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Cannabis Consumption Lounges Are Legal in Illinois and Elsewhere, But Where Are They?

SEPTEMBER 26, 2023

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As states continue to legalize recreational cannabis, there is a growing demand among cannabis users for public venues where they can safely consume and enjoy cannabis products in a social setting. This has led to increased excitement and interest regarding cannabis consumption lounges. Consumption lounges are seen by many within the industry as a means to further decrease stigmatization surrounding cannabis use, increase positive presence within the communities, and propel forward new and unique marketing initiatives across the industry.

Currently, 8 states,[1] including Illinois, have legalized cannabis consumption lounges, and they have done so to varying extents. The legal framework for these lounges is typically established within the state's statutes that permit recreational cannabis use. These statutes grant municipalities the discretion to allow cannabis consumption lounges, and if so, to add specific rules that must be in addition to any rules promulgated by the state. As such, many municipalities have been slow to allow the lounges as they await more data and evidence from early adopters. This structure has led to much of the work in this area being conducted at the local lobbying level, to mixed results across the various states.

Illinois follows a similar legislative framework to New York and Nevada regarding cannabis consumption lounges. The Illinois Cannabis Regulation and Tax Act ("ICRTA") permits both adult recreational use of cannabis and the authorization of cannabis consumption lounges by local government.[2] Cannabis consumption lounges are emerging outside of the city of Chicago limits but they have yet to open in the city. On December 18, 2019, Chicago's then-Mayor Lightfoot introduced Ordinance 02029-9399, which aimed to permit cannabis consumption lounges within the city but ultimately failed due to a premature introduction.[3] Since the 2019 failed ordinance, a petition by the Illinois Cannabis Consumption Association has been filed asking the Chicago City Council to reconsider and pass an ordinance for cannabis consumption lounges in Chicago.[4] And the Illinois Department of Financial and Professional Regulation has finally proposed draft rules regarding lounge/dispensary hybrids for the state.[5]

In the meantime, advocates and industry veterans in the Chicago area and other similarly regulated markets are getting creative by hosting cannabis events, where cannabis products are not sold nor provided but can be consumed.[6] In regions where lounges are more popular, such as Las Vegas and areas of California, they can serve as an easy and safe entry point into various cannabis products while also removing certain barriers to entry within the market on both the consumer[7] and the industry side.[8]

One big reason there have not been more of these lounges is due to a lack of a pathway to profitability. As the laws are written, many operators do not view the lounges as independently

profitable. The lounges cannot sell alcohol and generally cannot sell cannabis either. Rather, consumers bring their own. [9] Even where the lounge is attached to a dispensary, sales occur within the dispensary, not the lounge. Such arrangements come with a slew of regulatory compliance issues, such as needing separate entrances and extensive ventilation. Still, the potential sales increases for the dispensary make these hybrid models an intriguing path forward.

Cannabis lounges present interesting potential benefits for both the industry and the consumer. However, the deference to local municipalities, regulatory compliance hurdles, and profitability concerns all create challenges. It remains to be seen if consumption lounges truly will find footing here in Illinois and across the country.

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[1] Alaska, California, Colorado, Illinois, Michigan, New Mexico, New York and Nevada.

[2] 410 ILCS 705/55-25 (3).

[3] Sweeping ordinance allows public pot use in licensed Chicago businesses, but Lightfoot ally says it was mistakenly introduced - Chicago Sun-Times (suntimes.com)

[4] Petition · Demand the Chicago City Council pass an ordinance legalizing Cannabis Consumption Lounges

[5] Illinois Register at 12621, Proposed Amendment 1291.340, Onsite Consumption Lounges

[6] Chicago Still Bans Cannabis Lounges but Entrepreneurs Get Creative.

[7] For novice consumers of cannabis, entering the market can be intimidating due to the various ways to consume cannabis, the mixed effects depending on strain and potency, and the lack of consistent and accurate information concerning consumption. Many hope lounges can eventually allow for a more curated experience that can ease some of these concerns while also allowing for increased branding and advertising on the industry side.

[8] Going Dutch: California, San Francisco Weigh Pot Cafes; Nevada Consumption Lounge on the Brink of Becoming a Reality.

[9] An alternative avenue may exist for operators who wish to sell Delta 8 or other legal hemp derivatives onsite, in the states where such products have not been banned or regulated. However, this path remains risky given the legal uncertainty concerning the future of Delta 8 and other similar hemp products.