

**RULES, ELECTIONS, INTERGOVERNMENTAL RELATIONS, AND NEIGHBORHOODS COMMITTEE REPORT** relative to a proposed ballot measure entitled the Cannabis Enforcement, Taxation, and Regulation Act (CETRA).

Recommendations for Council action:

1. REQUEST the City Attorney, with the assistance of the Chief Legislative Analyst (CLA), the City Administrative Officer (CAO), Office of Finance, and the Chair of the Rules, Elections, Intergovernmental Relations, and Neighborhoods (REIRN) Committee, to prepare the necessary election ordinance and resolutions to place a ballot measure before the voters at the March 7, 2017 Primary Nominating Election entitled the Cannabis Enforcement, Taxation, and Regulation Act (CETRA), and that the ballot measure include the following elements:
  - a. Provide for maximum criminal and civil fines (e.g. \$20,000 dollars per violation) and for the disconnection of Los Angeles Department of Water and Power-related utilities for: (a) any unlicensed cannabis dispensary after July 31, 2018 or when Proposition D is repealed, whichever is later; and, (b) any other unlicensed cannabis-related business after December 31, 2018.
  - b. Provide for maximum criminal and civil fines (e.g. \$20,000 dollars per violation) for a property owner who leases property to: (a) any unlicensed cannabis dispensary after July 31, 2018 or when Proposition D is repealed, whichever is later; and, (b) any other unlicensed cannabis-related business after December 31, 2018.
  - c. Provide that the Office of Finance and/or such other designated agency will administer all tax registration, collection, and auditing of cannabis-related businesses, including full cost recovery and/or the collection of any regulatory fees on cannabis-related businesses.
  - d. Require the Office of Finance to provide revenue reports to Council, Mayor, CAO, and the Controller on a quarterly basis, including by each tax category, beginning April 1, 2018.
  - e. Implement the following tax rates beginning January 1, 2018:
    - i. Five (5) percent gross receipts tax on medical cannabis sales.
    - ii. Ten (10) percent gross receipts tax on recreational cannabis sales.
    - iii. One (1) percent gross receipts tax on cannabis distribution, transportation, testing, or research businesses.
    - iv. Two (2) percent gross receipts tax on cannabis manufacturing, processing, or cultivation businesses, including any cannabis-related businesses not delineated above

- f. Require the Office of Finance to not renew Business Tax Registration Certificates (BTRCs) for cannabis-related businesses when Proposition D is repealed and issue new BTRCs for licensed cannabis-related businesses only. Furthermore, require BTRC renewal annually to ensure only licensed cannabis-related businesses have an active BTRC.
  - g. Require the Office of Finance to provide and implement a process whereby cannabis-related business taxes could be remitted in cash by appointment in a secure facility by January 1, 2018.
  - h. Require that all cannabis-related business taxes be paid to the City of Los Angeles on a quarterly basis beginning July 1, 2018; and on a monthly basis beginning July 1, 2019.
  - i. Repeal Proposition D (approved May 2013) effective January 1, 2018, unless another date is specified by the City Council, by majority vote through Resolution.
  - j. Return authority to the City of Los Angeles to regulate all aspects of the cannabis industry immediately, including authorizing the City Council to make any changes to this ordinance.
  - k. Specifically state that nothing in this ordinance is interpreted or intended to be in conflict with State law, except as allowed for by a charter city; and, authorize the City Council to change any provision necessary to conform with State law.
2. AUTHORIZE the City Attorney, with the assistance of the Chair of the REIRN Committee, to make any technical modifications and/or legal corrections to the draft election ordinance, draft ballot resolutions, and any other related actions listed above in order to further the objectives as described in these recommendations.
3. REQUEST the City Attorney to transmit the necessary reports, draft ordinance, and draft ballot resolutions as outlined above to the City Clerk's office no later than 2:00 p.m. on Friday, **November 4, 2016**.
4. INSTRUCT the City Clerk to keep Council file No. 14-0366-S5 active and all reports on file pending for potential future action by the REIRN Committee.
5. ENSURE that in the creation of a regulatory process and structure for the cultivation, processing, distribution and sale of marijuana products and all attendant matters, including enforcement of licensing and related oversight (to be known as commercialization), that the City Council involves all stakeholders in the process of developing the rules, regulations and ordinances necessary to regulate the safe commercialization of marijuana, including, but not limited to, Neighborhood Council, police officers, school officials, probation officers, civic and service organizations, Chambers of Commerce, and others as may wish to participate; hold hearings in neighborhoods throughout the City to allow for participation of such stakeholders; among, but not limited to, the issues to be considered and resolved through this process shall be:
  - a. Rules concerning who may qualify for a license to operate in any of the phases of

- commercialization.
  - b. Penalties, fines, and other enforcement tools needed to insure strict compliance with licensing and to avoid the type of illegal dispensary proliferation that occurs under Proposition D.
  - c. Regulation of transportation of marijuana products within the City.
  - d. Siting of all buildings and facilities involved in all phases of commercialization.
  - e. Preventing the over-concentration of businesses involved in commercialization of marijuana
  - f. Determinations of any necessary land use requirements such as distances to schools, parks, libraries, residences, liquor stores, stores selling candy to children, and other such matters affecting the locations of stores and facilities involved in commercialization of marijuana.
  - g. Constitutional and appropriate measures regarding advertising commercialization of marijuana in such a way as to prohibit exposure to anyone under the age of 21.
  - h. Updating training and protocols to enable police officers to enforce laws against driving while under the influence of marijuana.
  - i. Requirements for auto rental agencies, particularly at airports, to advise visitors to the City regarding the rules concerning driving while under the influence, and other marijuana regulations of which visitors may not be aware.
  - j. Any and all other issues that may arise regarding the commercialization of recreational marijuana in the City.
6. REQUEST that the City Council, City Attorney, and Mayor ensure that any and all necessary regulations and enforcement mechanisms are adopted and in place so that licenses for commercial, medical or adult use marijuana activity can be issued by January 1, 2018 when such activity will be allowed in the State of California pursuant to the will of the voters.

Fiscal Impact Statement: Neither the City Administrative Officer nor the Chief Legislative Analyst has completed a financial analysis of this report.

Community Impact Statement: Yes.

For: P.I.C.O. Neighborhood Council  
Historic Highland Park Neighborhood Council

**TIME LIMIT FILE - NOVEMBER 9, 2016**

**(LAST DAY FOR COUNCIL ACTION - NOVEMBER 9, 2016)**



SUMMARY

At a special meeting held on October 26, 2016, the Rules, Elections, Intergovernmental Relations, and Neighborhoods Committee considered Council file No. 14-0366-S5 relative to Proposition D, medical cannabis dispensaries, and Adult Use of Cannabis Act.

Representatives of the CAO, CLA, and City Attorney addressed the Committee, provided a brief overview of the matter, and responded to related questions. The CLA representative reported the receipt of recommendations by the Committee Chair which were read into the record (and attached to the Council file) relative to a request to the City Attorney to prepare the necessary ordinances and resolutions to place a ballot measure before the voters at the City's March 7, 2017 Primary Nominating Election entitled "Cannabis Enforcement, Taxation, and Regulation Act (CETRA)" and include various elements relative to enforcement, taxation, and regulation, and that the City Attorney transmit the necessary reports, resolutions, and ordinances to the City Clerk by November 4, 2016. The City Attorney representative advised the Committee that there is a deadline of November 9, 2016 for Council action to approve such a proposed ballot measure in order for it to qualify for the March 7, 2017 election.

After consideration, and after having provided extensive opportunity for public comment, the Committee approved the recommendations submitted by the Committee Chair regarding the proposed City-initiated ballot measure. This matter is now forwarded to the Council for its consideration.

Respectfully Submitted,

RULES, ELECTIONS, INTERGOVERNMENTAL RELATIONS, AND NEIGHBORHOODS  
COMMITTEE



<u>MEMBER</u>	<u>VOTE</u>
WESSON:	YES
HUIZAR:	YES
HARRIS-DAWSON:	YES

REW  
10/26/16  
FILE NO. 14-0366-S5

**-NOT OFFICIAL UNTIL COUNCIL ACTS-**