


# REPORT OF THE CHIEF LEGISLATIVE ANALYST

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DATE: February 13, 2018

TO: Honorable Members of the City Council

FROM: Sharon M. Tso  Council File No.: 14-0366-S5  
Chief Legislative Analyst Assignment No.: 18-02-0111

## Temporary Cannabis Event Licensing

### SUMMARY

On December 6, 2017, the City Council adopted a recommendation from the November 27, 2017 Rules, Elections, and Intergovernmental Relations Committee report relative to adding Article 4 to Chapter X of the Los Angeles Municipal Code to regulate commercial cannabis activities in the City of Los Angeles. Council instructed this Office, with the assistance of the City Administrative Officer, the Department of Building and Safety, the City Attorney, and Department of Cannabis Regulation, to report with recommendations on establishing a Cannabis Event Organizer License and a Temporary Cannabis Event License pursuant to State of California Code of Regulations Title 16, Division 42, Chapter 5 Cannabis Events.

This report provides an analysis of the Medicinal and Adult-Use Cannabis Regulation and Safety Act (MAUCRSA) cannabis event regulations. California law does not currently authorize the City of Los Angeles or any local jurisdiction to issue cannabis event permits. This authority is limited to the Bureau of Cannabis Control which may issue a state temporary event license to a licensee authorizing onsite cannabis sales to, and consumption by, persons 21 years of age or older at a county fair or district agricultural association site. Currently pending in the State Assembly is AB 2020 (Quirk) which would authorize local jurisdictions to apply for temporary cannabis event licenses and to designate venues expressly approved for the purpose of hosting such events. If Council wishes to pursue the regulation of cannabis events within the City, the City may include support for AB 2020, introduced by Assemblymember Quirk, in its 2017-2018 State Legislative Program.

This Office also consulted with the Department of Cannabis Regulation which advised that the City work closely with the Bureau of Cannabis Control and State legislators to convey the City's concerns and interests in licensing cannabis events.

### BACKGROUND

#### *California Regulations Governing Cannabis Events*

The Medicinal and Adult-Use Cannabis Regulation and Safety Act (MAUCRSA) grants the Bureau of Cannabis Control (BCC) the authority to license temporary cannabis events. The BCC may issue a state temporary event license authorizing onsite cannabis sales to, and consumption by, persons 21 years of age or older. California requires two separate licenses to lawfully host a

cannabis event – (1) a cannabis event organizer license and (2) a temporary cannabis event license.

The cannabis event organizer license is an annual license which is required before a state temporary cannabis event license may be obtained. Issuance of a cannabis event organizer license does not authorize or license an event organizer to cultivate, distribute, manufacture, or retail cannabis or cannabis products. (Cal. Code Regs., tit. 16, §5600(c).) Once a cannabis event organizer license has been obtained, the licensee must apply to the BCC to license each individual cannabis event the licensee will be organizing.

A state temporary cannabis event license may only be issued to those who have already been issued a cannabis event organizer license. (Cal. Code Regs., tit. 16, §5601(a).) The BCC will not issue a temporary cannabis event license for more than four days and a license will not be issued separately for consecutive days for the same event. (Cal. Code Regs., tit. 16, §5601(c).) Events may be licensed to include onsite cannabis sales to and consumption by persons 21 years of age or older. An applicant must obtain written approval from the local jurisdiction in which the event is to occur, authorizing such activities. (Cal. Code Regs., tit. 16, §5601(d)(8).) The BCC will not license an event in a jurisdiction which has prohibited such events (Cal. Bus. & Prof. Code §26200(e).)

Where authorized, onsite sales may only be conducted by a retailer or microbusiness authorized to sell cannabis to retail customers. (Cal. Code Regs., tit. 16, §5602(b).) The event organizer may sell cannabis if licensed to do so. If an event has been licensed to permit onsite cannabis consumption, the sale and consumption of alcohol and tobacco is prohibited. Further, onsite cannabis consumption must occur in an area which is restricted to persons 21 years of age or older and is not visible from any public place or non-age restricted area. (Cal. Code Regs., tit. 16, §5603(b).) The licensee must also adhere to all requirements for onsite consumption imposed by the local jurisdiction in which the event is to occur (Cal. Code Regs., tit. 16, §5603(e)).

At this time, MAUCRSA does not permit local jurisdictions to license cannabis events. While Cal. Bus. & Prof. Code §26200(g) permits local jurisdictions to allow onsite consumption at licensed retailers or microbusinesses, Section 26200(e) expressly authorizes the State to issue a state temporary event license authorizing onsite cannabis sales to and consumption by persons 21 years of age or older at a county fair or district agricultural association event. The Cal. Bus. & Prof. Code does not authorize local jurisdictions to independently license cannabis events outside of this framework.

Two locations within the City of Los Angeles potentially qualify as locations for cannabis events. The California Science Center is the Sixth District Agricultural Association and the Los Angeles Coliseum is a joint venture between the City, the County of Los Angeles, and Sixth District Agricultural Association. However, California's social consumption regulations would likely limit the potential for licensed cannabis events at these sites.

The City's cannabis ordinances do not address special events occurring outside of a licensed business premises. The City prohibits retailers or microbusinesses from having special events or parties of any type, including events for which a temporary special event permit has been issued.

The City's regulations also prohibit licensed business from selling cannabis outside of their licensed business premises, preventing businesses licensed within the City from participating in cannabis events.

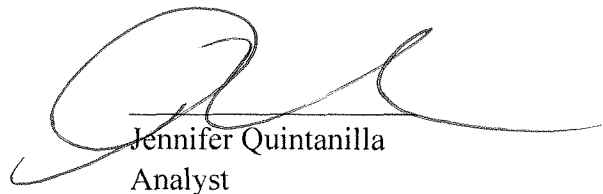
*Pending Legislation*

On February 5, 2018, Assemblymember Quirk introduced AB 2020 which would amend the regulations governing the process for licensing cannabis events. AB 2020 was introduced on behalf of the City of Oakland which expressed a desire to permit the sale and consumption of cannabis at its annual Art and Soul Festival. AB 2020 (Quirk) proposes amending Cal. Bus. & Prof. Code §26001(c) to allow local jurisdictions to apply for temporary cannabis event licenses pursuant to all applicable requirements except the background check requirements.

AB 2020 (Quirk) would also amend Cal. Bus. & Prof. Code §26200(e) to authorize the BCC to issue licenses "authorizing onsite cannabis sales to, and consumption by, persons 21 years of age or older at a county fair or fair event, district agricultural association event, or at another venue expressly approved by a local jurisdiction for the purpose of holding temporary events of this nature." The changes proposed in AB 2020 (Quirk) would not supersede local limitations on social consumption. The earliest AB 2020 (Quirk) may be heard in committee is March 8, 2018.

Supporters of AB 2020 (Quirk) argue that if enacted, the bill would support small businesses and bolster local economies through increased tax revenue. AB 2020 would permit some degree of local control over cannabis events while still relying on the state as the sole licensing authority. The City of Los Angeles has not yet taken a position on AB 2020 (Quirk).

This Office consulted with the Department of Cannabis Regulation (DCR) regarding the current state of regulations governing cannabis events and the City's capacity to license and regulate such events. The DCR notes that the City is not currently in a position to license cannabis events or provide oversight of such events. The DCR advises that to protect the integrity of the City's regulatory structure, the City continue to develop its current cannabis regulations prior to considering licensing such events. Licensing cannabis events within the City also highlights larger issues, such as proximity to sensitive uses and public safety concerns, which must be resolved to provide sufficient oversight for cannabis events. Further, because state law is in transition on this subject, the DCR advises that the City should work closely with the BCC and State legislators to convey the City's concerns and interests in licensing and regulating cannabis events.



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