

Recreational Cannabis Headed for CA, Despite Hazy Regulations

Right about now, experts in the California legal cannabis business might be thinking that winning the Prop 64 vote to allow adult recreational marijuana use last November was the easy part. The law goes into effect January 1st, but building the regulatory framework behind implementation of the country's largest cannabis market (estimated at \$7 billion) is the current uphill challenge.

Consumers are looking forward to Jan. 1st ... regulators, not so much

The law will allow California residents 21 and over to possess up to one ounce of cannabis and to grow up to six marijuana plants. But in major cities like San Francisco and Los Angeles, where the demand for recreational cannabis is expected to be high, complete and comprehensive hard-and-fast rules are still not in place, which means canna-consumers might not find it easy to connect with a retail source early in 2018.

To make things a bit more complicated in the short run, the Golden State will consolidate its twenty-year-old medical cannabis industry with its brand-new recreational sector. And the former will be operating under more rigorous regulatory guidelines as a result.

Temporary licenses will be available to those in the cannabis business in early January; it's not yet known when the state will have permanent licenses ready (the temps will be effective for four months from issue date, with three-month extensions possible). However, the state has a \$1 billion horse in the race in the form of sales tax revenue earned from marijuana businesses, so there is inherent motivation to get a solid regulation plan in place.

Local and state regulations ... will they clash? Or will they work in concert?

One of the many currently unanswered questions that those in the legal weed business have, however, is whether state regulations will end up conflicting with local regulations, and whether licensed operators are obligated to only work with other licensed operators (for instance, would a licensed retail shop be prohibited from working with an unlicensed grower or distributor?). And because a local license must be obtained before an operator can even apply for a state license, municipal approval is always the first step.

Canna-biz or canna-bust? (Location, location, location...)

Further co-founding what might be rapid and explosive growth of recreational cannabis is the fact that weed is still illegal at the federal level, and that will not change anytime soon. This means that the workflow elements that a typical business might take for granted (using banks, for instance, or obtaining insurance for the business) is a dicey challenge for the operator in this field. And even more of a door-slamming reality is that some municipalities are prohibiting recreational pot altogether (which the state law allows them to do).

San Jose is one of the cities that has just said no to recreational cannabis (though the medical variety is permitted there). However, there may be cracks in that prohibition armor: city officials have suggested they hold hearings to discuss potential regulations of recreational marijuana use.

Kern County is indeed in California (Bakersfield is its county seat), but it may feel like a world away from the



canna-friendly climate of L.A. (where the recreational market is likely to boom, some estimates putting it at \$1 billion for just the city). Not only has Kern County instituted a ban on recreational marijuana, but county supervisors recently voted 4 to 1 to prohibit *all* commercial cannabis sales — this means gradually shutting down all the *medical* dispensaries (28 in all) currently operating.

Critics say the ban will open a door for illegal weed sales, but county supervisors opined that marijuana has a “destructive impact” on communities.

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