

LEGISLATIVE DIGEST

(Revised 11/28/18)

[Police and Health Codes - Regulation of Cannabis Businesses]

Ordinance amending the Police Code by making a number of changes in the regulation of commercial cannabis activity, including, among other things: 1) defining ownership interest and revising Equity Criteria, for purposes of the Equity Program in a Cannabis Business; 2) modifying the Cannabis Equity Incubator Program requirements; 3) extending by one year the possible duration of a Temporary Cannabis Business Permit; 4) authorizing the Director of the Office of Cannabis to issue Cannabis Business Permits to Medical Cannabis Dispensaries forced to discontinue operations due to a no-fault lease termination before December 31, 2018; 5) modifying the order in which the Director may review and process Cannabis Business Permit applications; 6) revising requirements associated with a Cannabis Business' change in ownership and structure requiring Cannabis Business permit amendments when a change in ownership results in a decrease in an Equity Applicant's Ownership Interest or role in the Cannabis Business; 7) revising Cannabis Business Permit application requirements; 8) requiring Cannabis Businesses to comply with all permit conditions whether or not they are currently engaging in the permitted activity; 9) modifying the amount of Cannabis that may be delivered or sold to a customer; and 10) authorizing Cannabis Microbusinesses to conduct either storefront or delivery sales, but not both, and reducing from four to three the categories of Commercial activity required to operate as a Cannabis Microbusiness; and amending the Health Code by revising eligibility requirements for medical cannabis dispensaries seeking authorization to Sell Adult Use Cannabis, and extending by one year to December 31, 2019 the date on which Article 33 (Medical Cannabis Act) expires.

Existing Law

Police Code Article 16 and Health Code Article 33 govern the regulation of commercial cannabis. Existing law defines an owner as an individual participating in the direction, control, or management of the entity applying for a Cannabis Business permit and does not define ownership interest. Existing law establishes an Equity Program in which Equity Incubators can apply for a permit provided that they agree to assist or "incubate" Equity Applicants. Existing law authorizes the Director of the Office of Cannabis ("Director") to issue Temporary Cannabis Permits. Existing law prescribes the order in which the Director may review and process Cannabis Business Permit applications, defines the application requirements, defines the conditions under which a change in ownership requires a permit amendment, defines the amount of Cannabis that may be delivered or sold, authorizes storefront and delivery sales, and defines the requirements to operate a Cannabis Microbusiness. Finally, existing law defines the date on which Article 33, which regulates Medicinal Cannabis, expires.

Amendments to Current Law

This ordinance amends the Police and Health Codes by:

- Defining ownership interest and revising Equity Applicant criteria, for purposes of the Equity Program, including by deleting an amendment concerning housing insecurity (in the context of Equity Criteria) previously made in Rules Committee on October 24, 2018 (and thereby reverting to Article 16's original requirements concerning housing insecurity in the context of Equity Criteria);
- Modifying the Cannabis Equity Incubator Program requirements;
- Extending by one year the possible duration of a Temporary Cannabis Business Permit;
- Authorizing the Director to issue Cannabis Business Permits to Medical Cannabis Dispensaries forced to discontinue operations due to no-fault lease terminations;
- Modifying the order in which the Director may review and process Cannabis Business Permit applications;
- Revising requirements associated with a Cannabis Business's ownership and structure under Article 16 of the Police Code;
- Revising requirements associated with a Medical Cannabis Dispensary's ownership and structure under Article 33 of the Health Code;
- Revising Cannabis Business Permit application requirements;
- Clarifying that Cannabis Businesses must comply with all permit conditions whether or not they are currently engaging in the permitted activity;
- Modifying the amount of Cannabis that may be delivered or sold;
- Authorizing Cannabis Microbusinesses to conduct either storefront or delivery sales, but not both;
- Eliminating the requirement that Cannabis Businesses engaged in deliveries prepare a manifest and fixed route before departure of the delivery vehicle, to allow for so-called "dynamic delivery";
- Clarifying that the legislative adoption of certain Delivery Standards shall not be construed to in any way limit the Office of Cannabis's authority to adopt additional Delivery Standards;
- Reducing from four to three the categories of Commercial activity required to operate as a Cannabis Microbusiness;
- Adding new restrictions on the number of Cannabis Retail Businesses of which a Person may be an Owner;
- Limiting Equity Applicants and Equity Incubators to one Cannabis Business Permit per type of Cannabis Business;
- Revising the eligibility requirements for Medical Cannabis Dispensaries seeking authorization to Sell Adult Use Cannabis; and
- Extending by one year the date on which Article 33 expires by law.

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Background

This version of the ordinance reflects amendments made in the regular meeting of the Rules Committee on October 24, 2018.

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