



# Top 5 Things to Know about Starting a Cannabis Company in New Jersey



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By the end of 2022, more than

**\$328 million**

in legal recreational cannabis had been sold in New Jersey, less than 8 months after the state launched its adult-use cannabis market.

And as New Jersey celebrated the first anniversary of the launch, 1,097 conditional licenses had been awarded, and the state's Cannabis Regulatory Commission continued to work fervently to expand the state's cannabis market.

But while there is a great deal to be optimistic about in the New Jersey cannabis market, if you're a would-be cannabis operator in New Jersey, there are a few issues to overcome before you can make your dream a reality.

## Consideration #1: It's (very) expensive

According to the New Jersey Cannabusiness Association, opening a dispensary in the Garden State is likely to cost from \$250,000 to \$2 million.

The application and certification fees listed by the New Jersey Cannabis Regulatory Commission range from \$100 for a microbusiness application submission fee to \$1,600 for the application approval fee for the annual license for a standard business.

Certification fees for expanded alternative medical centers (ATC) range from \$300,000 for a medical cannabis manufacturer expansion to \$1,000,000 for a vertically integrated ATC with 3 dispensaries.

For cannabis cultivators, licensing fees can range from \$5,000 to \$50,000, while cannabis retailers pay \$10,000.

But the real costs may arise when businesses have to rent property in New Jersey's expensive real estate market.

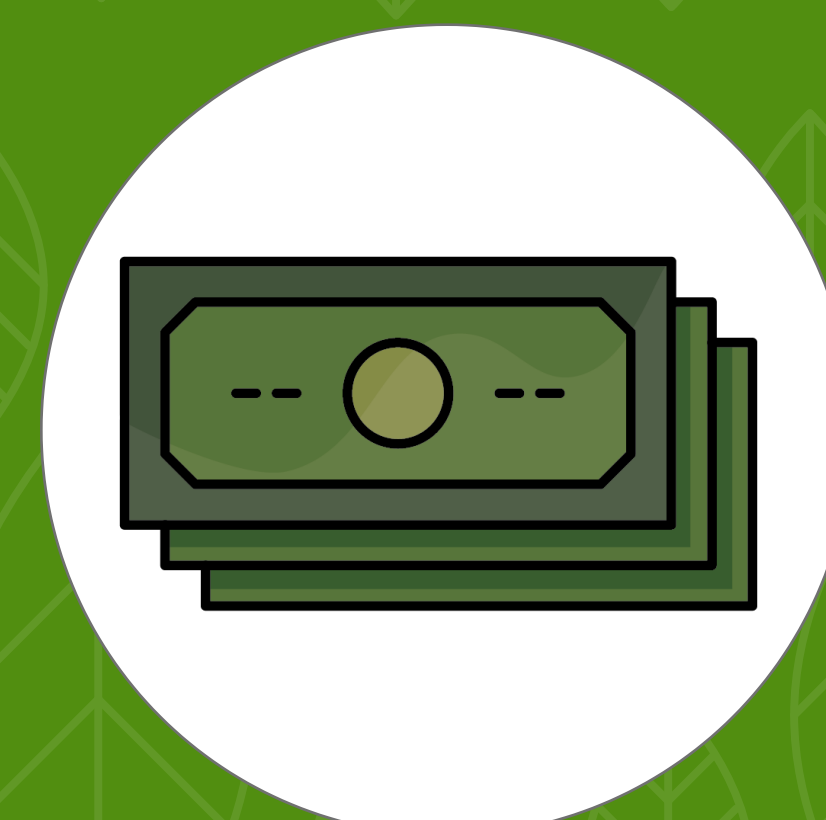
The costs are made more difficult by the fact that venture capital has largely dried up in the cannabis industry and debt financing – when available – can come with very high interest rates that tend to be significantly higher than what non-cannabis businesses pay.

Also, when cannabis entrepreneurs do secure funding, in New Jersey, finding where to set up your business can be a tall order. That said, the number of open dispensaries in New Jersey is growing, and companies are finding ways to get the funds they need. Here are some ways that you can contend with the high costs of cannabis in New Jersey:

### What can help you overcome the high startup costs in cannabis in New Jersey?



Have an airtight business plan, including how you will manage quality control and quality assurance, as well as security, compliance, operations, expected costs, and labor needs



Take your business plan and seek financing. Getting into cannabis in New Jersey is expensive, but you don't have to do it alone. With the proper business plan, you can greatly increase your chances of securing funding



See if you can qualify as a micro business or for a social equity license, both of which can help ease the path to opening a dispensary

## Consideration #2: Limited land use for cannabis – you need local approval

To receive an annual cannabis license, a holder of a conditional license must attain a series of approvals from local authorities – in addition to state authorities.

Local municipality approval requires the submission of a series of materials similar to those required for the cannabis application. These include a business plan, security plan, and odor mitigation plan, among others. The CRC recommends that applicants factor in about two to three months for the process of obtaining local support.

Applicants must also send documentation to the Cannabis Regulatory Commission (CRC) showing that they have final site control of the premises once the application is approved.

Site control in this case is defined as “exclusive rights to the proposed

location for a cannabis business established by ownership, lease, or other means as evidenced by a lease agreement, contract for sale, title, deed, or sommelier documentation.”

The applicant must show that they have received zoning approval from the relevant municipal officials.

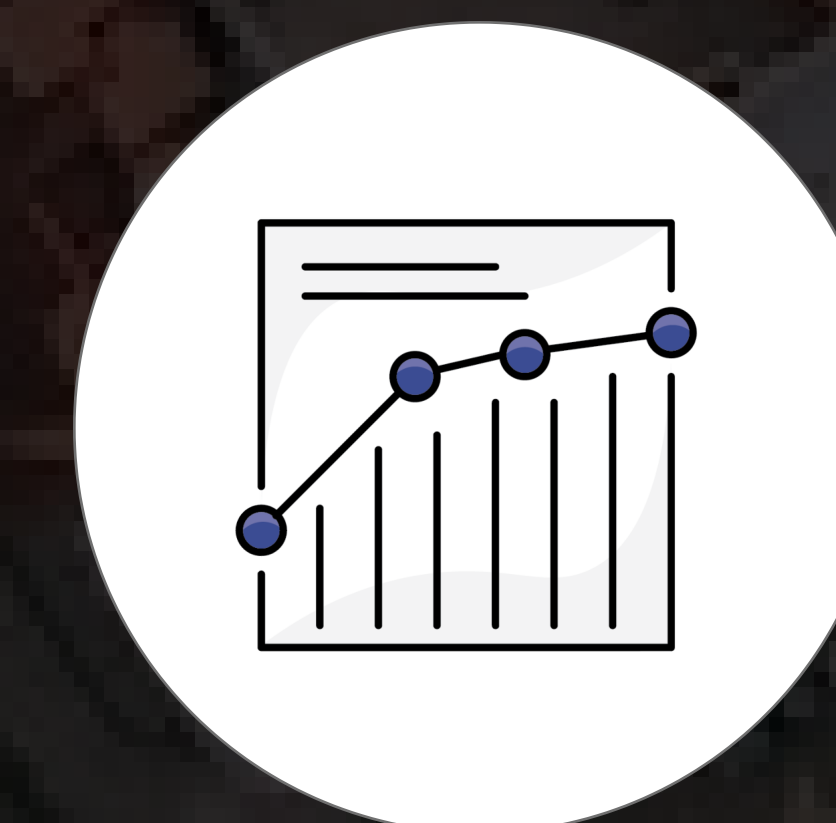
There is also a need for local ownership. As the state says, applicants for manufacturing must have at least one “significantly involved person” who has resided in the state for at least 2 years as of the date of the application.

Also, while there are 565 local authorities in New Jersey, only about a third of them allow cannabis dispensaries. And in those municipalities, there are limits to the number of dispensaries that can be opened.

*“A lot of the delay isn’t the regulators’ fault, a lot of it comes down to the number of towns that are just throwing roadblocks in the way. With land use processes or competitive applications.”*

**Jennifer Cabrera, counsel, Vicente LLP New Jersey office**

### What can help you get your dispensary approved in New Jersey?



Create a professional, comprehensive business plan, as well as guidelines for security and odor mitigation



Find a local New Jersey resident who has lived in the state for at least two years and can be part of your company



Do your research – look through the communities that allow dispensaries and have not hit their limit. Also, look for towns that have approved dispensaries and where there is a lack of competition in the local market

## Consideration #3: Politics plays a big role

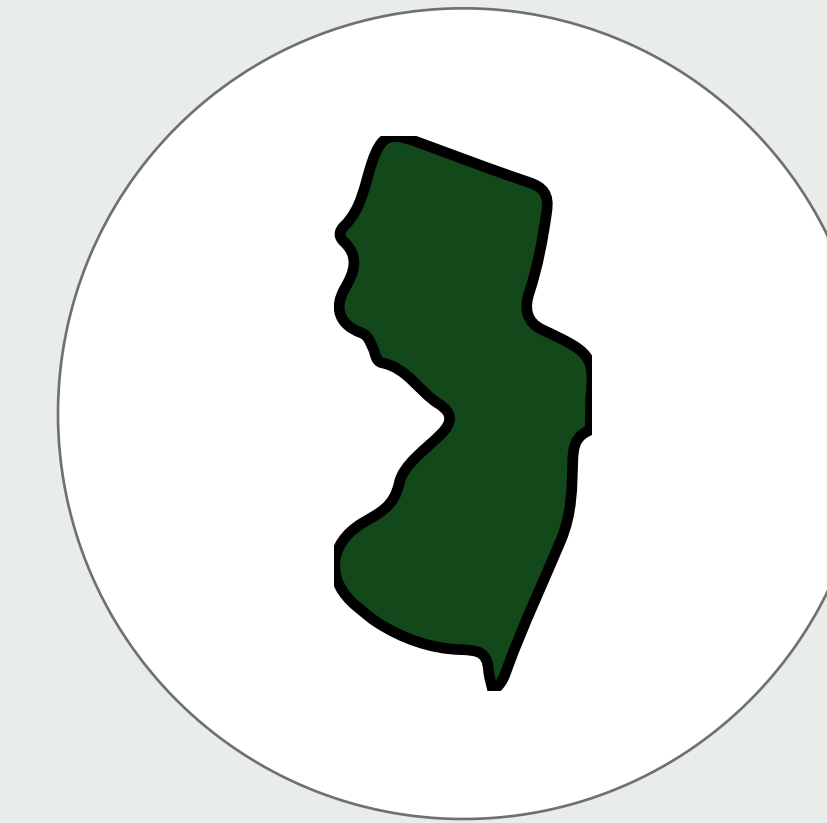
As of June 1st, 2023, there are only 30 adult-use dispensaries spread across New Jersey's 565 local authorities. Under New Jersey law, municipalities can limit the number of cannabis establishments and can determine the location, manner, and times of operation for dispensaries. They can also impose their own separate local licensing or endorsement requirements.

As Jennifer Cabrera, the head of the New Jersey office for the cannabis law firm Vicente LLP told Rootwurks "politics in New Jersey is very important at the local levels. Because licenses are so competitive, to get a municipal [retail cannabis] license, you need to make sure the town is happy with you."

Cabrera said applicants are best off applying locally where they reside, where they are more likely to know people and have some connections. She added that considering that each town can place its own limits on dispensaries "if my town is going to only give out 2 licenses then they'll probably go to people they know and probably a local."

Considering the expense of applying for an annual cannabis license and getting a cannabis business off the ground, applicants should consider viewing lobbyists or legal counsel as an essential start-up cost for cannabis in New Jersey.

### What can help you play politics in New Jersey?



**Stay local:** try to focus on places where you have an established connection or where you have lived and worked for some time



**Learn the local ordinances unique to your area, and tailor your application accordingly**



**Hire professional help:** If your budget permits, consider hiring professionals with experience navigating local politics in New Jersey - especially when it comes to cannabis

*"It's extremely political, so you either have to be a lobbyist or hire someone who is expensive and good at that."*

**Dan Ulloa, Editor in Chief, Heady NJ**

## Consideration #4: Real Estate - Expensive and Not Easy to Come By

It's no secret that the Northeast doesn't have the same wide open spaces of legal cannabis states out in the West Coast or in the Rocky Mountains. Because annual retail cannabis license applicants must prove they will already have site control of a proposed business location, the sparsity of real estate in the Garden State is a hurdle that scuttles many applications before they ever get off the ground.

The scarcity of available (and affordable) real estate in New Jersey is compounded by the fact that only a third of municipalities allow dispensaries, further diminishing the available property.

In mid-2021, the average price of a square foot of retail real estate stood at \$20.85. In New Jersey, the average rental price in the second quarter of 2021 was \$27.43 per square foot, significantly above the national average. By the first quarter of 2023, asking rents had climbed to nearly \$29 per square foot. For industrial real estate, the average price per square foot was \$15.51 in the first quarter of 2023, as opposed to \$11.5 per square foot in the country as a whole in the final quarter of 2022.

*"The single biggest thing in New Jersey is getting real estate. You need to find real estate in a town that has opted in and that's only a third of towns and the town still has to have licenses left to give out."*

**Jennifer Cabrera, Vicente LLP**

### How can you ease the real estate crunch for your cannabis business?



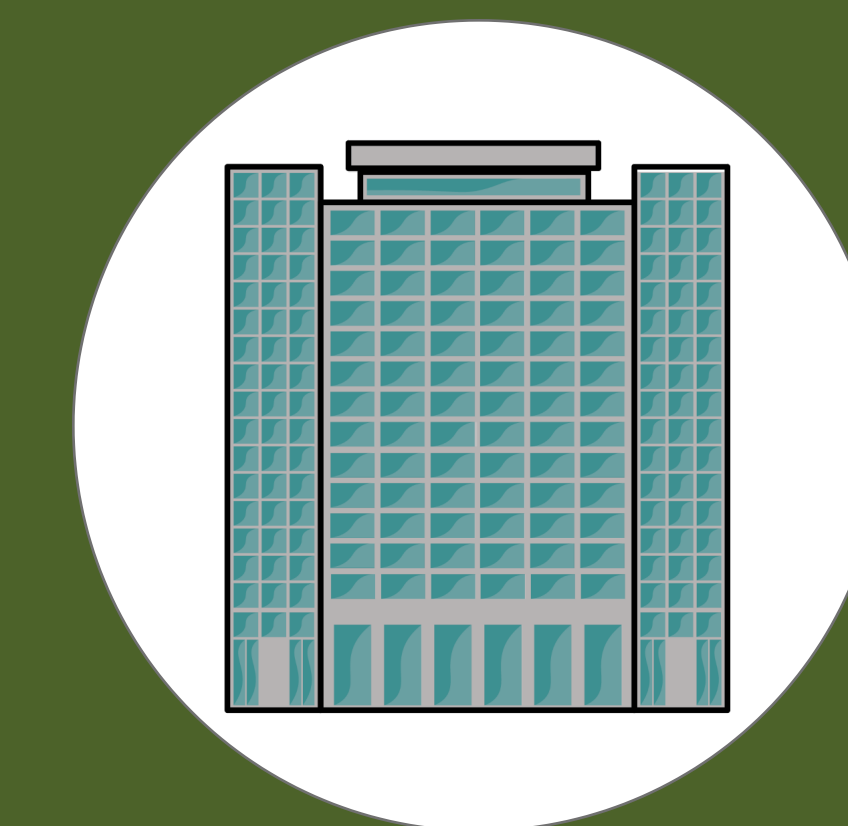
Find communities that may be more welcoming to cannabis businesses so you can save time and money on the approval process



Work the pavement and consider multiple locations for your dispensary. Don't fall too hard in love with a location that won't be in reach



Consider a partnership with a local property owner - as long as the terms are in your favor



Carefully consider how much space you need, and where you can downsize

# Consideration #5: The legacy market will always be there

The legacy market had about a century head start over the legal cannabis market in New Jersey, so it shouldn't be a surprise that it still dominates the marijuana landscape in the Garden State.

But more important than the head start is the fact that legacy cannabis operators don't need to get approval for real estate, don't pay taxes, aren't bound to any compliance regulations, and don't have to worry about all the red tape that ties up legal cannabis applicants.

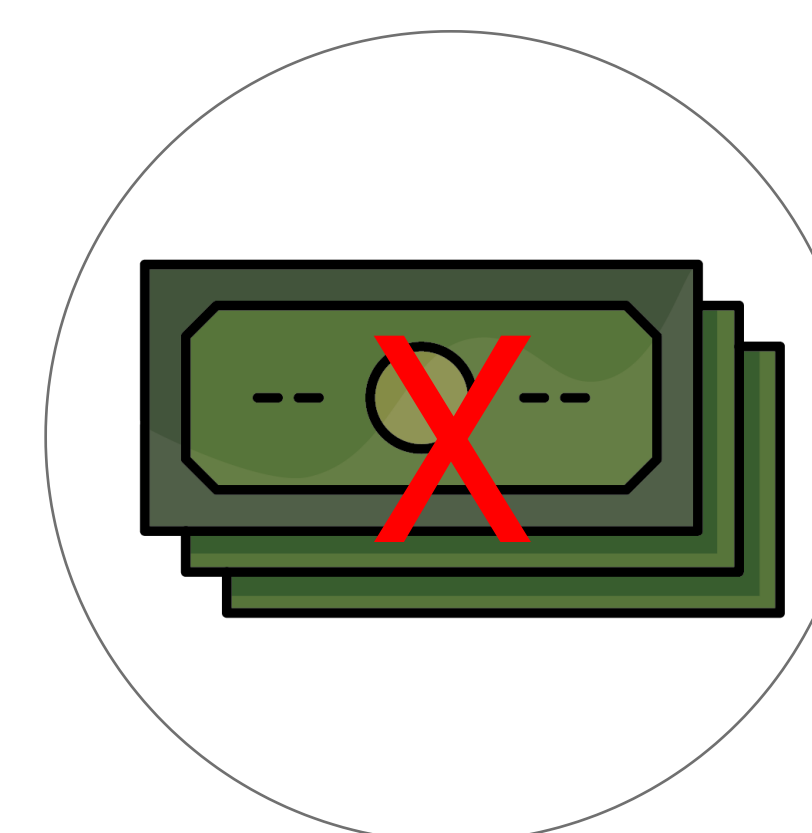
Legacy cannabis – be it flower, concentrates, or edibles – tends to be significantly cheaper than legal cannabis in New Jersey and includes locally-produced items and products sourced from California.

All purchases of recreational cannabis in New Jersey are subject to 6.25% sales tax plus a social equity excise fee that is 1/3 of 1%. Due to high supply and the low number of cultivators and open dispensaries, the price per gram of cannabis flower in New Jersey is much higher – even double or more – than in more mature legal cannabis states like Colorado, Oregon, and California.

This means that New Jersey consumers can easily spend \$60 for an 1/8th (3.5 grams) of cannabis flower, while in Oregon and Colorado flower costs less than \$4 per gram.

As more dispensaries open their doors in New Jersey and more cultivators get operations up and running, consumers can expect supply to increase and demand to subside somewhat. Until then, the illicit market will have the edge – at least when it comes to consumers' pocketbooks.

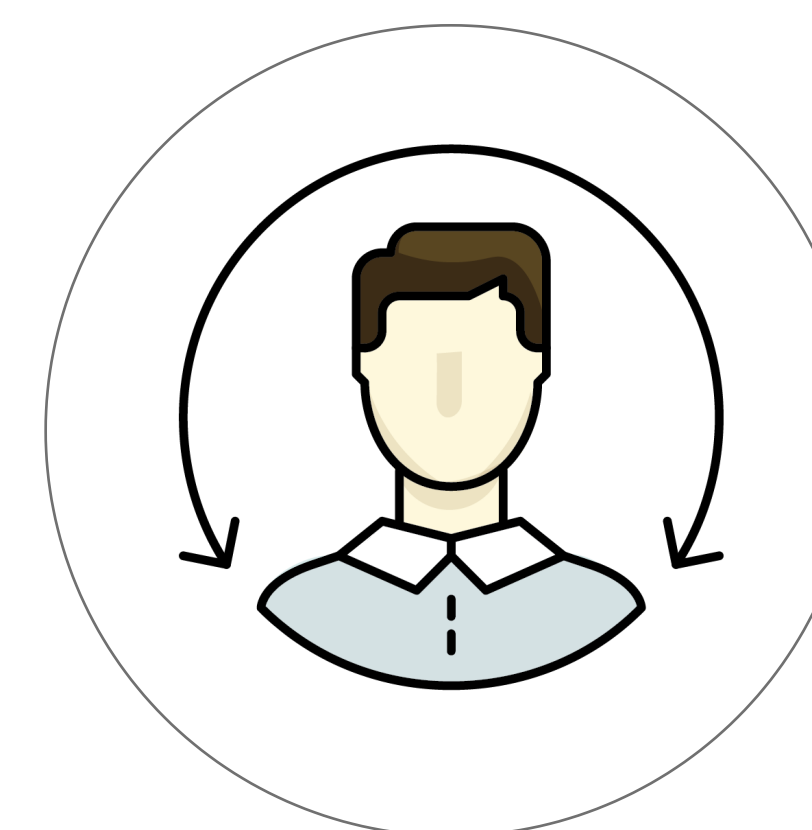
## How can you compete with the legacy market in New Jersey?



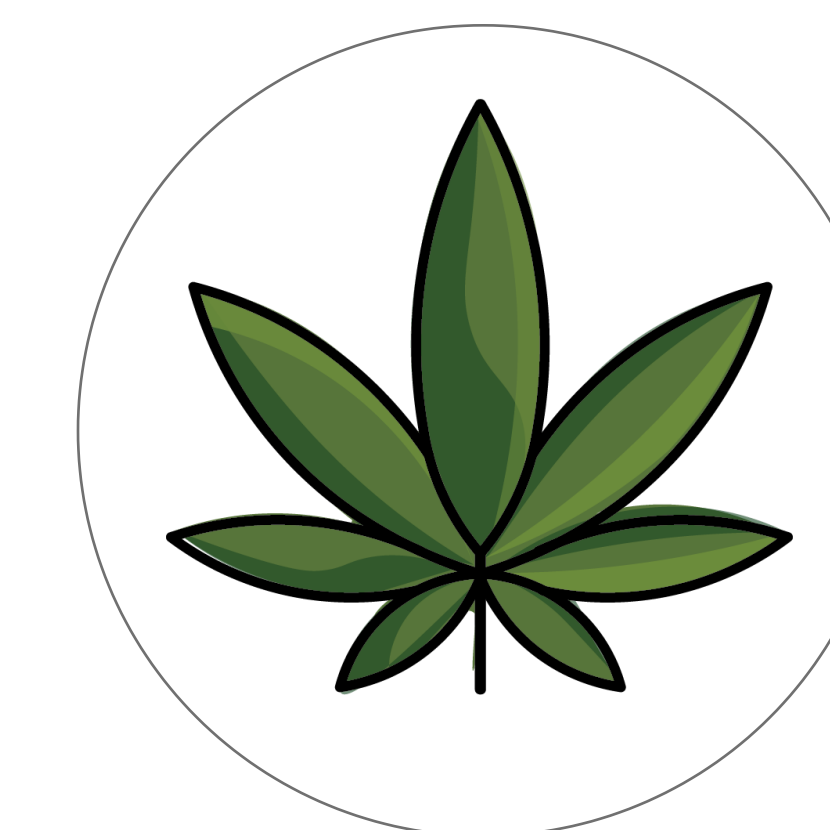
**Cut prices.**



**Invest in education.**



**Contribute to your local community.**



**Invest in the best genetics and innovation.**

*"I think that most people are still using the legacy market in New Jersey and New York. It's still legacy market dominated"*  
**Jennifer Cabrera, Vicente LLP**

# The problems faced by would-be cannabis entrepreneurs in New Jersey are by no means unique to the state.

But alongside the headaches, there are many reasons to be optimistic about the cannabis industry in New Jersey.

The market is not yet saturated like other states, and the relatively high prices mean that the margins can be high for cultivators and retail operators alike. State regulators have ramped up their approval process and moving forward, consumers will have many more options for where to spend their money on cannabis.

The state legislature in 2023 approved a bill to allow legal cannabis businesses to deduct business expenses on their state tax returns, which is not allowed on federal tax returns under the tax code 280E.

The state also managed to get its legal cannabis market up and running well before New York, which is a victory in its own right.

As the New Jersey market expands, more and more cannabis operators will face the particular challenges posed by the industry.

The Rootwurks Learning Experience Platform (LXP) is a comprehensive cannabis education and training platform that helps cannabis companies provide “in the flow of work” training to their team. With the platform, companies can help their employees master the safety and compliance demands of cannabis without slowing down operations. In addition, the platform includes extensive compliance management tools that were built with the guidance of some of the leading cannabis law and compliance experts in the country.

To see how the LXP can help cannabis companies in New Jersey and beyond hit the ground running or scale up safely, reach out to a member of our team here.

## Training to Keep the Doors Open

Rootwurks makes it easy to protect your employees, customers, and bottomline

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