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## Medical marijuana business is on fire

DENVER — Medical marijuana dispensaries are springing up in Colorado's major cities like coffee shops, nail parlors, tanning salons or taco shops.

It's been 10 years since Colorado voted to allow the use and sale of marijuana for medical reasons. But in the past six months, the number of patients and dispensaries has skyrocketed.

"This industry is like a bolting horse running out of a stable that's on fire," said Sierra Neblina, owner of the Medimar Haven dispensary in Lakewood, Colo. "We need to get a hold of our own industry."

Denver has some 250 dispensary storefronts and [Boulder](#), Colo., has more than 100. So far, the state has issued more than 66,000 cards that allow holders to purchase medical pot. Card demand is so high that there's a six-month waiting period.

Now, experts estimate more than 100,000 Coloradans can buy medicinal marijuana legally. On April 1, the Medical Marijuana Registry at the state health department stopped accepting walk-up applications and will only process those sent by mail.

"The changes are necessary due to the explosive growth in the number of medical marijuana applications," said Mark Salley of the Colorado Health Department. He said the number of applications jumped from 270 per workday in August 2009 to about 1,000 in February 2010.

Yet, few see legalized marijuana as a way to boost the economy and create jobs, according to an Associated Press/CNBC poll. About a quarter of those polled said legalized pot would lead to more jobs, but 57% said there would be no effect. Sixty-two percent approve of states taxing the drug, with people in the West more likely to back the idea.

### Call it Marijuana Country

Like California, which was the first to OK medical marijuana in 1996, Colorado's marijuana infrastructure and culture are well ahead of the other 12 states that followed.

Though Alaska, Hawaii, Maine, Michigan, Montana, Nevada, New Jersey, New Mexico, Oregon, Rhode Island, Vermont and Washington allow the practice, they are in various stages of start-up mode.

Similar ballot measures or legislation allowing medical marijuana are pending in 14 more states this year: Alabama, Delaware, Illinois, Iowa, Kansas, Maryland, [Massachusetts](#), Missouri, New York, North Carolina, Pennsylvania, South Dakota, Tennessee and Wisconsin. The City Council of the District of Columbia today considers a bill to allow the sale and use of medical marijuana.

Those states have a lot to learn from California and Colorado. In the Mountain State, the jump in dispensary openings and applications for medical marijuana cards appears to be a direct result of

key events — both local and national — that essentially loosened restrictions.

In February 2009, Attorney General Eric Holder said the [Drug Enforcement Agency](#) would end raids on state-approved marijuana dispensaries. He said President [Obama](#)'s election campaign position condoning medical use is "now American policy." Marijuana for non-medical purposes remains illegal.

In July 2009, during a 12-hour hearing in which hundreds testified, the Colorado Board of Health rejected a proposal to limit the number of patients to five that could be served by each caregiver or dispensary. In October, the Obama administration clarified Holder's February statement, telling federal authorities not to arrest or prosecute medical marijuana users and suppliers who aren't violating local laws.

The policy decisions bolstered a business model used by most existing dispensaries, which serve 400 or more patients. And they offered a measure of certainty to investors who are bankrolling the growth in retail outlets.

### **How it works**

To get a medical marijuana card in Colorado, a patient must see a licensed physician who provides written documentation of a "debilitating medical condition." These may include cancer, glaucoma, AIDS or HIV-positive status, seizures, severe pain, severe nausea or severe muscle spasms.

Medical use, according to the law, covers "the acquisition, possession, production, use or transportation of marijuana or paraphernalia related to the administration of such marijuana to address the symptoms." A doctor's visit typically costs about \$150 and may consist of a five- to 10-minute conversation.

Some dispensaries host doctors on site. Websites list regular doctors' hours. The state charges a \$90 processing fee, and dispensaries usually add notary or other smaller handling charges, for a total patient cost of about \$250.

Then there's the product. An ounce of medical marijuana currently costs about \$350 and is considered sufficient to last about six weeks for the average patient.

Often, a dispensary offers a discount to a patient, who then lists it as his or her "primary caregiver." A patient may possess up to 2 ounces of pot or six plants for personal use, and a dispensary may have on hand 2 ounces of pot per patient.

A dispensary may provide a grower with its patient list; a grower may house six plants per patient.

Dispensaries, however, are far more than smoking dens. Marijuana is bought and sold in an array of edible forms, such as caramel corn made with marijuana-laced butter, chocolate-covered cherries, rice cake treats and frozen pizzas.

Mile High Ice Cream in Denver makes dozens of flavors with marijuana. There are bottled soft drinks, pills and tinctures.

Dispensaries also sell routine and advanced drug paraphernalia, including pipes, lighters, scented candles and smokeless "delivery systems" called vaporizers, the latter of which can cost several hundred dollars apiece.

Many dispensaries have expanded to offer massage, acupuncture and other alternative healing methods, usually arranging patient appointments and providing operating space for a practitioner.

There's even an industry trade group, the Colorado Wellness Association, formed in October 2009, whose public affairs officer is a former state senator, Bob Hagedorn.

"I've visited about 80 dispensaries in the Denver metro area," Hagedorn said. "I'd say 10% are very serious about the wellness side of things. Fifty percent are interested in moving product. The other 40% is a balance of those two."

### **Regulatory whiplash**

Since medical marijuana started to take off here, state officials have been scrambling to control a largely unregulated industry that is maturing with retail storefronts, prominent advertising and large-scale operations.

In January, the Denver City Council passed a slew of new dispensary regulations aimed at bringing order to industry chaos and revenue to city coffers.

"Six months ago, Denver and Colorado were the Wild West of medical marijuana, with unregulated and untaxed dispensaries opening almost daily and the number of registered patients soaring," said Denver Councilman Charlie Brown, who sponsored the ordinance.

Now, an applicant for a dispensary license must submit a floor plan and security plan and apply for a zoning permit, a sales tax license and a burglar alarm license. Fees top \$5,000 annually, plus ongoing sales tax.

Brown said crafting the ordinance was "like trying to pick your teeth with a rattlesnake."

Nearby Boulder passed a similar ordinance in 2009. Dispensaries and marijuana-growing operations there generated nearly \$74,000 in sales tax revenue, though most of the estimated 105 businesses didn't open until September or later. (In Los Angeles, the city council is poised to pass regulations aimed at reducing the current 545 dispensaries to about 70, mostly through license fees and zoning.)

"With taxation comes legitimacy," said medical marijuana attorney Rob Corry. "This industry is one of the few that is asking to be taxed and legitimized to join the rest of the business world."

The Colorado Senate is now crafting an additional layer of regulations and fees.

A bill introduced by state Sen. Chris Romer creates new requirements for dispensaries and may institute an excise tax similar to taxes on liquor sales.

"I believe that a highly regulated business structure is required to separate the medical marijuana industry from black market operators," Romer said.

Once state legislation is passed, Romer believes "new business people will quickly enter the market and increase the status and quality of the wellness models."

Jack Cary, a partner in Greenwerkz, a Denver dispensary, agrees. "There is a lot of investment money waiting on the sidelines, investors waiting to see what the rules are, waiting until an investment is not so high-risk," he said.

"Like any gold rush, any boom, there'll be a bust. There will be a shakeout."