



Advancing Legal Medical Marijuana Therapeutics and Research

September 25, 2017

The Honorable Members of the REIG Committee
The Los Angeles City Council
Los Angeles City Hall
200 N. Spring Street
Los Angeles, CA 90012

Re: A Request That The REIG Committee Recommend Licensure Commence for Cultivators and Manufacturers at the Same Time Prop D Eligible Dispensaries are Offered Licensure – Council File: 14-0366-S5

Dear Honorable Members of the REIG Committee:

At today's meeting, you will consider the latest draft of the City of Los Angeles (the City) Cannabis Ordinance. Released 72 hours ago, it contains a material omission in that it does not authorize priority licensing for patient providers.

These men and women are former dispensary members. Up until recently they produced or provided cannabis and cannabis products for the Prop D dispensaries eligible for priority licensing under Measure M. If they are not licensed concurrently with the dispensaries, the dispensary will have to close because it will not have any inventory to provide to patients.

This means that a core goal of the City, that medical cannabis be available to the sick and dying, will be frustrated. Job losses in the thousands will be one result of this, millions in lost tax revenue will be another unintended consequence.

Historically, Cultivators and Manufacturers Were a Part of the Dispensaries Allowed by the City and Should Not Be Penalized Because New Laws Force Them to Become Independent Businesses.

Under the 1996 Compassionate Use Act, (the CUA) which was a voter initiative, dispensaries were required to be "not-for-profit" This, in tandem with the 2008 Attorney General Guidelines, meant anyone who wished to provide cannabis or cannabis products to a dispensary had to join the dispensary collective or cooperative and become a producing member of the collective.

These producing members could be reimbursed for expenses and labor expended on behalf of the collective, but were, historically, not engaging in sales to the collective. The point of sale, the taxable event, was when the collective accepted a donation from the patient for the cannabis or cannabis product.

This changed in 2015 when the State of California (the State) passed the Medical Cannabis Regulation and Safety Act and was further refined when the State passed the Medical and Adult Use Cannabis Regulation and Safety Act (the MAU) in June of 2017. The MAU insists that patient providers be licensed and taxed.

Headquarters

1300 Clay Street, Suite 600, Oakland CA 94612
PHONE: 510.251.1856

National Office

1806 Vernon St. NW, Suite 100, Washington DC 20009
PHONE: 202.857.4272 FAX: 202.857.4273

General Information

WEB: www.AmericansForSafeAccess.org
TOLL FREE: 1.888.939.4367

They are no longer part of the dispensary, but rather independent businesses selling goods to the dispensaries, a taxable event at the state and local level which requires both a local and state license.

The State may insist on this because collective activity was the only thing contemplated in the CUA. In 1996 the framers of the Act were looking to provide a limited immunity for patients and patient providers. They did not foresee that 21 years later, a whole industry would evolve around safe access, thus they were silent on the regulation of that industry.

The City Need Not Be Fearful That the Former Patient Providers for Dispensaries Have Unclean Hands. They Were Key Members of Dispensaries Authorized by the City. Not Newcomers to the Marketplace Who Are of Uncertain Origin.

It is understandable that the City would want to vet newcomers to the marketplace who might have unsavory ties to organized crime or gangs.

However, the City must also be careful to ensure that good actors who are essential to providing cannabis and cannabis products to dispensaries are licensed concurrently with the Prop D eligible dispensaries or the dispensaries will have nothing to sell to patients, as the proposed ordinance requires all others save eligible dispensaries to close until licensed.

Those who would come forward for priority licensing at the same time Prop D Dispensaries are processed for licensure could only do so if they have land, or the promise of land and other resources which would enable them to submit an application for provisional, priority licensing. They would have these assets and expertise because they were formerly producing members of the legal dispensaries during the time when this was required by controlling law.

The men and women coming forward to establish licensure in cultivation or manufacturing have already proven, over a long period of time, that they are not unsavory or tax cheats. They were members of collectives allowed by the City and if they had been in any way unsuitable, the collective would have immediately terminated the relationship for fear it would affect the dispensary's status with the City.

These honorable men and women are now seeking to independently establish their relationship with the City as they cannot, per state law, continue to be producing members of dispensaries. They should not be viewed with suspicion. Their cannabis and cannabis products as well as their behavior have been of the highest quality or the dispensaries would not have made them producing members in the first place. The City can, and should, license them concurrently with the eligible dispensaries.

Failure to License Patient Providers Concurrently with Prop D Dispensaries Destroys Safe Access for Patients, and Ends Both Taxation and Job Creation for the City.

What the City currently contemplates is that eligible dispensaries will be licensed first, with all other activities licensed months later. And, in the meantime, all cultivation and manufacturing within the City must shut down.

Headquarters

1300 Clay Street, Suite 600, Oakland CA 94612
PHONE: 510.251.1856

National Office

1806 Vernon St. NW, Suite 100, Washington DC 20009
PHONE: 202.857.4272 FAX: 202.857.4273

General Information

WEB: www.AmericansForSafeAccess.org
TOLL FREE: 1.888.939.4367

This is unworkable because patient providers, already struggling with the transition to being independent businesses, would have to carry huge financial obligations but have no income with which to meet those obligations.

The City would be sending into involuntary bankruptcy the very people who are most desirable as licensing candidates local residents, whose long-time association with legitimate dispensaries has given them the experience and expertise to produce top quality cannabis and cannabis products. Patients are dependent upon those products and without them, the dispensaries would quickly exhaust their inventories with no mechanism to replace inventory.

In effect, licensing eligible dispensaries, but not the people who were formerly the great beating heart of those dispensaries, its producing members, means that the City is licensing empty shells which will have no way to service patients and will themselves be forced into involuntary bankruptcy.

This means the City has destroyed the cannabis industry before it's even fully realized, and all tax advantages and job creation such an industry would create for the City disappears as well.

All of this could be avoided by simply offering priority, provisional licensing to cultivators and manufacturers at the same time eligible dispensaries are licensed. The health and safety of your most vulnerable population, the sick and dying, depends on you taking this action. For the reasons stated above, Americans for Safe Access respectfully asks that the honorable committee recommend that cultivators and manufacturers be licensed concurrently with eligible dispensaries.

If you have any questions or concerns, I can be reached at (805) 279-8229 or industry@safeaccessnow.org.

Sincerely,
 Sarah Armstrong JD
 Director of Industry Affairs
 Americans for Safe Access

Cc: The Los Angeles City Council
 Council Staff Attached to the Cannabis Issue
 Ms. Cat Packer, Esq.
 The Honorable Michael Feuer
 Ms. Leela Kapur, Esq.
 Mr. Alexander Ponder
 Mr. Don Duncan

Headquarters

1300 Clay Street, Suite 600, Oakland CA 94612
 PHONE: 510.251.1856

National Office

1806 Vernon St. NW, Suite 100, Washington DC 20009
 PHONE: 202.857.4272 FAX: 202.857.4273

General Information

WEB: www.AmericansForSafeAccess.org
 TOLL FREE: 1.888.939.4367