

## RECOMMENDATIONS

1. REQUEST the City Attorney, with the assistance of the Department of Cannabis Regulation (DCR), to prepare and present an ordinance to amend Section 104 of Article 4 of Chapter X of the Los Angeles Municipal Code (LAMC) and the Rules and Regulations as necessary or otherwise INSTRUCT the DCR to enact policy to:
  - a. ESTABLISH a 60 day period for the pre-vetting process for Social Equity applicants for retail commercial cannabis activity, or closing 30 days after the Council adopts the findings of the enhanced Social Equity analysis, whichever is later.
    - i. Pre-vetting includes verification or approval by the DCR of the following:
      1. basic Tier 1 or Tier 2 qualification; and,
      2. indemnification.
  - b. ESTABLISH a two-phase initial program for Phase 3 Type 10 storefront licenses for applicants who have been deemed qualified during the pre-vetting process, with the first phase application window to last 14 days starting after the DCR finalizes the verification of eligibility for applicants who applied for pre-vetting, with 15 days notice.
    - i. The first phase will include 100 licenses. 75 percent of the licenses will be reserved for Tier 1 applicants, unless 75 qualified Tier 1 applicants cannot be identified. Only one application per applicant will be accepted for this phase, and Phase 1 Type 10 license holders are ineligible as applicants. The first 100 applicants that meet all basic qualifications as determined by the DCR shall be eligible for processing pursuant to LAMC Sec. 104.06.
      1. Basic qualifications include:
        - a. a signed lease with proof of payment or deposit, or a property deed;
        - b. meet all sensitive use requirements, including undue concentration;
        - c. payment of required license fees;
        - d. ownership organizational structure;
        - e. financial information;
        - f. proposed staffing plan;
        - g. indemnification;
        - h. complete and detailed diagram;
        - i. proposed security plan;
        - j. radius map;
        - k. labor peace agreement;
        - l. current Certificate of Occupancy; and,
        - m. compliance with the Equity Share rules.
    2. Applicants will have five calendar days from the start of their application to correct any deficiencies in documentation with respect to the basic qualifications. Applicants must provide all required documentation as indicated at the time of submission, and the date and time of a complete application will be based on the

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date and time of final submission to DCR. Any applicant that does complete their application process within five calendar days will be locked out of their application and will be required to start over. Any applicant who cannot meet basic qualifications at the time of application is subject to disqualification.

3. Applicant will not be allowed to relocate its application at any point during the licensing process.
  4. The individual owner who allowed the applicant to be verified as a Tier 1 or Tier 2 applicant must remain on the application with the requisite Equity Share during the entirety of the licensing process; that individual owner may not sell or transfer his or her place in the application.
- ii. The second phase will begin at the discretion of DCR, no sooner than 30 days after technical assistance is available, and end 30 days thereafter. This phase will include 100 additional licenses with no established priority between Tier 1 and Tier 2 applicants. The first 100 applicants that meet all basic qualifications as determined by the DCR shall be eligible for processing pursuant to LAMC Section 104.06.
1. Basic qualifications include:
    - a. payment of required license fees or deferment approval;
    - b. ownership organizational structure;
    - c. financial information;
    - d. indemnification; and,
    - e. labor peace agreement.
  2. Additional qualifications must be met within 90 days of the time of application or the applicant will be subject to disqualification. These include:
    - a. a signed lease with proof of payment or deposit, or a property deed;
    - b. meet all sensitive use requirements, including undue concentration;
    - c. complete and detailed diagram;
    - d. proposed staffing plan;
    - e. proposed security plan;
    - f. radius map;
    - g. labor peace agreement;
    - h. current Certificate of Occupancy; and,
    - i. compliance with the Equity Share rules.
  3. Applicants will have five calendar days from the start of their application to correct any deficiencies in documentation with respect to the basic qualifications. Applicants must provide all required documentation as indicated at the time of submission, and the date and time of a complete application will be based on the date and time of final submission to DCR. Any applicant that does complete their application process within five calendar days will be locked out of their application and will be required to start over. Any applicant who cannot meet basic qualifications at the time of application is subject to disqualification.
  4. Applicant will not be allowed to relocate its application at any point during the licensing process once a location is established.

5. The individual owner who allowed the applicant to be verified as a Tier 1 or Tier 2 applicant must remain on the application with the requisite Equity Share during the entirety of the licensing process; that individual owner may not sell or transfer his or her place in the application.
- c. ESTABLISH an initial program for Type 9 delivery non-storefront licenses with eligibility determined by the following three processes:
- i. An open process will begin starting after the DCR finalizes the verification of eligibility for applicants who applied for pre-vetting, with 15 days notice. Only one application per applicant will be accepted for this phase, and applicants eligible under recommendations (1)(c)(ii) and (iii) cannot apply as applicants. This phase will include:
    1. Forty (40) Type 9 licenses for Social Equity applicants with 50 percent of the licenses reserved for Tier 1 applicants, unless 20 qualified Tier 1 applicants cannot be identified.
    2. Minimum of twenty (20) Type 9 licenses for general applicants, subject to recalculation based on licenses issued under recommendations 1(c)(ii) and (iii).
    3. Applicants will have five calendar days from the start of their application to correct any deficiencies in documentation with respect to the basic qualifications. Applicants must provide all required documentation as indicated at the time of submission, and the date and time of a complete application will be based on the date and time of final submission to DCR. Any applicant that does complete their application process within five calendar days will be locked out of their application and will be required to start over. Any applicant who cannot meet basic qualifications at the time of application is subject to disqualification.
  - ii. Any qualified applicant who met all the requirements of the Phase 3 Type 10 storefront license process, but was deemed ineligible due to undue concentration limits or in conflict with a processed application, will be eligible to receive priority processing after the completion of the process under recommendation 1(c)(i) for a Type 9 license if all basic qualifications can be met.
  - iii. Phase 2 non-retail commercial cannabis activity license holders in the City of Los Angeles will be eligible to amend their current application at the time of processing of their permanent application for licensure to include a Type 9 license if all basic qualifications can be met.
  - iv. Basic qualifications for all applicants include:
    1. a signed lease with proof of payment or deposit, or a property deed;
    2. meet all sensitive use requirements;
    3. payment of required license fees or deferment approval;
    4. ownership organizational structure;
    5. financial information;
    6. proposed staffing plan;
    7. delivery operations plan;
    8. indemnification;
    9. complete and detailed diagram;

- 10. proposed security plan;
- 11. radius map;
- 12. labor peace agreement;
- 13. current Certificate of Occupancy; and,
- 14. compliance with Equity Share rules if applicable.

- v. Applicant will not be allowed to relocate its application at any point during the licensing process.
- vi. If applicable, the individual owner who allowed the applicant to be verified as a Tier 1 or Tier 2 applicant must remain on the application with the requisite Equity Share during the entirety of the licensing process; that individual owner may not sell or transfer his or her place in the application.
- d. MODIFY the Calculation of Tier 3 Property Support Fee provisions to require the DCR to publish a report on an annual basis of the average cost of commercial space per square foot by region within the City of Los Angeles as reported by a reputable commercial real estate firm. Every Tier 3 license holder subject to this provision will provide a payment based on the regional location of their business by using the following formula:  
  

$$\text{the average square footage cost based in the region} \times \text{the actual square footage of the business} \times 2.5 \times 36 \text{ (months)}$$
- e. MODIFY the annual renewal rules and regulations to require all Social Equity license holders to provide a report on the waterfall of annual revenue for the licensed business and its requisite tax returns, subject to confidentiality by the DCR as allowable under state and municipal law.
- f. AUTHORIZE the DCR to provide Phase 2 applicants who have not received temporary approval the ability to move one time under extenuating circumstances subject to approval of the DCR, inclusive of undue concentration limits if moving outside the applicant's current Community Plan area.
- g. MODIFY language to Section 104.01(28) to include language that applicants subject to the provisions of Section 104.08 are not subject to a finding under this section.
- h. MODIFY as necessary the Rule and Regulations to require that financial interest holders (defined in Title 16, CCR 5004) should be disclosed as part of the application process.
- i. MODIFY as necessary the Rules and Regulations that would allow for applicants to voluntarily add names of owners to a DCR application or license who are not required to be listed as an owner under State or City regulations, but have a financial interest in the business.
- j. CLARIFY Section 104.20(i)(1) to state that after three years of licensure, a Tier 1 or Tier 2 Social Equity Applicant license holder may only transfer control or ownership of a License after first providing the other ownership interests in the business the right of first refusal to buy the Social Equity applicant's Equity Share, at market-rate.
- k. MODIFY language in 140.20(e) to read "A Tier 3 Social Equity Applicant shall enter into a Social Equity Agreement with the City to provide capital, leased space, business, licensing and

compliance assistance for a period of three years to Persons who meet the criteria to be a Tier 1 or Tier 2 Social Equity Applicant.”

1. ADD language to 140.08 or wherever applicable to require Phase II applicants to report substantial progress with respect to their application to the DCR by June 1, 2019, subject to verification by the DCR. All Phase II applicants will further be required to obtain temporary approval from the DCR by December 31, 2019 or their application will be forfeited. Lastly, DCR will be granted authority to allow for a hardship waiver for an extension of time after December 31, 2019 under extenuating circumstances.
  - m. MODIFY language in Section 104.20(b) Equity Share definition or add language to the Rules and Regulations to exempt from the definition payments to the investors to recuperate the initial business investment, subject to verification by DCR, as amortized in equal monthly installments over a period of no less than three years.
  - n. MODIFY language in Section 104.20(i) to read that “Tier 1 and Tier 2 Social Equity Applicants shall comply with all of the following:”
  - o. MODIFY the first clause in Section 104.20(i)(9) to read, “During the term of a Social Equity Agreement in which a Tier 3 provides support directly to a Tier 1 or Tier 2 Social Equity Applicant”
  - p. AUTHORIZE the City Attorney, with the assistance of DCR and the Chair of Rules, Elections, and Intergovernmental Relations Committee, to make any technical modifications and/or legal corrections to the draft ordinance, draft ordinance requests, and any other related actions listed above in order to further the objectives as described in these recommendations.
2. INSTRUCT the Department of City Planning to include an amendment to the pending draft ordinances pertaining to commercial cannabis activity to provide that an applicant’s compliance with sensitive use distance restrictions shall be based upon sensitive uses that exist at the time the applicant submits an application.
3. INSTRUCT the DCR, with the assistance of the Department on Disability, to report back with a comprehensive assessment of ADA compliance issues with respect to commercial cannabis activity, including the need for a possible ADA Coordinator assigned to DCR to assist in the application and licensure process for individuals with disabilities.
4. REQUEST the Mayor’s Office to establish an interdepartmental taskforce led by the Deputy Mayor of Public Safety to oversee the implementation of illegal cannabis enforcement which shall include, but is not limited to: DCR, Department of Building and Safety, Fire Department, Police Department, Police Commission, LADWP, City Attorney’s Office, Chief Legislative Analyst, City Administrative Officer, and Council designees of the Chair of the REIR Committee.
5. ADOPT the accompanying Resolution related to background check access.

## RESOLUTION

WHEREAS, Penal Code Sections 11105(b)(11) and 13300(b)(11) authorize cities, counties, districts and joint powers authorities to access state and local summary criminal history information for employment, licensing or certification purposes; and

WHEREAS, Penal Code Section 11105(b)(11) authorizes cities, counties, districts and joint powers authorities to access federal level criminal history information by transmitting fingerprint images and related information to the Department of Justice to be transmitted to the Federal Bureau of Investigation; and

WHEREAS, Penal Code Sections 11105(b)(11) and 13300(b)(11) require that there be a requirement or exclusion from employment, licensing, or certification based on specific criminal conduct on the part of the subject of the record; and

WHEREAS, Penal Code Sections 11105(b)(11) and 13300(b)(11) require the city council, board of supervisors, governing body of a city, county or district or joint powers authority to specifically authorize access to summary criminal history information for employment, licensing, or certification purposes.

NOW THEREFORE, BE IT RESOLVED, that the City of Los Angeles is hereby authorized to access state and federal level summary criminal history information for licensing of all owners of commercial cannabis businesses in the City of Los Angeles and may not disseminate the information to a private entity.