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Going to Pot?

The Impact of Dispensary Closures on Crime

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One of the most dramatic shifts in public opinion in the United States over the past four and a half decades has been a surge in support for marijuana legalization, both medical and, increasingly, recreational. Currently, 60 percent of adults in the United States favor broad-based marijuana legalization, compared to only 12 percent in 1969, and nearly 90 percent think adults should be allowed to use marijuana for prescribed medical purposes. Despite this support, 44 percent indicate that they would be somewhat or very concerned if a "store that sold medical marijuana" opened in their area. In particular, many maintain that these stores, usually called dispensaries, attract or even cause crime.

The idea that marijuana dispensaries attract crime has proved influential with policymakers. For example, an Oregon state senator argued that a law allowing cities to ban dispensaries was important to "empower them to protect our children and families." In Los Angeles, the setting for this study, the city council cited crime in its 2010 decision to cap the number of dispensaries in the city. Yet, empirical evidence to support any link (positive or negative) between marijuana dispensaries and crime is quite limited.

How, in theory, might medical marijuana dispensaries affect crime? First, marijuana use, which may be concentrated around dispensaries if some buyers consume onsite or nearby, may cause criminal behavior. Similar effects have been cited for alcohol outlets, where openings and availability in Los Angeles and other jurisdictions are associated with increases in crime. In contrast to alcohol, however, some work suggests marijuana may not increase crime commission per se and may even inhibit aggressive behavior.

Second, given the quasi-legal status of these stores and their products, dispensary customers, employees, or owners may resort to violence to resolve disputes. If so, we might expect increases in crimes such as aggravated assault, which increased for such reasons with the emergence of crack cocaine.

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Third, crime could increase near dispensaries as individuals try to finance their purchases through the proceeds of crime. If so, we would expect theft or other property crimes to increase with dispensaries. Finally, marijuana users, and the dispensaries they frequent, which are a direct source of drugs and cash, may offer opportunities that attract criminals. Anecdotal evidence suggests that dispensaries have been subject to break-ins and robberies. Thus, we would expect an increase in robberies and burglaries around dispensaries.

While these channels seem plausible and have captured public attention, dispensaries could, in principle, decrease crime. Dispensaries tend to have their own security systems (and often security guards) to protect their assets and resolve disputes. Analyses of business-improvement districts find that private security can have large returns in terms of crime reduction. Likewise, if police allocate more patrols around dispensaries, they might reduce crime. To the extent that dispensaries increase foot traffic through a neighborhood, they might prevent crime by increasing "eyes on the street." In addition, by legitimizing the marijuana trade, actors in this market may have legal channels to resolve disputes. This last possibility is somewhat less plausible given the ambiguous legality of many aspects of the medical marijuana market, such as large-scale distribution.

Finally, if marijuana is a substitute for alcohol, increased access to marijuana could reduce crime since drinking is associated with increases in arrests for both property crime and violent crime. Ultimately, given the range of theoretical predictions, the impact of dispensaries on crime is an empirical question.

To evaluate the claim that dispensaries attract or otherwise contribute to crime, we exploit the temporary shutdown of medical marijuana dispensaries in the City of Los Angeles. On June 7, 2010, roughly 70 percent of the nearly 600 shops operating in the City of Los Angeles were ordered to close. The shutdown came after years of concern and indecision over how to handle the burgeoning medical marijuana dispensary business in the city. In September 2007, the city adopted an Interim Control Ordinance, placing a temporary moratorium on new dispensaries and requiring existing dispensaries to register with the city by November 13, 2007.

Given the limited time that dispensaries had to submit a registration form along with the required city business tax registration certificate, registration was quite ad hoc. How the city would use the registrations was unclear, and the market continued to grow for several years despite the moratorium. In January 2010, final regulations, including closure orders, were adopted. The new ordinance set the number of dispensaries in the city at 70. Dispensaries that had registered between September and November 2007 and had been operating legally since that time were grandfathered, meaning that the number of legal dispensaries in the city could exceed 70 in the short term.

Consistent with the seeming arbitrariness of the closure criteria, we find that dispensaries ordered to close and those allowed to remain open look similar on observable dimensions. In other words, closure orders were not correlated with observable dispensary characteristics (including the level of or trend in crime around specific dispensaries) that might have otherwise made them of specific interest to law enforcement. We leverage the quasi-random nature of closure orders to compare daily crime counts within varying radii (as small as one-eighth of a mile) around dispensaries ordered to close and those allowed to remain open. If dispensaries attract crime, then crime should decrease around dispensaries subject to closure relative to those allowed to remain open.

Contrary to conventional wisdom, we find no evidence that closures decreased crime. Instead, we find a significant relative increase in crime around closed dispensaries. Like compliance with the closure orders themselves (which was at first high, then fell off with legal challenges, and finally collapsed after a December 2010 injunction), the increase in crime is temporary. Relative crime rates return to normal within four weeks. The increase is also very local—the estimated crime effects decrease rapidly with distance around dispensaries. Bearing in mind that our analysis captures short-term effects, these findings imply that closing medical marijuana dispensaries is unlikely to reduce crime. Although there may be a myriad of reasons to regulate the number of marijuana dispensaries, protection from crime is one that seems difficult to substantiate.

We perform several analyses to better understand how dispensary closures affect crime. First, we analyze crime by categories. We find that the increase in crime is greatest and most precise for the type of crime most plausibly deterred by the presence of bystanders—property crime and theft from vehicles, specifically. Second, we analyze the interaction between closures and neighborhood foot traffic. We proxy for foot traffic using Walk Scores, a proprietary measure that scores each address based on the walking time to amenities, population density, block length, and the density of street intersections. We find that the magnitude of the closure effect varies negatively with walkability, except in the most geographically isolated areas for which closures have no measurable effect on crime.

To explore the generalizability of the findings, we analyze the impact of temporary restaurant closures due to public health code violations on crime in Los Angeles County. Despite the very different nature of these businesses, the reason for and timing of their closures, and the identifying assumptions, we find a nearly identical pattern of results. When crime increases in the local neighborhood around a closed restaurant, the increase is driven by property crime; the effect is concentrated in areas without a high volume of foot traffic; and the effect disappears as soon as the restaurant reopens.

The common pattern of results for dispensaries and restaurants suggests that business closures in general create significant costs to third parties due to increases in crime. By extension, businesses offer very local protection against some types of crime. Given that police are unlikely to systematically change their behavior in response to temporary restaurant closures, this analysis further suggests that changes in policing cannot explain the common pattern of results. Rather, a likely common mechanism may be "eyes on the street," meaning that the presence of individuals helps deter crime. Although part of the canon of modern urban design and crime prevention, this theory is virtually unsupported by rigorous empirical evidence. In addition, Jane Jacobs's original 1961 formulation of the hypothesis makes clear that the impact of additional individuals on local crime is theoretically ambiguous; crowds provide some form of natural policing but also more perpetrators of and opportunities for crime. Our findings suggest that the first channel dominates, at least in the case of medical marijuana dispensaries and restaurants in urban environments.

NOTE:

This research brief is based on Tom Chang and Mireille Jacobson, "Going to Pot? The Impact of Dispensary Closures on Crime," *Journal of Urban Economics* 100 (2017).