

Los Angeles Readies for Adult Use Cannabis Law as City Adopts Ordinances

With the start of recreational cannabis use for adults 21 and over just days away, it's probably not surprising to hear that what's expected to be the biggest market in the state — Los Angeles — now has official regulations in place. What might be surprising is that those ordinances were approved by the City Council earlier this month, leaving the many hopeful entrepreneurs looking to establish a legal marijuana business in L.A. not all that much time to learn the ins and outs of what the city expects of them.

In all, there are three official ordinances newly adopted by the Los Angeles City Council that will directly impact cannabis operators: zoning for Commercial Cannabis Activity, Cannabis Procedures, and Rules and Regulations for Cannabis Procedures.

Some notable regulatory highlights for legal marijuana businesses located in Los Angeles memorialized by the new ordinances:

Social equity

The Social Equity Program intends to prioritize the cannabis operations of those individuals negatively impacted by the decades-old law enforcement campaign known as the “war on drugs,” which included harsh penalties for marijuana possession or use.

The new program will give special consideration to marijuana business license applicants that have a California cannabis conviction on their records for a crime that occurred before November 8, 2016, and “could have been prosecuted as a misdemeanor or citation under current California law”; can show “cumulative residency” in a “Disproportionately Impacted Area” of the city; and/or are of low-income status (which is defined as 80% or below of area median income for the city based on the most recent American Community Survey).

Varying tiers that reflect degrees of applicant alignment with social equity requirements will ultimately determine the specific benefits s/he will receive.

Not only will applications meeting the social equity criteria be moved to the front of the line, but the ordinances state that two equity retail licenses will be processed for every standard one.

Among other considerations possible for qualified social equity cannapreneurs: “the potential for fee deferrals if the City Council adopts a fee deferral program”; and “access to an Industry Investment Fund if established.”

Cannabis investors interested in working with entrepreneurs meeting the social equity requirements will face certain restrictions geared toward protecting applicants from unfair or predatory practices that might put them at a disadvantage.

From the ordinance itself: “In order to appropriately acknowledge and address the harmful impacts of past Cannabis policies and their enforcement, the Social Equity Program is aimed at promoting equitable ownership and employment opportunities in the Cannabis industry. This program is intended to decrease disparities in life outcomes for marginalized communities and to address disproportionate impacts of Cannabis prohibition in adversely-impacted and lower income communities.”

Existing medical marijuana businesses

Of course, medical marijuana has been legal in the Golden State for over two decades, which might have caused those operators to assume they'd simply be grandfathered into the new recreational law. Not quite. Medical cannabis operations that are compliant with all local regulations at the present time will still have to apply for new licenses, though they will have their applications processed before brand-new businesses, as was expected.

However, the ordinance effected a slight change to how "existing medical marijuana dispensary" is defined, specifying that the business must either have a 2017 L050 Business Tax Registration Certificate (BTRC) and be "current with all City-owned business taxes, or received a BTRC in 2007, registered with the City Clerk by November 13, 2007 (in accordance with the requirements under Interim Control Ordinance 179027), received a L050 BTRC in 2015 or 2016 and submits payment for all City-owned business taxes before the License application is deemed complete."

Whereas medical marijuana dispensary operators will have to be compliant with new regulations when the new law goes into effect on January 1st, cultivators, transporters, and manufacturers of medical cannabis currently compliant will have additional time to align with new regulations.

Non-retail businesses (such as those involved in cultivation, distribution, or manufacturing) may potentially be able to continue to conduct business as-is until April 1st if they meet certain criteria outlined in the ordinances.

Commercial cannabis activity

The ordinances contain a host of restrictions and prohibitions about where, when, and how legal marijuana dispensaries may operate (and those rules often vary according to the size of the dispensary itself), including distance restrictions from sensitive spaces like schools, daycare facilities, parks, public libraries, and facilities for recovery from or treatment of alcohol abuse or substance use disorder.

Furthermore, the city will not allow use of cannabis or consumption of cannabis products at the legal marijuana business itself. Nor will the ordinances permit special events (including entertainment or social events like parties) to be held at the site of any legal marijuana business in the city.

The ordinances also seek to prevent areas of the city becoming saturated with a problematic "undue concentration" of cannabis operations. Those potential areas are mapped out, and hopeful cannapreneurs seeking to set up shop in the vicinity must submit a special request to the City Clerk using a Department of Cannabis Regulation document.

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