



How To Balance Cannabis Production Within Your Industrial Communities

California is anticipating a massive cannabis market after voters decided last year to legalize recreational marijuana by 2018. States where recreational use of the drug has already been legalized are seeing billions of dollars of additional tax revenue. Major cities, however, are reporting spikes in industrial lease rates caused by major cannabis investments, which risk changing the makeup of industrial hubs by displacing manufacturers in less lucrative industries. For this webinar, the Urban Manufacturing Alliance partnered with the Bay Area Urban Manufacturing Initiative to gather city officials from Denver, Seattle and Portland, and talk about the strategies they used to tease out land use and enforcement issues pertaining to cannabis production in industrial areas.

Marijuana may bring unprecedented levels of investment to industrial hubs in urban California. But how can cities ensure they're allocating industrial zones to cannabis producers in a way that also maintains affordable manufacturing space for other industries? How can these industrial districts continue to fuel local innovation and investment in the long-term? Below are just a few takeaways we picked out from talks.

-Cities should consider investing in building up local enforcement, instead of relying on the state to regulate the industry at the local level.

David Mendoza, a senior policy advisor at Seattle's mayor's office, noted how Washington state, which issues the operating licenses needed to start a cannabis business, has struggled to enforce cannabis operations in cities. The city has since tasked the Department of Construction and Inspections and the Department of Finance and Administrative Services, which oversee business licensing, with enforcement of local marijuana codes, and hired one new inspector to each department. The state dedicates 25 inspectors to oversee nearly 600 marijuana businesses in retail and manufacturing throughout Washington. Violations in Seattle range from criminal, like distributing marijuana to minors, to code infractions, like operating businesses within 500 feet of schools. The city council also created a civil penalty requiring stores not open before January 2013 to close, which reduced the number of medical marijuana dispensaries by half and made it easier for the city to enforce the industry. The new regulatory arm is costing the city an estimated \$1 million every year, but they're continuing the program because it helps ensure neighborhoods see quicker responses to local "quality of life issues, which are low priority for the [state] Liquor and Cannabis Board," according to Mendoza.

-Cannabis investments will spike, but cities should plan with an eye towards what comes after the “green rush.”

After Oregon legalized recreational marijuana in 2014, Tyler Bump, a senior economic planner for the City of Portland, said the city saw its biggest industrial investment in over 15 years. But that money isn't the only variable influencing lease rates; new industrial construction for distribution sites, including an 885,000-square-foot Amazon fulfillment center, is adding to premiums on industrial land in the Portland region. To ensure the city is diversifying and therefore protecting its local industrial economies, the planning department decided to limit enclosed marijuana grows to 10,000 square feet to make sure small businesses have a shot at entering the industry alongside larger institutional investors. The city is also coordinating closely with an industrial business association to ensure manufacturing industries — and the middle-class jobs they offer — aren't replaced by high-capital, but potentially low-paying jobs in cannabis harvest. There may be new policies or ordinances in the works to influence this part of the market, as they continue to research the industry and work with industrial companies who can communicate the impact cannabis is having on industrial real estate.

-Cities should partner with cannabis producers to help inform zoning plans...

Denver initially designated marijuana extraction techniques, like the creation of THC oil, under food preparation, commercial and general manufacturing. After conducting tours of cannabis manufacturing facilities they learned that the process most closely resembles that of perfume production, meaning it was far too intensive to continue beneath the zoning label of food preparation. Now it's listed beneath heavy manufacturing. “We started seeing businesses that just wanted to do extraction and not make a product, and we realized it didn't make sense to allow that throughout the city,” said Jill Jennings Golich, deputy director of community planning and development at the City and County of Denver. They've since revised general and heavy manufacturing definitions to account for different scales and intensities of extraction. Odor control is another new element. “Now growth facilities and product manufacturers have to input odor control strategies [and] use technologies such as scrubbers and coal filters,” she said.

-...and search for opportunities to collaborate with neighbor cities as the industry grows.

Denver set an initial limit on business operations for cannabis retailers, mandating they close their businesses around 7pm. At the same time, cities just outside Denver were letting their retail operations stay open until 10pm or later, meaning the city was potentially losing tax revenue to its neighbor municipalities. That led Denver to reconsider a limit on hours of operation, and this year the city council voted to raise the cap to 10pm. Additionally, Seattle-area cities — Seattle, Tacoma and Auburn — reported little to no regional coordination on issues of industrial space or retail, pointing out that the state was the leading stakeholder guiding the rollout of the industry. Many Seattle-area municipalities chose to place more stringent caps and restrictions on commercial cannabis. Portland has coordinated on industrial land use and employment issues with neighbors like Gresham and Troutdale, while noting cannabis industry demands are less stressful in those areas. The city says it has “good intentions” to look into more collaborations with its neighbors, and is also working with the region's port authority to manage available land for industrial spaces.

The Urban Manufacturing Alliance conducted interviews with two cities who were not part of the webinar: Auburn and Tacoma, Wash. This additional research was done to get a better understanding of how the cities just outside of Seattle were handling the issue and we wanted to share it with you.

Auburn, Washington. Jeff Tate, the assistant director of community development services at the City of Auburn, reported that his city has seen landlords buying out leases in industrial spaces and handing them over to cannabis producers at higher prices. But despite being one of a handful of cities near Seattle that didn't move to ban commercial production, there are only around 8 cannabis companies taking up industrial space, as compared to "hundreds" of manufacturers in other industries. The industry does not currently pose a threat to other industries. He says his city hasn't always been informed prior to state decisions to change buffer zone distances around sensitive areas, and thus urges cities not to rely too heavily on the state government when preparing for the industry's local impact.

Tacoma, Washington. Like Auburn, Tacoma reported that managing the industry has been a relatively easy process, even though they were one of a handful, along with Auburn, to permit commercial production outside Seattle. The city had enough industrial spaces available to handle the influx in cannabis operations, even though politically conservative landlords in the region haven't always been willing to permit cannabis, which is still illegal at the federal level.

There were a few questions we weren't able to address within the webinar's timeframe. Here they are below.

Are there any conferences scheduled in Portland or Seattle (or elsewhere) that would be good for regulators?

This fall Denver will be hosting a conference on cannabis regulation called the [Marijuana Management Symposium](#). This is the third time the city has hosted this conference, and it will take place on October 19th and 20th. Last year, the symposium hosted talks by national and regional experts on community health and safety, how to measure the cannabis industry's local impact, inspections and compliance and a roundtable that discussed national cannabis trends as they relate to cities. (You can download speaker presentations from 2016 [here](#).)

Is Portland's Office of Neighborhood Involvement completely separate from its Code Enforcement Division? If so, is there any overlap between the two?

The two offices are distinct -- the Office of Neighborhood Involvement acts as the middleman between neighborhood associations and government bodies like the Bureau of Development Services, which oversees code enforcement alongside other departments. While the Office of Neighborhood Involvement does enforce noise violations, which can originate from large cannabis producers, the Bureau of Development Services oversees the vast majority of zoning requirements that would relate to cannabis businesses. (Read about which organizations in Portland handle which code violations [here](#).)

What types of work opportunities are there in the cannabis industry for individuals with disabilities in local municipalities? (e.g. Work Force)

Most of the cannabis industry revolves around the types of jobs you'd find in retail, farming or food/agriculture processing. Depending on the type of disability, jobs may be available behind the counter at marijuana dispensaries, or within marijuana production sites that employ workers to sort out cannabis and prepare for distribution. The best advice would be to coordinate with local cannabis companies to learn about the specific jobs they are looking to fill, and what types of skills and demands come with those jobs. This can then be built into city workforce development initiatives that provide for disabled workers.

Additional City Resources

Seattle.

Marijuana in Seattle:

<https://www.seattle.gov/council/issues/marijuana-in-seattle>

State licensing:

http://lcb.wa.gov/mjlicense/producer_license_discriptions_fees

Portland.

Cannabis program:

<https://www.portlandoregon.gov/oni/article/570288>

Employment and Industrial Zones:

<https://www.portlandoregon.gov/bps/article/64435>

Denver.

Zoning codes:

http://www.denvergov.org/content/dam/denvergov/Portals/646/documents/Zoning/DZC/Denver_Zoning_Code_Article11_Use_Limitations.pdf

Marijuana business licensing:

<https://www.denvergov.org/content/denvergov/en/denver-business-licensing-center/marijuana-licenses/retail-marijuana.html>

Tacoma.

Marijuana regulations:

<http://www.cityoftacoma.org/cms/one.aspx?portalId=169&pageId=69725>.

Auburn.

Cannabis ordinance:

<http://mrsc.org/getmedia/3e08dd25-cfe4-4f84-b2e4-a02160fe0b37/a906595.pdf.aspx>