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CITY ATTORNEY

REPORT NO. R 16 - 0 3 4 7
NOV 0 4 2016

REPORT RE:

**BALLOT RESOLUTIONS REGARDING A PROPOSED ORDINANCE TO SUBMIT TO
THE VOTERS RELATED TO THE ENFORCEMENT, TAXATION AND REGULATION
OF CANNABIS RELATED ACTIVITY IN THE CITY OF LOS ANGELES AND
ORDINANCE CALLING AN ELECTION FOR THE BALLOT MEASURE
ON MARCH 7, 2017**

The Honorable City Council
of the City of Los Angeles
Room 395, City Hall
200 North Spring Street
Los Angeles, California 90012

Honorable Members:

On November 1, 2016, your Honorable Body requested this Office prepare the documents necessary for a proposed ordinance to submit to the voters related to the enforcement, taxation and regulation of cannabis related activity in the City of Los Angeles. This Office hereby transmits, approved as to form and legality, the ballot resolutions and election ordinance necessary to place the proposed measure on the ballot at the March 7, 2017 Primary Nominating Election. (See Attachment 1)

Background

On October 26, 2016, the Rules, Elections, Intergovernmental Relations and Neighborhoods Committee (REIRN) met to discuss the joint report submitted by the City Administrative Officer and Chief Legislative Analyst related to Proposition D, Medical Cannabis Dispensaries, and the Adult Use of Cannabis Act. At the conclusion of the meeting, the Committee adopted detailed recommendations for a ballot measure related to the City's enforcement, taxation and regulation of cannabis related activity. The

Committee recommended that the City place the proposed ordinance before the voters at the upcoming March 7, 2017 Primary Nominating Election.

On November 1, 2016, your Honorable Body adopted the REIRN Committee's recommendations and issued detailed directions to our Office setting forth the elements of the proposed ordinance to submit to the voters for their approval or rejection.

Summary of the Measure's Provisions

The proposed ballot measure, if approved by the voters, would amend various provisions of the Los Angeles Municipal Code related to cannabis related activity. The changes fall within three general categories: 1) enforcement, including penalties, of unlawful medical and nonmedical cannabis related activity to be effective January 1, 2018; 2) taxation rates for medical and nonmedical cannabis related activity to be effective January 1, 2018; and 3) authority for the Council and Mayor to regulate medical and nonmedical cannabis activity within the City. We discuss these changes further below.

1. Enforcement

Pursuant to the proposed measure, it would be unlawful to: (1) own or operate a medical and/or nonmedical cannabis related activity without proper licensure; (2) participate as an employee or in any other capacity in any unlicensed cannabis related activity; (3) use any parcel of land to operate a unlicensed cannabis related activity; or, (4) allow any unlicensed cannabis related activity to occupy any parcel of land through lease or otherwise.

The proposed measure would establish maximum criminal and civil penalties for cannabis businesses which operate without proper licensure after January 1, 2018 or when Proposition D is repealed, whichever is later. In addition to any other penalty, any person that engages in a medical and/or nonmedical cannabis related activity without proper licensure would be subject to a fine of \$1000 and/or six months in county jail. Each day that a violation continues is a new and separate offense.

Additionally, engagement in an unlicensed cannabis related activity would be deemed a public nuisance subject to abatement and a fine of \$20,000 for each offense. Each day that a violation continues would be a new and separate offense.

The proposed measure also authorizes the Department of Water and Power to discontinue utilities to cannabis businesses operating without a license. The circumstances and manner in which disconnection shall occur is to be specified by the City Council in consultation with the Department of Water and Power.

2. Taxation

The proposed measure also establishes new gross receipt tax rates for cannabis related activity effective January 1, 2018. Existing tax rates for medical marijuana under Proposition D would continue in the interim. Specifically, the proposed measure would impose:

- (1) A tax of \$100 per each \$1,000 of gross receipts from sales of cannabis and/or cannabis products;
- (2) A tax of \$10 per each \$1,000 of gross receipts from transport of cannabis and/or cannabis products;
- (3) A tax of \$10 per each \$1,000 of gross receipts from testing of cannabis and/or cannabis products;
- (4) A tax of \$10 per each \$1,000 of gross receipts from research related to cannabis and/or cannabis products;
- (5) A tax of \$20 per each \$1,000 of gross receipts from manufacture or cultivation of cannabis and/or cannabis products;
- (6) A tax of \$20 per each \$1,000 of gross receipts from the commercialization of cannabis and/or cannabis products not specifically taxed under the rates specified above; and
- (7) A tax of \$50 per each \$1,000 of gross receipts from sales of medical cannabis (the current rate for medical marijuana businesses under Proposition D is \$60 per each \$1,000 of gross receipts)

The proposed measure provides that these taxes would be remitted to the City on a quarterly basis beginning July 1, 2018, and on a monthly basis as of July 1, 2019. The City's Office of Finance would be required to implement a process by which cannabis related business could remit their taxes through cash payments.

The Office of Finance also would be required to provide revenue reports to Council, the Mayor, the Controller, and the City Administrative Officer on a quarterly basis, beginning April 1, 2018.

Pursuant to the proposed measure, the Office of Finance shall establish reasonable rules governing the granting of business tax registration certificates to cannabis related businesses.

Finally, the Office of Finance, by City Council ordinance, can be given the authority to collect substantiated fees from taxpayers to recover costs associated with the administration of the City's business tax and, therefore, it is not necessary to include that authority in the proposed measure.

3. Regulation

The proposed measure provides for the City Council to repeal Proposition D effective January 1, 2018, unless the Council adopts a resolution by majority vote to specify another date for the repeal. The proposed measure provides that the City retains and possesses complete authority to regulate all aspects of the cannabis industry, including the authority to adopt ordinances amending the provisions of this measure and/or the provisions of Proposition D, prior to its repeal.

Additionally, the proposed measure provides that prior to the creation of a City regulatory scheme for cannabis related activities, Council shall convene public hearings to engage stakeholders in the process of developing the rules, regulations and process. These stakeholders shall include, but are not limited, to Neighborhood Councils, LAPD, school officials, probation officers, civic and service organizations, and chambers of commerce. The measure lists several specific issues which should be considered in these public discussions such as: who should qualify to engage in cannabis related activities; enforcement standards and tools to ensure strict compliance; siting of facilities involved in all phases of cannabis activity; prevention of over concentration of cannabis related businesses; determination of land use requirements such as distances to schools and other sensitive sites; parameters for advertising cannabis; and, training and protocols to enable enforcement of the rules and laws.

Competing Measures

The proposed measure is intended to be presented to the voters as an alternative to the Initiative Ordinance that has qualified for the ballot on March 7, 2017, with the ballot title "Cannabis Activity Permits, Regulation and Taxation." Accordingly, the proposed measure includes a clause stating that the measure is in complete and total conflict with all of the provisions of the Initiative Ordinance and that the provisions of the proposed measure shall prevail in their entirety over all provisions of the Initiative Ordinance if the proposed measure receives more affirmative votes than the Initiative Ordinance. The Initiative Ordinance contains a similar "all or nothing" competing measures clause.

Election Deadline and Consolidation

City Election Code Section 601 requires that final resolutions to place a measure on the ballot be adopted no less than 110 days before the election. With regard to the March 7, 2017 Primary Nominating Election, and in light of Council's upcoming recess, the last date for Council to take action to place a measure on the ballot is November 9, 2017.

If you have any questions regarding this matter, please contact Deputy City Attorney Heather Aubry at (213) 978-8393 or Deputy City Attorney Harit Trivedi at (213) 978-7193. A member of this Office will be present when you consider this matter to answer any questions you may have.

Very truly yours,

MICHAEL N. FEUER, City Attorney

By


LEELA KAPUR
Chief of Staff

LK:HT:pj
Transmittals

Attachment 1

RESOLUTION

WHEREAS, the Council of the City of Los Angeles has adopted a resolution to place an ordinance before the qualified voters of the City of Los Angeles at a Special Election to be called and consolidated with the City’s Primary Nominating Election held on March 7, 2017; and

WHEREAS, the City Election Code requires the City Attorney to prepare and present a ballot title and question consisting of an impartial statement of the measure; and

WHEREAS, the City Attorney has presented the following ballot title and question for the measure:

**CANNABIS ENFORCEMENT, TAXATION AND REGULATION.
PROPOSITION ____.**

Shall an ordinance providing for enforcement, taxation and regulation of cannabis and/or cannabis products (cannabis) by: 1) authorizing criminal penalties, nuisance abatement, increased civil fines and disconnection of water and power utilities for unauthorized cannabis activities; 2) establishing new business taxes, effective January 1, 2018, including taxes of \$100 per each \$1,000 of gross receipts from cannabis sales and \$50 per each \$1,000 of gross receipts from medical cannabis sales, \$10 per each \$1,000 of gross receipts from cannabis distribution, transportation, testing or research, and \$20 per each \$1,000 of gross receipts from cannabis manufacturing, cultivation or other commercialization of cannabis; and 3) providing that the City Council retains the authority to amend existing and adopt new regulations regarding cannabis activity in the City after conducting public hearings regarding various aspects of the commercialization of cannabis and medical cannabis; be adopted?

NOW, THEREFORE, BE IT RESOLVED that the ballot title and question presented by the City Attorney be adopted by the City Council.

I hereby certify that the foregoing Resolution was adopted by the Council of the City of Los Angeles at its meeting held on _____.

HOLLY L. WOLCOTT, City Clerk

By _____
Deputy

RESOLUTION

Resolution providing that a ballot measure be submitted to the qualified voters of the City of Los Angeles.

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF LOS ANGELES AS FOLLOWS:

Section A. The following ordinance of the City of Los Angeles is hereby proposed to be submitted for approval by a majority of the qualified voters of the City of Los Angeles at a Special Election to be called and consolidated with the City's Primary Nominating Election on March 7, 2017:

ORDINANCE NO. _____

An ordinance amending the Los Angeles Municipal Code regarding the enforcement, taxation and regulation of cannabis related activity in the City of Los Angeles.

WHEREAS, the Compassionate Use Act (CUA), adopted by the voters in 1996, and the Medical Marijuana Program Act (MMPA), enacted by the State Legislature in 2003, provided California's qualified patients and their primary caregivers with limited immunities to specified criminal prosecutions under state law, including to ensure that qualified patients and their primary caregivers who obtain and use cannabis for medical purposes are not subject to state criminal prosecution;

WHEREAS, commencing in 2007, according to local media reports and neighborhood observations and complaints, hundreds of medical cannabis establishments, including self-named collectives, caregivers and dispensaries, (Businesses) opened, closed and reopened storefront shops in the City without land use approval under the Los Angeles Municipal Code (LAMC);

WHEREAS, the proliferation of cannabis Businesses led to increased crime and negative secondary impacts in neighborhoods, including but not limited to violent crimes, robberies, the distribution of tainted marijuana, and the diversion of marijuana;

WHEREAS, beginning in August 2007, the City enacted a series of ordinances designed to curb the rampant increase in cannabis dispensaries, which resulted in an explosion of lawsuits against the City;

WHEREAS, at the municipal election held on March 8, 2011, the voters of the City of Los Angeles passed Measure M and thereby enacted Los Angeles Municipal Code Section 21.50, which imposed a tax of \$50 for every \$1,000 of revenues generated by Medical Marijuana Collectives;

WHEREAS, on May 21, 2013, the voters of the City of Los Angeles passed Proposition D, adding Article 5.1 of Chapter IV of the Los Angeles Municipal Code, providing potential limited immunity from enforcement to approximately 135 cannabis dispensaries that had potentially complied with the City's 2007 Interim Control Ordinance, 2011 Temporary Urgency Ordinance and 2011 Measure M, and also met other specified requirements, and increasing the tax to \$60 for every \$1,000 of revenues generated by Medical Marijuana Collectives;

WHEREAS, since the passage of Proposition D, the City Attorney's Office has initiated over 1,700 criminal filings against individuals and entities regarding non-immunized cannabis Businesses and shut down over 800 non-immunized medical cannabis Businesses;

WHEREAS, despite this aggressive enforcement by the City Attorney's Office, with the passage of Proposition D, an unknown number of medical cannabis Businesses, including growers, delivery apps and delivery services continue to open, close, and reopen in Los Angeles, with no regulatory authorization from the City;

WHEREAS, because large profits can be earned by operating medical cannabis Businesses, it is necessary to have commensurate monetary penalties to prevent persons and entities from opening and operating non-immunized or illegal medical cannabis Businesses and to discourage property owners from renting to these kind of medical cannabis Businesses;

WHEREAS, medical cannabis Businesses require sustained police enforcement, because they are attractive targets for criminals as well as to individuals who buy cannabis and resell it to minors and others who cannot purchase it for themselves. These secondary sales further damage blighted areas of the City and are a drain on police resources. Large monetary sanctions are a rational way to discourage the proliferation of illegal businesses which generate these negative secondary impacts;

WHEREAS, in 2015, the Legislature and Governor enacted the Medical Cannabis Regulation and Safety Act ("MCRSA") consisting of three separate bills, creating a state licensing system for the commercial cultivation, manufacture, retail sale, transport, distribution, delivery, and testing of medical cannabis. Licenses under MCRSA are not expected to be available until 2018;

WHEREAS, on November 8, 2016, the voters of the State of California will be asked to vote on Proposition 64, an initiative also known as the Adult Use of Marijuana Act (AUMA). Under AUMA, personal possession of an ounce or less of cannabis and/or up to eight grams of concentrated cannabis would be legal. Retail sales of nonmedical cannabis may only take place pursuant to a state license, scheduled to become available in 2018;

WHEREAS, the potential approval of AUMA would impose new challenges for local governments to properly legislate the commercialization of nonmedical cannabis and medical cannabis, including their derivative products and services;

WHEREAS, it is the belief of the City that the circumstances in which cannabis activity should be allowed or not should be the subject of a robust, deliberative process that includes comprehensive public discussion and debate, and to that end, the City Council retains the legislative power and authority to determine the extent to which any such activity should be allowed in the City;

WHEREAS, in order to protect the public and consumers of medical and nonmedical cannabis, and reduce the negative secondary impacts on the City's communities, the City Council intends to receive public input, deliberate and then enact by ordinance a comprehensive regulatory and enforcement system related to medical and nonmedical cannabis activity; and that in order to enact a comprehensive regulatory and enforcement system, cannabis lawmaking authority must be retained by the City Council and Mayor;

WHEREAS, the City also wishes to impose and obtain voter approval of a gross receipts tax regime of various rates on those who engage in the commercialization of nonmedical and medical cannabis, including their derivative products and services to the extent allowed by any comprehensive regulatory system established by the City; and

WHEREAS, the tax regime proposed would assist the City in raising revenue, improve access, measure the commercial growth of the cannabis industry and assess the need for further rules or regulations to prevent access by minors, improve access to those who are medically in need, and protect public safety, public health and the environment;

NOW, THEREFORE,

**THE PEOPLE OF THE CITY OF LOS ANGELES
DO ORDAIN AS FOLLOWS:**

Section 1. This ordinance shall be known and may be cited as the "Los Angeles Cannabis Enforcement, Taxation, and Regulation Act (CETRA)."

Sec. 2. A new section 21.51 is added to Article 1 of Chapter II the Los Angeles Municipal Code to read as follows:

SEC. 21.51. TAXATION OF CANNABIS.

Nothing in this Section shall be construed as requiring the City to allow, permit, license, authorize, or otherwise regulate cannabis, cannabis products or any business related to cannabis and/or cannabis products.

(a) For the purpose of this Section, the following words and phrases shall be defined as follows:

1. "Cannabis" shall mean all parts of the plant *Cannabis sativa* Linnaeus, *Cannabis indica*, or *Cannabis ruderalis*, whether growing or not; the seeds thereof; the resin, whether crude or purified, extracted from any part of the plant; and every compound, manufacture, salt, derivative, mixture, or preparation of the plant, its seeds, resin, separated resin, the mature stalks of the plant, fiber produced from the stalks, oil or cake made from the seeds of the plant, any other compound, manufacture, salt, derivative, mixture, or preparation of the mature stalks (except the resin extracted therefrom), fiber, oil, or cake, or the sterilized seed of the plant which is incapable of germination, or industrial hemp, as defined by Section 11018.5 of the Health and Safety Code.

2. "Cannabis products" shall mean any product that includes cannabis that has undergone a process whereby the plant material has been transformed into a concentrate or such other form in order to enhance or deliver the cannabinoid active ingredient.

3. "Cultivating" shall mean to plant, grow, harvest, dry, cure, grade, or trim cannabis.

4. "Gross receipts" shall have the same meaning as set forth in Section 21.00(a) of this Article and shall include without limitation, membership dues, value of in kind contributions, reimbursements, the amount of any tax imposed by the state, county or rapid transit district whether imposed upon the retailer or the consumer, and any other property received by the business in its ordinary course.

5. "License" shall consist of (i) a state license issued under Division 10 of the California Business and Professions Code, Chapter 3.5 of Division 8 of the California Business and Professions Code, or such other applicable cannabis related provisions under state law, and (ii) any such other applicable City authorization, permit, or license (not including a business tax registration certificate which shall not be construed as a permit in any way).

6. "Manufacturing" shall mean to compound, blend, extract, infuse, or otherwise make, process, or prepare cannabis or cannabis products.

7. "Testing" shall mean to perform a test of cannabis and/or cannabis products in a testing laboratory that is accredited by an accrediting body that is independent from all other persons involved in

commercial or medical cannabis, and registered with the State Department of Public Health.

8. "Testing laboratory" shall mean a facility, entity, or site in the City of Los Angeles that offers or performs testing.

9. "Transporting" shall mean to transfer cannabis and/or cannabis products from the location of one person with a license to the location of another person with a license.

(b) For purposes of this Section, the business tax to be imposed shall be as follows:

1. Every person with a license that is engaged in business of conducting the sale of cannabis and/or cannabis products shall pay a business tax of \$100.00 for each \$1,000.00 of gross receipts or fractional part thereof. The sale of medical cannabis shall be taxed as provided under Section 21.52 of this Article.

2. Every person with a license that is engaged in business of transporting cannabis and/or cannabis products shall pay a business tax of \$10.00 for each \$1,000.00 of gross receipts or fractional part thereof.

3. Every person with a license that is engaged in business of testing cannabis and/or cannabis products shall pay a business tax of \$10.00 for each \$1,000.00 of gross receipts or fractional part thereof.

4. Every person with a license that is engaged in business of researching cannabis and/or cannabis products shall pay a business tax of \$10.00 for each \$1,000.00 of gross receipts or fractional part thereof.

5. Every person with a license that is engaged in business of manufacturing or cultivating cannabis and/or cannabis products shall pay a business tax of \$20.00 for each \$1,000.00 of gross receipts or fractional part thereof.

6. Every person with a license that is engaged in business relating to the commercialization of cannabis and/or cannabis products not specifically taxed under this Section shall pay a business tax of \$20.00 for each \$1,000.00 of gross receipts or fractional part thereof.

(c) The Office of Finance shall file quarterly reports summarizing the amount of business taxes collected from the persons described in subsection (b) of this Section with the City Council, Mayor, Controller, and City Administrative Officer beginning April 1, 2018.

(d) All business taxes shall be due and payable quarterly as provided under Section 21.04(b) of this Article beginning July 1, 2018, which shall include any taxes owed from January 1, 2018, and then monthly as provided under Section 21.04(c) of this Article beginning July 1, 2019.

(e) The Office of Finance shall prescribe and implement a reasonable process, including set times and secure conditions, whereby every person subject to business tax under this Section is allowed to pay, in cash, the amount of business tax reported on their written statement, as prescribed under Section 21.14 of this Article.

(f) The Director of Finance may prescribe such additional requirements or conditions, as provided under Section 21.15(h) of this Article, when granting a business tax registration certificate under Section 21.08 of this Article with respect to a person subject to this Section, which may include an affidavit of compliance and/or proof of license. Any person who makes a false statement or misrepresentation in any required affidavit under this Section is guilty of a misdemeanor.

(g) It shall be a misdemeanor for any person operating a nonmedical cannabis business to maintain or display a business tax registration certificate for any classification other than that set forth herein for nonmedical cannabis business activity or to maintain or display an expired, suspended or otherwise invalid business tax registration certificate.

(h) No business tax registration certificate issued for purposes of this Section or the payment of any tax required under this Section shall be construed as authorizing the conduct or continuance of any illegal business or of a legal business in an illegal manner. Nothing in this Section implies or authorizes that any activity in connection with cannabis and/or cannabis products is legal unless otherwise authorized by federal and any other applicable law.

(i) Every person subject to this Section must pay the full tax imposed by this Section regardless of any rebate, exemption, incentive, or other reduction set forth elsewhere in the Municipal Code, except as required by state or federal law. No provision in the Municipal Code shall lower the tax rate set forth in this Section or otherwise reduce the amount of taxes paid hereunder unless the provision specifically states that the reduction applies.

(j) The City Council may impose the tax authorized by this Section at a lower rate and may establish exemptions, incentives or other reductions as otherwise allowed by the Charter and state law. No action by the Council under this paragraph shall prevent it from later increasing the tax or removing any exemption, incentive, or reduction and restoring up to the maximum tax specified in this Section.

(k) The provisions of this Section shall be effective January 1, 2018.

Sec. 3. A new Section 21.52 is added to Article 1 of Chapter II the Los Angeles Municipal Code to read as follows:

Nothing in this Section shall be construed as requiring the City to allow, permit, license, authorize, or otherwise regulate medical cannabis or any business related to medical cannabis.

SEC. 21.52 TAXATION OF MEDICAL CANNABIS.

(a) For the purpose of this Section, the following words and phrases shall be defined as follows:

1. "Cannabis" shall have the same meaning as set forth in Section 21.51(a)(1) of this Article.

2. "Cannabis products" shall have the same meaning as set forth in Section 21.51(a)(2) of this Article.

3. "Gross receipts" shall have the same meaning as set forth in Section 21.51(a)(4) of this Article.

4. "License" shall have the same meaning as set forth in Section 21.51(a)(5) of this Article.

5. "Medical cannabis" shall mean a product containing cannabis or cannabis products sold for use by medical cannabis patients in California pursuant to the Compassionate Use Act of 1996, found at Section 11362.5 of the California Health and Safety Code.

(b) For purposes of this Section, the business tax to be imposed shall be as follows:

1. Every person with a license engaged in business of conducting the sale of medical cannabis shall pay a business tax of \$50.00 for each \$1,000.00 of gross receipts or fractional part thereof.

(c) The Office of Finance shall file quarterly reports summarizing the amount of business taxes collected from the persons described in subsection (b) of this Section with the City Council, Mayor, Controller, and City Administrative Officer beginning April 1, 2018.

(d) All business taxes shall be due and payable quarterly as provided under Section 21.04(b) of this Article beginning July 1, 2018, which shall include

any taxes owed from January 1, 2018, and then monthly as provided under Section 21.04(c) of this Article beginning July 1, 2019.

(e) The Office of Finance shall prescribe and implement a reasonable process, including set times and secure conditions, whereby every person subject to business tax under this Section is allowed to pay, in cash, the amount of business tax reported on their written statement, as prescribed under Section 21.04 of this Article.

(f) The Director of Finance may prescribe such additional requirements or conditions, as provided under Section 21.15(h), as may be necessary when granting a business tax registration certificate under Section 21.08 of this Article with respect to a business subject to this Section, which may include an affidavit of compliance and proof of License. Any person who makes a false statement or misrepresentation in any required affidavit under this Section is guilty of a misdemeanor.

(g) It shall be a misdemeanor for any person operating a medical cannabis business to maintain or display a business tax registration certificate for any classification other than that set forth herein for medical cannabis business activity or to maintain or display an expired, suspended or otherwise invalid business tax registration certificate.

(h) No business tax registration certificate issued for purposes of this Section or the payment of any tax required under this Section shall be construed as authorizing the conduct or continuance of any illegal business or of a legal business in an illegal manner. Nothing in this Section implies or authorizes that any activity in connection with cannabis and/or cannabis products is legal unless otherwise authorized by federal and any other applicable law.

(i) Every person subject to this Section must pay the full tax imposed by this Section regardless of any rebate, exemption, incentive, or other reduction set forth elsewhere in the Municipal Code, except as required by state or federal law. No provision in the Municipal Code shall lower the tax rate set forth in this Section or otherwise reduce the amount of taxes paid hereunder unless the provision specifically states that the reduction applies.

(j) The City Council may impose the tax authorized by this Section at a lower rate and may establish exemptions, incentives or other reductions as otherwise allowed by the Charter and state law. No action by the Council under this paragraph shall prevent it from later increasing the tax or removing any exemption, incentive, or reduction and restoring up to the maximum tax specified in this Section.

(k) The provisions of this Section shall be effective January 1, 2018, at which time the language of this Section shall govern in the event of any conflict

between this Section and Section 21.50 regarding taxation of medical marijuana collectives.

Sec. 4. A new Article 5.2 is added to Chapter IV of the Los Angeles Municipal Code to read as follows:

ARTICLE 5.2

CANNABIS REGULATION AND ENFORCEMENT

SEC. 45.19.7.1. REPEAL OF PROPOSITION D (MEDICAL MARIJUANA).

The voters of the City of Los Angeles adopted Article 5.1 of Chapter IV of the Los Angeles Municipal Code regarding medical marijuana (Sections 45.19.6 through 45.19.6.9) as part of Proposition D, a referendum submitted to the voters by the City Council at the election held on May 21, 2013. The Council shall adopt an ordinance repealing these provisions of Proposition D (Sections 45.19.6 through 45.19.6.9) effective January 1, 2018, unless the Council adopts a Resolution, by majority vote, specifying another date for the repeal. The Council retains and possesses authority to amend, by ordinance, these provisions of Proposition D prior to its repeal.

SEC. 45.19.7.2. COUNCIL AUTHORITY TO REGULATE CANNABIS RELATED ACTIVITY AFTER PUBLIC HEARINGS.

A. **Council Authority.** The City retains and possesses complete authority to regulate all aspects of cannabis related activity, including, without limitation, the authority of the Council to adopt ordinances amending any of the provisions of this Article and/or any other provision of City law regarding cannabis related activity, other than taxation provisions to the extent that voter approval of any changes to taxation provisions is required under the State Constitution.

B. **Public Hearings.** Prior to the creation of a comprehensive regulatory process and structure for cultivation, processing, distribution, sale and other cannabis related activity, including enforcement of any licensing and related oversight (*i.e.*, the “commercialization” of cannabis), the Council shall convene public hearings in the City involving all stakeholders in the process of developing the rules, regulations and ordinances necessary to regulate the safe commercialization of cannabis, including, but not limited to, Neighborhood Councils, police officers, school officials, probation officers, civic and service organizations, chambers of commerce and others. The public hearings shall include consideration and attempted resolution of matters including:

1. Rules concerning who may qualify to operate in any of the phases of commercialization of cannabis;

2. Penalties, fines, and other enforcement tools needed to ensure strict compliance with licensing to avoid the unlawful conduct of cannabis related activities in the City;
3. Regulation of transportation of cannabis products within the City;
4. Siting of all buildings and facilities involved in all phases of commercialization of cannabis;
5. Preventing the over-concentration of businesses involved in commercialization of cannabis;
6. 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 cannabis;
7. Constitutional and appropriate measures regarding advertising commercialization of cannabis in such a way as to prohibit exposure to anyone under the age of 21;
8. Updated training and protocols to enable police officers to enforce laws against driving while under the influence of cannabis;
9. 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 cannabis regulations, of which visitors may not be aware;
10. Any and all other issues that may arise regarding the commercialization of cannabis in the City.

SEC. 45.19.7.3. ENFORCEMENT, PENALTIES AND DISCONNECTION OF UTILITIES FOR UNLAWFUL CANNABIS RELATED ACTIVITY.

A. This Section is effective January 1, 2018 and applies to all entities and persons engaging in medical and/or nonmedical cannabis related activity, who are legally required to, but do not have, a City issued license, permit or authorization ("Establishment").

B. It is unlawful to: (1) Own, set up or operate an Establishment, (2) Participate as an employee, contractor, agent or volunteer or in any other capacity in an Establishment, (3) Use any portion or portion of any parcel of land

as an Establishment, or to (4) Lease, rent to, or otherwise allow an Establishment to occupy any parcel or portion of parcel of land.

C. A violation of subsection B is a public nuisance and may be abated by the City or by the City Attorney, on behalf of the people of the State of California, as a nuisance by means of a restraining order, injunction or any other order or judgment in law or equity issued by a court of competent jurisdiction. The City or the City Attorney, on behalf of the people of the State of California, may seek injunctive relief to enjoin violations of, or to compel compliance with this Section or seek any other relief or remedy available at law or equity. Each day that a violation continues is deemed to be a new and separate offense and subject to a maximum civil penalty of \$20,000 for each and every offense.

D. Any person violating subsection B shall be guilty of a misdemeanor punishable by a fine of not more than \$1,000.00 or by imprisonment in the County Jail for a period of not more than six months, or by both a fine and imprisonment. Each day that a violation continues is deemed to be a new and separate offense.

E. The Department of Water and Power is authorized to disconnect utilities for Establishments. The circumstances and manner in which disconnection shall occur shall be specified by the City Council after receiving input from the Department of Water and Power.

F. The remedies specified in this Section are cumulative and in addition to any other remedies available under state or local law for a violation of this Code.

G. Nothing in this Section shall be construed as requiring the City to allow, permit, license, authorize or otherwise regulate medical or nonmedical cannabis, or as abridging the City's police power with respect to enforcement regarding medical or nonmedical cannabis.

Sec. 6. Nothing in this ordinance is intended to be in conflict with state law or to abrogate local police power and/or charter city authority derived from the California Constitution.

Sec. 7. Future Amendment. The City retains and possesses complete authority to regulate all aspects of cannabis related activity, including, without limitation, the authority of the Council to adopt ordinances amending any of the provisions of this ordinance, any of the provisions of Article 5.1 of Chapter IV of the Los Angeles Municipal Code regarding medical marijuana adopted by the voters as part of Proposition D at the election held on May 21, 2013 (Sections 45.19.6 through 45.19.6.9) prior to the repeal of those provisions, and/or any other provision of City law regarding cannabis related activity, other than taxation provisions to the extent that voter approval of any changes to taxation provisions is required under the State Constitution.

Sec. 8. Competing Measures. In the event that this measure and another measure or measures relating in any way to the regulation of cannabis in the City of Los Angeles appear on the same ballot, all of the provisions of the other measure or measures shall be deemed to be in complete and total conflict with this measure. In the event that this measure shall receive a greater number of affirmative votes than the other measure or measures, the provisions of this measure shall prevail in their entirety over all provisions of the other measure or measures, and the other measure or measures shall be null and void.

Sec. 9. Severability. If any section, subsection, subdivision, clause, sentence, phrase or portion of this measure is held unconstitutional or invalid or unenforceable by any court or tribunal of competent jurisdiction, the remaining sections, subsections, subdivisions, clauses, sentences, phrases or portions of this measure shall remain in full force and effect, and to this end the provisions of this measure are severable. In addition, the voters declare that they would have passed all sections, subsections, subdivisions, clauses, sentences, phrases or portions of this measure without the section, subsection, subdivision, clause, sentence, phrase or portion held unconstitutional or invalid.

Sec. B. The City Clerk is hereby authorized and directed to publish a notice containing the proposed ballot measure, specifying the date of March 7, 2017, as the date the measure is to be voted upon by the qualified voters of the City of Los Angeles. The notice shall be published once in a newspaper of general circulation in the City of Los Angeles, and in each edition thereof during that day of publication. The City Clerk is authorized and directed to prepare and keep in the City Clerk's office a sufficient supply of copies of the proposed ballot measure and to distribute the proposed ballot measure to any and all persons requesting a copy. Further, the City Clerk is authorized and directed to mail copies of the proposed ballot measure to each of the qualified voters of the City of Los Angeles.

Sec. C. The City Clerk is hereby authorized and directed to cause a notice to be published once in a newspaper of general circulation that copies of voter information pamphlets containing the proposed ballot measure may be obtained upon request in the City Clerk's office.

Sec. D. The City Clerk shall file a duly certified copy of this Resolution forthwith with the Board of Supervisors and with the Registrar-Recorder of the County of Los Angeles.

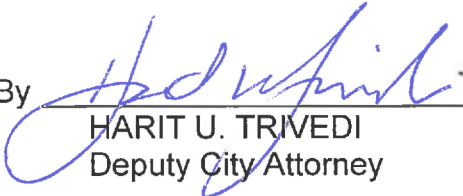
I hereby certify that the foregoing Resolution was adopted by the Council of the City of Los Angeles at its meeting held on _____.

HOLLY L. WOLCOTT, City Clerk

By _____
Deputy

Approved as to Form and Legality

MICHAEL N. FEUER, City Attorney

By  _____
HARIT U. TRIVEDI
Deputy City Attorney

Date November 4, 2016

ORDINANCE NO. _____

An ordinance calling a Special Election to be held on Tuesday, March 7, 2017, for the purpose of submitting to the qualified voters of the City of Los Angeles a certain ballot measure and consolidating this Special Election with the City's Primary Nominating Election to be held on the same date.

**THE PEOPLE OF THE CITY OF LOS ANGELES
DO ORDAIN AS FOLLOWS:**

Section 1. A Special Election is hereby called to be held in the City of Los Angeles on March 7, 2017, for the purpose of submitting to the qualified voters of the City a certain ballot measure ordered to be placed on the ballot by the Council of the City of Los Angeles.

Sec. 2. The ballot title and question to be used at the Special Election for the ballot measure to be submitted to the qualified voters of the City of Los Angeles shall be:

**CANNABIS ENFORCEMENT, TAXATION AND REGULATION.
PROPOSITION ____.**

Shall an ordinance providing for enforcement, taxation and regulation of cannabis and/or cannabis products (cannabis) by: 1) authorizing criminal penalties, nuisance abatement, increased civil fines and disconnection of water and power utilities for unauthorized cannabis activities; 2) establishing new business taxes, effective January 1, 2018, including taxes of \$100 per each \$1,000 of gross receipts from cannabis sales and \$50 per each \$1,000 of gross receipts from medical cannabis sales, \$10 per each \$1,000 of gross receipts from cannabis distribution, transportation, testing or research, and \$20 per each \$1,000 of gross receipts from cannabis manufacturing, cultivation or other commercialization of cannabis; and 3) providing that the City Council retains the authority to amend existing and adopt new regulations regarding cannabis activity in the City after conducting public hearings regarding various aspects of the commercialization of cannabis and medical cannabis; be adopted?

Sec. 3. The measure shall be designated on the ballot or ballot pages by a letter or number determined by the City Council in accordance with applicable City and state laws. Upon the designation by the proper officials of the letter or number to be assigned to the measure, that letter or number is hereby adopted and shall be the designation for the ballot title.

Sec. 4. To vote on the measure, the voter shall mark the ballot next to the word "Yes" or the word "No." A "Yes" vote shall be counted in favor of adoption of the measure and a "No" vote shall be counted against adoption of the measure.

Sec. 5. The voting polls on election day shall open at 7:00 a.m., March 7, 2017, and shall remain open until 8:00 p.m. of the same day when the voting polls shall be closed, except as provided in City Election Code Section 857 and State Elections Code Section 14401.

Sec. 6. The Special Election hereby called shall be, and hereby is ordered to be, consolidated with the City's Primary Nominating Election to be held in the City of Los Angeles on Tuesday, March 7, 2017.

Sec. 7. The election precincts, polling places and, officers of election for the Special Election shall be the same as those provided in the City of Los Angeles for the City's Primary Nominating Election, and the elections shall be held in all respects as if there were only one election. Furthermore, for the precincts, polling places, and officers of election, reference is hereby made to the list that will be prepared and approved by the City Clerk and filed in the City Clerk's Office not later than February 7, 2017, and that list is incorporated into and made part of this ordinance.

Sec. 8. In all other particulars, the Special Election shall be held and conducted as provided by law for the conduct of the City's Primary Nominating Election in the City of Los Angeles.

Sec. 9. In the event that the County of Los Angeles calls a Countywide Special Election to be held on the same date as the City's Primary Nominating Election, the City Council may resolve to consolidate the City's Special Election for this ballot measure with the Countywide Special Election, notwithstanding Sections 6, 7 and 8 above. If the elections are consolidated: (1) the election precincts, polling places, and officers of the City Special Election shall be the same as those provided in the City of Los Angeles for the Countywide Special Election; (2) for the precincts, polling places, and officers of election, reference is hereby made to the Order of the Registrar-Recorder of the County of Los Angeles to be adopted for the Countywide Special Election and that Order is incorporated into and made part of this ordinance; (3) the City Clerk shall cause a Voter Information Pamphlet to be prepared and mailed to the voters in accordance with the requirements of the City Election Code; (4) the elections shall be held in all respects as if there were only one election; and (5) the Board of Supervisors of the County of Los Angeles shall have authority to canvass the returns of the election, and the City Council of the City of Los Angeles upon receipt of the certified results of the canvass of election returns shall declare the results thereof consistent with the Charter and other applicable law.

Sec. 10. The City Council may resolve to request that the Registrar-Recorder of the County of Los Angeles provide election services to the City related to the City's Special Election for this ballot measure, including to conduct some or all of the City's Special Election for this ballot measure.

Sec. 11. The City Clerk shall certify to the passage of this ordinance and have it published in accordance with Council policy, either in a daily newspaper circulated in the City of Los Angeles or by posting for ten days in three public places in the City of Los Angeles: one copy on the bulletin board located at the Main Street entrance to the Los Angeles City Hall; one copy on the bulletin board located at the Main Street entrance to the Los Angeles City Hall East; and one copy on the bulletin board located at the Temple Street entrance to the Los Angeles County Hall of Records.

I hereby certify that this ordinance was passed by the Council of the City of Los Angeles, at its meeting of _____.

HOLLY L. WOLCOTT, City Clerk

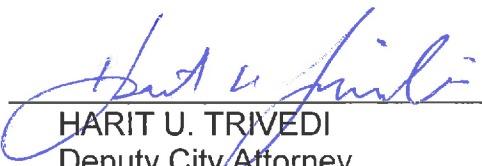
By _____
Deputy

Approved _____

Mayor

Approved as to Form and Legality

MICHAEL N. FEUER, City Attorney

By 
HARIT U. TRIVEDI
Deputy City Attorney

Date November 4, 2016

File No. _____