

Fall 2021 Warrant Article 7 Moderator's Committee
Reasonable Restrictions for Marijuana Licensing in Brookline
September 20, 2022 | 4:00 PM
REMOTE - PARTICIPATION

A recording of the meeting is available here:

https://brooklinema.zoomgov.com/rec/share/l2l30g9kbHHyYwStY2QRp4s_INcN8SMLkzyNMGYTS8plyA4U8IDKx417J0ufnLHD.BfIPdwr66jsF-H06

Passcode: k35kM&%J

Attending:

Voting Members: Ana Albuquerque, C. Scott Ananian, Lindsay Kephart, Ranch Kimball, John Kleschinsky, Thomas Marton, Alok Somani (Chair).

Kate Poverman (Moderator), Kate MacGillivray (Coordinator)

Pre-Read: none

Agenda

1. Public comment.
2. Chair remarks and introduction
3. Team of Two
4. Committee Discussion
5. Any Other Business

Meeting Notes (Final)

1. Public comment.

Donelle O'Neal provided the committee with information about legislation approved by MA over the summer meant to ensure access to economic opportunity through marijuana licensing.

2. Chair remarks and introduction

Chair thanked all for the time and effort that members are investing in the work of this Committee; and provided a gentle reminder of two ground rules: (a) meeting start at 4pm

and end at or before 5pm. We can pick up where we left off the following week if we're not through the material and discussion by 5pm. (b) please keep comments brief.

Purpose of session today is to listen to content prepared by Ranch and Lindsay; asking questions to create a common understanding not to debate.

Quick reminder for Teams of Two to connect and to start to develop an outline and timeline.

3. Team of Two – introduce content concerning experience of other communities.

Ranch and Lindsay. Slides were shared via Zoom. Ranch presented the results of his field research, with data circa 2019, where he visited 25 marijuana stores in 5 states, met government officials and sought to understand the regulatory regimes for other states and cities. Lindsay presented a insights from the tobacco control field.

Key take-aways from the presentations (note: the video recording of the meeting is available and users should review and use that as the primary source of information.)

1. Legalized marijuana in CO and WA is regulated by an existing regulatory authority. MA on the other hand, created a new agency to regulate legalized marijuana. Setting up, appointing leadership and staffing a new agency may have contributed to inefficiency in regulation.
2. The regulatory structure in MA seems to favor vertically integrated, well capitalized entrants. MA regulation allows vertical integration in contrast to CO and WA where vertical integration was prohibited, mostly as a way to encourage small retailers.
3. Because marijuana is a state-by-state industry, product cannot legally be transported across state lines, therefore, the number of entrants and the cost to establish growing operations directly effects the wholesale price.
4. The weather in MA favors indoor growing which increases the capital investment needed to establish growing operations and increases the wholesale price. In addition to the investment needed to grow product, the investment needed to establish a retail operation can be circa \$3mm. The high cost of entry across the supply chain favors large, integrated entrants. Small retailers without growing operations must purchase product from growers who tend to be vertically integrated businesses. Small retailers are likely sourcing product from vertically integrated entrants at disadvantaged price which is likely to impact their profitability and competitiveness.
5. The retail market in MA might be characterized as large stores in small towns. Small towns generally have less ability to regulate. The number of stores per capita is lower in MA than other states; mostly because of the cost to establish a retail operation and the purchasing disadvantage of non-integrated participants.

6. NETA in Brookline may be the largest store and have the highest revenue of any retail store in the US. This might be because Brookline is surrounded by “opt-out” communities and we attract buyers from adjacent States.
7. When comparing the location of stores in MA versus in other States, most of the stores in other States are not located near residential areas.
8. Cost of licensing for retail tobacco sales (circa \$350) is considerably lower than marijuana. The tobacco industry is not vertically integrated (producers do not generally participate in retail). And tobacco is not sold in dedicated stores.
9. The tobacco control field does not generally encourage or promote the sale of tobacco products; and has many different policy tools to reduce sales, e.g. ban on flavored tobacco, bans on sales at pharmacies, societal norms (large chains ceasing sales).
10. There is well documented medical, epidemiologic and public health research about the health impacts of tobacco that informs policy control choices. On the other hand, evidence-based understanding for marijuana is under development. Meanwhile, cannabis is being promoted as a medical product with sparse evidence-based understanding.

Questions to consider:

- a) Does the higher price of product invite black market supply? The committee discussed whether black-market supply is provided from either or both products grown in MA or transported into MA. It was noted that local sourced black-market supply might be limited because of the investment cost to grow indoors. The question was asked whether the Brookline Police Department might have access to black-market data?
- b) What is the current number of entrants in the growing space and is that number increasing? If only a few, then small retailers unlikely to benefit from competition in the wholesale market.
- c) What is the actual experience of small retailers?
- d) What are the implications of the structure of the marijuana industry in MA on potential regulation and new entrants?
- e) What are the implication of the comparison between tobacco control and marijuana? Is comparison of tobacco and marijuana relevant?

4. Committee Discussion – n/a

5. Any other business – n/a

Decisions – n/a

Actions

- Draft meeting minutes from 9/13 finalized. Chair to post.
- Chair to circulate draft minutes from 9/20 meeting, develop and publicly post agenda and notice for our next meeting scheduled for Tuesday, September 27, 2022 at 4pm by remote participation.
- The Team of Two working on access to economic opportunity will prepare and introduce curated content for discussion at the 9/27 meeting.
- Each Team of Two to continue coordinating off-line to gather and curate content for inclusion in the Committee report.