



Richard Williams <richard.williams@lacity.org>

COUNCIL FILE NO. 14-0366-S5 COMMENT

Melanie Luthern <ml@ssdslaw.com>

Mon, Aug 7, 2017 at 11:29 PM

To: Richard Williams <richard.williams@lacity.org>

Dear Mr. Williams,

Please accept for the record the following points regarding the City's Proposed Requirements for Commercial Cannabis. A formal memo is forthcoming in the days preceding the REIGN Committee meeting.

The application process should assess an applicant's history as an employer.

The application process should also screen for an applicant's history of complying with local, state, and federal labor laws, and employer payroll obligations, by taking into consideration final adverse action taken against the applicant with regards to its duties as an employer by the state or federal government.

The application process should be used to assess what plan the applicant has put in place in order to ensure compliance with local, state and federal labor laws. Moreover, applications of those who are operating in knowing violation of the City's Minimum Wage Ordinance and Labor Standards should be automatically denied.

Labor peace agreements are private agreements.

The City correctly recognizes that a labor peace commitment should be required of all employers and proof of a labor peace agreement should be required of all who either employ 10 or more or represent in their staffing plan that they intend to hire 10 or more employees. Regarding proof of a labor peace agreement, an applicant should only be required to provide an attestation from a person authorized to contract on behalf of a bona-fide labor organization that one has been executed. Labor peace agreements are private agreements between an employer and a bona-fide labor organization. Efficient and good faith negotiations would be best served by the confidentiality of the final labor peace agreement.

The public hearing process should be clearly outlined in the Ordinance, and modeled after public hearing principles found throughout the City Code.

The Proposed Requirements make significant progress towards an efficient public hearing process. That said, the City should streamline the public hearing process by giving the Department the ability to approve license types with less impact on communities, such as, Type 1A, Type 2A, Type 3A, Type 4, Type 11. In order to provide transparency with regards to license types with more community impact, the Commission should retain initial approval rights over Type 1B, Type 2B, Type 3B, Type 5A, Type 6, Type 7, Type 8, Type 10, Type 12, and over applicants requesting multiple licenses.

Moreover, the Proposed Requirements lacked several common provisions governing public hearings such as the findings necessary for approval or denial, a standard of review, and timelines for scheduling hearings and issuing notices of determination.

A worker retention policy must be implemented to ensure a stable, well-trained workforce.

The City of Los Angeles has long been a leader in worker retention policy. With regards to the cannabis industry, the community's interest is best served by a stable, well-trained workforce, which can be achieved through the City's continued leadership on the issue. The cannabis industry is volatile, historically prone to turn-over, and with increased profits on the horizon: increasingly vulnerable to the lure of corporate acquisition.

Anti-retaliation provisions will foster safer communities and workplaces.

Communities are best protected when cannabis industry employees are free to report noncompliance and safety issues in their workplace. The Ordinance must include anti-retaliation provisions to safeguard whistleblowers against adverse action.

Grounds for disciplinary action should include knowing violations of state or local labor laws.

The Proposed Requirements includes a list of offenses for which commercial cannabis businesses may be subject to disciplinary action, but this list omits knowing violations of state or local labor laws. This oversight leaves cannabis workers vulnerable, and incentivizes subpar working conditions, the impacts of which will spill over into communities. To that end, the Ordinance must ensure like other City licenses that commercial cannabis licenses can be denied or revoked if the applicant has been found to have willfully violated any law involving wages or labor as a violation of the California Labor Code or the Los Angeles Minimum Wage Ordinance, Los Angeles Municipal Code, Article 7, of Chapter XVIII or the Los Angeles Municipal Code, Article 8 of Chapter XVIII.

On-call employees & GPS requirements

The Proposed Requirements mandate that each applicant provide the name of a community liaison who remains on-call for 24 hours. There are complex wage and hour laws associated with on-call employees, and the rate of pay for those employees are dictated, more or less, by the amount of control that the employer seeks to have over those employees during on-call time. For that reason, the City should cross reference this requirement with a proviso directing that all such community liaison positions be compensated for on-call time in a manner consistent with state and federal law.

Additionally, the Proposed Requirements mirror state language requiring all delivery and transport employees to use vehicles tracked with a GPS device. Employers should be required to notify employees when and how their movements are being tracked.

Thank you,

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August 7, 2017

Los Angeles City Clerk's Office
Richard Williams – Legislative Assistant
200 N. Spring Street, Room 360
Los Angeles, CA 90012

Re: Council File No. 14-0366-S5 Proposed Requirements for Commercial Cannabis Activity in the City of Los Angeles

Dear Mr. Williams:

Community Health Councils (CHC), with input from the Healthy Kids Zone Work Group, respectfully writes to provide comments on the Proposed Requirements for Commercial Cannabis Activity in the City of Los Angeles. The Healthy Kids Zone Work Group exists to build strong, creative collaboration between schools, local governments, community organizations, businesses, parents, and families, to strategically leverage each other's assets, attract new resources, and put in place the policies, programs, and services needed to achieve health and resource equity necessary for community well-being and a high quality of life for all. For 25 years, CHC has been at the forefront of work to eliminate health disparities by promoting social justice and achieving equity in community and environmental resources to improve the health and well-being of underserved populations. Our dynamic network of coalitions is composed of neighborhood leaders, consumer advocates, healthcare and social service providers, and educational and faith-based organizations serving South Los Angeles.

With the licensing and introduction of commercial cannabis businesses permitted in the state as of January 1, 2018, it is commendable that the City of Los Angeles has taken the initiative to develop policies to ensure smooth implementation across the city. The legalization of cannabis consumption for adults 21+ in California will not only eliminate criminalization, which disproportionately impacts communities of color, but it will also provide a revenue stream for the state and local jurisdictions to implement strong public health education campaigns and identify ways to train law enforcement to better interact with our communities. While many components of the draft commercial cannabis requirements are commendable (such as restricting the number of Certificates of Compliance, prohibiting alcohol and cannabis from being consumed or sold at the same site, and creating strict rules around signage, smells, and advertising), it is crucial for the city to put the commercialization policy on hold until several key components are fully developed and vetted by communities across the city.

CHC along with our partners recognize the potentially positive and negative impacts that cannabis commercialization can have on the health and well-being of individuals and communities, and have identified the importance of developing comprehensive policies prior to implementation. It is through this lens that comments in this letter are provided. Specifically, we urge the city to provide clarity around the following issues: 1) how local and state taxes will be used to address public health and education concerns ; 2) how social equity is defined and will be implemented and enforced (including how the city will provide business and legal training/services to communities of color who may be interested in new business opportunities as well as address land use concerns); and 3) how police will receive sensitivity training to ensure nobody is being unlawfully criminalized for engaging in legal cannabis activities.

PRIORITIZE EDUCATION, PUBLIC HEALTH, AND PREVENTION SERVICES, ESPECIALLY FOR AT-RISK YOUTH.

1. ***Develop city-wide educational campaign in coordination with any county and state campaigns for all ages to understand the laws and consequences of consuming cannabis.*** Funding education, public health, and prevention services are a crucial first step to introducing recreational cannabis businesses to our city. While Proposition 64 decriminalizes cannabis consumption for adults 21+, the proliferation of cannabis businesses and homegrown products will increase the likelihood and ease for youth to gain access to this substance. There are already documented incidents of cannabis use in middle school aged

youth, which justify the need for cannabis education at all ages, especially in pre-teens. Studies have shown an increased prevalence of substance use in middle school aged youth who live in high stress environments, have been bullied, or suffer from depression.^{i ii iii iv} Communities living in South Los Angeles already suffer disproportionately with regards to health outcomes such as major depression and cardiovascular disease, access to health promoting resources,^v and access to safe and affordable housing,^{vi} making high stress environments inevitable for youth. The city should align with state policy which has stated will use taxes to “invest in public health programs that educate youth”^{vii} (pg. 1), and partner with local agencies and organizations to also develop campaign targeting youth requires a delicate balance to explain the harm and negative consequences of consuming cannabis before age 21.

2. **Set aside funding to screen at-risk youth and provide mental health and social services.** Additionally, funding must be set-aside for youth who do consume cannabis and other substances to provide them with the health resources necessary to prevent addiction and heavy drug use. The factors that drive most youth to consume illicit substances are often best addressed through mental health and social services, rather than through traditional rehabilitation programs. Ongoing research is beginning to show that there are holes in the available services for youth who have Medi-Cal or lack insurance to address the root causes of unhealthy substance use. Finally, the city should collaborate with LAUSD and community clinics to identify funding for screening efforts to identify at-risk youth and refer them to services. The first line of defense **must be** prevention and education rather than rehabilitation and criminalization.

CLEARLY DEFINE SOCIAL EQUITY AND POLICIES THAT WILL ENSURE IMPLEMENTATION AND ENFORCEMENT.

In an effort to prioritize social equity, the Chief Legislative Analyst and Chief Administrative Officer have been tasked with “a social equity analysis of cannabis regulations aimed at promoting equitable ownership and employment opportunities in the cannabis industry in order to decrease disparities in life outcomes for marginalized communities and to address the disproportionate impacts of the war on drugs in those communities.” (Council File No. 17-0653). To truly achieve equity through the permitting of cannabis businesses in the city, the social equity program must prioritize issuing Certificates of Compliance to individuals that have been the victims of over-policing and zealous prosecution. This prioritization must be in addition to the already prioritized local hire and transitional worker requirements that are described in the proposed policy (pg. 19).

1. **Remove business owner burdens and provide uniform policies on all cannabis businesses.** With 34 separate application requirements, it will be difficult for low-income entrepreneurs to even apply for a Certificate of Compliance without some assistance. Application requirements include providing details such as: business organizational structure (pg. 16, #8), financial information (pg. 17, #10), detailed diagrams of the proposed site (pg. 18, #16), detailed description and plan for hiring local residents and transitional workers (pg. 19, #18), and a staffing plan and organizational chart (pg. 19, #19)^{viii}. As such we urge the city to:
 - a. **Clearly define the social equity program (page 13).** While it is commendable that the city would like to prioritize a social equity program, the commercialization and licensing process should be delayed until this program is clearly defined and vetted by community stakeholders. We have learned through other public processes that different stakeholders perceive and define equity differently and based on their own unique perspectives (for example, geographic equity). Having a clear and agreed upon definition of social equity can ensure that all city residents understand who and what is being prioritized. This definition needs to be based on evidence of factors such as race/ethnicity, income, and health disparities and prioritize individuals and communities that have been disproportionately impacted by overzealous policing and prosecution as a result of marijuana policies; thus, beginning to address the inequities that have plagued certain groups, such as African Americans.
 - b. **Establish clear protocols and city-wide percentages for hiring local and transitional workers (page 19).** Requiring new businesses to hire a percentage of local (at least 30%) and transitional workers (at least 10%) can provide new economic opportunities for vulnerable populations;

however, the city should also implement a standard hiring and job training policy and program rather than require each individual business owner to determine their own protocol for hiring local and transitional workers (item #18, pg. 19). This practice can create inconsistent protocols across businesses and communities. Lastly, cannabis industry employees will need to be properly trained on the state and local laws and safety protocols to prevent the unintentional occurrence of illegal activities. Additionally the cities definition of “transitional workers” should include those from communities who have been overly criminalized by marijuana policies.

2. Provide business education and legal services for low-income individuals interested in new business opportunities. Communities in South Los Angeles are concerned about introducing an overconcentration of cannabis businesses that may disproportionately harm their communities without providing economic benefits.

- a. In order to reduce this risk, the city should identify funds or an existing economic development public entity to provide business education and legal services for low-income individuals and those from communities of color who may be interested in pursuing new cannabis business opportunities. As discussed in the Rules, Elections, and Intergovernmental Relations Committee on March 8, 2017,^{ix} while cannabis businesses can be very lucrative, equity cannot be achieved without a clear plan of action to give low- and middle-income individuals the chance to participate in new business opportunities. Other states have not prioritized equitable business opportunities, and this gives Los Angeles the chance to be a leader on this issue. Given the negative documented relationship between the penal system and communities of color, which over criminalizes marijuana use, marijuana policies that enhance community relations and possibilities for improved economic wellbeing should be prioritized.^x Additionally, individuals with criminal records will need legal services to identify small business loans, real estate, and other important elements to starting a new business.
- b. As described in the city’s definition, transitional workers already face barriers to employment and the city must find ways to provide employment opportunities for this population, while also establishing clear protocols that will protect them from harms or legal issues that may arise from working in the cannabis industry, including stigmatization.

3. Make sure land use policies protect not only sensitive populations, but also all vulnerable communities.

While the city has proposed to prohibit cannabis businesses within 800 feet of schools, daycares, other youth centers, public parks, public library, alcohol and drug rehabilitation facilities, or other cannabis business, our communities would like to see the land use regulations strengthened further. The city must address several concerns:

- a. **Relocate existing dispensaries outside of the 800-foot radius.** Several dispensaries currently exist very close to schools, including as close as across the street from campuses. Existing cannabis businesses should not be exempt from the 800-foot guidelines.
- b. **Include tobacco/smoke shops and liquor stores in the 800-foot radius zoning rule.** Our communities are already burdened with an overconcentration of tobacco and liquor retailers and a lack of health promoting resources such as full services grocery stores.^{xi} Including these land uses in the proposed zoning ordinance will reduce the risk of concentrated nuisance land uses in vulnerable communities.
- c. **Ensure all land uses are in compliance with the Plan for a Healthy LA and Community Plans.** In areas such as South Los Angeles, which are classified as having the “greatest health disparities,”^{xii} the proposed cannabis land use ordinance must be vetted against the city’s Health Element to guarantee that land uses are promoting “short-term and long-term health improvements.”^{xiii} Additionally, planners should prioritize neighborhood serving uses and health promoting resources such as full service grocery stores over cannabis businesses.

d. Provide the community opportunity for public hearings on all proposed cannabis businesses.

Communities must be permitted a public review and comment period on all proposed cannabis businesses to ensure that this is the best land use for any parcel. Cannabis businesses should not be treated differently from other land use proposals.

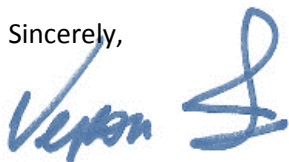
IDENTIFY BEST PRACTICES AND TRAIN LAW ENFORCEMENT TO PREVENT RACIAL AND AGE DISCRIMINATION.

For years, criminal policies and procedures around marijuana have systematically destroyed Black and Brown lives and communities in disproportionately high numbers; therefore, progressive policies must specifically target and amend these injustices, not only through new business and workforce development opportunities, but by retraining law enforcement as well.

- 1. Work in coordination with LA County and the State of California to identify and implement law enforcement best practices.** Communities of color, especially men of color, are disproportionately criminalized and mistreated by law enforcement across not only the city, but also the nation.^{xiv xv} While it is illegal to drive under the influence of cannabis, there is no validated way to chemically test for this,^{xvi} raising the risk that law enforcement may improperly prosecute innocent people. Police should be required to participate in sensitivity training at least annually^{xvii} to keep our communities safe from both the harms of driving under the influence and of racial discrimination and police abuse.
- 2. Develop regulations in conjunction with LAPD to address safety issues.** While the draft regulations require business owners to address issues such as graffiti, trash, and loitering, there must be coordination between the city, LAPD, and business owners to regulate and promptly address safety issues. The city must also clarify the role of the Neighborhood Liaison, which is currently defined as an employee of each individual business, but does not specify how this position will interact with law enforcement, neighborhood councils, or other stakeholders. The city must clarify this role and formalize the relationship between private businesses and public entities to ensure strong cohesion and mitigate community harms.
- 3. Do not criminalize youth.** Youth who use cannabis and other substances need access to resources to address the issues that drive them to substance use in the first place. Rather than criminalizing youth and sending them to forced substance abuse treatment programs, the city should identify therapeutic services and mentorship programs to help youth cope with challenging life circumstances.

We appreciate your diligent consideration of these recommendations and continued engagement with diverse stakeholder groups throughout the city to ensure that the decriminalization of cannabis activities in the City of Los Angeles is done with a focus on true social equity, protection of public health, and prioritization of prevention services for at-risk youth. If you have any questions about this letter or would be willing to meet with our partners to discuss these concerns please do not hesitate to reach out to our Senior Policy Analyst, Jaqueline Illum at (323) 295-9372 or jillum@chc-inc.org.

Sincerely,



Veronica Flores, MA
Chief Executive Officer

Additional Signers

- Healthy Kids Zone Taskforce
- The Los Angeles Trust for Children's Health

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August 7, 2017

SENT VIA U.S. MAIL AND EMAIL

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Re: Written Public Comment – Council File No. 14-0366-S5

To Whom It May Concern:

Thank you Los Angeles City Council, Department of City Planning and their respective staff (hereinafter collectively referred to as “the City”) for all of the hard work that has gone into championing new cannabis legislation from the ground up and navigating the cannabis industry with such perseverance. With state and local applications for licensure quickly approaching, we recognize the multitude of efforts required by the City to create a regulatory framework for the new cannabis industry. We understand that the city is only as strong as its community.

Our firm, Manzuri Law, represents hundreds of business in the Los Angeles cannabis community. With over 20 years of combined experience in the city's cannabis industry, we bring unique experience and an in-depth understanding of local law in both the defense and business capacities.

Given the size, population, economic power and visibility of the city of Los Angeles, we are uniquely positioned to shape the future of California's cannabis industry. From experience, we know that the lack of clarity surrounding this industry will become fodder for future legal challenges. Further, other regions in California and across the nation look to Los Angeles City Council to galvanize the market and determine industry precedent. Like the City, we support clear regulations that create a favorable environment for cannabis businesses while also protecting public health and safety.

We believe that the City can be a champion for this vision. In that regard, we submit the following comments and regulatory alternatives on behalf of ourselves and our clients:

- 1. Los Angeles should issue permits for commercial cannabis activity, not limited immunity.**

The City has a duty to uphold the will of the voters. We strongly urge the City to honor this sacred obligation in good faith. As the City is aware, in November 2017, nearly 2 out of 3 voters in the city of L.A. supported Proposition 64, a statewide initiative that legalized the adult-

use of cannabis and allowed for the state licensing of recreational businesses. Then, a few months later in March, nearly 80% of city voters approved Measure M, which the City itself pitched to voters as a fix for Proposition D. The City's issuance of "certificates of compliance" that confer "limited legal immunity" on businesses does not accomplish what city voters called for when they approved Measure M – specifically, an affirmative permitting program for cannabis businesses.

The City's proposed quasi-legal, limited immunity scheme will only result in a repeat of the same mistakes under Proposition D. As we all know, Proposition D was a total failure. With respect to limited immunity, a concerned citizen at the City Planning's June 29th public hearing put it best: "It didn't work then, and it won't work now."

That said, we ask that the City consider the following legal issues which arise from refusing to give local permits to cannabis businesses:

- A "certificate of compliance" may not be sufficient to qualify for a State license. Under California Business & Professions Code ("B&P") § 26032, the State will be prohibited from issuing a State license to any business that is not in compliance with a local ordinance or regulation. The City uses the terms "compliance" and "limited immunity" somewhat interchangeably, but they are not the same. Under the City's proposed ordinance, there will be no such thing as a lawful cannabis business in the city of L.A. A "certificate of compliance" will merely confer limited immunity on certain businesses, meaning that those businesses will not be subject to enforcement remedies or criminal prosecution. Technically, these businesses will still remain illegal and arguably not "compliant" with local law.
- The City's refusal to permit cannabis businesses would continue to make it difficult for business owners to find and lease property. For years, the City Attorney's Office has been aggressively prosecuting property owners for renting to cannabis businesses in violation of Proposition D. As a result, due to the fear of criminal prosecution and heavy legal fines and fees, many property owners remain hesitant to rent to cannabis businesses that cannot show proof that they have an actual local permit. Frankly, the concerns of these prospective landlords are valid. As former Los Angeles Police Commissioner Rafael Bernardino, Jr. said at a recent L.A. Cannabis Task Force meeting: "No one understands [limited immunity]. Landlords don't know what it means, insurance companies don't know what it means. A limited immunity is nothing. It's something you get to raise after you're prosecuted..." Moreover, it's questionable as to whether a "certificate of compliance" will even qualify to meet the requirements of State law under B&P § 26032(b), which only immunizes property owners who, in good faith, rent their properties to cannabis businesses that possess a "local license or permit ... if required by applicable local ordinances."
- The lack of local permitting will deter investors from infusing necessary capital into L.A.'s cannabis businesses. From a business standpoint, it makes little to no sense to invest tons of capital into a city that refuses to give your business full legal standing to operate. Why should a business invest enormous amounts of time and capital into acquiring a "certificate of compliance" from the City, when that document can't even be

used to protect the business from local raids and/or criminal prosecution? This high-risk, low-return situation will be a critical disincentive to investment in L.A.'s cannabis industry.

- To the best of our knowledge, no other city, county or state has chosen to regulate cannabis businesses in this way. The City's draft regulations would give cannabis businesses lesser protections than virtually any other industry in the State, if not the entire country. If the City fails to remove the limited immunity language from Proposition M's regulations, the City will lose the trust of industry stakeholders, many of whom will likely relocate to a neighboring city or county with more favorable regulations. If the City loses these businesses, it will lose all the jobs and tax dollars that these businesses bring.
- Keeping the limited immunity rule – which, again, has failed spectacularly under Proposition D for the last four years – will make the transition from a black market to a regulated market much more difficult. With state licensing just around the corner, the City needs to focus on creating a system that facilitates trust and provides sufficient incentives and opportunities for rogue operators to seek licensing. A “certificate of compliance” that only allows a business to semi-legally operate in L.A. is only half a prize – it will not be attractive enough to make scofflaws want to leave the black market.
- Measure M provided for a tax regime that was premised upon businesses being issued “licenses” by the City. If businesses obtain anything less than an actual license or permit from the City, an argument could be made that businesses with “certificates of compliance” are not subject to Measure M's cannabis-related taxes. As a result, the City would be making itself vulnerable to potential litigation.
- To the extent that the proposed limited immunity scheme is motivated by the City Attorney's fears of a potential federal crackdown, those fears would be exaggerated and, in some ways, counter-intuitive. Last week, the Senate Appropriation Committee unanimously voted to adopt an amendment, commonly known as the “Rohrabacher-Farr” Amendment,” that prohibits the DOJ from using appropriated funds to prosecute those in compliance with their state's medical cannabis laws. The Amendment has been renewed every consecutive budget since it first passed in 2014. As a result, the Department of Justice (“DOJ”) has been constrained from enforcing federal drug laws against medical cannabis businesses and municipal licensing agencies in states where cannabis is legal. This constraint was affirmed last year by the Ninth Circuit's landmark decision in *United States v. McIntosh*, 833 F.3d 1163 (9th Cir. 2016). Our firm is actually heavily involved in this case because we were retained by the defense to act as state-compliance experts. As such, we have extensive knowledge of the various evidentiary issues and legal complexities surrounding the Ninth Circuit's ruling. Though the *McIntosh* ruling was a huge win for the legal cannabis industry in California, its protections are still limited. The ruling states that the Amendment only protects medical cannabis businesses that are acting in “strict compliance” with state and local law. The ability to demonstrate that a business has an actual local permit is a much more compelling display of “strict compliance” with local law than the ability to assert an affirmative defense at trial.

Ironically, this means that refusing to issue permits could actually *increase* the threat of federal enforcement against cannabis businesses and the City.

2. To ensure market stability, all businesses that were in operation prior to September 30, 2017 should be provisionally licensed and Proposition D-compliant businesses should be given priority.

If only certain retailers (Proposition M Priority) and cultivators/manufacturers (Non-Retail Registry) are allowed to continue operations while their applications are pending, the supply chain will be severely disrupted. As we know from Nevada, supply problems could prove disastrous when regulation finally begins.¹

To avoid any supply problems, we propose that the City provisionally license *all* businesses (retailers, microbusinesses, cultivators, manufacturers, delivery services, distributors and laboratory testers): (1) that were in operation prior to September 30, 2017; (2) that notify the City of their intent to apply for a local license; (3) that have a compliant location; (4) that provide proof of landlord authorization or ownership of property; (5) whose continuing operations are the same commercial cannabis activity as the license type for which the applicant is applying; and (5) that submit a sworn affidavit that they will operate in compliance with City law and will submit a complete application to the City no later than July 2, 2018, or until such other date as the State's regulations may require for provisional licensing. In accordance with Measure M, all Proposition D-compliant businesses should be given priority.

3. All applicants should be given immunity from criminal prosecution for any activities admitted in the application process.

Requiring an applicant to report its date of operation could potentially expose that applicant to criminal liability on all three levels of the law – federal, state and local. We propose that the City provide use immunity from criminal prosecution for all businesses seeking to apply for local licensure. This use immunity would cover any potential illegal activities that are admitted to in the application process.

To further protect applicants, the City should keep all applicant information confidential. Applicant information should only be revealed to law enforcement upon the presentation of a valid warrant or court order signed by a judge. The City, their employees and/or agents should also be prohibited from disclosing information outside their agency and/or instigating or facilitating criminal actions by the federal, state or local government based on anything that is contained in a business application.

4. Volatile manufacturing (Type 7) should be allowed.

Manufacturing with volatile solvents has long been a vulnerable area for cannabis manufacturers in California. With SB 94's inclusion of the volatile manufacturing license (Type 7), many cities find regulating volatile manufacturing a navigable process and also

¹ Only two weeks after Nevada began allowing the retail sale of cannabis, it had to declare a state of emergency due to supply problems as a result of nobody being licensed to distribute or transport it. <http://www.latimes.com/nation/la-na-nevada-marijuana-hearing-2017-story.html>

find that using solvents in manufacturing cannabis can be done safely. In Los Angeles, there are many reasons the city should affirmatively issue Type 7 compatible manufacturing permits.

First, the use of volatile substances in extraction provides for higher quality and a cleaner product for patients and consumers.

Second, manufacturers in and out of the cannabis industry widely use solvents in their processes and do it in a safe manner. Los Angeles City Council President Herb Wesson has consulted with experts, non-cannabis manufacturers and the Los Angeles Fire Department on the issue of manufacturing. Based on this analysis, Los Angeles is equipped with the inspection, safety and regulatory expertise to allow for safe volatile manufacturing as allowed under MAUCRSA.

Third, enforcement has proven to be an issue here, especially with regards to distinguishing volatile and non-volatile processes. Enforcement would continue to cost the City more resources and energy in an ineffective war on drugs.

5. Small outdoor (Type 1/Type 1C) and mixed-light cultivation (Type 2/Type 2B/Type 3B) should be allowed.

There is no valid reason why small outdoor (Type 1/Type 1C) or mixed-light (Type 2/Type 2B/Type 3B) cultivation cannot be permitted to operate in the agricultural zones and areas of the City. We propose that small outdoor and mixed-light operations be allowed to operate in specific agricultural zoning districts in the City provided that the applicant obtains a Land Use Permit and complies with Agricultural Commissioner Best Management Practices.

6. Los Angeles' Ordinance should further define the term "substantial compliance" with Proposition D.

The City's draft regulations indicate that existing dispensaries holding a 2016 or 2017 BTRC who are able to show "substantial compliance" with Proposition D will be eligible for Proposition M Priority Processing. However, it's unclear what "substantial compliance" really means. The term is vague and undefined, thus making it a prime target for extensive litigation.

For example, Proposition D case law says that limited immunity is unavailable as an affirmative defense if a medical marijuana business violates any of the 15 restrictions set forth in Proposition D.² For purposes of determining eligibility for Proposition M Priority Processing, which of those 15 requirements will the City consider to be necessary to prove "substantial compliance" with Proposition D? All 15 requirements? Or will 8 requirements be enough? And what about an operator's presence on the City's previous "134 list" – will that alone be enough? Numerous operators over the years have been denied BTRC's for a multitude of reasons – what recourse (if any) will they have with the Office of Finance? All these questions remain unanswered by the City.

² *People v. Trinity Holistic Caregivers, Inc.* (2015) 239 Cal.App.4th Supp. 9, 16.

In the absence of clear guidance, the application of the “substantial compliance” standard will be challenged in court as being arbitrary and capricious. Interestingly enough, in December 2016, the California Court of Appeal made a similar critique when it ruled that the “substantial compliance” doctrine has no application to Proposition D because it would defeat the purpose of the city’s ban and the stringent standard for immunity.³

7. Proposition M Priority should be available to all “medical marijuana businesses” as defined by Proposition D.

Limited immunity under Proposition D was not just limited to retailers. Proposition D afforded limited immunity to “medical marijuana businesses” that operated in compliance with specified requirements. Proposition D defined a medical marijuana business as: “Any location where marijuana is cultivated, processed, distributed or given away to a qualified patient, a person with an identification card or a primary caregiver.” The same definition should apply, therefore.

8. A clear timeline must be established for the General Public and Social Equity Program applicants.

The draft regulations fail to establish any sort of meaningful timeline for when the application window is expected to open for General Public and Social Equity Program applicants. While we understand that the City needs time to develop, create and finance the Social Equity Program, the fact that there is no actual deadline in sight makes it difficult for businesses to plan ahead.

For example, under the draft regulations, a General Public or Social Equity applicant will be unable to apply for some undetermined time after the Proposition M Priority and Non-Retail Registry applicants are considered, and will then be prohibited from operating until such time that it obtains both a City-issued “certificate of compliance” *and* a State license. However, due to the competitive nature of this industry and the lack of available real estate options, these new businesses will need to secure a location very soon. This means that new businesses will have to continue paying their leases in order to hold their properties as they wait for their applications to be processed. These “holding” costs will cost new business owners fortunes and create incredible barriers of entry to all General Pubic and Social Equity Program applicants.

To minimize uncertainty for all the new businesses planning ahead, the City should impose actual deadlines for General Public and Social Equity applications so that new businesses can strategize accordingly.

9. An applicant’s gender should be one of the factors considered for eligibility in the Social Equity Program.

The draft regulations hint that the Social Equity Program will be aimed at promoting opportunities for those who come from communities that were disproportionately impacted by

³ *People v. Onesra Enterprises, Inc.* (Dec. 19. 2016) BR 052596.

the “War on Drugs”. We applaud and fully support this goal. However, we propose that the City take its vision one step further by adopting more inclusive goals for women as well.

Historically, the African-American and Hispanic communities in L.A. have been the most negatively impacted by the drug war, meaning that the Social Equity Program will primarily include African-American and Hispanic applicants. But the City should be mindful of the fact that although the perceived targets of drug law enforcement are usually men, many of the victims of the drug war are women. According to an ACLU report called “Caught in the Net,”⁴ the number of women with convictions, especially low-level drug-related convictions, has skyrocketed. Over the past two decades, the number of women in prison increased at a rate nearly double that of men. The ACLU report goes on to explain:

“Even when they have minimal or no involvement in the drug trade, women are increasingly caught in the ever-widening net cast by current drug laws through provisions such as conspiracy, accomplice liability, and constructive possession, which expand criminal liability to reach partners, relatives, and bystanders. Sentencing laws fail to consider the many reasons – including domestic violence, economic dependence, or dependent immigration status – that may compel women to remain silent or not report a partner or family member's drug activity to authorities. Moreover, existing sentencing policies, particularly mandatory minimum sentencing laws, often subject women to equal or harsher sentences than those imposed upon the principals in the drug trade, who are ostensibly the target of those policies.”

Due to the devastating and disparate effects that draconian drug policies have had on women, particularly women of color, we urge the City to not discount gender when taking applicants into consideration for the Social Equity Program.

It should also be noted that not unlike many other industries in the U.S., the cannabis industry is a male-dominated one. Fortunately, in recent years, women have started to even the playing field. According to an October 2016 survey conducted by Marijuana Business Daily, women hold 36% of leadership positions in the entire industry, which is significantly higher than the 22% average for U.S. companies in general.⁵ **But the bad news, according to the survey, is that women are still underrepresented in the industry on the executive level.** Women hold fewer than half of senior roles at two-thirds of cannabis businesses, and a surprising one out of four companies have no female executives at all.

For these reasons, the Social Equity Program should also be geared towards promoting equitable ownership amongst women, not just minorities. Encouraging women-owned businesses in this industry will not only help the city achieve a more equitable workforce that reflects the diversity of the community, it may also lead to an increase in tax revenue. According to a 2015 report from Mayor Eric Garcetti’s Office, the number of women-owned businesses in

⁴ https://www.aclu.org/files/images/asset_upload_file431_23513.pdf

⁵ <https://mjbizdaily.com/chart-of-the-week-women-holding-more-seats-in-the-executive-suite-at-cannabis-companies/>

metropolitan L.A. increased by 25% in the past decade, while sales revenues have increased by 45% over this same time period.⁶ Moreover, there is evidence that having women in executive roles may attract more investors to the city. Troy Dayton, CEO of the cannabis research and investment firm Arcview Market Research, told Christian Science Monitor that of the \$103 million the firm had invested in 137 cannabis startups, 30 percent went to women-led companies. However, Arcview invested an average of \$1.2 million in each of 26 women-led firms, which is significantly higher than the firm's average investment of \$752,000 per company.

10. The non-transferability provisions should not apply to entities converting to for-profit status.

The City's draft regulations state that: "Businesses are not transferable once a Certificate of Compliance is issued ... A change to the Business organizational structure or ownership as defined by the State of California requires a new application, the initial application fees, and approval of the new application by the Commission, Department, or City Council." Because many prospective applicants are currently incorporated or structured as a not-for-profit entity, the regulations should make clear that a change in the form of the entity (i.e., from a not-for-profit to a for-profit entity) will not trigger a new application requirement.

11. As the voters decided in overwhelming numbers, Los Angeles should allow outdoor personal cultivation.

Banning outdoor cultivation is not a "reasonable regulation" and it creates a public safety issue. Lighting and ventilation systems associated with indoor cultivation can pose fire risks and other problems. Moreover, it is generally more expensive and labor-intensive to maintain an indoor grow, which would place an undue burden on adult residents who want to exercise their rights under the AUMA and/or qualified medical patients who need access to their medicine.

While we recognize that any outdoor cultivation within city limits should be reasonably conducted in such a way that other citizens are not impacted negatively, we ask the City to consider that there are more reasonable approaches to this issue than an outright ban. A more reasonable approach would be to allow small outdoor personal grows (max 6 plants) under the following conditions: (1) the cultivation is done in a locked space; (2) the cultivation is not visible by normal unaided vision from a public place; and (3) the odor is imperceptible from outside a dwelling. Not only would these restrictions abate the potential nuisance(s) (if any) of a small outdoor grow.

The outdoor ban will also result in lost revenue for the City's government and law enforcement agencies. Pursuant to California Business & Professions Code § 34019(f)(3)(C), a local government that decides to ban outdoor personal cultivation will be unable to receive grants from the State to help with law enforcement, fire protection or other local cannabis enforcement programs. On the other hand, if the City repeals the outdoor ban, the City's enforcement agencies will be allowed to share in the tax revenues recouped statewide through cannabis sales.

⁶ https://www.lamayor.org/sites/g/files/wph446/f/page/image/LACity_Part2_Leadership.pdf

12. Re-evaluate the renewable energy requirements for indoor cultivation.

The City's proposed regulations mandating renewable power source requirements of 42% mirror the State's proposed requirements. However, these requirements are not reasonably feasible for indoor cultivators, particularly those who run small businesses. With the amount of power required to supply the cultivation lights, our clients have stated that they would need an entire city block of solar panels. The alternative to this for growers would be to offset their carbon footprints by paying extra charges for water and power. Both options will place an enormous financial burden on indoor cultivators and will inevitably push many small cultivators out of the market. Our clients are not averse to turning their roofs into solar panels, however they simply cannot afford to jump to using 42% renewable energy when the cost of such implementation is so high. We strongly urge the City to recalculate the percentage of renewable power sources and propose a value that would not unintentionally force small businesses out of the legal market and/or back to the black market.

13. On-site consumption should be allowed on licensed retailer premises and in private establishments.

With regard to on-site consumption, we propose that the City allow licensed retailers and private establishments to responsibly allow for on-site consumption. Many of the residents of L.A. live in HOA or landlord-controlled property that disallow cannabis use on the premises. Moreover, there will be an influx of tourists purchasing cannabis in the City, with no place to go to legally consume it. **In Denver, this exact problem “led to a 500% increase in public consumption tickets issued since the passage of Amendment 64 in Colorado, with African-American being arrested at a rate 2.6 times higher than whites.”**

We propose that the City adopt regulations similar to those contemplated in Denver's “Yes on 30” Initiative. After Denver legalized the adult purchase and possession of cannabis, the city struggled to provide a safe and private place for adults to consume. Under Denver's new measure, licensed retailers and private establishments (i.e., yoga studios, cafes, etc.) will be able to seek permits for on-site consumption areas subject to strict requirements. For example, on-site consumption permits will only be given to businesses who have obtained formal support from their neighborhood community. We strongly urge the City to consider similar regulatory alternatives.

14. Decrease the 800-foot sensitive use radius to 600 feet.

The City should mirror State law by decreasing its sensitive use radius for retailers to 600 feet. Requiring an 800-foot radius from sensitive uses is excessive and severely limits the available property for retail businesses in L.A.

15. The appeals process should have clear standards and procedures that comport with basic due process.

Applicants whose applications are denied should be afforded the right to a hearing or an appeal with clear standards because basic due process requires it. With regard to the appeals process currently contemplated by the City's draft regulations, it is unclear as to what

circumstances (if any) the City will even accept an appeal or grant a hearing. Moreover, there is no mention anywhere of the applicable criteria or standard of review. There needs to more mechanisms in place to ensure that a party will receive a fair hearing or be afforded basic due process.

16. The City should make any other changes necessary to ensure consistency with new State law.

The City's draft regulations were released prior to the passage of SB 94. Now that SB 94 is officially State law, several changes should be made to the City's draft regulations to ensure consistency and conformity to State law. Some of these changes include the following:

- Page 14, Section 1: The City needs to remove producing dispensaries (Type 10A) as an allowable business type.
- Page 15, Section 8: The City needs to remove transporters (Type 12) as an allowable business type.
- Page 17, Section 10: Requiring the disclosure of this amount of financial information disclosures is overly burdensome and exceeds the requirements of State law.
- Page 19, Section 20: Requiring a labor peace agreement for applicants with 10 or more employees is overly burdensome and exceeds the requirements of State law. The City should only require a labor peace agreement for applicants with 20 or more employees. The City should also clarify whether independent contractors qualify as "employees" for purposes of this section.
- Page 19, Section 22: This section should be deleted because there is no way that an applicant can provide the City with "a valid state license" or "attest that the applicant is currently applying for a state license and provide adequate documentation" prior to receiving a local permit or license.

Thank you for your consideration. We look forward to reviewing the modified proposal once all public comments have been heard and, where appropriate, incorporated into the regulations.

Very Truly Yours,



Meital Manzuri, Esq.
Managing Partner



Alexa Steinberg, Esq.
Attorney at Law



Michelle Mabugat, Esq.
Attorney at Law



August 7, 2017

Mr. Richard Williams
Legislative Assistant
Los Angeles City Clerk's Office
200 N. Spring Street, Room 360
Los Angeles, CA 90012

Re: Council File No. 14-0366-S5, Proposed Requirements for Commercial Cannabis Activity in the City of Los Angeles

Dear Mr. Williams,

On behalf of Groundwork Industries, I am formally submitting the comments below in response to Council File No. 14-0366-S5, the June 8 proposed regulations for commercial cannabis activity for the City of Los Angeles. We thank you for your continued efforts to make a successful regulatory framework for the City.

1. Limited Immunity

One of the greatest challenges in the regulation of cannabis businesses in the state of California has been the enactment and navigation of Proposition D. It has cost the City and businesses a large amount of money from lawsuits and has led to the exponential growth of illicit businesses within its boundaries. The continued push to impose limited immunity on cannabis business owners in the proposed regulations creates unnecessary complexity and cost for entrepreneurs and City staff in an already complicated state licensing system. Furthermore, with the passage of Proposition 64 by California voters and its recent alignment with the state's medical cannabis laws, the limited immunity system is no longer necessary.

Proposed Alternative: Implement a local licensing or permitting system that will align with the state's licensing system. By requiring applicants to pay an application fee and a local license or permit, the City will generate much needed funding for the enforcement of both legal and illicit commercial cannabis activity. The permitting or licensing process will also still provide the City with the authority necessary to properly regulate cannabis businesses. Implementation of a robust permitting or licensing system will instill renewed confidence in the public's perspective of the City's ability to regulate and will do a better job of meeting the requirements of the Federal Cole Memo by helping to end illicit black market sales.

2. Priority Licensing

Groundwork Industries fully supports the promotion of equitable ownership and employment opportunities within the cannabis industry. However, we strongly oppose the proposed prioritization of non-Proposition D-compliant businesses that were in operation prior to January 1, 2016 in the application process. Businesses that have not been in compliance with City law should not be rewarded for running illegal operations for multiple years. Prospective applicants should be judged on the quality of their business operations, their commitment to social equity, and their ability to open their doors quickly in order to ensure adequate supply for the market. Many businesses, including our own, are ready to help the City of Los Angeles make a fresh start with its regulated market, with high-quality business plans that are compliant with state and local proposed

requirements. We have respected the City's ordinance and waited for the appropriate time to approach the City to do business in this field. We should be provided a fair opportunity to prove we are worthy and prepared to operate in the city. We also believe that without a strict timeline included in the regulations, the proposed process for full implementation of the Social Equity Program could be delayed and would further push back the application process for the general public. Combination of the Social Equity Program and general application process would save the City valuable resources and help reach its social justice goals.

Proposed alternative: Remove priority processing for those operations that have been conducting indoor cultivation or nonvolatile manufacturing since prior to January 1, 2016. Following the processing of Proposition D-compliant businesses, open the application process to the general public. Impose a point-based system for prioritization of those general applications with components demonstrating a strong commitment to social equity.

3. Restrictions on Cultivator Business Relations

We recognize that the current restrictions on business relations between cultivators is based on the state's proposed regulations. However, the current proposal overlooks the need for cultivators to be able to transfer genetics between businesses. Driving the future of cannabis cultivation, plant genetics are allowing patients to obtain higher quality products to meet their complex health needs. Cultivators rely on their ability to work with other growers to maintain an adequate supply for the market, and continue to push towards innovative agricultural methods. Stakeholders are strongly encouraging the state to adjust their proposal to account for the need to share genetics information. We urge you to consider doing the same.

Proposed alternative: Allow cultivators to transfer genetics, including clones, immature plants, information, resources, and cell cultures, to assist in developments of improved cultivation techniques and harvests.

4. Volatile Manufacturing

The use of flammable solvents in manufacturing protocols has helped lead to the incredible scientific discoveries and medical advances that have helped save lives. It can also be very dangerous; however, this is true irrespective of the field use. Countless industries have been able to use these protocols safely and avoid disasters with the implementation of strict safety standards and training courses. The same should be allowed for the cannabis industry. Strong, thoughtfully-established regulation and enforcement will help ensure safe use of volatile solvents and prevent unauthorized use in the black market.

Proposed alternative: Allow for volatile solvent manufacturing (e.g. 100% ethanol) under strict conditions, including the required use of a closed loop system for all extraction procedures, implementation of fire safety standards, and installation of appropriate ventilation fixtures.

5. Application and Operational Fees

The proposed regulations are silent with regard to application and operational fees. We support both fee types to assist the City with the ongoing costs of regulation and enforcement, and to ensure. However, it is imperative that we perform due diligence and ensure that we have prepared ourselves financially to do business in Los Angeles. For us, and other responsible business owners, to do so, the City must provide applicants with sufficient information to make sound business plans.

Proposed Alternative: Provide the public with details on application and operational fees, if any. We also propose scaling fees based on license type and size of operation to establish a business-friendly environment for the City and boost the local economy.

6. Renewable Energy Requirements

We strongly support the campaign to reduce the environmental footprint of businesses. We also recognize that the proposed regulations requiring businesses to obtain at least 42% of their power from renewable energy resources are based off those proposed by the state. While we do not oppose the proposed minimum requirements, we believe that the City can meet its environmental goals more quickly and further benefit the health of its residents by incentivizing businesses to do more than the bare minimum.

Proposed Alternative: Offer tax breaks, reductions in license or permit renewal fees, discounts on heavy equipment, or other business incentives to those businesses that are using greater than the minimum amount of renewable energy resources. More specifically, businesses who install LED lights as opposed to halogen lights, and those who collaborate with the City to install solar power, should be provided with attractive business incentives.

7. Training Requirements

Groundwork Industries fully supports the goal of ensuring that all cannabis workers are well-trained and prepared for their responsibilities in their respective positions. However, our experience in Oregon has demonstrated to us that some training protocols can negatively impact business operations. There are many businesses who have been understaffed for multiple months while waiting for approval of training by prospective employees. These delays can be detrimental to business operations by decreasing the number of customer services available to consumers and restricting the amount of supply on store shelves. By increasing the speed by which qualified trainees are approved for employment, the City of Los Angeles can help eliminate black market operations and improve patient and consumer safety and services.

Proposed Alternative: Implement an online training course for all retail employees to allow for an efficient approval of qualified trainees. Impose appropriate security standards to ensure that trainees cannot circumvent the system or allow others to take the training on their behalf. We support having the Police Department run the program, if the City prefers.

We thank you for your consideration of these comments. Should you have any questions or concerns, please do not hesitate to contact An-Chi Tsou at An-ChiTsou@CalCapitol.com or (518) 527-0287. We look forward to working with you and your office in the near future.

Sincerely,

Spencer Noecker

Spencer Noecker
Owner, Groundwork Industries

CC: The Honorable Mike Feuer, City Attorney
The Honorable Eric Garcetti, Mayor
The Honorable Herb Wesson, President, Los Angeles City Council
The Honorable Members of the Los Angeles City Council

Los Angeles City Clerk's Office
Richard Williams –Legislative Assistant
200 N. Spring Street, Room 360
Los Angeles, CA 90012

Public Comment regarding Council File No. 14-0366-S5
Draft Regulations and Land Use Ordinance

To Whom It May Concern,

On behalf of the Drug Policy Alliance (DPA), a local and national organization that advocates to end the war on drugs and to build new drug policies that are grounded in science, compassion, health, and human rights, I write to express public comment on the City's recently released draft regulations and land use ordinance regarding commercial cannabis activity.

As a nonprofit organization focused heavily on the intersection of drug policy and social justice issues, the Drug Policy Alliance is uniquely situated to offer recommendations on the development and implementation of equitable, responsible and necessary reforms to current cannabis policy.

For more than 20 years in California, DPA has sponsored and supported some of the nation's most progressive drug policy reforms. DPA sponsored landmark ballot initiatives that legalized medical marijuana (Prop. 215 in 1996), created the largest treatment-instead-of-incarceration program in the country (Prop. 36 in 2000), and sought to reduce criminal penalties for drug use and dramatically expand access to drug treatment (Prop. 5 in 2008).

In 2013, DPA began drafting a comprehensive sentencing reform and legalization measure, hosting public forums on key legalization issues, publishing reports and briefs on the direct impacts of marijuana prohibition on Californians, and holding hundreds of stakeholder consultations for what would merge with other efforts to become the Adult Use of Marijuana Act. Our c4 arm, Drug Policy Action, served as one of five Prop 64 campaign co-chairs, was the second largest funder, a co-drafter, and led the community mobilization efforts for Prop 64.

Most recently, since the passage of Prop. 64, DPA has led efforts to ensure the responsible and timely implementation of new cannabis policies both at the state and local level.

California recently made ground-breaking cannabis policy through its passage of SB 94, the Medicinal and Adult Use Cannabis Regulation and Safety Act (MAUCRSA), which provides a first- in-time statewide regulatory framework for both medical and adult-use commercial cannabis activity.

Similarly, the City of Los Angeles has recently made significant and necessary steps to reform current cannabis policies and to develop and implement a robust regulatory framework with the passage of Measure M, which received over 80% of voter support.

These recent policy shifts at the state and local level have led us to this critical moment, where Californians and Angelenos have strongly decided to move away from marijuana



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prohibition and towards responsible regulation. This shift in policy is an important one and the decisions ahead will likely lay the foundation for cannabis policy and regulation across the world.

As the largest city in California, where the cannabis industry is expected to become a \$5 billion dollar industry, Los Angeles, after more than a year of engaging in an open and public dialogue on how best to regulate commercial cannabis within the City, has emerged at forefront of cannabis policy and legislation with the release of its draft regulations and land use ordinance.

Though the current draft regulations and land use ordinance represent a significant step towards responsible regulation, several changes should be made to allow Los Angeles to develop and implement equitable, responsible cannabis policies that will serve all Angelenos and lead the nation towards much needed reform.

Los Angeles Should License Commercial Cannabis Activity

Los Angeles should develop and implement a strong regulatory framework that entails licensing commercial cannabis activity rather than issuing “Certificates of Compliance” that offer “limited immunity”.

Known as the “Cole Memo”, the U.S. Department of Justice in 2013 issued guidance regarding cannabis enforcement to federal prosecutors generally concluding that federal enforcement is unnecessary where state regulatory schemes are appropriately designed and implemented. Among those jurisdictions that have made the decision to legalize and regulate commercial cannabis activity, licensing is the standard.

According to Colorado, the first and largest jurisdiction to regulate and license commercial cannabis activity thus far, “licensure is the most restrictive form of regulation” and provides for the greatest level of public protection. “Certification” and “Registration” are recognized as other forms of regulation that offer lower forms of consumer protections. In their annual update, which provides a comprehensive review of the first full twelve months of adult use sales, Colorado regulators describe their experience noting that “integral to [their first-in-the-world comprehensive regulatory model overseeing cultivation, products manufacturing, and sale of marijuana for nonmedical use] was *licensing* of retail marijuana establishments and the witnessing of the first legal sale of retail marijuana in the world.”

Recently signed into law by California Governor Jerry Brown, the Medicinal and Adult Use Cannabis Regulation and Safety establishes a comprehensive system to control and regulate the cultivation, distribution, transport, storage, manufacturing, processing and sale of medicinal and adult use cannabis. This comprehensive system entails licensing; Los Angeles should follow regulatory suit.

Limited immunity is not legalization. As such it is problematic, seemingly ineffective as a regulatory tool, and against the will of Los Angeles voters.

After decades of prohibiting commercial cannabis activity with limited exception, Los Angeles voters have overwhelmingly sided with legalization and regulation. This decision, for many, was seen as necessary means to end and repeal the ineffective and outdated policies of Proposition D, namely ‘limited immunity’.

Proposition D, passed by the voters of Los Angeles in 2013 provided potential “limited immunity” from enforcement to approximately 135 cannabis dispensaries that had complied with various operational, tax and land use restrictions for what otherwise remained an illegal and prohibited activity. Since the passage of Prop D, its “limited immunity” framework has been problematic, ineffective and an insufficient means of regulating cannabis businesses.

With new changes in cannabis policies on the horizon, Los Angeles must develop a new approach to engaging with businesses who participate in authorized commercial cannabis activity. Unfortunately, the City’s current draft regulations and land use ordinance contemplate using the same problematic ‘limited immunity’ scheme.

The current draft regulations establish that “Certificates of Compliance” will serve as the official document issued by the City’s Cannabis Licensing Commission for the purposes of conducting and engaging in Commercial Cannabis Activity. Furthermore, the current draft land use ordinance articulates that it shall provide ‘limited immunity from specified criminal and civil remedies and enforcement measures of the City for defined Commercial Cannabis Activity for those who are licensed by the state of California, those who have been issued a Certificate of Compliance by the City’s Cannabis Licensing Commission and those who otherwise comply with local and state law. The draft land use ordinance goes on to state that “‘limited immunity’ may only be asserted as an affirmative defense in an enforcement proceeding and that the burden of proof to establish ‘limited immunity’ shall be upon persons engaged in Commercial Cannabis Activity.

Historically, limited immunity has been a tool of prohibition and enforcement. Under Proposition D, which centered limited immunity, there is no such thing as a lawful medical marijuana business, just limited immunity to prosecution for certain businesses that meet specified requirements. Thus it would reasonable to infer that under a scheme of limited immunity, cannabis businesses are still being considered and treated as if they are illegal.

Under a system of limited immunity, business lawfully engaged in commercial cannabis activity are still subject to the threat of enforcement as they are only able to use their potential ‘limited immunity’ status when in court and facing enforcement proceedings. The threat of enforcement, within limited immunity, is costly to businesses. Limited immunity rather than licensing is likely to perpetuate skepticism and stigma against these legitimate businesses and is furthermore likely to deter or diminish necessary relationships between these businesses and landlords, banks, investors, insurance providers and other businesses that are necessary for the regulated market to be both responsible and successful.

Legitimate commercial cannabis businesses deserve the same standard of business protections that are afforded to other legitimate industries. By developing and implementing a comprehensive regulatory scheme that includes licensing, the City will better serve the general public, legal operators and will allow licensing authorities and enforcement agencies the tools necessary to responsibly regulate commercial cannabis activity.

Los Angeles Must Prioritize Social Equity

Los Angeles has the opportunity to develop and implement cannabis policies that are both equitable and responsible. Steered largely through the leadership of Council President Herb Wesson, Los Angeles City Council took a major step in this direction upon the passage of a motion to create a social equity program intended to promote equitable ownership and employment opportunities in the cannabis industry in order to decrease disparities in life outcomes for marginalized communities and to address the disproportionate impacts of the war on drugs in those communities.

Part of the necessity and advocacy for a social equity program stems from an understanding that if we are to embark on a new era of cannabis policies, we must take into account and address the history we've had with past cannabis policies. Prohibition, was not only a failure in that it did nothing to curb the availability or consumption of cannabis, but also and largely due to the way in which it has been and continues to be, selectively enforced. These irrefutable disparities and their ensuing harms have been a large part of the shift in public policy surrounding legalization, regulation and the need to move away from the harmful impacts of the war on marijuana.

As Los Angeles moves forward with cannabis policies, it must lead California and the nation towards recognizing and addressing these harms.

These harms are more than mere rhetoric. Between 2006 and 2008, despite similar rates of consumption and sales among all races and ethnicities, Black persons in Los Angeles were 7 times more likely to be arrested for marijuana possession although they were only 9.6% of the population.

The collateral consequences of a criminal record associated with marijuana has denied individuals and entire population's opportunities for success and sometimes, even survival. A drug conviction can mean a lifelong ban on many aspects of social, economic and political life. The public record created by an arrest for simple marijuana possession could mean the denial of child custody, voting rights, employment, business loans, licensing student aid, public housing and other forms of public assistance. Even a marijuana infraction alone can have substantial costs such as legal fees, court costs and the cost of time lost at school or at work. Moreover, the experiences that Black and brown communities have with law enforcement officials regarding cannabis have diminished faith in, and respect for the law and those that disproportionately enforce it.

According to legal scholar and author of *The New Jim Crow*, Michelle Alexander "Nothing has contributed more to the systematic mass incarceration of people of color of the United States than the War on Drugs." This profound statement becomes even grimmer after realizing that almost half of all drug arrests are for marijuana and that 88% of all marijuana arrests have been for possession alone.

Thus for decades, our most diverse communities, largely those that are Black, Latino and low income, have been criminalized, for their possession of the same plant that is months away from being a part of a regulated, highly profitable cannabis industry. As we embark on a new era of cannabis policy we must take steps to acknowledge, address and repair the harms of past cannabis policies.

Although there are many issues to address to ensure that social justice is prioritized within new cannabis policies, it is imperative that those communities most impacted by

the war on drugs have equitable access to the economic opportunities within the emerging cannabis industry.

Despite the disturbing trend of many jurisdictions moving forward with cannabis regulation and licensing without addressing equity, a few have committed themselves to doing the right thing. Pennsylvania, Massachusetts, Florida, Ohio, West Virginia and Washington State have advocated policies and programs, in some form, specifically intended to acknowledge those communities who bore the brunt of marijuana prohibition and its enforcement. Oakland, California has developed, and is in the process of implementing its Cannabis Equity Permit Program, a first-of-its-kind plan to address past disparities in the cannabis industry by prioritizing the victims of the war on drugs and minimizing barriers of entry to the industry.

With less than 4 months until statewide licensing is available for commercial cannabis activity, Los Angeles must commit itself to social equity. This will require the thoughtful and timely development, implementation and prioritization of Los Angeles' Social Equity Program.

Los Angeles' Social Equity Program first requires the development of a Social Equity Analysis. This report should include data illustrating disparities in enforcement and prosecution and correlating data on poverty and unemployment rates. Additionally this analysis should describe which categories of individuals and communities have been most impacted by marijuana prohibition and its enforcement; this will frame the program eligibility requirements and program resources to address licensing barriers, technical barriers and financial disparities.

Although quantitative data will be extremely valuable to the social equity analysis, the City should also engage in targeted outreach to marginalized community members and their advocates to hear their perspectives on how to achieve social equity and to ensure that they are intentionally engaged in all aspects of cannabis policy development and implementation. This could include Town Halls to discuss opportunities and strategies to address with community members, leaders, industry participants and social justice advocates; understanding of course, that this social equity analysis will be the beginning of discussions around how we repair communities harmed by the war on drugs – not the end.

As Oakland is currently the only jurisdiction with an equity program, the Drug Policy Alliance was encouraged to learn of the City's intention to develop and implement a Social Equity Program. As strong supporters of equity and social-justice-driven cannabis policies, we have prioritized this issue and are continuing to engage with community members and industry participants to ensure equitable outcomes.

The following policy recommendations seek to promote equitable ownership and employment opportunities within the cannabis industry.¹

1. Equity as Public Policy

The first step toward ameliorating past harms is intentionally acknowledging them. It is imperative that state and local governments acknowledge how the

¹ Further strategies will need to be developed and implemented in order to ensure that tax revenue generated from the sale of commercial cannabis is reinvested in low income communities and black and Latinx communities harmed by marijuana prohibition.

war on drugs, and marijuana prohibition specifically, harmed low income communities and black and Latinx communities. Once these harms are acknowledged, state and local governments must do the hard work of repairing these past inequities. They must commit to addressing these disparities through intentional public policies addressing equity.

Example: In Oakland, California, city staff, at the direction of City Council, performed a race and equity analysis of medical cannabis regulations aimed at promoting equitable ownership and employment opportunities in the cannabis industry in order to decrease disparities in life outcomes for marginalized communities of color and to address the disproportionate impacts of the war on drugs in those communities.

2. Community Outreach

Develop a multicultural community outreach strategy, targeting low income communities and communities of color, who were disproportionately harmed by marijuana prohibition, to ensure they are intentionally engaged in the process of cannabis policy development and implementation.

Example: San Francisco, Oakland, and other cities have created formal cannabis commissions or advisory committees, comprised of a diverse set of stakeholders, by gender, race, ethnicity, geography, and expertise.

3. Social Equity Programs

Create a program intended to specifically and intentionally serve those individuals and communities that were disproportionately harmed by marijuana prohibition. This should include prioritizing formerly incarcerated individuals convicted of marijuana offenses, as well as their family members and individuals who live or have lived in communities that were subject to high marijuana arrest rates.

Example: Oakland, California defines an equity applicant as an owner who:

1. Is an Oakland resident; and
2. Has an annual income at or less than 80% of Oakland Average Median Income adjusted for household size; and
3. Either:
 - a. Has lived in certain high arrest police beats for at least 10 of the last 20 years or
 - b. Was arrested after November 5, 1996 and convicted of a cannabis crime committed in Oakland.

4. Inclusive Licensing

Background checks for license suitability should not exclude applicants based on prior drug arrests or convictions.

Example: Generally, Proposition 64 prohibits denial of a state cannabis license based solely on a prior drug conviction.

5. Priority Licensing

Due to the, often, limited quantity of available licenses, equity applicants should receive some level of priority in the licensing and renewal process in order to

ensure that these ownership opportunities aren't usurped by well-resourced cannabis operators who are well-positioned to outpace low income communities and communities of color.

Example: Oakland, California will issue permit applications in two phases: (1) a restricted initial phase in which the number of permits issued to general applicants may not exceed the number of permits issued to equity applicants; (2) an unrestricted second phase that commences after their Equity Assistance Program has been funded and implemented.

6. Affordable Licensing & Compliance

Licensing and other regulatory fees should be made affordable to ensure low income communities and communities of color are not priced out of participation.

Example: In Oakland, California application and permit fees, as well as fees associated with fire and building inspections will be waived for equity applicants.

Example: In Proposition 64, compliance fees cannot be higher than 3 times the original licensing fee, and fines must be reasonable.

7. Resource & Financial Assistance

Funded programs should be developed and implemented to ensure that low income communities and communities of color have access to land and capital, both of which can be a tremendous barrier to cannabis industry participation.

Example: In Oakland, California equity applicants will have access to a \$3 million revolving loan program that will provide no interest business startup-loans to equity applicants. Oakland will also provide loan application preparation assistance.

8. Technical Assistance

Equity applicants should have access to resources that assist them in the process of navigating regulation, licensure and compliance.

Example: In Oakland, California equity applicants will have access to technical assistance resources, such as licensing navigation, legal and business accounting, as well as business plan preparation. These resources are to be provided by a third party consultant funded by the city of Oakland.

9. Cannabis-Industry Corporate Social Responsibility

Cannabis operators should independently incorporate and prioritize equity. Some businesses may choose to develop equity initiatives within corporate social responsibility programs, community benefit agreements or through other private means.

Example: In Oakland, California well-resourced general applicants who partner with less-resourced equity applicants are considered "equity incubators." Equity incubators who provide qualifying capital or real estate to equity applicants will receive priority in the processing of applicant licensing.

10. Equitable Employment Opportunities

Cannabis operators should provide equitable employment opportunities to those communities harmed by marijuana prohibition. These opportunities should include hiring formally incarcerated individuals, hiring locally and providing living wages for individuals employed by licensed cannabis businesses.

Of the aforementioned policy recommendations, licensing priority will be particularly important to the prospect of achieving social equity within Los Angeles. As such the City Council should consider using the Social Equity Analysis to determine the phases of licensing and licensing priority.

Los Angeles must prioritize licensing under the Social Equity Program. In order to do so, it must change its licensing scheme and prioritization.

The current articulation of draft regulations anticipates four phases of licensing: (1) Proposition M Priority Eligible Applicants, (2) Non-Retail Registry eligible applicants, (3) a restricted phased in which the number of “Certificates of Compliance “ issued to General Public applicants may not exceed the number of Certificates of Compliance issued to Social Equity Program applicants, and (4) an unrestricted phase that commences after the Social Equity Program has been fully and implemented as determined by the City Council.

The Priority given to Proposition M Priority Eligible Applicants under Phase 1 is mandated under Measure M. Measure M requires that existing medical marijuana dispensaries who can demonstrate compliance with the limited immunity provisions and tax provisions of Proposition D be given priority in processing applications.

The order of priority and the phases of licensing beyond these operators is left up to the City Council in their authority to regulate cannabis; this decision is essential to the development and implementation of equitable cannabis policies. Unless the current prioritization scheme is changed, Los Angeles will inevitably continue to perpetuate social inequity.

The current draft regulations anticipates giving priority to, and allowing for continuous business operations for, applicants conducting Indoor Cultivation or Manufacturing in the City of Los Angeles prior to January 1, 2016 who submit timely applications and can demonstrate compliance with certain land use and sensitive use requirements. The prioritization of this phase over and before the Social Equity Program is extremely problematic and would only perpetuate the very inequities that the Social Equity Program acknowledges and intends to address.

Oakland, when determining how to structure their Equity Permit Program found that differing enforcement policies had concrete and lasting effects on their community, particularly because the ability for some illegal operators to escape targeted enforcement perpetuated inequity. In particular, their equity analysis found that while marijuana arrests and enforcement were rampant in African American communities, the “drug trade in White communities and lack of enforcement during the same period resulted in growth in new business ownership and the financial starting line for the next phase of entrepreneurial wealth and community building.” According to Oakland, the permissive

business environment on one hand and the aggressive enforcement of drug laws on the other has widened the opportunity gap between people of color and White residents” in their city.

This opportunity gap must be addressed directly. Cannabis businesses who have operated illegally within the City and are seeking to transition to the legal market should have a pathway to legitimacy; however, this pathway must not supersede or undermine social equity.

Despite the City’s long-standing policies upholding the illegality of commercial cannabis activity and the efforts of the City Attorney’s office to pursue enforcement efforts against these businesses, many operators have disregarded the City’s prohibition and continued to operate in flagrant violation of the law in order to serve patients, make a profit and to meet market demand. Among these illegal operators, are the cultivators and manufacturers, who would be given priority under the current draft regulations.

As enforcement efforts have been waged largely against dispensaries, an unknown number of cannabis businesses including cultivation, manufacturing and delivery continue to open, close and reopen in Los Angeles, with no regulatory authorization from the City.

While the number of cultivators and manufactures operating in the City is unknown, it is not unrealistic to assume that there could likely be thousands. Retail dispensaries represent only one portion of the market and with estimates for illegal retail operators often nearing one thousand, one could assume that cultivators and manufactures represent an even larger part of City’s illicit market.

Furthermore, due to location restrictions and certain land use and sensitive use requirements, there are a limited number of locations where commercial cannabis activity can take place. With a limited number of compliant locations and an unknown number of cultivators and manufactures who could be eligible for priority, allowing these operators priority, without restriction or condition, will significantly diminish economic opportunities within the commercial cannabis market for other individuals, thus furthering inequities within the City of Los Angeles.

Depending on the size of the illicit market, coupled with industry participants currently advocating for the registry to be opened to all business and license types, not just cultivation and manufacturing, the entire industry could be grandfathered in, leaving few, if any, opportunities, for social equity applicants, or members of the general public.

Furthermore, without requiring community-centered and equity-centered conditions to be met prior to licensing these existing illegal operators, the City will inevitably be licensing operators who have truly been a unreasonable nuisance and detriment to their community based solely on their being in a compliant location and having the capacity to show compliance moving forward. This type of transition, grandfathering illegal businesses without an assessment of their past practices or future community commitments, is a huge unmerited give-away to illicit operators and is an affront to past cannabis laws, their enforcers, and those community members who have been plagued by a proliferation unregulated operators.

As such City Council should develop strategies to transition the currently illicit, unregulated market into regulated, licensed cannabis businesses in ways that support

equitable access to economic opportunities within the cannabis industry. These decisions will likely cause many operators to feel as though they are being unreasonably burdened by a regulatory process that prioritizes social equity. However, it is important to remember that these illegal operators and their businesses are seeking to be licensed to grow and sell the same plant that when possessed by Black, Latino and low income communities members was heavily criminalized.

Los Angeles has an opportunity to lead the nation towards regulations that prioritize both responsible regulation and equity, and the decisions that lie ahead will serve as the foundation for what is likely, already to be, the largest cannabis market in the world. As such the Drug Policy Alliance applauds the City for the steps it has taken thus far in that regard and encourages the City to consider our recommendations as it continues to strive for responsible cannabis policy development and implementation.

For more information about the Drug Policy Alliance or our position, please contact Cat Packer at cpacker@drugpolicy.org.

Respectfully,

A handwritten signature in cursive script that reads "Cat Packer".

Cat Packer, J.D., M.A.
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August 1, 2017

LOS ANGELES CITY CLERK'S OFFICE
RICHARD WILLIAMS - LEGISLATIVE ASSISTANT
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Dear Regulatory Committee members,

We were impressed with the detail and organization of the recently released proposed regulations, especially when considering what a massive undertaking it is to set forth regulations on an untapped industry in a state as large as California. We agree with the majority of the regulations, but as a current cannabis-related small business and hopeful adult-use retailer, we have concerns about some of the proposed provisions.

Although the majority of Californians voted in favor of legalization, we recognize that it is still a polarizing topic for many and understand the concern that the budding industry be regulated properly. However, there is a fine line between trying to regulate something properly and thoroughly, and overregulation that can stunt the growth of the industry. Unfortunately, we think that a few of the regulatory provisions as proposed not only treat legal recreational cannabis retailers as nothing more than glorified dispensaries/ pharmacies but may also alienate small businesses from the industry and discourage industry innovation.

For many, the desired goal is for marijuana to be treated in a manner similar to alcoholic beverages. Just like alcohol, marijuana is generally consumed in a social setting. Therefore, we believe that the suggested regulations forbidding entertainment of any kind at a cannabis retailer brick and mortar location should be reconsidered. This is for a number of reasons. Any business looking to capitalize on bringing a unique atmosphere for the customer will not be able to succeed. If we are to permit people to consume cannabis inside privately owned residences or recreational retailers, we shouldn't prohibit entertainment. We do not do so with respect to beer, wine, or other alcoholic beverages. We permit nightclubs, bars, etc. to provide a welcoming atmosphere and a social setting (including entertainment) for people to enjoy alcohol with their friends and new acquaintances. There is nothing different between consuming alcohol and consuming marijuana in these settings. For those who are unaware, it is already popular among concert/ festival attendees to smoke while listening to music, and the very nature of marijuana is something social, not just

medicinal. We are afraid that the ability to offer nothing other than “ambient music” to the customer will stunt the growth of the industry. This stifles innovation, and it will also make recreational retailers feel like a pharmacy rather than a “recreational” entity. We understand that the committee wants to err on the side of caution, but we believe that the regulations should allow entertainment within cannabis establishments. (At the very least there should be an experimental period when this is permitted during which a study could be conducted to determine the effects of permitting entertainment. We are confident that the result will be no different than in establishments serving alcoholic beverages.) Also, the lack of entertainment encourages people to make their purchases and leave. Although the proposal has suggested a limit on the amount of cannabis one person can consume, this pick up and leave style of business undermines the track and trace system. What will stop people from purchasing cannabis and then reselling it to buyers at street level? Allowing recreational retailers to provide entertainment will encourage people to stay in one place to consume their marijuana making it easier to monitor them and diminishing the possibility of dealers buying and re-selling cannabis on the street level.

In conjunction with the above, the proposed requirement for the hours of operation to fall within 6:00 am to 9:00 pm is also a concern. Again, this requirement is more reflective of medicinal dispensary customers as opposed to the average recreational customer. This restriction is more like “pharmacy” type hours. For any cannabis business hoping to operate as a “destination point” or lounge for people to congregate, listen to music, watch a sporting event, play arcade games or engage in other similar entertainment these hours severely limit these possibilities. Recreationally, not many people are going to pick up or shop for cannabis at 6:00 am. We suggest you alter these hours to reflect more of the recreational atmosphere that Prop64 originally intended to create. Our suggestion is to extend the latest hours of operation to around 11:00 pm or midnight.

Although everyone agrees that the track and trace system is a necessity in trying to curb the black market element of the cannabis industry, we believe that the requirements for packaging cannabis are excessive. We believe that recreational retailers should be able to use their own unique containers to store the cannabis that they sell to customers. The proposed packaging rules actually dictate the quantity that a retailer can sell to a customer in a transaction. Customers will always demand varying amounts of product. Requiring that the cannabis stay in the same packaging from distribution to retail sale limits the customer and the retailer. Most cannabis customers like to smell and examine the product before making a purchase. Thus, this packaging requirement puts customers at a disadvantage in determining quality and in choosing the product they like best. We believe that the track and trace system can still function properly and effectively without having this packaging requirement. We suggest that instead of predetermined packaging that the quantity and strain name be monitored. Retailers would be free to use their own unique containers but would be required to keep track of the amount they sell from each strain. In that way the amount of cannabis sold and bought will always be documented and any discrepancies can be

easily discovered. Retailers should also be free to use their own labels. While retailers should not be able to alter labels to reflect different percentages of THC, CBD, etc., they should be allowed to customize labels to reflect the atmosphere and/or brand the retailer wants to promote in an artistic way.

Additionally, we think it is counterintuitive to prohibit cannabis retailers from selling non-cannabis infused food and drinks. Do we prohibit bars serving alcoholic beverages from being able to sell other drinks and food? No. So why would we prohibit the cannabis industry from doing so? We all know that a side effect of marijuana is hunger. If we allow people to consume cannabis inside cannabis retailer brick and mortars, food should be made available to customers. Food can also help to lessen the effects of the “high” along with water and other beverages that counteract the “dry mouth” that is another side effect of cannabis. We know the concern is that food should be kept separate from marijuana, but we believe that is not a difficult undertaking. Cannabis-related products and regular food products could be required to be stored in distinct separate locations within the store and could also be required to be sold from separate counters. In addition to this, because of the extensive edible labeling requirements, it is unlikely someone would confuse a packaged cannabis-infused edible (which has a warning label) with regular food.

The application requirements to provide a detailed blueprint of the proposed cannabis retail premises and to permit a walk through by department agents prior to issuing a license are problematic, especially for small businesses. In order to apply a business must already be leasing a property or have an agreement to lease a specific property, in both cases with written permission from the property owner to conduct business as a cannabis retailer. A property owner may not agree to allow a business to designate the property as the premises for cannabis operation prior to signing a lease or making a down payment. This puts enormous risk on small businesses and start-ups because they will incur a substantial cost without knowing if they will be approved for a license to operate as a recreational retailer, and will likely be unable to recoup the money if a license is not issued. We understand that the department wants to make sure that applicants actually intend to use their license immediately and are not just purchasing a license to hold until a later date. However, we believe that the cost of acquiring a license and of going through the extensive application process is enough to deter non-serious actors. As a new industry, it is important to make sure there are no excessive barriers and costs for start-ups and existing small businesses that stop them from being able to successfully acquire a license or that require them to take unnecessarily high financial risks. Instead of detailed blueprints of one specific location and a walk through prior to being approved for an application, we suggest that businesses be able to provide up to three proposed premises with a provisional acceptance that provides businesses 30 to 60 days to secure one of these specific properties and bring the property up to code (including a walk-through and blueprints of plans on how the space will be renovated for retail use). If a business does not comply within the time frame, the license is revoked. Businesses would not be able to operate with a provisional license. The provisional license provides security, allowing

businesses to know they will be able to operate legally once they lease an approved retail space. If a premises different than the three originally listed is to be leased, the business must update its application.

There is no estimate in the proposal with respect to the cost of acquiring a retail license. As mentioned above, it is important to make the cost manageable for small businesses, especially in light of all of the other costs that will be incurred during the start-up process. To avoid discrimination against small businesses and to assure this new industry is not controlled solely by big business, we suggest that this cost more closely resemble prices for beer and wine licenses as opposed to prices for liquor licenses. We understand that the micro business license has been put into place to make it easier for boutique/microbrewery style cannabis retailers, but care should be taken not to pigeonhole all small cannabis businesses as boutique style companies thereby limiting them to micro business licenses only.

Finally, we believe that there should not be a cap on the amount of cannabis products that a retailer can sell in one day. This essentially limits the amount of revenue/ profit a cannabis retailer can make in a day. If cannabis retailers are not permitted to sell food and beverages that are not cannabis infused, then once a retailer has reached the sales limit for the day, it will have to close the doors. While this may not be a problem for smaller businesses, it could be for larger businesses with more expensive operating costs. What is the incentive for these businesses to put money - other than the taxes they pay - back into the community or into their business, including salary increases for employees, if they know they can only make a certain amount of profit. This could result both in the limiting of innovation and of general industry growth.

We thank you for considering our critiques and proposals.

Bradley Cummings
On Behalf of Herban Indigo

Sunny Sanghera
On Behalf of Herban Indigo