



# Monterey County

## Board Report

Legistar File Number: 22-911

Item No.

Board of Supervisors  
Chambers  
168 W. Alisal St., 1st Floor  
Salinas, CA 93901

October 06, 2022

**Introduced:** 9/23/2022

**Version:** 1

**Current Status:** Agenda Ready

**Matter Type:** General Agenda Item

- a. Receive a report on initial staff findings related to cannabis consumption lounges.
- b. Provide further direction as appropriate.

### RECOMMENDATIONS:

It is recommended that the Board of Supervisors Cannabis Committee:

- a. Receive a report on initial staff findings related to cannabis consumption lounges.
- b. Provide further direction as appropriate.

### SUMMARY:

Following the July 7, 2022 Cannabis Committee (Committee) meeting, Program staff scheduled a meeting with the 8 fully licensed and permitted cannabis retailers and their Authorized Agents within the unincorporated area to discuss consumption lounges.

Local retailers believe that consumption lounges would be a meaningful addition to existing commercial cannabis activities within the unincorporated area of Monterey County. Industry suggestions were to begin with a pilot program within existing retail operation, and that this could contribute to higher local tax revenues. Staff scheduled a meeting with internal County departments for a preliminary review of the consumption lounge concept and anticipated requirements. Staff also scheduled a follow-up meeting with local retailers to receive additional input.

### DISCUSSION:

To get a better understanding of the proposed business model, staff conducted initial research into existing cannabis consumption lounges across the State of California including the State of Nevada. At the time of writing, 12 jurisdictions explicitly permit consumption lounges within their regulations (Attachment A), and it should be noted that, with the exception of the City and County of San Francisco, all of them are at the city level. Some jurisdictions only permit consumption of edible goods while others also permit combustible goods, such as cannabis flower or extracts. At a recent Central Coast Cannabis Program Forum, the County of Sonoma reported that they were preparing an environmental impact report as a step toward allowing cannabis consumption lounges.

While there are not any explicit regulations within Department of Cannabis Control regulations, staff has inferred, based on consumption areas in other contexts, the following likely restrictions and requirements:

- Operator must hold a Type 10 storefront retailer or Type 12 Microbusiness license inclusive of retail activities.

- Access restricted to customers who are 21 and older.
- Area(s) where consumption occurs cannot be publicly visible.
- Cannot sell alcohol, tobacco, or non-cannabis goods.
  - May have food items prepared or delivered by a 3rd party.
- Customer may not bring their own cannabis goods and must purchase on-site.
  - Must be in an amount reasonable to be consumed within their visit.
  - Unfinished goods must leave premises in appropriate exit packaging.
- Must be attached or adjacent to retail operation.
- Operating hours between 6:00 am and 10:00 pm.

The industry believes that this is the next step for the licensed industry and the additional business model would make Monterey County more competitive with other jurisdictions, provide a safe environment to consume cannabis in, normalize social consumption, reduce stigmas, result in higher gross receipts and associated tax revenue, and increase the sales of adjacent businesses. The industry provided a few datapoints and context for these claims. Most consumers don't have anywhere to consume cannabis outside of their private residences, however 35% of Monterey County residents are renters who cannot smoke in their rentals and tourists are not allowed to smoke at beaches or hotels. Flower, pre-rolls, or vape related product categories make up 70% of cannabis retail sales. As such, the industry believes that combustible consumption lounges are essential for the model to work. The implementation of consumption lounges is varied in scale and function and the industry believes the requirements should not be so restrictive as to deter expanding their retail businesses and the ability to sell non-cannabis food and non-alcoholic beverages would be highly valuable.

Departmental staff expressed a variety of concerns related to consumption lounges. Dispensaries typically only have restrooms available for their staff, which are located behind the counter in a secure area and expanding the usage would likely require a separate restroom with sufficient capacity for customers. Expanding the usage would also require an area separate from the retail area where on-site consumption would occur, which may require permitted construction of partitions, walls, or doors for access. Barring a few exceptions, smoking is not allowed in any workplace in California; references are provided in Attachments B and C. There were also concerns regarding security and customers leaving the facility while intoxicated. Lastly, staff did not have any proposed concepts for a separate or additional taxation method on this business model.

Staff is requesting direction from the Committee on how to proceed with this item after considering preliminary research, industry input, and staff concerns.

OTHER AGENCY INVOLVEMENT:

The Office of the County Counsel, District Attorney, Housing and Community Development, and Health Department were involved in the preparation of the report.

FINANCING:

Monterey County's Cannabis Program is funded in County Administrative Office - Department 1050, Intergovernmental and Legislative Affairs Division - Unit 8533, Cannabis. The proposed recommendations will not incur additional expenses to the Program.

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BOARD OF SUPERVISORS STRATEGIC INITIATIVES:

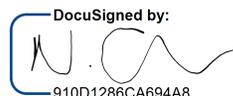
The Monterey County Cannabis Program addresses each of the Strategic Initiative Policy Areas that promote the growth of a responsible and legal Monterey County cannabis industry.

Mark a check to the related Board of Supervisors Strategic Initiatives

- X Economic Development
- X Administration
- X Health & Human Services
- X Infrastructure
- X Public Safety

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Attachments:

- A. Jurisdictions Permitting Cannabis Consumption Lounges
- B. California's Clean Air Laws Infographic
- C. Tracking Tobacco Laws, A California Digest