

## RECOMMENDATIONS

- 1) ADOPT the City Attorney Reports and Draft Ordinances as amended by these recommendations and REQUEST the City Attorney's office, with the assistance of the Department of Cannabis Regulation and the Chair of the Rules, Elections, and Intergovernmental Relations Committee, to make the following changes, additions, or deletions to the Draft Ordinances Adding Article 4 to Chapter X of the Los Angeles Municipal Code to regulate Commercial Cannabis Activities in the City of Los Angeles dated December 1, 2017 and Establishing Rules and Regulations in Support of Article 4 of Chapter X of the Los Angeles Municipal Code dated November 27, 2017, as follows and transmit a new draft ordinance, including a redlined version based on the versions described above, for final consideration by the City Council by December 5, 2017:
  - a) REVISE Section 1 of the draft ordinance to repeal Prop D effective January 1, 2018, as set forth in Measure M. Furthermore, REVISE Section 104.07 to afford an EMMD continued limited immunity beyond January 1, 2018, up to approval of a Temporary License or, if the Temporary License is denied by DCR, then through an appeal by the EMMD of the Temporary Approval denial.
  - b) REVISE Section 104.00 relative to the purpose of the ordinance to adopt the Cannabis Social Equity Analysis Report dated October 18, 2017, and its addendums, as the findings for the Social Equity Program, including Table 1 as submitted with these recommendations.
  - c) ADD language to the licensing ordinance and rules and regulations relative to anti-retaliation provisions in substantial conformity to Section 188.04 of Article 8 of the Los Angeles Municipal Code.
  - d) MODIFY language to Section 104.01(a)(12) relative to the definition of EMMD that states "... 2015 or 2016, and submits payment for all City-owned business taxes before the application is deemed complete" to allow for a grace period for those unable to previously pay business taxes due to non-acceptance by the Office of Finance.
  - e) MODIFY language to Section 104.01(a)(26) relative to the definition of Undue Concentration to state that a Microbusiness involved in on-site retail will count towards the undue concentration license limits applied to Retailer (Type 10) licenses and a Microbusiness involved in cultivation will count towards the undue concentration limits applied to Cultivation licenses (Types 1A, 1C, 2A, 3A, 4, and 5A).
  - f) REPLACE language to Section 104.01(26) relative to the definition of Undue Concentration for Cultivation to state: "ratio of 1 square feet of cultivated area for every 350 square feet of land zoned M1, M2, M3, MR1, and MR2 with a maximum aggregate of 100,000 square feet of cultivated area and a maximum aggregate number of 15 licenses at a ratio of 1 license for every 2,500 square feet of allowable cultivated area for Cultivation (Types 1A, 1C, 2A, 3A, 4, and 5A)".

Date: 12-4-17

Submitted in REIR Committee

Council File No: 17-0653/14-0366-S5

Item No.: 1

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- g) ADD language to Section 104.02 relative to Licenses that provide that any applicant, owner, or individual may hold up to a maximum of three Type 10 or Type 9 licenses, and that any applicant, owner or individual is not limited to the number of cultivation licenses as defined in Section 104.02(4), except that the maximum amount of cultivated area that may be licensed to any applicant, owner or individual is 1.5 acres, consistent with Page 11 of the Revised Draft Requirements for Commercial Cannabis Activity in the City of Los Angeles published on September 22, 2017 and adopted by the City Council on October 31, 2017.
- h) MODIFY language to Section 104.02(a)(4) relative to the types of Cultivation licenses available to delete Types 1B, 2B, and 3B with respect to mixed-light cultivation.
- i) MODIFY language to Section 104.03(c)(8) relative to license ineligibility to state that DCR may deny application and licensure due to prior non-cannabis drug felonies based on a determination of license suitability recommended by the Department and approved by the Commission.
- j) ADD language to Section 104.05 relative to Notice to state “Applicant shall provide written evidence to DCR that the Applicant notified the local Neighborhood Council of the pending application and that the Applicant offered to appear before the Neighborhood Council to address questions about the application.”
- k) MODIFY language to Section 104.06(b) relative to non-retailer commercial cannabis activity to read: “... DCR shall, within 60 days of the date DCR deems the application and pre-licensing inspection complete ...”
- l) MODIFY language to Section 104.06(c) relative to non-retailer commercial cannabis activity to read: “... DCR shall, within 60 days of the date DCR deems the application and pre-licensing inspection complete ...”
- m) MODIFY language to Section 104.07 to change the word “Applicants” to “EMMDs”.
- n) MODIFY language to Section 140.07(a) relative to the types of cultivation licenses an EMMD may apply for to include Types 1A – Specialty Cottage, Small and 1C – Specialty Indoor. Furthermore, CLARIFY that a Type 11 Distributor License is for self-distribution transport only.
- o) MODIFY language to Section 140.07(d) relative to Prop M Priority Processing to change the word “Process” to “Processing” in the first line and remove the word “solely” in the third sentence.
- p) MODIFY language to Section 104.07(g)(2) relative to Prop M Priority Processing to read: “limits on-site cultivation at the Business Premises to not exceed the size of the EMMD’s existing square footage of building space as of March 7, 2017, as documented by dated photographs, building lease entered into on or before March 7,2017, or other comparable evidence”.

- q) MODIFY language to Section 104.08(a)(9) to read “the Applicant is not engaged in Retailer Commercial Cannabis Activity at the Business Premises”.
- r) ADD language to Section 104.11(a) and Regulation 10(A)(3) relative to license transferability to provide that only changes from non-profit status to for-profit status for EMMDs is exempt if no other ownership changes are made in accordance with Proposition D’s ownership rules until a license is issued by DCR, with notification to DCR within five business days.
- s) ADD language to Sections 104.11(m) and 104.20(g) relative to local hire to that at minimum, applicants are required to contact local community-based organizations, City of Los Angeles WorkSource Centers, and other such similar organizations to facilitate job outreach, development, and placement services. Licensees are required to provide a detailed semiannual report on the first business day of January and the first business day of July every year that provides evidence of their outreach efforts, including the number of persons interviewed, and details on who they have hired that would satisfy a local hire "best effort" or requirement.
- t) MODIFY language to Section 104.13(b) relative to administrative fines to change the term “Cannabis Application Fee” to “Cannabis License Fee”.
- u) MODIFY language to Section 104.18 relative to no vested or nonconforming rights to include the following additional language: “This article does not create, confer, or convey any right or benefit regarding any activity beyond the lawfulness of any License issued by the City to engage in Commercial Cannabis Activity or any applicable State of California license for such activity. If any City License or any applicable State license is held unconstitutional, invalid or unenforceable for any reason by any court or tribunal of competent jurisdiction, the Commercial Cannabis Activity subject to such license shall be prohibited in the City of Los Angeles and shall immediately cease all operations in the City. The owner of any City License or any applicable State license assumes all risk associated with the validity of such licenses. The owner of any license found to be unconstitutional, invalid or unenforceable and required thereby to cease Commercial Cannabis Activity, shall not be entitled to any compensation from the City of Los Angeles based upon such license; the finding that such license is unconstitutional, invalid or unenforceable; or the requirement that any Commercial Cannabis Activity must thereby immediately cease in the City.”
- v) MODIFY language to Section 104.19 relative to fees and fines to state that a “Cannabis LAMC Section 104.07 EMMD Retail License Fee” is required for an EMMD’s application for a Type 10 – Retailer license or for the on-site retail portion of a Type 12 – Microbusiness License. Any additional licenses or microbusiness activities (e.g. delivery, cultivation, manufacturing) require payment of the Cannabis License Fee for each and every additional license or microbusiness activity requested in the application. Furthermore state that a “Cannabis LAMC Section 104.08 License Fee” is required for each and every license applied for, and if applying for a non-retail microbusiness license,

each and every non-retail microbusiness activity. Lastly, state that a “Cannabis License Fee” is required for each and every license or microbusiness activity applied for, excluding as described above.

- w) MODIFY language to Section 104.20(b) relative to the definition of Disproportionately Impacted Area to make reference to the zip codes listed in the Table 1 attachment to these recommendations as the definition for Disproportionately Impacted Areas in the City of Los Angeles.
- x) MODIFY language to Section 104.20(c) relative to Tier 1 applicants to have the following criteria: 1. Low Income and prior California Cannabis Conviction; or 2. Low Income and a minimum of five years cumulative residency in a Disproportionately Impacted Area.
- y) DELTE Section 104.20(d) relative to Tier 2 applicants, and rename 104.20(e) Tier 2 and 104.02(f) Tier 3 and make consistent throughout Section 104.20.
- z) DELETE language to Section 104.20(e)(1) relative to applicant criteria.
- aa) ADD language to 104.02(f) relative to the new Tier 3 to require 30 percent social equity local hire.
- bb) MODIFY language to Section 104.20(f) relative to minimum property requirements to state: “... A Tier 4 Social Equity Applicant shall provide Tier 1 Social Equity Applicants access to property with no rent and with prorated utilities for a minimum of two years. ...  
1. Cultivation – minimum 500 square feet or 10 percent of Tier 4 Social Equity Applicant’s Business Premises, whichever is greater; 2. Manufacturing – minimum 800 square feet or 10 percent of Tier 4 Social Equity Applicant’s Business Premises, whichever is greater; 3. Testing – minimum 1,000 square feet; 4. Distributor – minimum 1,000 square feet; 5. Non-storefront retail – minimum 1,000 square feet; 6. Storefront retail – minimum 1,000 square feet; 7. Microbusiness - minimum 800 square feet or 10 percent of Tier 4 Social Equity Applicant’s Business Premises, whichever is greater. ...”
- cc) MODIFY language to Section 104.20(g) relative to the definition of Social Equity Worker to state: “Social Equity Worker is a Person who is 1. Low Income and has a prior California Cannabis Conviction as defined in Section 104.20(b); or 2. Low Income and a minimum of five years cumulative residency in a Disproportionately Impacted Area.” Furthermore change the radius to a five mile radius.
- dd) MODIFY language to Regulation 2 relative to BTRCs to allow changes to a BTRC once an application has been filed with written approval from DCR and the Office of Finance.
- ee) ADD a new subsection to Regulation 3 that requires applicants to provide an attestation from a person authorized to contract on behalf of a bona-fine labor organization which indicates that a labor peace agreement has been executed.



- ff) ADD a new subsection to Regulation 3 that requires the applicant to indemnify the City from any potential liability on a form approved by DCR.
  - gg) MODIFY Regulation 10(A)(5) relative to badging and make consistent with Title 16, Division 42, Chapter 1, Article 4, Section 5043 of the State of California Code of Regulations.
  - hh) MODIFY Regulation 10(A)(7) relative to surveillance system requirements and make consistent with Title 16, Division 42, Chapter 1, Article 4, Section 5044 of the State of California Code of Regulations.
  - ii) MODIFY Regulation 10(D)(16) relative to employee training to make violation of this regulation a Moderate Violation.
  - jj) ADD language to Regulation 10(E)(3) relative to deliveries to require approval by DCR in addition to authorization by another jurisdiction in order for a licensed delivery business to deliver outside the City of Los Angeles.
  - kk) ADD a new subsection to Regulation 10 that states “A Licensee, its employee, agents, and officers must obey all applicable state and local labor laws of the City of Los Angeles and the State of California. (Violation Type – Serious)”.
  - ll) AUTHORIZE the City Attorney, with the assistance of DCR and the Chair of Rules, Elections, and Intergovernmental Relations Committee, to make any technical modifications and/or legal corrections to the draft ordinance, draft ordinance requests, and any other related actions listed above in order to further the objectives as described in these recommendations and to make consistent with Council File No. 14-0366-S4.
- 2) INSTRUCT the CLA, with the assistance of the CAO, the Department of Building and Safety, the City Attorney, and DCR to report back with recommendations on establishing a Cannabis Event Organizer License and a Temporary Cannabis Event License pursuant to State of California Code of Regulations Title 16, Division 42, Chapter 5 Cannabis Events.
  - 3) REQUEST the City Attorney, with the assistance of DCR, to report back as quickly as possible with recommendations on technical amendments to all cannabis-related ordinances and rules and regulations to ensure consistency with the State of California Code of Regulations.
  - 4) AUTHORIZE by resolution, one Management Analyst, Class Code 9184, without funding within the Department of Cannabis Regulation (DCR) for a term of December 1, 2017 to June 30, 2018 to support the Social Equity Program, subject to the approval of the Mayor and to position allocation by the Board of Civil Service Commissioners.
  - 5) INSTRUCT the DCR, with the assistance of the City Administrative Officer to Release a Request for Qualifications to establish benchmark contracts for firms that would provide services for the social equity programs, such as recruitment and outreach to support the

Social Equity Program; business, licensing, and compliance assistance; general business assistance; industry partner program; and, industry ownership investment program..

- 6) AUTHORIZE DCR, with the assistance of the City Attorney, to negotiate, approve and become the signatory, on behalf of the City of Los Angeles, for participation in the County of Los Angeles' "Embleming" Program and Education Campaign relative to commercial cannabis businesses.
- 7) INSTRUCT DCR, with the assistance of the City Attorney, Department of Building and Safety, Fire Department, and Police Department, to report back on the Compliance Enforcement Process.

**Table 1. Disproportionately Affected Police Reporting Districts (Police Reporting Districts with a High and Very High Number of Cannabis Arrests [Greater than 1.5 Standard Deviations from City Average] and Percentage of Low Income Households Greater Than or Equal to 50 Percent).**

Police Reporting District	Area Description	Zip Code(s) <sup>^</sup>	Individual Cannabis Related Arrests	Percent Low Income Households	Percent People of Color
Citywide Mean Reporting District Values †			72	43	69
Council District 1					
245	MacArthur Park	90057	427	73	93
Council District 8					
397*	Vermont Square	90037, 90062	525	74	98
1822	Broadway-Manchester	90003	470	73	99
1842	Broadway-Manchester	90061	468	73	99
1844*	Green Meadows	90059, 90061	444	77	99
Council District 9					
1258	Florence	90003	632	79	99
397*	Vermont Square	90037, 90062	525	74	98
1269	Florence	90001, 90003	424	81	99
1259	Florence	90001, 90003	367	68	99
1345	Central-Alameda	90011	366	70	99
Council District 10					
363	Baldwin Hills/Crenshaw	90008, 90016	421	51	97
Council District 14					
156	Downton (San Julian Park)	90013	1,426	90	81
155	Downtown (Skid Row)	90013	595	93	75
166	Downtown (Skid Row)	90014	521	90	81
157	Downtown (Skid Row)	90013, 90014, 90021	370	88	82
Council District 15					
1844*	Green Meadows	90059, 90061	444	77	99
1846	Watts	90059	431	77	99
1849	Watts	90059	386	71	98
<p>† Citywide values reflect the average count of cannabis-related arrests by police reporting district derived from LAPD data along with average percentage of low income households and average distribution of the population by race/ethnicity by police reporting district derived from U.S. Census data</p> <p>*When a police reporting district spans multiple Council District boundaries, it is listed under each Council District it overlaps.</p> <p>^Zip codes encompass more area than police reporting districts. Thus, areas not disproportionately impacted would be included in a zip code. Additionally, some police reporting district overlap multiple zip code boundaries. When this occurs, all zip codes overlapped are included.</p>					

Table 1. Continued

Police Reporting District	Area Description	Zip Code(s) <sup>^</sup>	Individual Cannabis-Related Arrests	Percent Low Income Households	Percent People of Color
Citywide Mean Reporting District Values †			72	43	69
Council District 8					
1266*	Vermont Knolls	90044, 90003	346	78	99
1241	Hyde Park	90043	286	68	99
392	Hyde Park/Crenshaw	90043, 90062	283	71	97
1256*	Vermont Knolls	90044, 90003	269	70	99
1249*	Vermont-Slauson	90044, 90003	266	68	99
1203	Vermont Square	90062	259	70	98
1802	Broadway-Manchester	90003	253	67	99
Council District 9					
1266*	Vermont Knolls	90044, 90003	346	78	99
398	Vermont Square	90037	325	72	98
1268	Florence	90003	282	78	99
1256*	Vermont Knolls	90044, 90003	269	70	99
1249*	Vermont-Slauson	90044, 90003	266	68	99
1367	Central Alameda	90058, 90011	244	80	99
Council District 10					
362	Baldwin Hills/Crenshaw	90008, 90016	339	68	99
361	Baldwin Hills/Crenshaw	90008, 90016	270	72	99
Council District 13					
649	East Hollywood	90027	242	67	63
Council District 14					
147	Downtown	90013	351	95	73
467	Boyle Heights	90033	272	74	98
Council District 15					
1837	Watts	90059, 90002	298	82	99
<p>† Citywide values reflect the average count of cannabis-related arrests by police reporting district derived from LAPD data along with average percentage of low income households and average distribution of the population by race/ethnicity by police reporting district derived from U.S. Census data</p> <p>*When a police reporting district spans multiple Council District boundaries, it is listed under each Council District it overlaps.</p> <p><sup>^</sup>Zip codes encompass more area than police reporting districts. Thus, areas not disproportionately impacted would be included in a zip code. Additionally, some police reporting district overlap multiple zip code boundaries. When this occurs, all zip codes overlapped are included.</p>					