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CANNABIS REGULATION**

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June 16, 2020

The Honorable City Council
City of Los Angeles
City Hall, Room 395
Los Angeles, California 90012

Attention: Rules, Elections and Intergovernmental Relations Committee

Dear Honorable Members:

**PUBLIC CONVINIENCE OR NECESSITY REQUEST STANDARDS AND PROCEDURE;
DCR REPORT NO. 4 (4 of 4)**

SUMMARY:

The Department of Cannabis Regulation is responsible for administering the City's commercial cannabis Licensing and Social Equity Program. To improve the administration of these programs, the Department is recommending a comprehensive reorganization and revision of portions of Article 4, Chapter X of the Los Angeles Municipal Code (Cannabis Procedures Ordinance). The proposed amendments to the Cannabis Procedures Ordinance have been transmitted to the City Council in DCR Report Nos. 1, 2 and 3, along with this report.

This report addresses the Public Convenience or Necessity Process and proposes approval standards for consideration and adoption by the City Council. This is the fourth of four reports the Department has prepared and is part of a comprehensive reorganization and revision of the Cannabis Procedures Ordinance. Together, the four reports contain the Department's immediate policy objectives which seek to do the following:

- Establish a process for the issuance of temporary approval for all applicants.
- Allow businesses to relocate.
- Clarify the process for applicants to request a finding of Public Convenience or Necessity.
- Allow individuals to participate in the Social Equity Program based on the original criteria or new criteria as supported by the Expanded Cannabis Social Equity Analysis.
- Amend the selection process for Phase 3 Round 2 Type 10 Retailer application processing by establishing a selection process that identifies Social Equity Applicants eligible for further processing via lottery rather than an online, first-come, first serve process.
- Limit Type 10 and Type 9 application processing to Social Equity Applicants until January 1, 2025.

- Expand the definition of Equity Share and establish related requirements to provide additional protections to mitigate against potential predatory practices.
- Reorganize, clarify and include necessary procedures for the administration of the City's commercial cannabis Licensing and Social Equity Program.
- Address recommendations put forth by the Cannabis Regulation Commission.
- Address extensive feedback from the licensing and Social Equity Program stakeholders.

In addition to these four reports, the Department has also completed a fee study which calculated fees necessary to fully recover the Department's cost involved in the administration of the City's commercial cannabis Licensing and Social Equity Program. The fee study breaks down the current licensing fees into separate individual fees that can be charged at each stage of the application process. A report detailing the fee study will be transmitted separately (Fee Study Report).

The following table lists the Cannabis Procedures Ordinance sections included in each of the four reports and summarizes the main policy objectives contained therein.

LIST AND SUMMARY OF DCR REPORTS

DCR Report No. 1:	Amends LAMC Sections 104.01, 104.02, 104.03, 104.04, 104.05, 104.07, 104.08 and 104.12. These amendments include proposed language to clarify the Public Convenience or Necessity (PCN) process and to allow Business Premises relocations in Sections 104.03(a)(4) and 104.03(e)(1) respectively.
DCR Report No. 2:	Amends LAMC Sections 104.06, 104.06.1, 104.20, 104.21 and 104.22. These amendments include proposed language to limit Type 9 and Type 10 application processing to only Social Equity Applicants until January 1, 2025 in Section 104.06; to allow the issuance of Temporary Approvals in Section 104.06(d); to create a lottery process for Phase 3 Round 2 application processing in Section 104.06.1(c) and revises the definitions for Equity Share, Low Income and Disproportionately Impacted Area and revises the qualifying criteria for a Social Equity Individual Applicant in Section 104.20
DCR Report No. 3:	Transmits the Expanded Social Equity Analysis requested by the City Council (Council File No. 14-0366-S5).
DCR Report No. 4:	In conjunction with DCR Report No. 1, this report outlines the step-by-step process to request a public convenience or necessity (PCN) determination from the City Council and recommends approval standards for City Council consideration and adoption by resolution.

BACKGROUND

The number of Type 10 Storefront Retailer, Cultivation and Volatile-Manufacturing Commercial Cannabis Activity licenses are limited by community plan area based on the definition of Undue Concentration. Once DCR issues the maximum number of these types of licenses in any given community plan area, that area is considered Unduly Concentrated.

LAMC 104.03(a) requires Applicants with a Business Premises located in a community plan area which has reached Undue Concentration to file a request that the City Council find that approval of the License application would serve a public convenience or necessity (PCN) supported by evidence in the record. In conjunction with the recommendations in DCR Report No. 1, along with recommended approval standards for consideration and adoption by the City Council, this report clarifies the process to file a PCN request.

Proposed Standards:

DCR recommends that the City Council consider adopting the following standards by resolution to find that a commercial cannabis license application serves the public convenience or necessity:

1. The existing commercial cannabis businesses in the requestor's Community Plan Area are concentrated in one area, such that the requestor's business, located in another area, would serve the public convenience or necessity; or
2. The proposed business premises would serve an area of increased density or consumer traffic, including but not limited to an entertainment or commercial corridor, such that the proposed location would serve the public convenience or necessity by satisfying a higher demand for retail locations; or
3. The proposed business premises would be located in an area with a high number of unlicensed commercial cannabis retail establishments, such that an additional licensed location would serve the public convenience or necessity by satisfying a higher demand for retail locations and reduce patronage of unlicensed establishments; or
4. The requestor's business would include clear specified public safety related features, such that the operation of the requestor's business would serve the public convenience or necessity by likely reducing crime or nuisance activity in the surrounding area.

Process to File a PCN Request:

1. The Applicant completes the PCN Application Form.
2. DCR invoices the Applicant. Applicant must pay the PCN Application Fee within 10-days.
3. After payment, DCR reviews the PCN Application Form.
4. DCR transmits Form and documents to the City Clerk.
5. DCR will provide Written Notice (website notice, City Council, Neighborhood Council) within 10-days of the City Clerk receiving the PCN Application Form. The notice will contain the link to the Council File with instructions on how to subscribe for notifications.
6. The City Clerk will publish the Committee or City Council agenda 72-hours prior to the meeting.

For reference, the proposed ordinance amendment to LAMC Section 104.03 transmitted in DCR Report No. 1, is included below:

Sec. 104.03(a):

4. If the Applicant's Business Premises is located in a Community Plan Area of Undue Concentration, then DCR shall not ~~process the application~~ make an eligibility determination pursuant to Section 104.03(a) and the Applicant shall file a request on a form provided, and transmitted by DCR to with the City Clerk, on a form provided by DCR, a request that the City Council find that approval of the License application would serve a public convenience or necessity, supported by evidence in the record. DCR shall promulgate standards subject to City Council approval by resolution, which may be amended from time to time. Notice of the Applicant's request shall be provided in the same manner as a Notice of Complete Application under Section 104.05(a). DCR shall provide Written Notice of the Applicant's request pursuant to Section 104.05(b). If the City Council does not act on the Applicant's request within 90 calendar days of the City Clerk's date of receipt, then the City Council shall be deemed to have not made the necessary findings to support the public convenience and necessity, the request shall be denied by operation of law, and the License application shall not be processed by DCR.

RECOMMENDATION

That the City Council:

1. Adopt by resolution the proposed standards of public convenience or necessity to approve application processing for license, as provided in this report.

Your time and consideration of this proposal is greatly appreciated. If you have any questions or concerns, please contact Rocky Wiles at (213) 978-0738.

Sincerely,



CAT PACKER
Executive Director

CP:RW

cc: William Chun, Deputy Mayor of Economic Development
Ron L. Frierson, Director of Economic Policy
Richard H. Llewellyn, Jr., City Administrative Officer
Sharon Tso, Chief Legislative Analyst
Heather Aubry, Assistant City Attorney - Cannabis Law Division