

# Cannabis Consumption Lounges

Policy Considerations for Enabling a New Class of  
Cannabis Businesses



WM Policy is the government relations, research, education, and public engagement arm of Weedmaps.

The WM Policy staff—with decades of legislative, regulatory and public policy experience, and an impressive record of achievement in local, state and national political campaigns; far reaching and impactful policy development; effective and creative public awareness efforts; and powerful, change-making coalition building—works with lawmakers, advocates, industry groups and other allies to forge safe, open, and sensible cannabis policy across the country and around the world.



## Executive Summary

Consumption lounges are an emerging cannabis business model that offers a safe and legal place to consume cannabis. Consumption lounges can be affiliated with cannabis retail businesses or operate independently and bring a wide range of benefits to local communities and give entrepreneurs a means of exploring new and innovative business opportunities. The success of consumption lounges and parallel business models largely depends on sensible public policy. The following paper provides an overview of consumption lounges and recommendations for responsible consumption lounge policy.

### A Brief History of Consumption Lounges

While regulated consumption lounges are relatively new to the legal cannabis industry, there is historical precedent in the United States and abroad for this business model. The history of cannabis lounges (and cannabis businesses at large) is rooted in LGBTQ+ activism. The first dispensary and cannabis lounge in the U.S., The San Francisco Cannabis Buyers Club, was founded in the 1990s by LGBTQ+ and cannabis activist Dennis Peron.

### Benefits of Consumption Lounges

Consumption lounges benefit businesses, consumers, and communities alike by providing safe and legal public spaces for adults and patients to consume cannabis. Consumption lounges are especially important for those unable to legally consume cannabis in their residence, such as those living in federally-subsidized housing or in rental units that prohibit cannabis consumption. Along with economic benefits, lounges also serve as a means of destigmatizing cannabis use, minimizing illegal public consumption, and reducing public consumption-related arrests.

### Types of Consumption Lounge Licenses

There are two primary license models for consumption lounges: retail lounges (adjacent/attached to a retail dispensary) and independent lounges (not associated with retail dispensaries). With expanded licensing schemes, jurisdictions can allow for business models reflective of cafes, tasting rooms, cannabis hotels, and more.

### Responsible Consumption Lounge Policy

Lawmakers should ensure that consumption lounge policies prioritize public health and safety, such as requiring all patrons to be medical patients or adults 21 and older, while maintaining flexibility for businesses and avoiding overly burdensome rules.

### State and Local Consumption Lounge Frameworks

While several state and local governments permit some form of regulated cannabis consumption spaces, consumption lounges are a nascent and growing sector of the legal cannabis industry. States with both new and established cannabis marketplaces have embraced consumption lounges. For example, Nevada, which legalized adult-use cannabis in 2016, passed legislation in 2021 to legalize consumption lounges, recognizing the many benefits they offer.

## Policy Recommendations

1. Consumption lounges should be limited to adults 21 and older and patients 18 and older.
2. Consumption lounges should adhere to local zoning laws that have been established for retail cannabis businesses.
3. Establish air quality and ventilation standards for consumption lounges.
4. Allow for consumption lounges at licensed dispensaries (retail consumption lounge model) and at standalone consumption facilities (independent consumption lounge model).
5. Authorize independent consumption lounges to sell single-use and ready-to-consume cannabis products.
6. Independent consumption lounges should be allowed to decide if consumers can bring their own cannabis products (whether legally homegrown, or purchased elsewhere), and should be permitted to charge a fee for outside products, similar to a corkage fee.
7. Allow consumers to take home unused cannabis products purchased at a consumption lounge.
8. Allow cannabis to be delivered to consumption lounges that permit outside cannabis products.
9. Enable consumption lounges to sell non-cannabis food and beverages upon obtaining the proper license(s).
10. Allow multiple methods of consumption at lounges (i.e., smoking, vaporizing, edibles).
11. Allow consumption lounges to sell or temporarily provide cannabis consumption tools.

## Introduction

As the legal cannabis industry matures and legalization expands across the United States and the rest of the world, there is notable demand, and a great need, for publicly-accessible designated spaces to consume cannabis. Legal consumption lounges operate openly and safely in a handful of states, but in many jurisdictions, adults and patients are limited to consuming in their private residences. This poses a problem for many - including those living in federally-subsidized housing or rental properties that prohibit cannabis consumption, tourists with no place to consume their legally purchased cannabis, and those who simply wish to consume cannabis in a social environment.

While consumption lounges are relatively new to the regulated cannabis industry, they have increasingly become a staple in legalization efforts and a policy priority for lawmakers in states with established markets. New York, New Mexico, and New Jersey - three of the states to most recently legalize adult-use cannabis - included consumption lounges in their legalization bills. Nevada, which already had an adult-use cannabis market, passed legislation in 2021 to legalize consumption lounges.

Consumption lounges provide an option for adult consumers and patients to legally consume cannabis outside of their homes, all while minimizing illegal public consumption, creating new business opportunities and jobs, bringing in tax revenue, and shrinking the unregulated market. The following paper provides an overview of the numerous benefits of consumption lounges, a summary of how local and state governments responsibly regulate consumption lounges in their jurisdictions, and recommendations for policymakers.

## A Brief History of Consumption Lounges

While the idea of a cannabis consumption lounge may seem novel, there is a rich history of these businesses operating despite prohibition. Founded in 1994, the San Francisco Cannabis Buyers Club was the first public cannabis dispensary and consumption lounge in the United States.<sup>1</sup> The club served as a safe place for patients to obtain and consume medical cannabis, especially those looking to ease their AIDS-related symptoms and treatment side effects. The club, founded by LGBTQ and medical cannabis legalization activist Dennis Peron, became a staple in the community and is forever cemented in LGBTQ history and cannabis culture.

On the other side of the globe, Amsterdam (Netherlands) - with its relaxed but conflicting cannabis laws - is a tourist magnet for cannabis consumption. The city's "coffee shops" began to pop-up in the 1970s<sup>2</sup>, providing a space to purchase and consume cannabis and socialize. In Spain, cannabis social clubs began operating in 2001, following a non-profit model with a public health focus.<sup>3</sup>

## Benefits of Consumption Lounges

With sensible regulation, consumption lounges can bring a host of societal, economic, and criminal justice benefits to consumers, businesses, and local communities. The following section highlights some of these benefits.

## Societal Benefits

### A Safe Place for Legal Consumption

Consumption lounges create a solution for the many consumers that otherwise lack a suitable and legal place to consume cannabis. For those living in federally-subsidized housing, consuming cannabis can mean eviction and potential homelessness - even if cannabis is being used strictly for state-sanctioned medical reasons. Consumers in this situation are faced with severely limited options for consumption, as public use is often outlawed. Other consumers may reside in apartment buildings or condominiums, where renting is common, and landlords or property management companies can establish cannabis use as grounds for eviction or other penalties. In California, where cannabis is fully legalized and regulated, approximately 45% of residents are renters (2019) - meaning nearly half of the state's population is subject to the whims of property owners when it comes to cannabis use. Consumption lounges give at-risk consumers safe and legal environments to use their cannabis products without fear of unjust consequences.

### Destigmatizing Cannabis Use and Meeting Consumer Demand

Consumption lounges can aid in removing the stigma surrounding cannabis and cannabis consumers. Similar to purchasing an alcoholic beverage from a bar or restaurant, consumers increasingly demand and expect similar establishments for cannabis. As described previously, many consumers may be either unable or uncomfortable using cannabis in their homes for a multitude of reasons; having legal and accessible public spaces for cannabis consumption fulfills a legitimate consumer need.

### Benefits for Novice Consumers

Consumption lounges may be an attractive option for novice consumers and tourists who wish to try cannabis in a safe environment with supervision. New or infrequent cannabis consumers may enjoy assistance in learning how to use a smoking tool or vaporizer, or when trying a new cannabis product. This type of direct assistance may be difficult to obtain for new consumers, and consumption lounges provide a solution. As seen in many state regulatory models, consumption lounge employees are often required to have specialized training to spot signs of overconsumption and manage intoxicated customers. These standards are especially important and helpful for novice consumers, should they require assistance.

### Minimizing Public Nuisance

By providing legal places to consume cannabis, lounges can reduce illegal public consumption in states where doing so is forbidden. Many view public use of cannabis negatively, largely due to odors and social stigmas. Consumption lounges can reduce legal transgressions by cannabis consumers, and mitigate instances of non-users experiencing unwanted exposure to cannabis. In this sense, consumption spaces are a win-win for consumers and non-consumers alike.

### Displacing the Unregulated Market

Just as the regulation and licensing of retail storefronts and cannabis delivery have made headway in stifling the unregulated market, legal consumption lounges can drive out the unlicensed lounges that exist. Unregulated businesses do not contribute to the tax base and are not beholden to the important rules that licensed lounges abide by to protect public health and safety. Further, lounges that are permitted to sell their own cannabis products create an additional incentive for consumers to purchase legal cannabis. While there are many other factors (such as tax rates) that drive consumers away from or towards the illicit cannabis market, consumption lounges have a role to play in reducing the number of unlicensed businesses.

## Economic Benefits

### A New Source of Tax Revenue

As with the legalization and regulation of cannabis retail locations, states and communities that permit consumption lounges can expect to see increased revenues from taxes and licensing fees. In the first five months of 2021 alone, states captured nearly \$8 billion in tax revenue from licensed cannabis businesses. These tax dollars fund meaningful programs that further benefit communities with investments in education, substance abuse programs, economic development initiatives, and more. As of April 2021, Colorado has generated \$404.5 million for public schools through cannabis taxes.<sup>4</sup> While the revenue from consumption lounges is difficult to predict and largely dependent on jurisdictional regulations, communities can expect to see benefits similar to those derived from other licensed cannabis businesses.

### Entrepreneurship and Innovation

An untold number of potential business models exist under the “consumption lounge” umbrella, and regulations should ensure that a consumption lounge license enables a wide range of business opportunities. While not comprehensive, these are just a few business models that could exist:



**Cannabis-friendly hotels** give consumers a safe place to enjoy cannabis during their stay, and present an alternative to the typical hotel bar.



**Cannabis-serving restaurants** may serve non-THC containing food alongside cannabis products, such as edibles or cannabis beverages.



**Cannabis yoga studios** allow consumers to add a layer of nuance to their yoga practice, increasing focus or relaxing the body.



**Cannabis-friendly comedy clubs** can add to the social experience, and make a good laugh even better!



**Cannabis tasting rooms** can give the connoisseur a complex consumption experience, and use sophistication and elegance to remove social stigmas.

### Job Creation<sup>5</sup>

The cannabis industry as a whole has proven to be a boon for employment. Hundreds of thousands of people are employed in the industry, with projections of over 1.6 million cannabis jobs by 2025 with full federal legalization. Consumption lounges have the potential to create thousands of new businesses, bringing along tens of thousands of jobs.

### Tourism

The tourism industry also stands to flourish from cannabis consumption sites. Many tourists that travel to adult-use states (especially those traveling from states without access to legal cannabis) are excited to explore a retailer, ask questions, and pick out their favorite products, only to realize upon stepping out of the dispensary that they have no place to consume their cannabis legally. In Colorado, during the winter

of 2018-2019, 16% of visitors reported visiting a cannabis dispensary while in the state.<sup>6</sup> Not only does cannabis draw more tourists - but those tourists also spend more money than the average visitor, contributing meaningfully to the tax base and supporting local businesses.<sup>7</sup>

Allowing different consumption lounge models like those mentioned previously offers a huge opportunity to promote tourism and give visitors a designated place to consume their canna-souvenirs. This is also important for medical patients - states with reciprocity (recognition of out-of-state medical cannabis patients) can benefit from having designated spaces for traveling patients to consume their medicine.

### **Social Equity Opportunities**

With the creation of a new class of cannabis business licenses comes the potential to create additional business ownership opportunities for social equity entrepreneurs. Within the cannabis industry, social equity programs aim to facilitate the market participation of those communities disproportionately harmed by cannabis criminalization. While social equity programs vary greatly depending on the jurisdiction, these programs typically offer benefits to qualifying participants, most frequently in the form of reserved licenses, technical and financial assistance, and reduced or waived fees.

Regulators have multiple avenues for issuing consumption lounge licenses equitably. In states that have not yet legalized cannabis, policymakers should consider allocating a portion of consumption lounge licenses to social equity applicants, providing technical/financial assistance, and/or adopting an exclusivity period for social equity applicants. For states that have established cannabis marketplaces, especially those without a social equity program, policymakers should consider creating an exclusivity period and/or reserved licenses for social equity applicants for consumption lounge licenses.

While consumption lounges can be an avenue for advancing a diverse and equitable cannabis marketplace, they should not be the only offering available to social equity applicants. Instead, social equity programs should aim to create a wide array of cannabis business ownership opportunities for qualified applicants, which include, but are not limited to, consumption lounges.

### **New Growth For Existing Cannabis Businesses**

A retail consumption lounge license offers existing retailers an opportunity to expand their operations and create a new revenue stream, which can help in the success of their business while providing a valuable consumer experience. As explored previously, on-site consumption presents numerous possibilities: retailers that add a consumption space may choose to serve food, offer wellness services, and more. The option to add a designated consumption space can help businesses differentiate themselves, especially in markets flooded with competition and large, well-funded multi-state operators.

### **Criminal Justice Benefits**

While the majority of cannabis arrests and infractions are due to simple possession, individuals caught illegally consuming cannabis in public can be subject to citations and arrest. The War on Drugs historically and to this day has had a disproportionate impact on non-white populations. According to an analysis by the American Civil Liberties Union (ACLU), Black people are 3.73 times more likely to be arrested for a cannabis offense than white people.<sup>8</sup> Even after a state legalizes cannabis, racial disparities persist, with Black people being more likely to be arrested for cannabis in every single state.<sup>9</sup> Consumption lounges can not only reduce illegal public consumption, but they can also help minimize police interactions and enforcement that disproportionately targets minorities and other marginalized communities.



## Types of Consumption Lounge Licenses

While specific policies differ by jurisdiction, there are two general consumption lounge license frameworks that have emerged: retail consumption lounges and independent consumption lounges. Policymakers should allow for both license types.

| Retail Consumption Lounge   | Independent Consumption Lounge  |
|---|---|
| An additional license or permit that allows licensed cannabis retailers to operate a consumption lounge <i>in addition to</i> their retail space. The lounge is typically required to be attached or adjacent to the retail location. | <p>A license that allows for lounges unassociated with existing retailers. These licenses are typically separated into two categories:</p> <p><i>With Sales:</i> A license that allows for the operation of an independent consumption lounge that sells its own cannabis products intended for immediate consumption at the facility.</p> <p><i>Without Sales:</i> A license that allows for the operation of an independent consumption lounge, but without permission to sell cannabis. Consumers can bring their own cannabis products, or have cannabis delivered to the facility.</p> |

## Responsible Consumption Lounge Policy

When crafting public policies for cannabis consumption lounges, lawmakers should adopt regulations that result in safe consumption environments for cannabis use. Care must also be taken to ensure that rules are not overly-prescriptive or burdensome to businesses. The following section provides an overview of responsible consumption lounge policy frameworks.

### Employee Training

Proper training of consumption lounge employees is key to maintaining a safe and enjoyable environment for all consumers. Trained employees can guide consumers toward appropriate products and consumption methods and identify signs of intoxication.

#### Example: Nevada’s Employee Training Requirements

Nevada’s recent passage of Assembly Bill 341<sup>10</sup> presents a great model for employee training. Consumption lounges are responsible for training each employee “concerning paraphernalia, the potency, absorption time and effects of single-use cannabis and products and ready-to-consume cannabis products, the recognition of impairment from and overconsumption of cannabis and the safe handling of a customer who is impaired” (AB 341). Sensible measures like this safeguard the well-being of customers and maintain responsible business reputations.

## Education

To promote consumer education on responsible cannabis consumption and spread awareness of the potential risks of problematic cannabis use, lawmakers should consider employing educational public awareness campaigns. Educational campaigns can be especially beneficial for novice or infrequent cannabis consumers. Evidence-based education on cannabis consumption - including potency considerations, ingestion methods, desired effects, and more - can ensure safe cannabis use and avoid undesirable experiences.

### **Example: Colorado’s “Responsibility Grows Here” Education Campaign**

In Colorado, the state health department launched an education campaign titled “Responsibility Grows Here,” which included content for young people and resources for adults who choose to consume cannabis.<sup>11</sup> The campaign’s fictional spokesperson, Meg the Budtender, educated users about safe storage practices, differences between consumption methods, and appropriate places to use cannabis. Education campaigns like Colorado’s can be helpful for new patrons of consumption lounges and broaden the general public’s knowledge of cannabis.

## Ventilation and Air Quality Requirements

With the presence of cannabis smoke and resulting particulate matter in consumption lounges, policymakers should adopt reasonable ventilation requirements to regulate indoor air quality. HEPA (high-efficiency particulate air) filtration systems should be standard in consumption lounges. These air filters remove particulate matter from the air, including those present in cannabis smoke, and can also utilize carbon filtration and ionization components for added efficacy. Consumption lounges should also have certain aspects of on-site air conditions inspected by a professional, such as proper airflow between rooms, fresh air intakes, and sufficient odor control.

Many states and localities may need to amend existing legislation surrounding indoor air quality to enable consumption lounge operation. In the case of Illinois, the state’s Cannabis Regulation and Tax Act, which legalized cannabis for adult-use, also included an exemption to the Smoke-Free Illinois Act.<sup>12</sup> There is precedent for amending this type of legislation, and lawmakers should not shy from amending statute to align with modern societal advances.

### **Example: San Francisco’s Consumption Lounge Air Quality Requirements**

The City and County of San Francisco, California serves as an example of such regulations. Prior to being issued a mechanical permit for the operation of a consumption lounge, the Department of Building Inspection must sign-off on multiple aspects of a lounge’s ventilation and indoor air quality. These requirements include air change (flow of fresh air) for smoking and non-smoking rooms, proper air filters, odor control measures, air intake and exhaust outlets, air pressurization, and ensuring separate heating, ventilation, and air-conditioning (HVAC) systems for smoking and non-smoking areas.

Regulations like these ensure that consumers are not exposed to more cannabis smoke than they intend and that employees do not inadvertently become affected by lingering cannabis smoke in the air. Proper odor control is also of key importance in limiting the impact on nearby businesses and residences.

## Product Availability

Consumption lounges should be permitted to sell cannabis products, which will encourage customers to purchase from legal sources and help ensure these business models can be profitable. In jurisdictions where only outside products can be consumed on-site, such as Michigan, the lack of on-site sales opens a door for consumers to use products from the unregulated marketplace. Convenience is one of the most important factors influencing consumer purchasing behaviors, and the ability for lounges to sell ready-to-consume or single-use cannabis products will increase the likelihood consumers buy legal, lab-tested products.

Further, allowing consumption lounges to sell cannabis products will better ensure the viability of these businesses. While the success of a business ultimately falls on the individual or entity, policymakers should remove burdensome restrictions that make profitability in the legal cannabis industry nearly impossible. Without retail capabilities, consumption lounges will face an uphill battle trying to turn a profit.

## State and Local Consumption Lounge Frameworks

As of February 2022, nine of the eighteen adult-use states have permitted some form of consumption lounge - either directly through state authority, or by handing over regulatory oversight to local governments. The following section describes the consumption lounge regulatory models in each jurisdiction.

### Alaska

|                          |  |
|--------------------------|--|
| <b>Licensing:</b>        | State license  |
| <b>Regulatory model:</b> | Retail consumption lounges only  |
| <b>Sales:</b>            | Cannabis may be purchased at the retailer and consumed in the designated lounge area |

Alaska allows cannabis retailers to operate on-site consumption facilities. The Alaska Marijuana Control Board amended the state's definition of "public consumption" in 2015 to exclude licensed cannabis retail stores with a consumption endorsement issued by the Board.<sup>13</sup> Local governments can prohibit consumption lounges along with adult-use storefronts, and lounges are subject to product and facility regulations<sup>14</sup>, such as air filtration.

### California

|                          |  |
|--------------------------|--|
| <b>Licensing:</b>        | State retail storefront license if offering cannabis sales, otherwise local license only |
| <b>Regulatory model:</b> | Retail and independent consumption lounges   |
| <b>Sales:</b>            | Cannabis may be purchased at the retail location affiliated with the lounge              |

California delegates licensing and control of consumption lounges to local authorities - currently, Oakland, San Francisco, and Hollywood, among others, allow consumption lounges in their jurisdictions. State-level licenses for consumption lounges are only required if the business also sells cannabis or cannabis products. In this case, licensees would need to apply for a retail storefront license. As of December 1, 2021, the California Assembly has passed Assembly Bill 1034<sup>15</sup>, which would allow consumption lounges

to also sell non-cannabis food and beverages. This bill awaits passage by the state Senate before proceeding to the Governor’s desk.

### **Oakland, CA**

The City of Oakland requires<sup>16</sup> secondary onsite consumption permits for cannabis to be consumed on business premises. Permits are issued at the discretion of the City Administrator, taking into account the history and business practices of applicants. Lounges are subject to rules surrounding parking, ventilation, impaired driving, and hours of operation.

### **West Hollywood, CA**

West Hollywood allows for cannabis consumption areas<sup>17</sup> on the premises of existing retail locations. Smoking, vaping, and edible products are permitted, and businesses must meet regulations regarding the facility and relevant equipment.

## **Colorado**

|                          |  |
|--------------------------|--|
| <b>Licensing:</b>        | State license  |
| <b>Regulatory model:</b> | Retail consumption lounges and hospitality establishments  |
| <b>Sales:</b>            | Cannabis may be purchased at the retail location affiliated with the lounge<br>( <i>not</i> in hospitality establishments) |

In May 2019, Colorado passed House Bill 19-1230<sup>18</sup>, authorizing licensed cannabis retailers to seek a “Retail Marijuana Hospitality and Sales Business License” and hospitality establishments (hotels, restaurants) to apply for a “Marijuana Hospitality Business License”. Cannabis retailers are required to have a designated consumption area separate from the main retail space, and hospitality businesses cannot sell their own cannabis. Another provision prohibits hospitality establishments from applying for a cannabis consumption license if they already possess a liquor license. Local governments have the authority to further regulate or prohibit consumption lounges, and lounges are subject to rules governing cannabis products and facility standards.

## **Illinois**

|                          |   |
|--------------------------|---|
| <b>Licensing:</b>        | Local license   |
| <b>Regulatory model:</b> | Retail consumption lounges only   |
| <b>Sales:</b>            | Cannabis may be purchased at the lounge or the retail location affiliated with the lounge |

The Illinois Cannabis Regulation and Tax Act<sup>19</sup> enabled local governments to authorize consumption lounges without the presence of state-level licenses. On-site consumption can occur on the premises of a retail dispensary or a retail tobacco store. Permission for lounges to sell cannabis also rests with local jurisdictions.

## **Michigan**

|                          |  |
|--------------------------|--|
| <b>Licensing:</b>        | State license                              |
| <b>Regulatory model:</b> | Retail and independent consumption lounges |

**Sales:** Cannabis may be purchased at the retailer and consumed in the separate lounge area (cannabis may *not* be purchased at independent lounges )

Michigan provides a “Designated Consumption Establishment” license under the Regulation and Taxation of Marihuana Act<sup>20</sup>, which welcomes commercial spaces with on-site cannabis consumption. However, consumption establishments are not permitted to sell cannabis products. Both retailers and microbusinesses can apply for a license, but the consumption lounge space must have a separate address. All lounges must have a designated smoke-free area and a separate ventilation system, among other requirements.

## Nevada

**Licensing:** State license  
**Regulatory model:** Retail and independent consumption lounges  
**Sales:** Cannabis may be purchased at the lounge

Nevada recently passed Assembly Bill 341<sup>21</sup>, creating two consumption lounge license types:

- **Retail Cannabis Consumption Lounge:** Allows existing retailers to operate a designated consumption area either attached or adjacent to their retail location.
- **Independent Cannabis Consumption Lounge:** Allows for the operation of a consumption facility unaffiliated with a retail location. Single-use and ready-to-consume products are allowed, but independent lounges are not permitted to sell their own products to consumers unless they enter into a regulator-approved contract with an adult-use retailer to procure and sell their products.

Local governments are authorized to prohibit and further regulate consumption lounges. Businesses are also subject to consumer safety, employee training, and equipment regulations.

## New Jersey

**Licensing:** State license  
**Regulatory model:** Retail consumption lounges only  
**Sales:** Cannabis may be purchased at the retailer and consumed in the designated lounge area

Under the New Jersey Cannabis Regulatory, Enforcement Assistance, and Marketplace Modernization Act<sup>22</sup>, licensed cannabis retailers can apply for a “Cannabis Consumption Area” endorsement by state regulators, as well as seek local approval. Lounges can be indoor or outdoor, and are not authorized to be operated separate from a retail location.

## New Mexico

**Licensing:** State license  
**Regulatory model:** \*Regulations pending  
**Sales:** \*Regulations pending

The New Mexico Cannabis Regulation Act<sup>23</sup> allows for a “Cannabis Consumption Area” license. The Cannabis Control Division has been tasked with creating rules for this license type, which have yet to be issued as of February 1, 2022. Consumption areas can be indoors or outdoors, and smoking is only permitted if there is a designated smoking area or if the facility is a standalone building. Lounge employees must also receive a “cannabis server permit” to legally offer, sell, or serve cannabis in a consumption area. As seen in other jurisdictions, this permit comes with training/education requirements for employees.

## New York

|                          |   |
|--------------------------|---|
| <b>Licensing:</b>        | State license                           |
| <b>Regulatory model:</b> | Independent consumption lounges only    |
| <b>Sales:</b>            | Cannabis may be purchased at the lounge |

New York’s Marihuana Regulation and Taxation Act<sup>24</sup> created an “on-site consumption” license that allows for the consumption of cannabis in a designated area. No individual who holds an on-site consumption license may simultaneously possess a retail dispensary, cultivation, processor, microbusiness, cooperative, or distributor license. Consumption facilities may sell their own cannabis products. The Cannabis Control Board is tasked with creating rules for on-site consumption licenses.

## Policy Recommendations

### **Consumption lounges should be limited to adults 21 and older and patients 18 and older.**

In accordance with existing laws in states that have legalized medical and adult-use cannabis, all patrons of consumption lounges should meet the minimum age requirements established by law. This typically means 21 or older for adult-use products, and 18 or older for those with medical cannabis designations.

### **Consumption lounges should adhere to local zoning laws that have been established for retail cannabis businesses.**

To prevent visibility and access by children, consumption lounges should be located in a manner consistent with local buffer zones for existing retail cannabis operators. This recommendation is reflective of sensible zoning practices in jurisdictions with legal cannabis. However, zoning regulations, especially buffer zones, should not be so overly excessive as to create a de facto ban on cannabis businesses.

### **Establish air quality and ventilation standards for consumption lounges.**

Consumption establishments should be required to install effective air filtration and odor control systems to alleviate concerns with indoor air quality. Prior to opening their doors, lounges should also receive verification from an experienced professional that certain air quality metrics are acceptable, including but not limited to air exchange rates, fresh air intakes, and particulate matter in the air. With this said, lawmakers should ensure that ventilation requirements are not overly prescriptive, at which point the costs of compliance would become unreasonable.

### **Allow for cannabis consumption lounges at licensed dispensaries (retail consumption lounges) and at standalone consumption facilities (independent consumption lounges).**

Permitting both retail and independent consumption lounges gives business owners more flexibility in choosing a business model and allows new market entrants without retail locations to participate in the industry. Multiple license types smooth the path for new and innovative business designs and give consumers more options.

### **Authorize independent consumption lounges to sell single-use and ready-to-consume cannabis products.**

Independent consumption lounges unaffiliated with an existing dispensary should be permitted to sell their own cannabis products. By allowing sales at independent lounges, consumers are further incentivized to purchase legal, lab-tested cannabis products. Allowing for on-site sales also gives licensees another revenue stream and opportunity to expand their business. Allowing consumption lounges to sell cannabis products will better ensure the viability of these businesses, as cannabis sales can significantly help with profitability.

### **Independent consumption lounges should be allowed to decide if consumers can bring their own cannabis products (whether homegrown if legal or purchased elsewhere) and should be permitted to charge a fee for outside products, similar to a corkage fee.**

Decisions regarding outside products being brought into a facility should rest with the business in question. Some consumption lounges may prohibit outside products as a means of protecting their revenues and business model, while others may choose to permit outside products and charge customers a fee for doing so. This model can be compared to the “corkage fees” sometimes charged at restaurants for customers that bring their own wine. Permitting lounges to charge an outside product fee allows them

to collect revenue from each customer utilizing their facility, regardless of product choices. Ultimately, these private business decisions should not be made by a governing authority.

**Allow cannabis to be delivered to consumption lounges that permit outside cannabis products.**

Consumers should be able to have cannabis delivered from a licensed operator to the consumption lounge if the lounge chooses to allow outside products. This provides flexibility to both consumers and owners of consumption lounges. This also allows consumption lounges to form strategic partnerships with other licensed operators.

**Enable consumption lounges to sell non-cannabis food and beverages upon obtaining the proper license(s).**

Given proper licensing, consumption lounges should be allowed to explore varying business models. With allowance for non-cannabis food and beverage sales at lounges, a wide range of business frameworks become available, such as: cannabis bakeries, coffee shops/cafes, restaurants, tasting rooms, and more. Allowing lounges access to traditional food and beverages gives flexibility in exploring innovative business models and promoting economic growth.

**Allow multiple methods of consumption at lounges (i.e., smoking, vaporizing, edibles).**

The types of consumption permitted at lounges should reflect the typical use of cannabis - including, but not limited to, smoking, vaporizing, or edibles. This allows consumers to explore different consumption methods in a safe environment, and have access to their preferred method of ingestion. This also gives businesses the opportunity to provide more product offerings and pricing schemes.

**Allow consumption lounges to sell or temporarily provide cannabis consumption tools.**

Lounges should be allowed to provide necessary equipment to customers, given the customer's product choice and preferences. The use of consumption tools, such as glass pipes or vaporizers may be desirable for certain businesses and customers - this should be allowed, so long as proper sanitation and disposal procedures are adhered to. Tools and equipment provided to consumers for temporary on-site use should not leave the premises.



## Endnotes

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