



October 24, 2016

Los Angeles City Council
City Hall
200 North Spring Street
Los Angeles, CA 90017

Honorable City Councilmembers:

The UCBA Trade Association (UCBA) and our partner, the United Food and Commercial Workers Union, Local 770 are pleased to submit to the City, our ballot measure, the Los Angeles Marijuana Regulation and Safety Act. We were able to quickly gather over 104,000 signatures from registered voters in the City of Los Angeles in less than 6 weeks. The overwhelming support from voters is indicative of a desire to have a well-regulated, flexible and enforceable permitting system in Los Angeles.

We believe our ordinance creates a regulatory framework that empowers the City to permit cannabis enterprises in Los Angeles while ensuring that enforcement, taxation and public safety issues are satisfied. Our measure is inclusive, fair and will bring relief to neighborhoods that are oversaturated by illegal operators.

The new measure establishes the Los Angeles Department of Medical Marijuana Regulation which will have authority to issue and enforce permits for cannabis retail sales, cultivation, manufacturing, testing, distribution and transportation as permitted under state law. Our ordinance also provides an initial permitting process for the existing dispensaries with limited immunity under Proposition D while allowing the Council the ability to increase the number of dispensaries as it deems necessary. The Proposition D businesses that are able to assert limited immunity have been open and operating in full compliance with the laws in Los Angeles since prior to September 14, 2007, are in fully compliant locations and comply with the stringent operational standards set forth in Proposition D. After numerous conversations with city officials, it is our belief that there are approximately 135 or fewer businesses that could meet these requirements and that will be eligible to be grandfathered in under the new measure.

The key elements of the ordinance include:

- **FLEXIBILITY:** The Los Angeles Medical Marijuana Regulation and Safety Act provides a strong foundation for future amendments while giving the City complete flexibility to include new cannabis business activity without having to redraft an entire ordinance.
- **PERMITS:** Creates an annually reviewable cannabis activity permit that is overseen by the Los Angeles Department of Medical Marijuana Regulation, which allows the City to determine how and in what manner it will give permits for any commercial cannabis activity in the City, including cultivation, manufacturing, distribution and transportation.
- **ENFORCEMENT:** Establishes a \$10,000 per day per violation fine for any cannabis activity in the City of Los Angeles without a permit.
- **LOCATION:** No activity permitted within a 1,000-foot radius of a school and 600-foot radius from a public park, religious institution, licensed child care facility, youth center, substance abuse rehabilitation center.
- **TAXES & FEES:** Continues a 6 percent gross receipts tax on medical marijuana activity and establishes an 8 percent gross receipts tax on adult use (assuming Proposition 64 passes in November 2016). The state Legislative Analysis Office estimates local and state revenues “ranging from the high hundreds of millions of dollars to over \$1 billion annually.”

The confluence of Proposition 64 and the enforcement date of MCRSA of January 1, 2018 could cause a gap whereby if the City does not enact a permitting system, there will not be any cannabis activity in the City. Since Proposition D does not comply with MCRSA there is a real chance that if no permitting system is in place by January 1, 2018, there will only be illegal activity in Los Angeles. Aside from the tremendous loss to the patients who rely on the medicinal benefits of cannabis, the City will be losing on the 6 percent gross receipts taxes from the Prop D cannabis business as well as the potential 8 percent gross receipts tax on adult recreational usage. The City could run the risk of losing tax revenue not only from residents that will purchase cannabis products, but also people coming into Los Angeles to make purchases.

We envision a collaborative process between the industry, neighborhoods and the City to refine the measure and create a cannabis industry that is accountable, secure and provides opportunity for new small and minority owned businesses in Los Angeles. We sincerely hope that the Los Angeles Marijuana Regulation and Safety Act will serve as a starting point for the City as it continues to shape this critical policy.

Thank you for your consideration,



Jerred Kiloh
President, UCBA Trade Association