

**DEPARTMENT OF
CANNABIS REGULATION**

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March 1, 2019

Honorable Members of the Rules, Elections, and Intergovernmental Relations Committee
City Clerk
City Hall, Room 395

**DEPARTMENT OF CANNABIS REGULATION - RECOMMENDATION FOR AMENDMENTS
TO THE CITY'S CANNABIS PROCEDURES (C.F. 14-0366-S5)**

Dear Honorable Members:

On February 8, 2019, the Department of Cannabis Regulation transmitted a report to this Committee outlining a series of recommendations for amending the procedures and rules and regulations for processing new applications for storefront and non-storefront retail licenses. Specifically, DCR recommended a bifurcated licensing process for storefront retailers by which it would process 100 applications beginning in Spring 2019 through a first come, first served or lottery method and then, process an additional 100 applications through a merit-based system. DCR also recommended establishing a non-storefront retail licensing pilot program by which the Department would initially process 40 Tier 1 or Tier 2 Social Equity applications and 20 non-Social Equity applications. As DCR explained in its February 8 report, these recommendations are intended to address several ongoing and anticipated challenges in processing storefront and non-storefront retail applications, namely: the Department's limited capacity to process new applications in addition to the 600-plus applications it is currently processing as priority processing continues and the more comprehensive, annual licensing process commences; the limited number of storefront retail licenses available due to undue concentration limits; the uncertainty created by the required 700-foot buffer between storefront retailers; the lack of currently available, but required, programming to assist Tier 1 and Tier 2 Social Equity Applicants; and the numerous applicants who have secured properties and are waiting for an opportunity to submit an application.

At its February 15, 2019, meeting, this Committee considered DCR's February 8 report and recommended that the City Council instruct DCR to report at the next meeting of this Committee with further analysis of the recommendations for storefront retail processing and non-storefront retail processing, including consideration of a social equity applicant registry platform similar to the City of San Francisco. The City Council issued that instruction on February 26, 2019.

DCR will first address the City Council's instruction for consideration of a Social Equity Applicant registry similar to the City of San Francisco. San Francisco's Office of Cannabis has two programs that could be considered a social equity registry. One is a "Self-Assessment"

program that allows an individual applicant to complete an online survey that serves as a preliminary assessment of whether the individual does or does not meet the requirements to be a social equity applicant. Within this program, an applicant is further required to submit sufficient documentation to be verified as a social equity applicant. The other program is an incubator registry that helps applicants that would like to act as social equity “incubators” to find social equity applicants with whom to partner.

DCR will soon launch an online survey similar to San Francisco’s program that allows potential applicants to do a preliminary self-assessment of Social Equity Program eligibility. Furthermore, DCR is also exploring ways to help Tier 3 and Tier 1 applicants find suitable partners with whom to share space. Although these programs will be important in the development and implementation of the Social Equity Program, they ultimately do not address the present challenges inherent in the current Phase 3 retail licensing process, which DCR described in its February 8 report to this Committee. Of particular note, this challenges involves balancing the need to keep licensing opportunities available for applicants that need access to the technical assistance that is not yet available and providing prompt access to licensing for applicants that have already secured a property.

If this Committee is interested in a program that would enable applicants that have secured business premises to promptly participate in the licensing process, DCR recommends that this Committee further consider DCR’s proposal for a first come, first served processing method described in its February 8 report. That method effectively acts as a registry as the first eligible applicants to identify a compliant business premises under their control and provide supporting documentation, including an executed lease or property deed, will receive processing priority over later applicants. As this Council has established that Tier 1 applicants should receive the most extensive program benefits, DCR also recommends that no less than 75 of the 100 applicants processed through a first come, first served method must be Tier 1 applicants.

Further, DCR recognizes it is this Committee’s priority to ensure that applicants who require the not-yet-available technical assistance will have a fair opportunity to pursue the limited number of storefront retail licenses. DCR therefore again recommends developing a merit-based licensing system for 100 licenses that does not start until applicants have had an reasonable opportunity to utilize the technical assistance programming that is expected to become available no sooner than Summer 2019.

DCR also recommends amending Los Angeles Municipal Code Section 105.02(c), which provides that an applicant shall be in violation of sensitive use distance restrictions if a sensitive use opens within the prohibited distance from the applicant’s location before the applicant receives state and City Commercial Cannabis Activity licenses for its location. As such, even if an applicant’s business premises complies with all distance restrictions at the time it submits an application, its application may still be denied if a sensitive use arises at any point while its application is under review. For example, if a storefront retailer applies at a business premises that is currently not within 700 feet of any sensitive use, its application could still be denied if the day before it is due to receive a state or City license an Alcoholism or Drug Abuse Recovery or Treatment Facility opens for use within 700 feet of the business premises. Obviously, this rule exposes an applicant to significant risks in investing substantial amounts of time and money into a location which, unpredictably, could end up in violation of the City’s sensitive use distance restrictions due to factors completely outside the applicant’s control. As such, DCR strongly

recommends that the City Council amend this rule to provide that an applicant's compliance with sensitive use distance restrictions shall be based upon sensitive uses that exist at the time the applicant submits an application.

RECOMMENDATIONS

1. Instruct the Department of Cannabis Regulation to report back within 90 days with a proposal for a merit-based storefront retail licensing system.
2. Request the City Attorney, with the assistance of the Department of Cannabis Regulation, to prepare and present an ordinance to amend Article 4 of Chapter X of the Los Angeles Municipal Code and the Rules and Regulations as necessary to implement either the lottery or first come, first served storefront and non-storefront retail licensing process as described in DCR's February 8, 2019 report to the Rules, Elections, and Intergovernmental Relations Committee; and provide that no less than 75 of the 100 storefront retail license applicants processed shall be Tier 1 Social Equity Applicants.
3. Instruct the Department of City Planning to include an amendment to the pending draft ordinances pertaining to cannabis to provide that an applicant's compliance with sensitive use distance restrictions shall be based upon sensitive uses that exist at the time the applicant submits an application.

Sincerely,

A handwritten signature in black ink that reads "Cat Packer". The signature is written in a cursive, flowing style.

CAT PACKER
Executive Director & General Manager
Department of Cannabis Regulation