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Implementing an Equitable Commercial Cannabis Regulatory Framework

Despite Statewide decriminalization and widespread legalization of cannabis, Los Angeles County (County) currently prohibits commercial cannabis activities, including the sale, manufacturing, testing, and cultivation of cannabis. As a result, over 150 unlicensed cannabis “pop-ups” operate haphazardly within the unincorporated County, without testing, oversight, and other regulations necessary to ensure compliance with safety and health standards set by the State and industry. To better address these issues, the County can regulate and build a more healthy, compliant, and sustainable cannabis market that will benefit consumers and licensed merchants.

In February 2017, the County Board of Supervisors (Board) formally established the Office of Cannabis Management (OCM) and directed OCM to prepare regulations to allow and license medical and adult-use cannabis businesses in unincorporated areas. Pursuant to this motion, OCM conducted extensive outreach and analysis, and produced

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a set of recommendations and policy framework components in 2017 and 2018. On July 13, 2021, the Board instructed OCM, in consultation with relevant departments, to revisit these recommendations and report back with updated recommendations for cannabis retail, manufacture, distribution, growth, testing, regulation, and enforcement in the County. The updated recommendations were to be rooted in an equity framework and consider environmental impacts to biological, ecological and water resources.

On December 21, 2021, OCM published its updated report (Report), which proposes the creation of an equitable cannabis program that addresses both the administrative and infrastructure barriers that create inequitable outcomes, and the gaps in educational, technical, and financial resources caused by systemic racism and exacerbated by the War on Drugs. The recommendations are designed to promote entrance into and sustainability of a healthy and responsible cannabis industry, with the explicit acknowledgement that to create a successful social equity program in one of the most highly regulated and challenging industries in the country, both the individual and the industry must be allowed to succeed.

The Report recommends launching the commercial cannabis program with a relatively low number of initial licenses with priority for equity and equity-building applicants, with up to 25 retail, 25 delivery, 10 cultivation, 10 manufacturing, 10 distribution and 10 testing licenses. The equity framework of this program will offer education, training, and access to networks that increase pathways to majority participation, ownership, and opportunities to build generational wealth for disadvantaged merchants.

This would allow the County to lead the program with equity, monitor and assess

community impacts and efficacy of regulations via the Cannabis Working Group, and build appropriate infrastructure to support expansion in the following years.

The number of unregulated and illegal cannabis “pop-ups” operating within the unincorporated County has steadily increased creating unsafe spaces for residents; putting consumers at risk by potentially providing tainted and unregulated product; and creating an environment for organized crime to infiltrate and thrive. Enforcement alone is not enough. There is an opportunity for the creation of a sustainable commercial market that can improve the safety of legal cannabis products and limit the risks associated with the unregulated marketplace. This market must be balanced against public health and safety considerations to mitigate health and social disparities. Moving forward with regulation and oversight through an equity lens and framework will ensure we keep the public and consumers safe. It is evident that this work will require a critical rethinking of the County’s administrative infrastructure, systems of care, the cannabis industry as a whole, and the County’s role therein.

WE, THEREFORE, MOVE that the Board of Supervisors approve the implementation of an equitable commercial cannabis regulatory framework as provided in the 2021 Report by the Department of Consumer and Business Affairs Office of Cannabis Management, and,

1. Direct the Department of Consumer and Business Affairs and its Office of Cannabis Management, in collaboration with Chief Executive Office, Public Health, County Counsel, Regional Planning, Public Works, Agricultural Commissioner/Weights and Measures, Treasurer and Tax Collector, Fire, Sheriff,

the Economic and Workforce Development Agency, Anti-Racism, Diversity, and Inclusion Initiative, and all other relevant departments and programs, to start development and implementation of the equitable cannabis program as outlined in the Report, and take the following actions to implement, including, but not limited to:

- a. Develop a robust equity program, in partnerships with philanthropy and other resource providers, which may provide incubation, economic development, job training, technical assistance, financial access, and other resources necessary for equity applicants;
- b. Conduct an Equity Assessment, and apply for and accept appropriate State funding to implement Equity programming;
- c. Retain a tax consultant and report back with a proposed tax structure and fiscal analysis for commercial cannabis activities, including potential voter measure requirements for the November 2022 ballot;
- d. Develop application and approval infrastructure and regulations, including a Cannabis Licensing and Equity Approval Review Process that would centralize and minimize administrative barriers, prioritize permits for businesses meeting certain equity criteria, and a Cannabis Business Concierge to provide system navigation and compliance support;
- e. Develop equitable workforce development standards and enforcement mechanisms for cannabis industry that promote inclusive economic opportunities, strong worker protections, job mobility, and climate resiliency.

- f. Create a Cannabis Working Group of subject matter experts and County Departments to track equity data, regulatory impacts, and promote data-driven decision making; and,
 - g. Conduct robust community engagement and stakeholder process to inform this process and educate the public.
- 2. Direct the departments listed in Directive #1 to report back quarterly in writing to the Board with progress on each implementation action item, including its impact on the economic, health, and environmental wellbeing of County residents.
- 3. Direct County Counsel, in collaboration with DCBA and other relevant County departments, to draft necessary amendments to County ordinances to authorize commercial cannabis activities in unincorporated Los Angeles County consistent with the recommendations in the report.
- 4. Direct CEO, in consultation with DCBA to identify necessary bridge funding to support the immediate staffing and fiscal needs and report back in writing in 30 days, and report back in writing during the Fiscal Year 2022-23 supplemental budget phase on ongoing and long-term resource needs and funding opportunities to develop and implement this work.
- 5. Direct CEO, in consultation with DCBA and other impacted County departments to conduct a fiscal impact and fee study for all impacted County Departments and include updates in the quarterly report listed in Directive #2.
- 6. Delegate authority to the Director of DCBA to enter into agreements with the necessary consultants, community-based organizations, philanthropy, and other

vendors to implement this work, including, without limitation, fiscal analysis, equity program development, data sharing, education and outreach.

7. Direct County Counsel, in collaboration with the Department of Public Health and DCBA, to negotiate agreements with participating incorporated cities to utilize and promote the Cannabis Emblem program to better educate the public about licensed cannabis businesses in the County.
8. Direct the CEO's Legislative Affairs and Intergovernmental Relations Division, in consultation with DCBA, to advocate for State and Federal regulations that support the establishment of a safer cannabis market, including legislative changes that promote access to banking and financial resources, safer cannabis products and businesses, and increased resources for local public health, equity, and consumer protection programs.

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HLS: WR, AP