

**RULES, ELECTIONS, AND INTERGOVERNMENTAL RELATIONS COMMITTEE REPORT and ORDINANCE FIRST CONSIDERATION** relative to adding Article 4 to Chapter X of the Los Angeles Municipal Code (LAMC) to regulate commercial cannabis activities in the City of Los Angeles.

Recommendations for Council action, SUBJECT TO THE APPROVAL OF THE MAYOR:

1. PRESENT and ADOPT the accompanying ORDINANCE adding Article 4 to Chapter X of the LAMC to regulate commercial cannabis activities in the City of Los Angeles.
2. PRESENT and ADOPT the accompanying ORDINANCE establishing rules and regulations in support of Article 4 of Chapter X of the LAMC to regulate Commercial Cannabis Activity in the City of Los Angeles.
3. PRESENT and ADOPT the accompanying ORDINANCE adding Article 4 to Chapter X of the LAMC to regulate commercial cannabis activities in the City of Los Angeles, and incorporating Section 104.20 to establish the Social Equity Program.
4. REQUEST the City Attorney, with the assistance of the Department of Cannabis Regulation (DCR) and the Chair, Rules, Elections, and Intergovernmental Relations Committee, to make the following changes, additions, or deletions to the Ordinances Adding Article 4 to Chapter X of the LAMC 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 LAMC dated November 27, 2017, as follows and to PREPARE and PRESENT the revised ordinance:
  - 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 Existing Medical Marijuana Dispensary (EMMD) continued limited immunity beyond January 1, 2018, up to approval of a temporary license or, if the temporary license is denied by the 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 attached to the Council file.
  - 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 LAMC.
  - 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-owed 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).
- 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 the DCR may deny application and licensure due to prior non-cannabis drug felonies based on a determination of license suitability recommended by the DCR and approved by the Cannabis Regulation 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 EMD'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 EMDs 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 the 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 EMD Retail License Fee is required for an EMD'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 attached to the Council file 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. Delete 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.
- ab. 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 or 10 percent of Tier 4 Social Equity Applicant's Business Premises; 4. Distributor – minimum 1,000 square feet or 10 percent of Tier 4 Social Equity Applicant's Business Premises; 5. Non-storefront retail – minimum 1,000 square feet or 10 percent of Tier 4 Social Equity Applicant's Business Premises; 6. Storefront retail – minimum 1,000 square feet or 10 percent of Tier 4 Social Equity Applicant's Business Premises, whichever is greater; 7. Microbusiness - minimum 800 square feet or 10 percent of Tier 4 Social Equity Applicant's Business Premises, whichever is greater...
- ac. 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.

- ad. Modify language to Regulation 2 relative to Business Tax registration Certificates (BTRC) to allow changes to a BTRC once an application has been filed with written approval from DCR and the Office of Finance.
  - ae. 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.
  - af. Add a new subsection to Regulation 3 that requires the applicant to indemnify the City from any potential liability on a form approved by the DCR.
  - ag. 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.
  - ah. 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.
  - ai. Modify Regulation 10(D)(16) relative to employee training to make violation of this regulation a Moderate Violation.
  - aj. Add language to Regulation 10(E)(3) relative to deliveries to require approval by the DCR in addition to authorization by another jurisdiction in order for a licensed delivery business to deliver outside the City of Los Angeles.
  - ak. 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).
  - al. Clarify that all cannabis licensees can only do business with other cannabis licensees; and, violation of this will result in a moderate level offense.
5. AUTHORIZE the City Attorney, with the assistance of the DCR and the Chair of Rules, Elections, and Intergovernmental Relations Committee, to make any technical modifications and/or legal corrections to the accompanying Ordinance, requested draft ordinance, 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.
  6. INSTRUCT the Chief Legislative Analyst (CLA), with the assistance of the City Administrative Officer (CAO), the Department of Building and Safety, the City Attorney, and the DCR to report 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.
  7. REQUEST the City Attorney, with the assistance of the DCR, to report 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.

8. RESOLVE that one Management Analyst, Class Code 9184, without funding within the DCR, is APPROVED and CONFIRMED for the period 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.
9. INSTRUCT the DCR, with the assistance of the CAO 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.
10. AUTHORIZE the 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.
11. INSTRUCT the DCR, with the assistance of the City Attorney, Department of Building and Safety, and the Los Angeles Fire and Police Departments to report back on the compliance enforcement process.

Fiscal Impact Statement: None submitted by the City Attorney. Neither the CAO nor the CLA has completed a financial analysis of this report.

Community Impact Statement: Yes.

P.I.C.O. Neighborhood Council  
Historic Highland Park Neighborhood Council  
Greater Toluca Lake Neighborhood Council  
Downtown Los Angeles Neighborhood Council  
Studio City Neighborhood Council  
Westside Neighborhood Council  
South Robertson Neighborhood Council  
West Hills Neighborhood Council  
Woodland Hills Warner-Center Neighborhood Council  
South Robertson Neighborhood Council  
Sherman Oaks Neighborhood Council  
Bel Air-Beverly Crest Neighborhood Council  
Arroyo Seco Neighborhood Council  
Westchester Playa Neighborhood Council

**- URGENCY CLAUSE -**

**(12 VOTES REQUIRED ON SECOND READING)**

## SUMMARY

Accompanying a report to Council dated November 27, 2017, the City Attorney presents two ordinances amending the LAMC to add Article 4 to Chapter X to regulate commercial cannabis

activities in the City and to establish rules and regulations to support the City's implementation and administration of the new regulations. The Ordinances include changes that were sought to conform with recently adopted State regulations.

Accompanying a report to Council dated December 1, 2017, the City Attorney presents an Ordinance adding Article 4 to Chapter X of the LAMC to regulate commercial cannabis activities in the City, as revised pursuant to Council direction. This Ordinance incorporates Section 104.20 to establish the Social Equity Program.

At its special meeting held December 4, 2017, the Rules, Elections, and Intergovernmental Relations Committee considered this matter. During the public comment period, several speakers expressed concern regarding allowing applicants with felony records to obtain a license to sell cannabis. Other expressed support for the proposed provisions of the social equity program and urged the Committee to include a process for applicants with non-cannabis felony records to obtain licenses. Other speakers expressed concern that zoning and setback requirements were too strict for cannabis businesses.

The Rules, Elections, and Intergovernmental Relations Committee recommended that Council approve the accompanying Ordinances. Also, Committee introduced additional recommendations, as reflected above.

Respectfully Submitted,

Rules, Elections, and Intergovernmental Relations Committee

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

jaw

**-NOT OFFICIAL UNTIL COUNCIL ACTS-**

A handwritten signature in black ink, appearing to read "Cheryl Wesson", is written over the official stamp.