



SOUTHERN CALIFORNIA COALITION

March 29, 2018

The Honorable Herb J. Wesson, Jr
The Honorable Michael Feuer
Ms. Cat Packer
200 N. Main Street
Los Angeles, CA 90012

Re: A Request for the Immediate Licensure of Distributorships – Council File No. 14-0366-S5

Dear President Wesson, Mr. Feuer and Ms. Packer:

We are writing to respectfully request that the City begin issuing distribution licenses as soon as possible and continue issuing them until enough licenses have been issued to ensure that cannabis products are moving efficiently throughout the City and taxes are being collected in a timely manner.

Currently, the City has issued no distribution licenses. This is extremely dangerous. Per state law, distributors are responsible for the collection of excise and some sales taxes, all movement of cannabis, arranging all testing and performing all quality control.

When Las Vegas began recreational cannabis sales, shortages quickly arose. The lack of a viable distribution network meant all movement of cannabis froze, quickly resulting in acute shortages. This was devastating for patients. Adult use consumers stood in long lines for hours.

Because distribution licensees must create uniquely modified warehouses, acquire specially modified vehicles, negotiate with unions and meet myriad standards relating to health and safety, the City needs to begin the process of licensing now.

If it fails to do so, when the non-retail entities come on line, cannabis and cannabis products would be unable to move from cultivator to manufacturer to retail outlets. Uncollected taxes may lead to punitive penalties for those required to remit such taxes to distributors. In extreme cases, the failure to remit taxes can result in loss of licensure.

The few distributors existent in the state can charge whatever they like for their services and local licensees will have no choice but to pay whatever fees these non-resident licensees demand. The scarcity of licensed distributors in and around Los Angeles means that existing distributors will travel long distances adding to the expense of dealing with such entities.

Those who acquired transport-only licenses when they applied for City retail licenses are specifically prohibited from wholesale sales, packaging, labeling, quality assurance, storage, or arranging for testing on behalf of others. These activities are reserved for state issued Type 11 distribution licenses and are activities which must be performed before cannabis and cannabis products can be sold at the retail level. (See: Section 5315 of the BCC Emergency Regulations. Link: http://bcc.ca.gov/law_regs/bcc_notice_emerg.pdf).

Bottlenecks can occur at any stage if there are not enough distributors for the local supply chain, much in the same way a lack of testing facilities would affect the movement of goods.

Los Angeles is 467 square miles. State law does not currently allow for a chain of storage facilities for distributors who are traveling the length of the state. Distributors must be able to locate themselves in close proximity to the products they will be moving. Thus, there is an urgent need to license in-city distributors

The City anticipates a robust cannabis industry encompassing everything from cultivation to the manufacture of various products containing cannabis. To be functional, this industry must have a sufficient number of distributors so that backlogs in testing, deliveries, quality control and tax collection do not occur. To keep charges reasonable, the City must issue enough licenses that healthy competition occurs.



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Our organization realizes that both the City and the Bureau of Cannabis Control do not need any further licensing burdens and shortly will begin to license the largest group of licensees, the non-retail applicants that were formerly part of the collective system as patient providers.

However, the non-retail segment of the cannabis industry is intimately tied to distribution and cannot function without a healthy number of distributorships. Because of the expensive and complex standards distributorships must meet, it is unlikely that the City will be overwhelmed with applicants.

If the City treats distributor licenses in the same manner it does testing licenses, allowing submission of applicants immediately and until a sufficient number are licensed, the City can avoid the kind of damaging backlogs and cessation of movement that occurred in Las Vegas and will occur here if the City does not begin licensing distributorships soon.

As the City's cannabis industry expands, so will its need for distributorships. Social Equity Candidates who are ready now can immediately begin participation in this area. Those who apply later will still have an expanding industry to meaningfully participate in. In order to be successful, a distributorship must be a large, well funded entity. This type of business requires a lot of space. These two components make it ideal as a mentor to a social equity partner.

For the reasons stated above, our organization urges the City to begin licensure of distributorships as soon as possible.

Our Executive Director, Adam Spiker is available should you have any questions, and can be contacted at [\(714\) 654-1930](tel:7146541930) or adam@socacoalition.com

Sincerely,

A handwritten signature in blue ink, appearing to read "Adam Spiker", is written over a faint, larger version of the same signature.

Adam Spiker
Executive Director
Southern California Coalition

Cc: Mr. Andrew Westall
Ms. Leela Kapur
Mr. Alexander Ponder
The Honorable Members of the Rules Committee
Mr. Paul Habib
Mr. Solomon Rivera
Mr. Richard Williams
Mr. Virgil Grant
Mr. Donnie Anderson