

Marijuana Legalization and its Impact on Hotel Operations

By Jackson Lamb, Robert (Bob) Farmer and Jacob Thinnes

Introduction

Colorado has long been viewed as a progressive and independent thinking state. When the state legislature approved the cultivation and consumption of medical marijuana in 2010, no one anticipated where the industry would be in five years. The first legal recreational marijuana dispensaries were allowed to open January 1, 2014. The resulting two years have been a roller coaster of social issues, tourism opportunities, hotel and restaurant resistance, law enforcement puzzles, and an overall gradual acceptance that the marijuana industry is now legal in the state of Colorado. Many assumptions made by residents and tourists alike include being able to smoke marijuana in a hotel room, on the street, or in a restaurant. None of these options are legal or allowed.

Federal law vs. State law

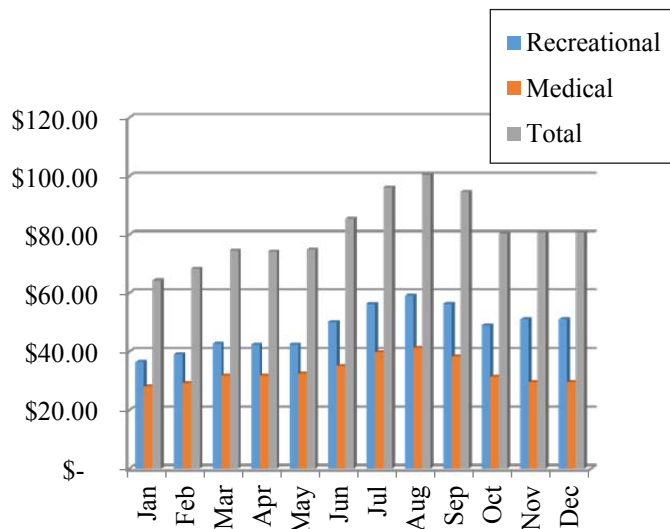
Marijuana production, distribution, sale and consumption became legal at the state level in Colorado on January 1, 2014. (Hudak, J. (2014) However, it still remains illegal based on Federal law. A huge issue surrounding the legalization of marijuana in Colorado is that all banking in the United States is controlled by the Federal Government. This includes banks, credit card processors, and credit unions. While on the surface this may not seem like a big deal, the Federal government still views marijuana as a dangerous drug, and prohibits any banking institution from opening accounts and conducting business in this area. (RICO Act, 1970) This means that no business selling medical or recreational marijuana or marijuana edibles may accept credit cards or personnel checks. They can only accept cash. No bank will open an account for a marijuana-related business, so the owners must conduct all their business in cash. (Hill, J. A. 2015) This requirement includes sales, marketing, payroll, rent, utilities, supplies, and taxes. All monetary exchange must be conducted in cash.

Department of Revenue Sales and Tax Collection

Sales in 2014 were \$699 million. Sales in 2015 were \$973 million, just shy of \$1 billion dollars in sales. After 24 full months of sales in Colorado, the amount of tax revenue has exceeded \$211 million. (\$76,152,466 in 2014, \$134,853,033 in 2015) Due to federal banking restrictions, all tax receipts received by the state of Colorado are in

cash. The Office of Marijuana Enforcement has armed plainclothes state troopers on duty at the office, and they provide security for state employees who process tax receipts from the marijuana industry. Broken down by the number of business days the tax offices are open, (5 days per week x 52 weeks is 260 days) the state is collecting approximately \$518,665 daily. Sales figures in 2015 for medical, recreational, and combined appear in Figure 1.

Figure 1
2015 Combined Medical and Recreational Marijuana Sales (in millions)



Effect of Marijuana on State Tourism

There are two official bureaus that handle most of the tourism and visitor requests through their websites. Both the Colorado Tourism Office and Visit Denver (which is Denver's official visitors and convention bureau) keep clear of having any reference to marijuana use, availability, sales or events associated with marijuana. Tourists from other states, expecting to be greeted with open arms and open pipes, find the marijuana market in Colorado difficult to navigate, initially.

It was announced in June 2016 that Denver hosted a record 16.4 million visitors in 2015. Also mentioned is that Denver has been growing as a destination exponentially for the past 10 years. The economic impact of that many visitors is reported as \$5 billion dollars. Specifically, that money was spent:

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Accommodations:	\$1.51 billion
Transportation:	\$1.46 billion
Eating and Drinking	\$1 billion
Shopping:	\$627 million
Recreation	\$437 million

Since the official reporting agencies for tourism in Colorado maintain a no-mention policy of marijuana, the sales of medical and recreational marijuana are not included in these tourist spending figures. Additionally, there is no tracking mechanism that can determine how many people come to Colorado specifically to purchase or try marijuana.

A new type of tourism has emerged from this act of legalization. While not as robust as one may think, there is a growing number of marijuana-related tourism companies being created. The Cannabist, a website supported by the Denver Post, is dedicated to all things marijuana, and has taken the initiative to provide information for all who seek further knowledge on the subject. A review of the website <http://www.thecannabist.co> offers details of the amounts of volume of product, but falls short on tourism applications. Internet searches will generate multiple sites that cater to those seeking the “Colorado Experience.” While the bulk of marijuana-based tourism companies are located in metro Denver, almost all resort towns feature a service to accommodate tourists who wish to indulge in smoking tours while vacationing in Colorado. A sampling of the services and goods offered by marijuana tourism companies include:

- Colorado Cannabis Tours & Vacations - Denver 420 Tours ...
- coloradohighlifetours.com
- Friendly Limos for rent. Stoney Saturday 420 Tours / 2 tick-

ets \$100.00

- Private Cannabis Tours · Cannabis Tour Options · Marijuana Friendly Hotels
- Marijuana Tours | Colorado Pot Guide | A Marijuana Travel ...
- <https://www.coloradopotguide.com/what-to-do/marijuana-tours>
- A directory of 420 tour operators providing both group and private marijuana tours in Colorado and the Denver area. Grow room tours and glass blowing demos available.
- City Sessions
 - http://www.citysessionsdenver.com/?utm_source=ColoradoPotGuide
 - City Sessions offers a full range of insider packages that include:
 - a. Foodie Tour
 - b. Concentrate Tour
 - c. VIP Experience
 - d. Medical Relief Tour
 - e. New to Cannabis Tour
 - f. Industry Insider Tour

Hotel Headaches

Most hotel management companies follow the rules of the flag they fly. Marriott, Westin and most hotel companies are adamantly opposed to smoking on premise, and many have a guest sign an acknowledgement during check-in. (Monte, A. A., Zane, R. D., & Heard, K. J. 2015) Should a guest smoke in a hotel room, whether it be cigarettes, cigars, tobacco pipes, or marijuana, hotels strive to return the room to “non-smoking status.” Tourists sometime assume that since marijuana is

Figure 2

Average Fees Charged by Hotels for Smoking Violations

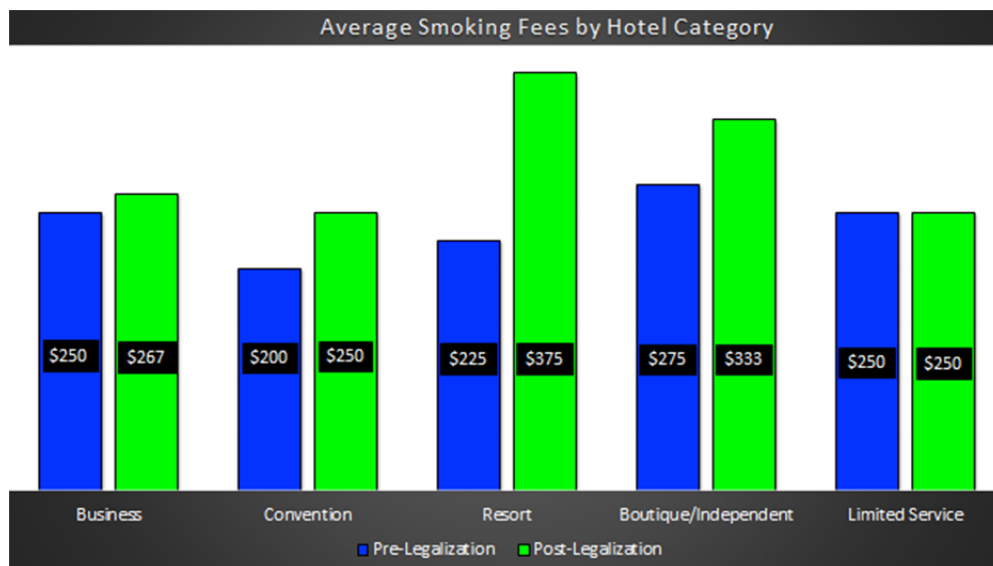
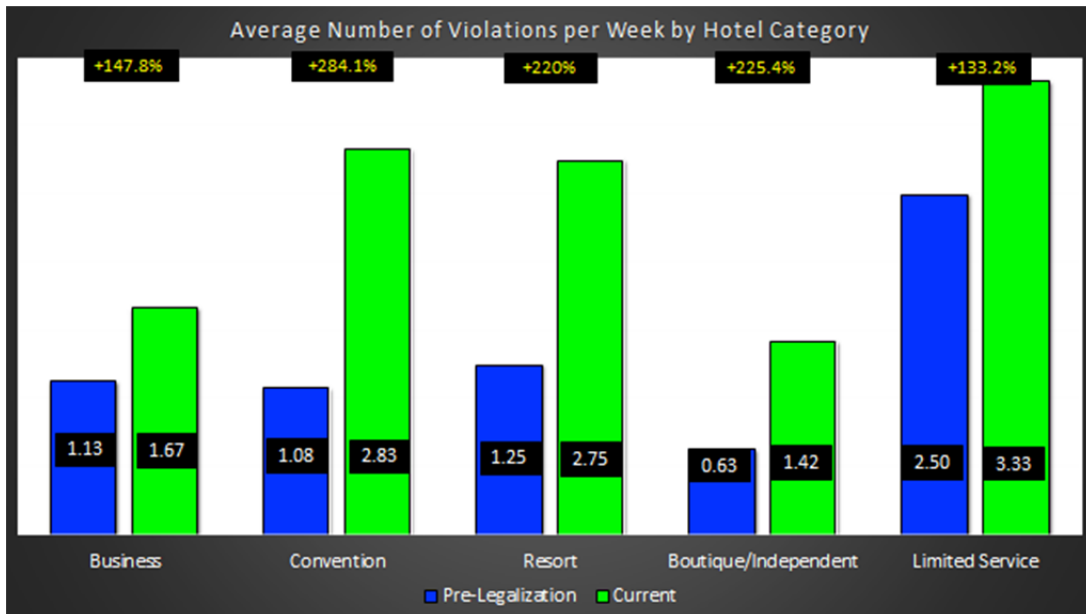


Figure 3

Average Number of Violations per Week by Hotel Category



legal, it's okay to "fire up" in your hotel room. They also assume people can actively smoke anywhere outside. This is not the case. The reality is that Colorado passed a hotel non-smoking bill in 2006 that prohibits smoking in hotel rooms. Prior to 2006, Colorado hotels could reserve smoking rooms for those guests that requested them. After 2006, smoking cigarettes or a cigar in a non-smoking room may result in a \$200-\$400 room refresh and painting fee, depending on the property and size of the room. This figure varies from property to property, and may include the hard and soft costs of the room taken out of inventory, cleaning of drapes, cleaning of bed linens, and possible carpet cleaning. Figure 2 represents room painting fees across 5 distinct hotel categories before and after legalization, as found during this research.

Research into 5 major hotel flags showed consistent policies on prohibiting marijuana use in hotel rooms. Specifically, research looked into marijuana policies with Marriott, Westin, Omni, Kimpton, and an independent operator. Results from these five flags, as well as others reviewed, are adamant about the policy of never/ever on marijuana smoking on their properties. Examples of policies include:

"In keeping with our Breathe Westin® initiative, all guest rooms and public spaces are 100% non-smoking. A \$200 cleaning fee will be charged to any guest who violates the smoking policy."

"Marriott is committed to providing its guests and associates with a smoke-free environment, and is proud to boast one of the most comprehensive smoke-free hotel policies in the industry. Since its introduction in 2006, the policy has been implemented in more than 2,300 properties throughout the United States and Canada"

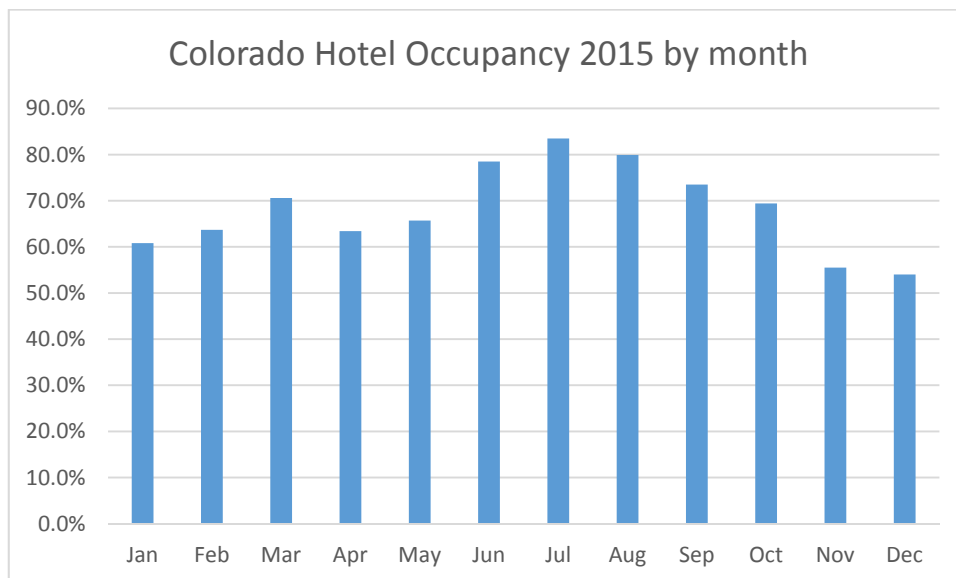
On the subject of room painting fees based on suspected consumption of marijuana in hotel rooms, research was done to determine the frequency of room painting after legalization, and compared it to the frequency of room painting prior to legalization. See Figure 3.

Number of Violations

Every one of the properties contacted/interviewed for the study reported seeing an increase in the number of violations since the inception of Amendment 64 on January 1, 2014. While some have seen a far greater spike than others, the most significant change between current and pre-legalization figures was found in the Convention Hotel category (2.83 violations per week on average vs. 1.08 prior to 2014, a staggering increase of 284.1% over pre-legalization levels). Although details of guest type (corporate, leisure, transient, etc.) were not examined in this study, it is logical to surmise that a contributing factor to this statistic is visitors to the state being drawn to sample the recreational law and its allowances while attending a convention/event/trade show in town. Not far behind Convention properties were Boutique/Independent and Resort properties, which experienced 225.4% and 220% increases in their number of weekly violations, respectively, based on pre-legalization occurrences. However, properties in all categories stated that their greatest increase came in the first three months following the legalization, and have since leveled off. Nevertheless, the rising number of violations poses a major cause for concern, and will warrant continued observation in the years to come.

Figure 4

Colorado Statewide Hotel Occupancy 2015 by month



Detection/Documentation

The methods and procedures for detecting and documenting smoking violations varied from property to property, but ultimately depended largely on staff members alerting their respective supervisors should any in-room smoking be suspected of taking place. Since it is such a new issue, none of the hotels had developed any marijuana-specific training policies (even those franchised under a large brand such as Marriott, Hilton, etc.), though some did express a keen interest in developing a form of standardized detection training for their housekeeping staffs. In terms of documentation, interviewees expressed the critical need to obtain evidence in order to justify imposing their property’s respective smoking fee on a suspected violator. This often comes in the form of photographic evidence, including pictures of any residual ashes or presence of blunts (oversized marijuana cigarettes) within the rooms. Additionally, a number of hotels reported making all guests read, review, and sign a waiver prior to check-in stating that they understand the property’s smoking policy and will be charged accordingly should they deviate from it. For tracking occurrences of in-room smoking, the vast majority of establishments reported having no strict method of extensively tracking violations prior to the legalization of marijuana, but have begun to do so with the increasing number of infractions that have taken place. These records, though new, will allow hotels to better observe dates when in-room smoking is more likely to take place, such as concerts, festivals, 4/20-related events, and beer festivals. (4/20 is a pseudonym for marijuana.) The hotels can then communicate to their respective staffs to be on the lookout for potential violations.

Cleaning/Removal

Of all the hotels interviewed across the various categories, nearly all of the properties utilized the same procedures for the cleaning and removal of marijuana and tobacco from their guestrooms. Interestingly, interviewees reported marijuana smoke being remarkably easy to remove compared to its cigarette counterpart that tends to have a far more ruinous effect on furnishings and upholstery. For occurrences of in-room marijuana consumption, properties reported using a variety of air cleaning and purification products, ranging from ionators, ozonators, and odor-removing sprays or a combination thereof. All of these prove to remove any lingering odors with remarkable effectiveness in a short period of time, usually less than 4 hours.

Smoking-Related Fees

As the numbers of violations have risen in the past 2 years, so have the fees charged to guests found to be smoking in their rooms. Reflecting the trend that took place in the average number of weekly violations, the greatest increases took place with Convention and Resort properties, which have experienced 25% and 66.7% increases in their respective fees. Following in line were Boutique/Independent Properties and Business, which experienced smaller modifications, most likely due to having higher fees prior to 2014 than the two aforementioned categories. Oddly enough, the 3 hotels contacted within the category that experienced the greatest number of violations per week on average (Limited Service) had imposed no changes to its smoking fees since the legalization of marijuana.

Overall Impact on Hotels

Since the legalization of marijuana at the start of 2014, all of the hotels in this study have experienced their share of challenges relating to combatting the rising number of in-room smoking violations that have been taking place at their respective properties. While the individuals interviewed were not 100% sure of what the future holds for their establishments, they all agreed that marijuana is playing an increasingly prominent role in daily operations. While the residual smoke and odors from the drug are far easier to remove than its tobacco counterparts, in-house marijuana consumption nevertheless acts as a major hindrance, causing staff to divert their efforts from their regular (and often times more pressing) job responsibilities. Additionally, many concur that it will be in the best interests of their properties to explore the development of new training practices and educational measures that will improve the detection, documentation and management of any and all potential violators before they become unruly.

Analysis of Dilemma

This case study has opportunities for further research and discussion from several perspectives. Depending on the level of education, this case study is suitable for an undergraduate or graduate program. This case deals with Federal government policies, state government policies, public health issues, tourism, hotel policies, tax revenue, and a multitude of laws and regulations. It also examines the frequency a hotel needs to refresh a room to bring it back to “non-smoking status”, and examines hard and soft costs including the need to launder draperies, linens, chairs and other smoke-affected furniture, as well as rooms being taken out of inventory. When analyzed from the hotel category perspective, these fees range in costs. Most of these management issues relate to the sale of marijuana and demonstrate a direct link from the passage of the legalization of marijuana to current hotel operations.

Specific dilemmas for hotel operations include:

- Communicating hotel policy in regard to marijuana laws
- Maintaining integrity of a “non-smoking” environment
- Public relations issues with out-of-state visitors who may have a lack of information
- Are certain groups prone to not visit due to legalized marijuana laws?