

Los Angeles (Finally) Gears Up to License Cannabis Growers and Manufacturers

Legal marijuana use in California expanded from medical to recreational (for adults 21 and over) effective January 1st, thanks to voters passing Prop 64 in 2016. However, the start of the new year didn't automatically (or magically) open the door to industry professionals. Indeed, marijuana licensing in the Golden State might feel like a moving target for many canna-preneurs, especially since both state and local laws will regulate the business and may impose different sets of requirements.

Case in point: despite some retail shops being in operation within the city (around 150 in all so far), Los Angeles has not yet begun the licensing process for marijuana growers and cultivators. The first cultivator and manufacturer municipal licenses are expected to be granted on August 1st, but that will only be the initial step on the (potentially long) road for these particular canna-preneurs to doing business within the city.

Among other regulatory details, the municipal licensure stages for canna-businesses includes site inspections, a tiered review process, and demonstration of legal requirements met. This cautious approach to licensing has some critics calling it a boon to black market marijuana sales.

Understandably impatient canna-preneurs have grown tired of the waiting game

The news that manufacturers and growers would need to wait until next month before the municipal licensing process will begin was recently announced by Cat Packer, one of L.A.'s chief marijuana regulators and member of the Los Angeles Cannabis Regulation Commission. The timing of the announcement means that manufacturers and growers have been waiting for word on how to make their businesses legal since the recreational law went into effect. And the waiting isn't over.

Donnie Anderson, a Los Angeles-based cultivator and dispensary owner, was present at the announcement; he told the city's Cannabis Regulation Commission that he and his peers "don't want to wait too much longer."

Anderson wasn't the only industry professional to voice his concerns. In addition to the worry that the city's postponement of licensing for all aspects of cannabis cultivation and production leaves a vacuum open in which illicit growers and sellers can do a brisk business, the commission listened to complaints about high tax rates and fees, as well as confusion about who will actually qualify for a license. Additionally, starting on the path to licensure will not necessarily mean that the canna-preneur will be able to begin operations any time soon. In all likelihood, months will go by before the legal business can open its doors.

Licensing process to begin soon, but no exact timeline in sight

The reality of this delay (the one cultivators and manufacturers have already weathered, in addition to the one they've got ahead of them) means that many business owners are paying rent on spaces they cannot use to earn money . . . a major tick in the business loss column. And more broadly, this means that the retail shops currently selling to consumers in L.A. are forced to get their stock from growers and manufacturers in other parts of the state. Although the city's marijuana market is expected to land in the billions of dollars, right now retailers are forced to spend their supply-chain budget in other municipalities. And because the state's marijuana laws give cities latitude when creating and implementing their own regulations, there can be unevenness from one municipality to another.

Packer acknowledged that the city is still in the process of hammering out regulatory details, which means that the



ink is not yet dry on marijuana rules. When asked about specific dates for the first grower licenses being granted, Packer was non-committal: "There are many steps that have not even been solidified," she said. "I cannot commit to a timeline at this point."

When California passed legal marijuana laws, Los Angeles was expected to be the biggest market, as well as a model for other major hubs across the state. However, if time is of the essence, it seems that L.A.'s cannabis market, to a relative degree, is being slowed down by the drag of its own regulatory red tape. For example, the legal cannabis markets in Oakland and San Diego are at this point seen to be flourishing at a faster rate than L.A.'s.

The president of the city's Cannabis Regulation Commission, Robert Ahn, called for L.A. canna-preneurs to have patience with the still in-flux regulatory machine. "We have tremendous challenges," he said. "It's not going to be easy. It's going to take time."

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