions, the OCM received many comments from residents who were concerned about the effects that cannabis retailers would have in their communities. Of those who expressed concerns, they tended to describe concerns about long term community health and wellbeing, such as whether cannabis retail will make existing conditions worse in neighborhoods with relatively high crime, high concentrations of alcohol outlets, and other negative health indicators, and whether commercial cannabis will increase youth consumption and the negative outcomes that are associated with recreational cannabis use by young people.

3. A health impact assessment will inform cannabis permitting decisions and future cannabis policy

Consistent with your Board's directive on November 7, 2017, and the concerns identified by the Advisory Working Group and community members at public listening sessions, the Department of Public Health, in coordination with the OCM, has started work on a health impact assessment on the health equity impacts of permitting cannabis businesses in unincorporated areas.

A health impact assessment is a systematic process for assessing the potential impacts of pending policy, program or project decision outside of the traditional health sector on the health of populations and the distribution of those effects within populations. Health impact assessments inform decision-makers by providing recommendations on ways to augment the potential health benefits and/or mitigate the potential harms of proposed programs, projects or policies using a broad conception of health that includes both health outcomes (e.g., diseases, disabilities, conditions) and the social determinants of health (e.g., housing, income, social connections).

Pursuant to Framework Component No. 2, the Department of Public Health would coordinate with the OCM to complete the health impact assessment to provide recommendations for cannabis business siting decisions and future cannabis policy in unincorporated areas. The health impact assessment is expected to:

- Provide information about health-related conditions and outcomes in unincorporated communities where cannabis stores or other businesses might locate, including views and concerns expressed by a range of stakeholders;
- Allow the cannabis commission to consider whether a proposed cannabis business or regulation will impact health equity, and provide recommendations for mitigating negative and strengthening positive impacts;
- Establish baseline conditions, to allow for ongoing monitoring of community health information as cannabis permitting is implemented; and
- Offer multipronged recommendations for incorporating health equity considerations into

cannabis commission operations and potential changes to the County's cannabis policies in unincorporated areas for the benefit of public health.

The health impact assessment is expected to be completed in February 2019, with action-items and recommendations identifiable as early as December 2018.

4. Monitoring

Your Board's November 7, 2017, motion emphasized the need to monitor the effects of commercial cannabis licensure in unincorporated areas. The health impact assessment will establish a baseline for relevant health conditions in unincorporated areas. Changes to health outcomes will be measured against this baseline over time to understand the effects that licensure is having on unincorporated areas. The OCM would work with the Department of Public Health to identify data points and establish a data collection and monitoring program to track necessary community health information.

5. Health equity grant program

In addition, the Department of Public Health, in collaboration with CEO and the OCM, would report back to your Board once the health impact assessment is finalized with recommendations to establish a health equity grant program to support high-needs areas identified in the health impact assessment, consistent with your Board's directives on November 7, 2017.

C. Framework Component No. 3: Cannabis permit types

1. Background

On February 7, 2017, your Board directed the CEO to coordinate with affected County departments to prepare ordinances to "allow, license, and appropriately regulate and enforce the cultivation, transportation, distribution, processing, manufacturing, testing, retail sale, and delivery of medical and commercial (recreational) cannabis in unincorporated County areas." To implement your Board's directive, the OCM has analyzed applicable State law and regulations and worked with other County departments to identify and define the appropriate local permits necessary to establish a cannabis business in unincorporated areas.

2. Advisory Working Group recommendations and community feedback on cannabis permit types

The Advisory Working Group generally recommended that all types of commercial cannabis activity be allowed in unincorporated areas. Specific recommendations encouraged the County to offer microbusiness permits and small-scale cultivator permits to encourage local ownership, small businesses, and urban agriculture opportunities. (See Attachment II, Recommendations No. 42, 43, 47.)

Community members at listening sessions offered varying comments about the types of commercial cannabis activity that should be allowed in unincorporated County. As mentioned above, community members were primarily concerned about cannabis stores. Some community members also raised concerns about potential explosion dangers associated with some cannabis manufacturers' use of volatile solvents, such as butane, to extract concentrated cannabis from cannabis plant material. Finally, some individuals encouraged the County to issue microbusiness and other small-scale permits to encourage local ownership and small businesses.

In addition, the Advisory Working Group recommended the Board of Supervisors reevaluate its February 7, 2017 directive precluding outdoor commercial cannabis cultivation. (See Attachment II, Recommendation No. 43.) Many residents at listening sessions also stated the County should allow outdoor commercial cultivation in agricultural areas. Other residents were concerned about outdoor commercial cultivation, especially near sensitive environmental areas and in mountain areas where runoff and pesticides could damage the environment.

3. Cannabis permit types for unincorporated areas

Pursuant to your Board's direction on February 7, 2017, the draft regulatory framework would establish permit types for all commercial cannabis activity except outdoor cultivation. These permit types are identified in Table 2, below. A business seeking to engage in more than one type of commercial cannabis activity would be required to obtain all appropriate permits that correspond to the proposed activities.

As noted above, some community members raised concerns about potential explosions at cannabis manufacturing utilizing volatile solvents, such as butane. While explosions resulting from improper butane extraction occur regularly throughout the County, these explosions have been associated with amateur "DIY" extractions in places like garages, homes, motels, and recreational vehicles, or were related to equipment not inspected for compliance with building or fire code requirements. According to the County Fire Department, cannabis manufacturing processes using well-regulated and inspected extraction equipment that comply with applicable Building and Fire Code provisions pose no greater explosion danger than other common food manufacturing processes that use volatile solvents, such as essential oil extraction from herbs and other plants. Nevertheless, the draft burden of proof identified in Framework Component No. 1, above, would require the cannabis commission to take into account the safety of nearby residences and natural areas, among other things.

The OCM also received many public comments to create small-scale permits to encourage small businesses and local ownership. The permit types identified below are based on the type of cannabis activity, not the scale of activity, and do not limit small business or local ownership. The OCM is continuing to analyze Advisory Working Group recommendations regarding incentivizing local ownership and small businesses, along with other potential economic development that cannabis permitting could create, and will consider whether to include applicable incentives or priority permitting strategies into its permit application processes if the Board of Supervisors adopts the regulatory framework.

Table 2 Cannabis Permit Types		
Activity	Permit Types	Description
Cultivation	Cultivation–Indoor	Authorizes the cultivation of cannabis in a fully enclosed facility that uses only artificial light.
Manufacturing	Manufacturer–General	Authorizes extractions using volatile or nonvolatile solvents and mechanical means, infusion operations, and the packaging and labeling of cannabis products.
	Manufacturer–Processor	Authorizes the packaging, repackaging, labeling, and relabeling of cannabis products only.
Distribution	Distributor–General	Authorizes the transportation of cannabis and cannabis products between permitted cannabis businesses, storage of cannabis and cannabis products, packaging and labeling of cannabis, and quality control practices, including arranging for the sampling and testing of cannabis and cannabis products by a permitted cannabis testing laboratory.
	Distributor–Transporter	Authorizes the transportation of cannabis products between permitted cannabis businesses, except that Distribution-Transporter permittees may not transport cannabis products to retailers other than immature plants and seeds from a cannabis nursery licensed by the State.
Retail	Retail–Store	Authorizes the sale of cannabis and cannabis products to consumers at a retail store.
	Retail–Delivery	Authorizes the delivery of cannabis and cannabis products to consumers only. Permittees must maintain a physical location from which all deliveries will originate, which may be in conjunction with a retail store or may be operated independently as a delivery-only retailer.
Laboratory Testing	Laboratory	Authorizes the testing of cannabis and cannabis products for quality and potency, as well as the sampling of cannabis and cannabis products at a distributor’s premises and the transportation of the samples to the testing facility.

* NOTE: State law establishes a “microbusiness” license type, which authorizes a minimum of three of the following activities on the same premises: (1) cultivation of less than 10,000 square feet of cannabis; (2) manufacturing using nonvolatile or no solvents; (3) distribution; and (4) retail. A cannabis microbusiness could operate in unincorporated areas, provided it obtained the appropriate permit for each of its cannabis activities.

D. Framework Component No. 4: Cannabis permitting phase-in

1. Background

On November 7, 2017, your Board directed, among other things, that the CEO collaborate with the Director of the Public Health and County Counsel to develop a “[s]trategic phased-in licensing scheme for cannabis businesses that will balance the need for a precautionary approach to

licensing with the need to reduce illicit and unregulated cannabis products and businesses.” Your Board also directed that the phased-in licensing scheme should incorporate “appropriate monitoring and assessment of overall community impacts” and “the efficacy of the County’s cannabis regulations[.]”

2. Advisory Working Group recommendations and community feedback on phasing-in cannabis permitting

The Advisory Working Group did not recommend phasing in cannabis permitting. However, many community members, in particular at listening sessions in East Los Angeles, stated the County should not permit cannabis businesses until all illegal cannabis businesses have been closed.

A strategic phase-in strikes a balance between the Advisory Working Group recommendations and community concerns. Through a strategic phase-in, the County can allow a conservative number of cannabis businesses and monitor the resulting impacts, including any reductions in illegal activity.

3. Phase-in for cannabis stores and delivery services

For at least the past several years, unlicensed cannabis stores have been operating in unincorporated areas and in cities, despite laws prohibiting such businesses. The total number of unlicensed stores operating in unincorporated areas is unknown and fluctuates. In April 2017, County Counsel provided your Board with a report identifying 75 unlicensed stores. On November 7, 2017, County Counsel confirmed in a verbal presentation to your Board that it was aware of 77 unlicensed stores in unincorporated areas. County Counsel reported that, while 29 unlicensed stores had been closed between April and November 2017, 31 new unlicensed stores had opened.

Because cannabis stores have been identified as having the greatest street-level and community impacts, the regulatory framework would allow a maximum 25 cannabis stores in the first two years of permitting, roughly one-third of the existing number of unlicensed stores, with no more than five store permits in any one supervisorial district. The number of cannabis store permits will be further limited by allowing a maximum of two cannabis store permits in any one unincorporated community to promote equity in the distribution of cannabis stores.

In addition to unlicensed cannabis stores, a review of cannabis business listings such as those on the website Weedmaps.com shows that unlicensed cannabis delivery services proliferate across Los Angeles County. Delivery services can be operated in connection with a cannabis store or separately as a delivery-only businesses. State law requires all delivery businesses to maintain a physical location out of which all deliveries originate. The regulatory framework would allow a maximum 25 retail delivery permits in the first two years of permitting, with a maximum of five such permits per supervisorial district. Cannabis delivery services are expected to pose fewer community impacts than permitted cannabis stores because delivery services do not sell to customers onsite, are frequently located in unmarked facilities in industrial or heavy commercial areas, and tend not to attract nuisance activities such as loitering, smoking, and other activity. Many analysts also believe that consumers will increasingly prefer cannabis delivery over

shopping at cannabis stores. Because of this, prohibiting cannabis delivery services may incentivize the continued operation of illegal delivery services.

4. Phase-in for non-retail permits

The OCM has been unable obtain accurate estimates of the number of unlicensed non-retail cannabis businesses operating in unincorporated areas.

In 2016, the California Department of Food and Agriculture issued the results of a survey conducted as part of its environmental review pursuant to the California Environmental Quality Act. The survey shows that over 1,400 survey respondents were interested in opening a cultivation business in Los Angeles County as a whole; over 270 were interested in opening a manufacturing business; 300 were interested in opening a distribution business; and over 80 were interested in opening a testing laboratory.

These statistics, while not determinative of how many applications the County would receive, indicate that interest in establishing non-retail cannabis businesses is substantial.

Because it is difficult to predict the total number of non-retail businesses that would locate in unincorporated areas and the collective impacts that could occur from these businesses, a relatively conservative approach to non-retail permitting would allow a maximum 10 cultivator permits, 10 manufacturer permits, 10 distributor permits, and 10 testing laboratory permits.

It is important to note that a business can be “vertically integrated” under State law and regulation, meaning a business can obtain multiple license types for one location (other than a testing laboratory license, which must remain separate). For this reason, the number of total businesses operating in unincorporated areas may be less than the total number of available permits, should a single business obtain two or more permit types (e.g., a business could obtain permits to cultivate, distribute, and manufacture at the same site). These permits will not be allocated by supervisorial district to allow “vertical integration” to take place during the initial permitting phase. Once development patterns for non-retail businesses become apparent after permitting begins, geographic distribution and further permit limits can be developed and provided to your Board for your consideration.

5. Monitoring after initial permitting phase

The OCM would closely monitor the demand for a cannabis business permit in unincorporated areas after permitting begins, as well as the unlicensed cannabis market, health equity impacts pursuant to the health impact assessment described above, and other key indicators relevant to the number and types of cannabis permits the County offers.

After two years of permitting, the OCM, in collaboration with the Department of Public Health and other relevant departments, would provide your Board with an update on the state of cannabis licensing and regulation in unincorporated areas, with a focus on compliance levels and health equity impacts, and may recommend changes in the number and distribution of cannabis

permits. However, the number of permits allowed in the initial phase-in would not increase without a decision from the Board of Supervisors.

E. Framework Component No. 5: Zoning and buffers from sensitive uses

1. Background

On February 7, 2017, your Board directed the Director of Regional Planning to identify appropriate zones for cannabis businesses in unincorporated County areas. Your Board specified that cannabis retail and testing should be restricted to heavy commercial and manufacturing zones, and that all other cannabis uses should be restricted to manufacturing zones.

Under State law, a cannabis business must be located 600 feet from schools (K-12), licensed day cares (including preschools), and “youth centers.” These distances are default distances only, and State law allows cities and counties to increase or eliminate these distances. Cities and counties are also allowed under State law to identify additional sensitive uses and set buffers between those uses and cannabis businesses.

2. Advisory Working Group recommendations and community feedback on zoning for cannabis businesses

The Advisory Working Group did not offer a recommendation regarding applicable zoning, but indicated that cannabis retail would be appropriate in commercial and manufacturing zones if allowed through a discretionary hearing process. (See Attachment II, Recommendation No. 32.)

Public comments received at listening sessions reflected conflicting views on where cannabis businesses should locate. With respect to cannabis stores, for example, many community members stated that cannabis stores should be treated like liquor stores, which are allowed in commercial zones. Other community members were concerned about having ready access to a cannabis store, especially those who use cannabis for medical reasons. On the other hand, many community members stated that cannabis stores should be relegated to industrial areas, far away from homes and commercial corridors. These commenters tended to live in areas heavily impacted by unlicensed dispensaries, which tend to cluster in commercial areas.

With respect to non-retail cannabis businesses, most commenters agreed that these businesses should be in industrial areas, although, as noted above, many also commented that cannabis cultivation and other commercial cannabis activity should be allowed in agricultural zones.

3. Zoning for cannabis businesses in unincorporated areas

The following zoning scheme addresses the issues noted above and will ensure that cannabis businesses are compatible with the type and scale of surrounding development.

As noted above, commenters in communities hardest hit by unlicensed commercial cannabis activity raised concerns about cannabis stores locating in commercial areas. Allowing permitted retailers in only the most intense commercial zones balances community concerns while

providing cannabis consumers a legal avenue to purchase cannabis and make it easier for medical cannabis patients to access a permitted store.

Moreover, unlike unlicensed operators, stores granted a permit by the cannabis commission would be required to comply with strict regulations that ensure the store’s compatibility with surrounding businesses. Permitted stores would also be unable under applicable County rules to concentrate in any one community.

Table 3 Zoning		
Zone	Retail–Store Retail–Delivery Tester	Cultivation–Indoor Manufacturing–General Manufacturing–Processor Distribution–General Distribution–Transporter
C-3 (General Commercial)	OK	Not allowed
C-M (Commercial Manufacturing)	OK	Not allowed
M-1 (Light Manufacturing)	OK	OK
M-1.5 (Restricted Heavy Manufacturing)	OK	OK
M-2 (Heavy Manufacturing)	OK	OK

4. No commercial cannabis activity in agricultural or residential zones

Consistent with your Board’s direction on February 7, 2017, commercial cannabis activity would remain prohibited in agriculturally and residentially zoned areas.

5. Advisory Working Group recommendations and community feedback regarding buffers

The question of buffers was perhaps the most hotly debated issue at the Advisory Working Group and at listening sessions in all areas of the County. During listening sessions, concerned community members tended to worry that cannabis stores would have a blighting effect on surrounding areas, causing loitering and other quality of life issues, increased crime, and providing a place for neighborhood youth to buy cannabis. Community members identified a wide range of sensitive uses and suggested buffering distances of up to several miles. Suggested sensitive uses included schools, day cares, parks, libraries, places of worship, senior housing, and homes.

Advisory Working Group members, many of whom attended multiple listening sessions and heard these community concerns, extensively discussed appropriate buffers for cannabis stores. Members strongly agreed that cannabis stores should be located away from places where youth congregate, such as schools. However, some members were also concerned that very large buffer distances and an expansive list of sensitive uses could result in a *de facto* ban on cannabis businesses.

Advisory Working Group members ultimately reached consensus on increasing State buffers from schools, preserving buffers from day cares and youth centers, and considering new buffers from public parks, public libraries, and youth drug and alcohol treatment centers, among other things. (See Attachment II, Recommendation No. 40.) The Advisory Working Group also recommended that a variance procedure be available to allow reduced buffers in exceptional cases, and asked that the County publish a map showing the development potential for cannabis businesses prior to adopting any buffer distances. (See Attachment II, Recommendation No. 40.)

Regarding non-retail cannabis uses, some community members stated that all cannabis businesses should be located away from schools. Others were concerned about potential explosions at cannabis manufacturing facilities and asked that these businesses be located far away from homes.

The Advisory Working Group did not offer a recommendation regarding buffering non-retail cannabis businesses from sensitive uses.

6. Proposed buffers

Establishing appropriate buffers for cannabis businesses is challenging. Acknowledging many community members' desires for very large buffer areas, the Department of Regional Planning studied large buffer distances from uses such as schools, parks, and libraries. Regional Planning also considered buffers from very common uses such as residential areas and places of worship.

The analysis revealed that large buffers and buffers from very common uses either resulted in a *de facto* ban on cannabis businesses, or concentrated uses in industrial and industrial-adjacent areas, which tend to be lower income neighborhoods in the First and Second Supervisorial Districts, and in the Antelope Valley in the Fifth Supervisorial District, where properties tend to be relatively large and spread apart.

In the end, the buffer recommendations of the Advisory Working Group served as a useful starting point that balanced community concerns while avoiding unintended consequences of concentrating impacts in lower income neighborhoods and the Antelope Valley. For this reason, the Department of Regional Planning, jointly with the OCM, concurs with the buffer recommendations set forth in the Advisory Working Group's Recommendation No. 40, with several modifications to incorporate residents' concerns and other important policies:

- Buffers from drug and alcohol treatment centers should be included as a matter of public policy, so as not to unduly interfere with the treatment of individuals living in those facilities. The Advisory Working Group recommended that the County evaluate buffering drug and alcohol treatment centers that served youth.
- Buffers between cannabis stores are necessary to prevent an overconcentration of stores in any one area.
- Buffers between cannabis stores and offsite alcohol sales, such as liquor stores, will help prevent a combined concentration of cannabis and alcohol retailers in the

same area.

- Because “youth centers” are vaguely defined under State law and difficult to identify in practice,¹ public parks and libraries, along with schools, serve as appropriate proxies for “youth centers” and ensure that cannabis stores do not locate too close to places where youth commonly congregate.

For cannabis delivery retailers and non-retail businesses, buffers from schools, day cares, and public parks and libraries are considered sufficient because delivery retailers and non-retail businesses do not serve customers onsite, are often unmarked or have limited signage, and tend to have fewer community impacts than cannabis stores.

These buffers are described in Table 4, below.

Table 4 Buffers from Sensitive Uses		
Sensitive Use	Retail–Store	Retail–Delivery Cultivator–Indoor Distributor–General Distributor–Transporter Manufacturer–General Manufacturer–Processor Tester
School	1,000 ft.	1,000 ft.
Day Care	600 ft.	600 ft.
Public Library	600 ft.	600 ft.
Public Park	600 ft.	600 ft.
Alcohol/Drug Rehab	600 ft.	None
Other Cannabis Stores	600 ft.	None
Alcohol Sales (Off-site)	300 ft.	None

7. The Zoning Code allows variances to reduce buffer distances

As explained above, the Advisory Working Group recommended that prospective cannabis business operators be allowed to apply for a variance to reduce or eliminate the recommended buffers. (See Attachment II, Recommendation No. 40.) The Zoning Code already contains a variance procedure based on State law that expressly allows applicants for a variance to reduce or eliminate buffer distances. (County Code section 22.56.260.J.)

The burden of proof for a variance is substantial. The applicant must demonstrate that because of “special circumstances or exceptional characteristics applicable to the property, the strict application of the [zoning] code deprives such property of privileges enjoyed by other property in

¹ Health and Safety Code section 11353.1(e)(2) defines a “youth center” as “any public or private facility that is primarily used to host recreational or social activities for minors, including, but not limited to, private youth membership organizations or clubs, social service teenage club facilities, video arcades, or similar amusement park facilities.”

the vicinity and under identical zoning classification.” (County Code section 22.56.290.A.) A variance must be granted by the Regional Planning Commission following a public hearing, and must be based on geographic factors specific to the property at issue, not the desires of the property owner or the community. A decision by the Regional Planning Commission to grant a variance is appealable to your Board.

8. Maps showing commercial cannabis development potential

Consistent with the Advisory Working Group’s Recommendation No. 40, Regional Planning has prepared maps depicting where cannabis businesses can locate based on draft zoning and buffers. These maps are attached as Attachment III to this letter and available online at <http://planning.lacounty.gov/cannabis/maps>. Also consistent with the Advisory Working Group’s recommendation, the online versions of these maps show underlying demographic data.

9. Regional Planning Commission consideration

If the Board of Supervisors approves the draft zoning and buffers, the Department of Regional Planning would work with the OCM and County Counsel to amend the Zoning Code accordingly. The Zoning Code amendment is subject to public hearing and review by the Regional Planning Commission, which will provide your Board with a recommendation to adopt, modify, or decline to adopt the amendment. It is expected that this process would be completed within 180 days.

F. Framework Component No. 6: Establish a program to reduce barriers to ownership and employment in the cannabis industry and conduct a workshop; and Framework Component No. 7: Cannabis equity review panel

1. Background

For many, cannabis legalization is a matter of social justice and is necessary to end historical and present day disparate impacts to poor communities and communities of color from the “war on drugs.” 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. 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.” (Cal. Rev. & Tax. Code section 34019(d).)

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.² Despite

² Drug Policy Alliance, “So Far, So Good: What We Know About Cannabis Legalization in CO, WA, AK, OR, and D.C.” (2016), accessed at http://www.drugpolicy.org/sites/default/files/Cannabis_Legalization_Status_Report_101316.pdf.

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.³

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.⁴

2. Advisory Working Group recommendations and community feedback regarding equity in ownership and employment

The Advisory Working Group flagged concerns regarding barriers to owning a cannabis business and employment in the cannabis industry, and offered two detailed recommendations on addressing such barriers. The Advisory Working Group recommended establishing a cannabis ownership and equity program that would reduce barriers to entry into the cannabis market for those living in communities hardest hit by the “war on drugs.” (See Attachment II, Recommendation No. 62.) The Advisory Working Group also recommended creating an equity review panel to monitor and advise your Board on equity issues across all aspects of cannabis legalization. (See Attachment II, Recommendation No. 64.)

Equity issues were also raised across all listening sessions countywide. Residents highlighted the need for equitable cannabis business ownership opportunities, especially at listening sessions in West Athens/Westmont, East Los Angeles, South Whittier, and West Whittier/Los Nietos. Suggested strategies included providing start-up capital, education resources, job training, and technical support to cannabis permit applicants.

Many community members expressed the additional concern that cannabis legalization not further the disparate impacts caused by the “war on drugs,” but become an opportunity to reduce disparities. In communities most affected, participants asked that cannabis tax revenue be used to support reentry programs for the formerly incarcerated, expungement clinics, and to assist the formerly incarcerated with access to student loans, welfare, and other social services.

3. Establish a program to reduce barriers to ownership and employment in the cannabis industry and conduct a workshop

Based on Advisory Working Group and community feedback, the OCM would hold a public workshop to define who should qualify for benefits under such a cannabis equity program and what types of benefits should be offered. Because equitable opportunities for cannabis ownership and employment will not solve all issues currently affecting areas most impacted by the “war on drugs,” the public workshop should explore ways that the cannabis equity program can be

³ Keith Humphreys, “Pot legalization hasn’t done anything to shrink the racial gap in drug arrests” Washington Post (March 21, 2016), accessed at https://www.washingtonpost.com/news/wonk/wp/2016/03/21/potlegalization-hasnt-done-anything-to-shrink-the-racial-gap-in-drug-arrests/?utm_term=.eb87410994b9.

⁴ Amanda Chicago Lewis, “How black people are being shut out of America’s weed boom,” BuzzFeed News (March 16, 2016), accessed at https://www.buzzfeed.com/amandachicagolewis/americas-whiteonly-weed-boom?utm_term=.btXeRPVYX#.pvKq8Pye5.

integrated into a wholistic services approach. For example, job-training can be expanded beyond cannabis industry jobs to business support services, such as marketing, accounting, and other businesses that can serve the cannabis industry and other community businesses.

If the Board of Supervisors approves Framework Component No. 6, the OCM would work closely with Board offices to develop the workshop format and discussion topics.

4. Cannabis equity review panel

Cannabis legalization and commercialization represents a sea change in California drug policy, and offers the County the unique opportunity to monitor, track, and adjust its own rules and policies to advance social justice and equity.

For these reasons, and based on the Advisory Working Group's recommendations, Framework Component No. 7 would establish a 15-member, Board-appointed cannabis equity review panel, which will be advisory to the Board of Supervisors and the cannabis commission, and will periodically issue public reports evaluating the effectiveness of the County's "cannabis ownership and employment equity program," the impacts of cannabis legalization on health equity, any other equity issues associated with the County's cannabis-related programs, and the civil and criminal enforcement of cannabis laws. The equity review panel should survey and engage communities to better understand how the legal cannabis industry impacts them and make policy recommendations to correct any inequitable conditions identified by community members.

Members of the equity review panel should have demonstrated knowledge and experience in an area which has a significant bearing upon cannabis regulation or legalization, equity issues, drug policy, or drug prevention or treatment.

G. Framework Component No. 8: Updates to Title 7 (Business Licensing)

Title 7 of the County Code (Business Licenses) contains existing provisions pertaining to the licensing and operation of medical cannabis dispensaries in unincorporated areas, but contains no provisions for adult-use cannabis retail businesses or for non-retail cannabis businesses.

III. Taxing Commercial Cannabis

A. Background

Proposition 64 (Adult Use of Marijuana Act) authorizes counties to levy a gross receipts tax on commercial cannabis activity, subject to voter approval. On February 7, 2017, your Board directed the CEO to analyze and prepare an appropriate ballot measure to tax commercial cannabis.

B. Advisory Working Group recommendations and community feedback on taxing commercial cannabis

The Advisory Working Group considered cannabis tax rates for unincorporated areas and recommended that the County: (1) implement a low initial tax rate that is differentiated by business activity; (2) increase its low initial tax rate over time as the regulated cannabis market establishes to a rate comparable with surrounding jurisdictions, such as the City of Los Angeles; and (3) provide flexibility to increase and decrease gross receipts taxes on commercial cannabis activity in response to changing market conditions, consumption patterns for young adults, and legislation or regulation at the federal and state levels. (Attachment II, Recommendation No. 52.)

During OCM's public listening sessions on Cannabis, OCM received substantial input from communities on taxation and revenue as it relates to cannabis. Communities were concerned about how tax rates will impact the cannabis industry. Many believed taxes should not be so high as to thwart the development of a licensed and regulated cannabis industry. Rather, tax policy should seek to "normalize the legal market and encourage legal use." Many suggested starting with a relatively low tax rate to facilitate the transition to a legal market and increasing taxes over time as the regulated market stabilizes. Some were also concerned that tax rates could become a barrier to entry for small business owners, hinder profitability, and result in an inequitable ownership pattern, with big businesses and corporations dominating the local industry at the expense of small, locally owned businesses.

Communities were in nearly unanimous agreement on taxing medical cannabis differently from recreational cannabis, with many suggesting that medical cannabis should not be taxed.

There was also near unanimity from communities desiring tax revenue from local businesses to remain in the communities where businesses are located for reinvestment. Community members also wanted input on how revenue would be used. Participants called for transparency in how tax funds are allocated, in terms of who is making the decision, how much is collected and how it will be used.

C. Ballot measure and ordinance to tax commercial cannabis in the County

On October 17, 2016, the CEO's Office contracted with the Marijuana Policy Group (MPG), an economic consultant with experience estimating tax revenues in the State of Colorado and elsewhere, to conduct five-year projections of the size of the regulated market and potential tax revenues to Los Angeles County. MPG prepared an initial report estimating potential revenues to the County from imposing a gross receipts tax on commercial cannabis activity. The CEO provided the initial report to your Board on November 15, 2016.

MPG revised the report in May 2018 to reflect current laws, tax rates adopted by voters in Los Angeles County cities, and the number and types of cannabis businesses that would be permitted pursuant to the policy framework presented above. The revised report is included as Attachment IV to this letter.

Consistent with the Advisory Working Group's recommendation, the revised report recommends that the County implement a gross receipts tax for commercial cannabis activity that is comparable to tax rates in the City of Los Angeles to avoid the clustering of businesses along

jurisdictional boundaries. The report analyzed a rate for unincorporated area cannabis businesses that is equal to existing rates in the City of Los Angeles.

Because Proposition 64 allows counties to tax commercial cannabis countywide, the revised report also analyzed a smaller, incremental countywide tax rate. Revenue from this countywide tax can be used to fund countywide activities such as drug prevention and intervention efforts, reimburse the County for increased countywide costs associated with commercial cannabis sales, such as health care costs, and shared with local health departments.

Assuming the County allows the number and type of cannabis permits described above, tax revenues are estimated as described in Table 7, below.

Table 7 Cannabis Tax Revenue Projections			
	Tax Rate	2019 (\$ Million)	2023 (\$ Million)
<i>Unincorporated Areas</i>			
Adult-Use Retail	10%	7.75	17.68
Medical Retail	5%	2.11	1.71
Cultivation	2%	0.11	0.13
Manufacturing	2%	0.04	0.05
Distribution	2%	0.09	0.10
Total – Unincorporated Areas		\$10.10	\$19.67
<i>Countywide</i>			
Adult-Use Retail	0.5%	4.71	10.76
Medical Retail	0.25%	1.32	1.07
Cultivation	0.5%	0.78	0.88
Manufacturing	0.5%	0.51	0.58
Distribution	0.5%	0.83	0.94
Total – Countywide		\$8.15	\$14.23
Total – Unincorporated + Countywide		\$18.25	\$33.90