

New Jersey Adopts Its Initial Adult Use Rules - *Cannabis Business Executive*

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On August 19, 2021, the New Jersey Cannabis Regulatory Commission adopted its initial rules for the adult use market, two days ahead of an August 21, 2021 deadline set by statute. The new rules – all 160 pages of them - will be effective for one year until August 19, 2022.

The CRC previously announced that the initial rules would not be comprehensive and would focus on issues they deemed necessary to allow the industry to get off the ground. Consistent with that message, the rules focus on the application process and the requirements for owning and operating a cannabis business. Additional rules will be fleshed out through the normal regulatory rule making process over the next year.

The CRC has said promoting social equity is an important goal, and these initial rules do their best to accomplish that goal. The rules expressly give priority in terms of timing of review of applications to social equity applicants, businesses owned by woman, minorities or disabled veterans, and to applicants in impact zones, which are towns with high poverty and crime rates. The CRC will begin accepting applications on a rolling basis at some as of yet undisclosed time in the future, but those groups of applicants will always move to the front of the line whenever they submit their application. Any applicant that is granted a license as a social equity or diversely owned business or impact zone business is required to maintain at least 50% of its ownership with persons meeting those qualifications for at least two years from the time the business begins operations.

New Jersey also allows for a “conditional license” as a pathway to avoid the barriers to entry for many applicants. Conditional applicants will initially only need to submit minimal information, and then will be given 120 days to complete all of the requirements for licensure. Importantly for many applicants, conditional applicants do not need to own or have a lease for property until after they are awarded the conditional license. The rules also allow conditional applicants to raise funding and capital after they receive their conditional license, when they will be much more attractive to outside investors.

To minimize another barrier to entry, the CRC set application fees as low as \$100 for certain applicants. Annual license fees will range from \$1,000 per year for microbusiness to \$50,000 per year for cultivators with a canopy of 150,000 square feet.

In addition to social equity, the CRC has repeatedly focused on ensuring product safety. The rules do not disappoint with detailed regulations on the cultivation, processing and packaging of cannabis product. The rules specify a host of product disclosures and warnings that must be printed on packaging and require that packaging be of only one color, so as to make them less attractive to children.

New Jersey’s adult use law allowed each town to opt-out of having cannabis businesses in their town or to adopt local zoning laws by August 21. Many towns opted out initially saying they were waiting to see what the initial rules said and then would amend their rules thereafter. Unfortunately for them, these initial rules will give those towns no more insight into the types of local town ordinances that should be adopted, except for warning towns that any local licensing fees must be reasonable.

Instead of giving towns any guidance, these rules do answer many of the questions potential applicants had about the application process and requirements and make a good effort to advance the social equity goals of the adult use law. Now if the CRC would only tell us when they will begin accepting applications.