



August 8, 2017

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

Dear Mr. Williams:

Founded in 2008, Weedmaps is the oldest and largest cannabis technology company in the world and has been the leading innovator in developing software and platforms that drive the cannabis industry. Our core platform connects people with local cannabis dispensaries, delivery services, doctors, deals, brands, lab data and real-time menus. Weedmaps' full suite of business-to-business and business-to-consumer software includes lab data integration, point-of-sale and medical practice management.

Beyond providing the software and advertising solutions that underpin the industry, Weedmaps has been advocating for measured growth and responsible policy to guide the modernization of the industry for nearly a decade. Weedmaps is working collaboratively with all levels of government and stakeholder organizations to encourage reforms and establish regulatory frameworks capable of ensuring safe and reliable access to cannabis. Weedmaps' Government Relations team is currently providing input and advisory assistance to State and local jurisdictions across the United States, Canada and Europe.

Weedmaps is committed to working with the City of Los Angeles, industry participants, non-governmental organizations and trade groups to organize comprehensive cannabis policy solutions that accommodate existing cannabis businesses, enable industry growth and address public safety, health, tax and community reinvestment goals. With the City already serving as the largest cannabis market in the world and undoubtedly looked to as an example for all markets, it is extremely important that the final requirements implemented foster a successful and safe marketplace.

We commend your work and are very appreciative of your efforts to establish requirements for the cannabis industry within the City of Los Angeles. We have reviewed the Los Angeles City Council's proposed commercial cannabis requirements issued on June 9, 2017 and have identified several concerning provisions. Below we have summarized and prioritized our concerns and provided policy recommendations on designing a workable and safe regulatory regime.

1. Certificate of Compliance vs. Licensing

Throughout the proposed requirements, there is referral to applicants obtaining a 'certificate of compliance' and 'limited immunity' at the completion of the application process, and not an actual business license from the City.

Policy Concerns: Los Angeles would be the only City using this type of non-licensure system and there are serious concerns that this would endanger the ability of LAC licensees to obtain the requisite State licensure. A certificate of compliance does not grant the definiteness that an actual license to conduct business does and may have unintended consequences as the California State framework continues to evolve. Conversely, while the limited immunity model was originally formulated to shield the City from liability given the unclear state and federal framework – this framework in reality provides little change in City liability. We also note that the federal government has not taken any action against a state or local jurisdiction to date. The failure to provide an actual license from the City will, in addition to the aforementioned issues, lower the appeal of running a business in the City versus the surrounding areas in Los Angeles County. Not issuing licenses will also hurt efforts to reduce illegal market levels within the City for the large number of illegal operators who will choose to remain in the City whether they receive a certificate of compliance or not. Finally, many businesses in the City will need to obtain banking, credit and financing services – many of these activities will be made difficult, if not impossible, without the ability to show an affirmative City license that is accompanied by a clear right to operate a cannabis business.

Solution: Accept the recommendation provided by Council President Herb Wesson in his August 3, 2017 letter to the Director of Planning to provide licenses to cannabis business applicants who demonstrate compliance with the City’s final cannabis regulations, and grant industry operators stability and assurance by actually making them licensees within the Los Angeles business community, instead of only granting limited immunity and offering certificates of compliance.

2. Prohibition of Volatile Solvent Manufacturing

The City requirements include a limitation on manufacturing using “metals, butane, propane, or other flammable solvent or inflammable product.” See pg. 37, *Manufacture Commercial Cannabis Activity Requirements*. Additionally, violation of this will result in a 10-year ban from licensure in the City. See pg. 21, *Automatic Rejection of Application (5)*.

Policy Concerns: This overly broad restriction also encompasses alcohol-based extraction methods, which are methods of extraction commonly used by other industries, and methods for which there are existing federal safety requirements pertaining to the use of these methods. Additionally, there is a growing body of evidence that the products made using these extraction methods have a more diverse set of therapeutic uses, including the treatment of PTSD and opioid dependence.

Conversely, professional volatile solvent extraction systems are generally regarded as safer than supercritical CO2 systems, which the City currently allows. And just as with alcohol-based extraction, professional volatile solvent extraction is also commonly used by other industries that adhere to existing federal safety requirements for these processes. State law, Health and Safety Code Section 11362.775, allows for volatile solvent processing and state regulations for volatile solvent processing should be issued by January 1, 2018. If the City’s reluctance to permit manufacturers utilizing either alcohol-based or professional volatile solvent extraction stems from concerns about how to regulate these processes, then Councilmembers need look no further than existing statutes and standards enforced by local governments which mitigate primary hazards associated with these extraction methods. These standards include:

- National Fire Protection Association (NFPA) – NFPA 58
- International Fire Code (IFC) – Chapters 34-37,61

- International Building Code (IBC) – 307
- National Electric Code (NEC) – Chapter 5
- International Mechanical Code (IMC) – 506,507,510
- International Plumbing Code (IPC) – 1008.1.8.3
- Occupational Safety and Health Standards (OSHA) - 29 CFR 1910.137 & CFR 1910.95 Table G-16
- Generally Recognized as Safe (GRAS) – U.S. Food and Drug Administration’s list of safe solvents
- American Conference of Governmental Industrial Hygienist (ACGIH) Industrial Ventilation Handbook

Finally, it is worth noting that consumer taste for concentrate products overwhelmingly leans towards Butane Hash Oil (BHO) and other products utilizing volatile solvents. Failure to permit and allow for processing using volatile solvents will drive a massive underground market while ensuring that highly profitable business operators set up operations in surrounding jurisdictions, or simply stay in LA without joining the regulated marketplace. This policy decision will impose significant risks to public safety and public health, and drive up the City’s enforcement costs, as well as create disadvantages for legal industry participants who will have to compete with these illegal market operators.

Solution: Accept the recommendation provided by Council President Herb Wesson in his August 3, 2017 letter to the Director of Planning to remove restrictions on volatile solvent extraction, provided that such activities are in compliance with federal law, City codes, fire inspections and other safety measures. Place stiff penalties on non-compliant volatile manufacturing activities.

3. Prohibition of Cultivation Licensing Types

The proposed requirements will allow the Department to automatically reject applications for outdoor cultivation and mixed-light cultivation. *See pg. 21, Automatic Rejection of Application (5).*

Policy Concerns: The science of cannabis cultivation is rapidly developing and moving towards more environmentally friendly methods of cultivation using natural light. More of these business types will also potentially alleviate a shortage of power the City may experience as the number of cultivators increases. Assuming a mixed-light or outdoor cultivator is complying with City rules on noise, odor and safety, it seems imprudent for the City to place a carte blanche ban on these license types. Allowing these license types will also allow the development of rooftop urban greenhouses which are growing in popularity and effectiveness for urban food crops.

Solution: Accept the recommendation provided by Council President Herb Wesson in his August 3, 2017 letter to the Director of Planning to provide permits for outdoor and mixed-light cultivators and rely on the permitting and inspection rules to ensure these businesses do not cause security or nuisance issues. The City should also push for the creation of rooftop mixed light projects which could position the City as a thought leader in the cannabis cultivation space.

4. No Subletting of Premises

The requirements forbid businesses from subletting any portion of its’ premises. *See pg. 26, Commercial Cannabis Activity Operational Requirements, General(16).*

Policy Concerns: This provision does not take into account the possible co-location of facilities, such as multiple growers wanting to cultivate in the same premises, or the possible combination of two licensing categories which are permitted by State law to operate under one roof. As written this proposal is out

of step with the future configuration of the industry in Los Angeles, where a large number of industry participants and an acute lack of cannabis business property available will require businesses to collocate. This provision is also out of step with the direction of State policy established under the Governor's Trailer Bill (SB 94), which permits facility collocation of most industry licensing categories.

Solution: Allow collocation of multiple businesses when multiple licenses are owned and if the businesses are adequately separated within the premises in compliance with State law.

5. Application Phases and Timelines

The proposed requirements create four separate phases in which specific groups of applicants will be able to apply. The City Council should work to create a system to give provisional status to applicants for commercial cannabis businesses in every licensing category. *See pg. 7, Commercial Cannabis Activity Application Processing, General(3).*

Policy Concerns: The City of Los Angeles is home to the largest cannabis market in the entire world, which means that the City houses the largest number of industry participants in all licensing categories of anywhere in the world. Ensuring that these industry operators are included in the City's legal marketplace is going to be critical to dramatically reducing the size of the City's illegal market. This is particularly true for the City's cannabis storefront retail operators. As drafted the City's proposal would extend first-round certificates of compliance to Pre-ICO storefronts, which comprise a very limited number of the total number of storefront retail operators in the City. Meanwhile the proposal would require all non-Pre-ICO storefronts to close until their application is processed. The City also asks these non-Pre-ICO stores to make significant and costly upgrades to their facilities before a determination has even been made by the City to issue a certificate of compliance.

The issue with these requirements are – (1) it is highly unlikely that any of the non-Pre-ICO stores in the City will close until their applications are processed, and (2) it is unnecessarily costly and overly burdensome to require applicants to spend hundreds of thousands of dollars or more to upgrade their facilities when they may not even be provided with a certificate of compliance with which to operate. If the City fails to modify the application process to enable these non-Pre-ICO stores to remain open until the City has been able to issue a determination on their application, the City will be forced to utilize a mix of ineffective enforcement strategies to close these facilities that could cost tax payers millions of dollars.

Failure to fix the licensing process in this way will also force the then regulated Pre-ICO stores to compete with unregulated non-Pre-ICO stores. This means that the then regulated Pre-ICO stores, who will have to satisfy costly facility upgrades, regulatory compliance costs and impose the State's high tax rate as well as the City's tax rates, will be competing against an estimated 1,000 storefronts that face none of these hurdles, and who will undercut the Pre-ICO stores on price and product availability for a likely long but certainly undetermined period of time.

Solution: A more sensible and cost-effective model for both the City and the cannabis industry doing business in the City would be for Los Angeles to hold all cannabis industry operators in LA harmless until such time that the City has made a determination on their application and any appeals process has concluded. This would not excuse any non-Pre-ICO storefronts from seeking permanent licensure in LA or with the State, but it would maintain order in the application process, reduce cost burdens on the City and create a more equitable market for all Pre-ICO storefronts. A similar concept that is worth

considering that is being proposed by the Southern California Coalition, would organize a registry of industry applicants who would be held harmless by the City until a decision on their application has been reached.

6. Identification Requirement for Department Access

The proposed requirements allow agents or employees of the Department to request admission to businesses for compliance purposes and allows unrestricted access during regular business hours. See *pg. 26, Commercial Cannabis Activity Operational Requirements, General(14)*.

Policy Concerns: Ensuring sufficient security of cannabis businesses will be critical to inspiring consumer confidence in the legal cannabis marketplace. These requirements introduce a large security loophole in not placing adequate security and safety requirements on the inspection mechanism by requiring agents or employees of the Department to provide proof of identity.

Solution: Treat inspectors as being subject to some of the same requirements as licensees. Mandate that all inspectors carry a specified type of identification. Mandate that licensees not permit inspectors to enter if they cannot provide identification or if there is reason to suspect fraud or a risk to safety. Making this policy change will increase the security of cannabis business facilities and reduce threats to public safety.

7. Social Equity Program Timeline

The proposed requirements allow for the development of a Social Equity Program, but fails to establish a timeline for completion of the structure and details of the program. See *pg.13, Social Equity Program Processing(1)*.

Policy Concerns: Given that there are multiple application phases, and the ‘unrestricted phase’ commences after the social equity phase, a timeline should be given for the completion of the structure of the program, as well as all details associated with the program, including a timeline for its buildout. Only then will potential certificate of compliance applicants who may be eligible to participate in the program have assurance of the program’s creation, criteria for participation, how it will function, when they can apply and when the processing of applications will be completed. The rollout of these proposed regulations without the details of this important program is also alarming because it will delay the opening of the application process for the sizable portion of the City’s cannabis industry that are not Proposition M Priority eligible applicants, non-retail registry eligible applicants or social equity applicants. These industry operators, who will largely be comprised of dispensaries who will be waiting for the application process to open, are very unlikely to cease business operations while the City continues organizing the details of the social equity program. The result for the City will be continued constituent complaints about illegal dispensaries, misuse of resources as law enforcement is called away from critical services to address these complaints, and loss of tax revenue that the City could collect if it licensed these businesses.

Solution: Establish a timeline for the development of the social equity program, as well as a general timeline for the expected completion of all application phases.

8. Burdensome Application Process

The application process in its’ entirety requires so many hurdles to completion that it likely inadvertently precludes small business owners or entities that are not extremely well-funded from successfully completing the process.

Policy Concerns: The combination of an overly elaborate application process, combined with myriad demands for special plans and reports, and the additional requirement of extensive inspections, will inadvertently create an environment where the average small business owner cannot complete the application process without expensive assistance from legal professionals or specialized consultants. The number of professionals who could assist with an application is finite and given the number of expected applicants, will not be enough to service the local industry, even if a small business owner could afford such assistance. The unintended consequence is the City inadvertently shutting out small and disadvantaged business owners, as only large entities with considerable resources will have the resources necessary to successfully complete the application process.

Solution: Conduct a comprehensive review of the application process and adjust so that the playing field is level between small businesses and larger entities. Offer assistance to small business who will compete with larger entities in finding help to complete an application.

9. Prohibition of Special Events/ Onsite Consumption

The proposed requirements prohibit special events or parties of any types from being held at a business, but are silent on business categories that could allow private consumption or special events. *See pg. 27, Commercial Cannabis Activity Operational Requirements, General(24).*

Policy Concerns: In other legal adult-use markets, cannabis social lounges have both prevented misallocation of law enforcement resources for public nuisance violations and reduced illegal markets by allowing legal points of sale to justify higher costs with a social meeting space and not permitting the consumption of products bought outside the premises. Denver is now moving forward with the same model. Reducing or eliminating these spaces removes one of the key areas legal points of sale can gain a competitive advantage over their illegal counterparts. These events can provide a way for Los Angeles brands to showcase their wares and generate nationally recognizable brands while separately allowing the City to increase tourism revenue.

Solution: Allow licensing for special events or venues that allow on-site consumption to reduce enforcement costs to the City and the size of the City's illegal market.

10. Pre-Packaging Requirements

The proposed requirements prohibit a business from accepting cannabis goods that are not prepacked for final sale. *See pg. 32, Commercial Cannabis Activity Operational Requirements, Retailer Commercial Cannabis Activity(10).*

Policy Concerns: Currently, most dispensaries in California sell loose cannabis flower to consumers which allows consumers to smell and inspect the product closely. It is often not possible to fully gauge the scent and texture of cannabis without slightly compressing the flower and pulling it apart (which makes sense given it is an agricultural crop). Having the flower open also improves storage and allows the dispensary to better ascertain the quality of the product before selling. Finally, prepackage requirements increase the amount of waste from spoiled product and from excess use of packaging, which will run contrary to final regulations developed by the State related to environmental protection and natural resource preservation.

Solution: Allow dispensaries to sell loose flower and package it for consumers. Ensure reporting requirements are sufficiently strict and do not allow packaging mixed products in the same container.

To the extent exit packaging is desired, allow the dispensary to place products in exit packaging and accept used exit packaging for recycling.

11. No Timeline for Determination of Complete Application

The proposed requirements grant the City of Los Angeles Cannabis Department (Department) sixty days to decide on approval or denial of an application, commencing only after the Department determines that an application is complete. *See pg. 7, Commercial Cannabis Activity Application Processing, General(4).*

Policy Concerns: The sixty-day period for the Department to approve or deny an application commences after the Department determines that an application is complete. However, there is no timeline associated with the Department determining whether an application is complete. This leaves all applicants in limbo for an unspecified period of time with no guidance or direction from the City.

Solution: Provide a reasonable timeline for the Department to determine if an application is complete, as well as a timeline for prospective businesses to produce supplemental information, if needed.

12. Deficiency Correction Timeline

The proposed rules require that any deficiencies found within an application be corrected within three months from the notice to correct all deficiencies. *See pg. 7, Commercial Cannabis Activity Application Processing, General, (2)*

Policy Concerns: Depending on the nature of a deficiency, the time period needed for correction could by default take beyond three months. For instance, if a potential business owner has to abruptly find a new location, and that location's address is necessary for a sufficient application, then it can be expected that finding a location and not automatically surrendering application fees is certain. Given the proposed zoning ordinance by the Department of City Planning's extremely limited permissible areas, a deficiency such as the aforementioned could take lengthy periods to rectify.

Solution: Extend the period for correction to one year to allow ample time for the applicant to supply the supplemental information.

13. Public Approval Hearings

The Department recommends public hearings be utilized to approve retail commercial cannabis activity, but it is unclear whether hearings will be commissioned on a case-by-case basis or whether one hearing will be convened to address the approval of multiple cannabis retailers. *See pg. 7, Commercial Cannabis Activity Application Processing, General(4)(a)(i).*

Policy Concerns: If public hearings will be convened on a case-by-case basis, this could be a costly and burdensome process for the Commission, as the Commission is expected to receive over a thousand applications. With the anticipated number of applicants in Los Angeles, a public hearing process convened on a case-by-case basis will also lead to lengthy delays. As discussed previously in this comment letter, these applicants are unlikely to close their current businesses while they wait for the City to move through these delays, and will impose burdens on the City's public safety resources. Also, there are additional barriers added onto the approval of an application included in the Department's process, such as input from various City departments, the State, as well as any testimony from the public. These factors decrease objectivity in the approval or denial of an application, and contribute to further delays in the processing of these applications. Despite the clear approval margins evidenced in

the City's support of the Adult Use of Marijuana Act, as well as Measure M, opponents of cannabis businesses often site unfounded public health and safety claims, including that these businesses are magnets for crime. Researchers from the University of Southern California have recently discovered just the opposite, noting that upward trends in crime are evident in areas in the City that have forced the closure of cannabis businesses.¹

Solution: Look to hold batch hearings where multiple licenses are discussed or eliminate the public hearing process altogether, and accept written comment as an alternative.

14. Possibly Unlimited Reasons for Denial of Application

The requirements allow the Department to deny retail commercial cannabis activity for reasons listed, but also explicitly does not limit denial to the specified reasons. *See pg.8, Commercial Cannabis Activity Application Processing, General(4)(a)(ii), (4)(b)(ii).*

Policy Concerns: Listing a complete set of reasons for denial in the requirements will ensure that subjective factors do not determine whether an application is denied, and allows for applicants to present their prospective businesses in a manner that maximizes their chance of having a successful application. Further, explicitly providing a complete list of justifications for an applicant's rejection will save the City from endless litigation, which is likely to be brought by excluded applicants if this section is not amended to provide comprehensive justification for denial of an application.

Solution: Decrease subjective factors regarding the denial of an application by affirmatively listing all reasons that an application may be denied.

15. No Appeal Allowed for Proposition M Processing

The Department will determine the eligibility for Proposition M Priority Processing and its determination will be final. *See pg. 11, (Proposition M Priority Processing)(3)*

Policy Concerns: While all other application types listed within the proposed rules allow for some form of appeal, Proposition M Priority applicants are not granted the same process. Disparate treatment for a process in which the only difference is the timeline is unfair, and precludes the applicant from being notified and also having an opportunity to be heard on factors that might be beyond the applicant's control. This could also cause costly litigation activities for the city.

Solution: Provide an appeals process for Proposition M Priority applicants, just as an appeals process is provided for all other applicants.

16. Timeline for Appeal Approval

The appeals process calls for the Department to issue a notice of determination following the denial of an application, allowing the applicant to file an appeal with the Department. Acceptance of the appeal triggers the Commission or the City Council to hold a hearing, but there is no timeline associated with the Department initially accepting or denying an appeal. *See pg.9, Commercial Cannabis Activity Application Processing, General(4)(c)(i).*

Policy Concerns: With no timeline given for whether the Department will allow an appeal to proceed, prospective businesses could be subject to lengthy periods of delay before they are aware of whether or

¹ "Study: Cannabis Dispensaries Deter Crime." The National Organization for the Reform of Marijuana Laws. Accessed August 03, 2017. <http://norml.org/news/2017/07/13/study-cannabis-dispensaries-deter-crime>.

not the Department will allow their appeal to proceed. Further, *General(5) (pg. 10)* indicates that if a certificate of compliance for commercial cannabis activity is denied by the City or if a license is denied by the State, an applicant then must cease all activity at the location identified in the application. This indicates that any commercial cannabis business can continue to operate and will not be subject to enforcement until denial. However, the same section then states that only Proposition M Priority and non-retail registry applicants approved for eligibility as defined may continue to conduct commercial cannabis activity until a final decision is made. This language is ambiguous, and the provisions are conflicting.

Solution: Impose a time limit for the Department to determine whether or not an appeal will be allowed to proceed, as well as the factors that would prohibit an appeal from proceeding. Give clarity by affirmatively stating that all commercial cannabis businesses will be allowed to continue to operate until their application is denied, and the appeals process has concluded.

17. Clarity in Initial Denial of Appeal

The requirements call for the City Council to act following the Department's acceptance of an appeal, but the requirements do not specify the factors that determine the acceptance or denial of an appeal. *See pg.10, Commercial Cannabis Activity Application Processing, General(4)(c)(iii)(1).*

Policy Concerns: Spelling out the factors that the Department will consider in ultimately deciding whether an appeal is approved or denied will add objectivity to the application and appeals processes. Subjectivity and undefined criteria for denial will likely result in costly litigation for the City, as business owners are denied due to factors that are not enumerated within regulations.

Solution: List all mitigating or aggravating factors that will influence the Department's determination of approval or denial of an appeal.

18. Enforcement Action During Appeals Process

The requirements subject those denied a Certificate of Compliance to enforcement actions if they do not cease Commercial Cannabis Activity, but does not spell out an appeals process, or if those denied will be subject to the appeals process. *See pg.10, Commercial Cannabis Activity Application Processing, General(5).*

Policy Concerns: An appeals process should be intended to grant finality for an applicant who believes that their application was denied in error. Subjecting a prospective business to enforcement before finality is granted will not only cause revenue and inventory losses, but possibly unnecessarily so if an appeal is granted. Businesses who must shutter during an appeals process will most likely have to make significant changes to their operations that would necessitate the application being amended.

Solution: Though this section follows the section regarding the appeals process, affirmatively state that a cannabis business owner will only be subject to enforcement if their appeals process ends adversely.

19. Denial After Withdrawal Request

The proposed requirements allow for an applicant to withdraw an application at any time prior to the Commission or Department's approval or denial for a certificate of compliance for commercial cannabis activity, but still gives the Department the authority to institute or continue proceedings for the denial of an application. *See pg.11, Commercial Cannabis Activity Application Processing, General(6).*

Policy Concerns: An applicant could seek to withdraw an application for a multitude of reasons. Given that a previous application denial is a factor in an active application process, it is unfair for the Department to continue to process an application, and ultimately deny, when the applicant has petitioned to withdraw an application.

Solution: Do not allow the Department to institute or continue proceedings for denial of a certificate of compliance after a petition for withdrawal has been submitted. Instead, grant all withdrawal petitions, and should applicants reapply, subject them to all applicable application fees.

20. Non-Retail Registry Processing

The rules require applicants conducting indoor cultivation commercial cannabis activity manufacturing commercial cannabis activity within the City prior to January 1, 2016 to continue to operate while their application is pending approval if a completed application is submitted within 30 days of the date that said applications are first made available to the public. *See pg. 12, Non-Retail Registry Processing(1).*

Policy Concerns: Thirty days may be an inadequate amount of time for cultivators and manufacturers, given their application process will require more rigorous inspections than those of retailers.

Solution: Extend the priority application period for manufacturers and cultivators to 120 days, allowing for sufficient outreach opportunities on behalf of the city, as well as enough time for applicants to navigate the complex application process.

21. Electrical Power Requirements

The proposed requirements require indoor licensees to ensure electrical power for business activity meets the requirements for the State of California. *See pg. 37, Indoor Cultivation Commercial Cannabis Activity(13).*

Policy Concerns: To the extent that renewable energy costs more than traditional energy sources, this requirement could increase industry costs substantially and place California's legalized cannabis industry at a significant competitive disadvantage relative to other states. Additionally, it could place a premium on projects which pipe wind power or other renewable energy into the State from other regions. Finally, and most importantly, taking projections of the size of the current industry and estimating energy output – it is likely that there is insufficient energy from renewable sources to meet this demand.

Solution: Consider eliminating or significantly reducing the 42 percent renewable energy requirement. If the City insists on having a renewable energy requirement, then the City should phase in these requirements gradually over several years to allow cultivators to adjust and to ensure there are sufficient providers of renewable energy to meet demand.

22. Prohibited Products

The proposed requirements disallow cannabis products that contain various substances, including canned cannabis products, juice, perishable bakery products, and dairy products. *See pg. 38, Commercial Cannabis Activity Operational Requirements, Manufacture Commercial Cannabis Activity Requirements(8).*

Policy Concerns: Prohibiting manufacturers from using caffeine, dairy products, and fruit and vegetable juices from their products is unnecessarily restrictive. These types of products are common within the cannabis industry today, and absent evidence that utilizing these products in soft drinks, coffees, teas,

juice blends, etc., these products should be allowed to continue to be manufactured. Failure to do so will simply drive businesses to surrounding jurisdictions and increase the likelihood of illegal market activity.

Solution: Strike the prohibitions listed in (8) of this section.

23. THC Limits

The proposed requirements limit edible cannabis products from containing more than 10mg of THC per serving and 100mg per package. The requirements also prohibit manufactured cannabis, aside from edibles, that contain more than 1,000mg of THC. *See pg. 39, Commercial Cannabis Activity Operational Requirements, Manufacture Commercial Cannabis Activity Requirements(9)-(10).*

Policy Concerns: This section does not specify exactly which types of products must adhere to this limit. If it includes concentrates, this would cause issues for many products which are currently on the market and are sold with larger quantities. Many of the larger size products offer some of the best margins for dispensaries. Additionally, the requirement does not delineate between THC and its subvariants. In the case of THCA, a cannabinoid with limited psychoactive characteristics that is used for several medical conditions, package dosing exceeding 1,000mg are not uncommon.

Solution: Strike requirements (9) and (10) of said section.

24. Prohibition on Comingling of Cannabis Products

The proposed requirements disallow the comingling of adulterated cannabis products with unadulterated to reduce the level of defects. *See pg. 39, Commercial Cannabis Activity Operational Requirements, Manufacture Commercial Cannabis Activity Requirements(11).*

Policy Concerns: If manufacturers do not pass residual solvent limits, then they should be able to mix one batch with another to lower the average residual solvent level of the batch. Separately, it is a simple step to reprocess products which fail to pass to bring them into compliance. Giving manufacturers the ability to bring products into compliance will increase efficiency, reduce waste and help businesses survive without increasing public health risk.

Solution: If this prohibition applies to a specific defect, such as that caused by a level of pesticide, then that specific defect should be spelled out. Otherwise, this prohibition should be removed.

25. Financial Information Request

The proposed requirements call for applicants to supply extraordinary amounts of financial documents from financial institutions, while the cannabis industry is largely void of traditional financial systems to handle finances. *See pg. 17, Commercial Cannabis Activity Application Requirements, General(10).*

Policy Concerns: Due to cannabis still being illegal under federal law, many banks are not allowed or are hesitant to work with cannabis businesses. This section calls for extraordinary amounts of information from financial institutions and lenders and factor into the approval or denial of a business, even though these financial institutions are largely absent from the dealings of cannabis businesses. Further, the information requested could contain personally identifiable information with no mention of how the City will keep the information private and secure, putting owners at risk of theft and also enforcement by federal government entities. These factors will add additional burdens in the City's efforts to encourage grey-market-businesses to come into compliance.

Solution: Lessen the requirements of financial record production for applicants, or ensure that these records do not factor heavily into denial of an application.

26. Business are Nontransferable

The requirements forbid transferring a business after a certificate of compliance or a provisional certificate of compliance is issued. *See pg. 20, Commercial Cannabis Activity Application Requirements, General (28).*

Policy Concerns: There are instances in which the transfer or sale of a certificate of compliance and associated business are necessary, such as if the business owner dies, becomes incapacitated, or an emergency situation arises that necessitates the sale or transfer.

Solution: Create a process with reasonable regulations that allow for the transfer or sell of a business, so long as the acquirer can either maintain compliance or renew the certificate of compliance or license associated with the business.

27. Electrical and Water System Upgrades

The proposed requirements require applicants to upgrade applicable electrical and water systems to Code standards prior to further application processing. *See pg. 18, Commercial Cannabis Activity Application Requirements, General(17).*

Policy Concerns: Prospective businesses may have to invest substantial amounts of money to upgrade buildings to code, but are still subject to not receiving final approval following these investments. The costs associated with these buildouts will vary depending on the level of work that needs to occur at each respective location.

Solution: Utilize provisional compliance for businesses that can demonstrate the capital and plans necessary to bring a building up to code and into compliance, and then follow up to ensure that the improvements are completed.

28. Community Benefits Agreement

The proposed requirements call for applicants to provide a Community Benefits Agreement, but do not detail or point to a resource that details what the agreement is required to entail. *See pg. 20, Commercial Cannabis Activity Application Requirements, General(30).*

Policy Concerns: Applicants who are not aware of what a Community Benefits Agreement entails are automatically disadvantaged if lacking proper instruction on what this document is, and what it should entail.

Solution: The requirements should point to a document that details what a Community Benefits Agreement should entail, or define the Agreement in the definitions section. Alternatively, the City should generate a standard form Community Benefits Agreement for use by applicants.

29. Neighborhood Liaison Position Requirement

The proposed requirements require applicants to identify and assign an employee as a Neighborhood Liaison who is responsible for receiving and addressing complaints from the surrounding community 24 hours per day. *See pg. 20, Commercial Cannabis Activity Application Requirements, General(31).*

Policy Concerns: The number of complaints that can come about from a neighborhood cannot be determined, and this could potentially be a position that requires the requisite level of attention to be a position on its own. The potential creation of a new position can be burdensome to prospective applicants, who would have an employee that is subject to work 24 hours per day, and who's business plan does not allow for the creation of a position solely dedicated to this.

Solution: Allow complaints to congregate within a voicemail or email address, and require prospective businesses respond to complaints within a reasonable maximum timeframe.

30. Neighborhood Council Discussion

The proposed requirements require applicants to provide proof that the local Neighborhood Council in which the business is proposed has been provided notice, and that the council has considered discussing the pending application at a duly-noticed and agenzized public meeting. *See pg. 20, Commercial Cannabis Activity Application Requirements, General(32).*

Policy Concerns: The way this provision is written is ambiguous and burdensome. This step also introduces a significant risk for delay to the extent a neighborhood council wishes to be obstructionist to the process. Though it may be less of a burden to notify a neighborhood council of the intent to apply to be a commercial cannabis business, the language puts the burden on the applicant to also ensure that the council has considered discussing the pending application at an agenzized public meeting. The prospect of discussion at a public meeting should be the burden of the council, and not fall to an applicant after they have provided proper notice.

Solution: Strike the language that may require that a neighborhood council act after the applicant has provided notice.

31. Standardized Training Program Requirements

The proposed requirements require all employees to enroll in the Department and Police Departments' 'standardized training for cannabis retailers' within six months of issuance of a certificate of Compliance. *See pg. 33, Commercial Cannabis Activity Operational Requirements, Retailer Commercial Cannabis Activity (17).*

Policy Concerns: Prospective businesses and employees should know what the curriculum for the standardized training entails, as well as how the curriculum was developed. Cannabis businesses should also have a role in critiquing the curriculum, as their employees will be utilizing the training while working.

Solution: Include general details about the curriculum and formulations of the standardized training program within the requirements, and seek comments from cannabis businesses on the proposed curriculum for this program.

32. No Appeals Process for Serious Violations

The proposed rules allow for appeals of "minor" and "moderate" violations, but not for "serious" violations. *See pg. 48, Enforcement(6).*

Policy Concerns: The proposed regulations list three classes of offences; serious, moderate, and minor. Notices will be provided to offenders listing the alleged violation, details on whether the violation is correctable and a timeframe for correction, and appeals rights and processes. However, the regulations

later specifically detail an appeals process including an administrative hearing on the merits for minor and moderate offenders, while serious violators will not be afforded the any appeals process.

Solution: Understanding the gravity of serious offences, the City should still afford an appeals process to serious offenders to ascertain if there is a legitimate defense for the offences, such as the circumstances surrounding the offence being out of the business owner's control.

33. Inspection Costs

The proposed requirements allow the Department or its agents to conduct audits, inspections, and investigations to determine a number of compliance issues, while passing the costs of these activities to businesses at full cost. The Department is also allowed to record the inspection, investigation, or audit. *See pg. 45, Inspections(1).*

Policy Concerns: Given the large number of reasons that the Department can conduct inspections, as well as no limit on how many inspections can be done, it is potentially burdensome for a business to bear the costs of conducting inspections.

Solution: Factor in the costs associated with conducting inspections with application fees or other cannabis related revenue resources within the city.

Thank you for the opportunity to provide public comments and contribute to the City's legislative process. We look forward to working with the City Council to revise these draft requirements and create a safe, responsible and functional regulatory system for the cannabis industry in LA.

Respectfully,



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