

# NJ legal weed: What we've learned, one year after recreational marijuana sales began



**Mike Davis**

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Happy birthday, legal weed!

April 21 represents one year since the first recreational marijuana sales occurred in New Jersey, after nearly a decade of activism in the Garden State. Across New Jersey, customers flocked to 12 dispensaries and waited on line — sometimes for hours — to be among the first people to legally purchase cannabis for personal use.

"I've waited 50 f---ing years for this!," one customer yelled before walking into a dispensary to make his first purchase last year.

Experts predict that the New Jersey cannabis industry might top \$3 billion within a few years. It's not a surprising estimation, with nearly \$555 million sold last year, including nearly \$329 million in recreational sales. All the while, the New Jersey Cannabis Regulatory Commission has been issuing licenses.

In 2022, the state Treasury Department collected about \$20.1 million in cannabis taxes. In the second and third quarters, the state collected \$225,000 from the Social Equity Excise Fee, an extra tax levied on cannabis cultivators and wholesalers designed to reinvest in communities impacted by the War on Drugs. A fourth quarter estimate was not immediately available.

The commission has yet to release sales or tax data for the fourth quarter of 2022 or first quarter of 2023.

But as the road to get to legal weed proved, nothing about cannabis is easy. Here what we've learned over the first 365 days of the Garden State's foray into cannabis, and what stories we'll be following into 2024.

## **The New Jersey cannabis industry is getting big — and fast.**

This time last year, there were just 23 medical marijuana dispensaries open across the state. Twelve of them launched recreational sales on April 21, 2022.

While there are still no recreational-only dispensaries open, the number of medical marijuana dispensaries — including those selling to recreational customers — has only grown. Now, there are 35 locations across the state, 24 of which are also available to adult use customers. By the end of the month, it's likely that three more stores — Sweetspot in Voorhees, MPX New Jersey in Atlantic City and Holistic Solutions in Waterford — will begin recreational sales after winning approval from the Cannabis Regulatory Commission last week.

"We're managing the industry in a responsible way. We avoided the boom of bust we've seen in other states and, while surely we want to see more, we want to see more in a responsible way," said Edmund DeVeaux, president of the New Jersey CannaBusiness Association, which operates as a chamber of commerce for the cannabis industry.

But you can expect more boom to come over the next year.

"The CRC was building the plane while they were flying the plane. That infrastructure is there now, so we're not going to see delays because the regulators weren't ready to go," said Bill Caruso, an attorney who represents and consults with cannabis businesses. "The Economic Development Authority is coming in with a grant program to help with some of the financial issues that still plague this industry. The Business Action Center helps to streamline the bureaucracy of a myriad of different state departments.

"As those tools come to bear, they're just going to supercharge this."

Since late 2021, the Cannabis Regulatory Commission has issued over 1,800 licenses to recreational cannabis businesses, including nearly 1,000 dispensaries and over 400 cultivators. The vast majority — over 90% — of awarded licenses are conditional, which often means the business doesn't have a location or local approval finalized yet. Once that's done, the license holder can apply to convert. But if even a fraction of those licensees eventually open their doors, the industry will be in line for a major expansion.

To date, the commission has issued 80 annual licenses to businesses that are farther along in the process to opening up — including 47 dispensaries and 24 cultivators. And 162 applicants were originally awarded conditional licenses, but were able to convert to a standard, annual license.

## **Local municipalities hold all the cards**

The biggest impediment to the thousands of potential cannabis business owners? Local municipalities.

Take the top-down view: Of the 564 towns in New Jersey, less than one-third have passed ordinances expressly allowing cannabis businesses within their borders and only a little more than 25% allow dispensaries.

But those ordinances often create very specific locations where cannabis businesses can operate — and, to some potential business owners, those locations might not make a whole lot of sense.

The result: New Jersey has thousands of potential business owners in a notoriously cutthroat industry fighting over a few streets in a few towns.

There's an extra focus on cannabis that's not there for other industries, DeVeaux said.

What might be a run-of-the-mill planning board hearing for any other business has to happen quickly and efficiently for a cannabis business, as licenses can expire and smaller businesses can quickly run out of money paying rent or a mortgage while waiting for approval.

"In the food, beverage or entertainment industry, you can take years to build up the financial resources to launch those businesses," DeVeaux said. "In the cannabis industry, you have to do that in a matter of months. What's happening here has to happen a lot faster."

And if you're lucky enough to get one of those licenses? You better be willing to write a big check.

In some municipalities, the cost of a local license can run as high as \$10,000 — including as much as \$2,000 in nonrefundable application fees.

Activists and entrepreneurs say it exacerbates what they see as an industry that, at least in New Jersey, caters to the billion-dollar cannabis companies at the expense of local mom-and-pop entrepreneurs.

Chirali Patel, an attorney and advocate, said municipalities often take so long to even review an application that an applicant's conditional license expires, sending them back to the Cannabis Regulatory Commission for an extension.

"If they're going to opt-in, they should be required to agree to some sort of framework," Patel told the commission on April 13. "Whether it's a 60-day or 90-day review period, something (should be done) so people aren't just waiting for local approval. They're bleeding out while holding real estate."

## **Will the CRC start using its power and platform?**

The New Jersey legal weed world was stunned when the New Jersey Cannabis Regulatory Commission denied Curaleaf's application to renew its license to sell recreational marijuana.

Commissioners seemed to link the denial to the company's decision to close its cultivation center in Bellmawr without notifying them. But after voting to approve the renewal, four days later, Commissioner Krista Nash criticized the company for apparent violations of the labor provisions within the New Jersey marijuana legalization law.

Under those laws, cannabis companies must maintain a labor peace agreement, allow its employees to vote to unionize and reach a contract within 200 days.

"The CRC properly has to balance between their regulatory authority and the realities of the fact that this is cannabis, and it's a very difficult space, and its ultimate end goals — patient access, building an industry and job creation," Caruso said.

One of Caruso's clients is Columbia Care, a competing dispensary chain with two locations in South Jersey.

The decision was remarkable not for its impact, but because it represented a bold move for regulators that had remained gun-shy of using their power or platform. For the better part of two years, commissioners and staffers have subtly chided the state's alternative treatment centers for failing to provide regular reports on issues such as social equity and prioritizing the medical marijuana patient community.

The commission has also cited and fined the companies, but never more than \$90,000 at a time.

"I think what the CRC messaged in their Thursday meeting was they're very serious about these charges and want these entities under their supervision to comply with these things," Caruso said.

If the Curaleaf situation is a sign of things to come, the next year might see a new era where regulators are willing to flex their muscle over New Jersey's hottest new industry.

## **Don't expect the price of legal weed to come down any time soon.**

The reason New Jersey dispensaries can charge \$60 for an eighth — more than double the price in Massachusetts — is two-fold.

There's simply not enough supply or competition. There are only 10 companies approved to grow cannabis for adult use. There's some hope on the horizon, with the hundreds of licenses issued to cultivators. That sector is just as competitive as the retail dispensary sector, but — as a consumer — the best thing to happen for a lower price would simply be more companies growing more cannabis.

But even if cultivators began growing new cannabis tomorrow, plants take months to grow and get manufactured into usable legal weed, and the kind of market correction New Jersey needs to match other states isn't going to happen overnight.

"Competition will play a big role in the prices dropping," said Todd Johnson, executive director of the New Jersey Cannabis Trade Association, which represents most dispensaries and cultivators in the state. "With additional competition and more cultivators with more square feet of (area to grow cannabis), you'll get more supply and that will help ease the imbalance."

*Mike Davis has spent the last decade covering New Jersey local news, marijuana legalization, transportation and a little bit of everything else. He's won a few awards that make his parents very proud. Contact him at [mdavis@gannettnj.com](mailto:mdavis@gannettnj.com) or [@byMikeDavis](https://twitter.com/byMikeDavis) on Twitter.*