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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:

PROPOSED ORDINANCE AMENDMENTS TO SECTIONS 104.01, 104.02, 104.03, 104.04, 104.05, 104.07, 104.08 AND 104.12 OF THE LOS ANGELES MUNICIPAL CODE; DCR REPORT NO. 1 (1 OF 4)

SUMMARY

This report proposes amendments to Sections 104.01, 104.02, 104.03, 104.05, 104.07, 104.08 and 104.12 of Article 4, Chapter X of the Los Angeles Municipal Code (Cannabis Procedures Ordinance) to reorganize, clarify and include necessary procedures for the administration of the City's Commercial Cannabis Licensing and Social Equity Program. These amendments also incorporate recommendations from the Cannabis Regulation Commission and stakeholders. The proposed amendments are provided in a redlined ordinance in Attachment A and a formatted draft ordinance in Attachment B, which is subject to review and edits by the City Attorney's Office.

This report is the first of four reports the Department has prepared for consideration by the Los Angeles City Council and is part of a proposed comprehensive reorganization and revision of the Cannabis Procedures Ordinance. Together, these 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

After the passage of the California Adult Use of Marijuana Act (AUMA or Proposition 64) in November of 2016 and the passage of the City of Los Angeles Cannabis Enforcement Taxation and Regulation Act (CETRA or Measure M) in March of 2017, the Los Angeles City

Council adopted procedures for the administration of the City's commercial cannabis Licensing and Social Equity Program in LAMC Section 104.

Since the beginning of the City's commercial cannabis licensing program in 2018, DCR has made significant progress towards the goals of the program. However, it is the Department's position that immediate and comprehensive amendments are necessary for a more responsible and equitable Licensing and Social Equity Program. The Department of Cannabis Regulation seeks to improve the administration of the City's commercial cannabis Licensing and Social Equity Program through the following proposed amendments to LAMC Sections 104.01, 104.02, 104.03, 104.04, 104.05, 104.07, 107.08 and 104.12.

Sec. 104.01 – Definitions

The proposed amendments add several definitions to reconcile the City's terms with State definitions. Other definitions are added to clarify specific stages in the application process. For instance definitions are added to differentiate between "Initial Inspection" which is an inspection required prior to the issuance of a Temporary Approval, "Final Inspection" which is an inspection required prior to the issuance of an annual License and "License Renewal Inspection" which is a required inspection prior to the renewal of a License.

A new definition for "Primary Personnel" is proposed to identify the individuals who are required to pass a background check through the Live Scan process. Primary Personnel includes: 1) an individual with an aggregate ownership interest of 20 percent or more in the Person applying for a License or a licensee, unless the interest is solely a security, lien, or encumbrance, 2) the chief executive officer, managing member(s), or a general partner of a nonprofit or other entity seeking licensure, and 3) the chief executive officer, managing member(s), or a general partner of any Person with an aggregate ownership interest of 20 percent or more in the Person seeking licensure.

Six existing definitions are proposed to be amended: Applicant, Business Premises, Day, DCR, Employee and Undue Concentration:

- The definition of "Applicant" is expanded to include an entity.
- The definition of "Business Premises" is amended to clarify that the term means a physical structure.
- The definition of "Day" is revised to mean calendar days instead of business days.
- The definition of "DCR" is expanded to include "Department" and to mean the Department.
- The definition of "Employee" is amended to mean a person who works for the Licensee or the Licensee's Management Company regardless of compensation and is under the control of an employer. Employee as defined herein includes seasonal and contract employees.
- The definition of "Undue Concentration" is amended to revise the 2016 reference of the American Community Survey updated each decennial census to the American Community Survey updated annually. In addition, the maximum allowable cultivation ratio based on "1 square foot 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" is deleted. Deleting this limitation will allow businesses to add horizontal cultivation area within the existing building provided it is within the limits of their license type (i.e. Type 1A, Specialty Indoor is limited to 5,000 square feet; Type 2A, Indoor Small is limited to 5,001 square feet to 10,000 square feet; Type 3A, Indoor Medium is limited to 10,001 square feet to 22,000 square feet). The proposed amendments maintain the current restriction on the number of cultivation licenses per Community Plan Area.

Sec. 104.02 – License Required

The proposed amendments in Section 104.02(a)(2) seek to clarify the limitation of an individual or entity to hold a maximum of three Type 10 Licenses and the limitation that an entity or an individual with an aggregate ownership or profit sharing interest of 20 percent or more in the entity who owns the license shall not hold more than three Type 10 Licenses.

Similarly, the proposed amendments to Section 104.02(a)(5) seek to clarify the current 1.5-acre limitation of cultivation area that an individual or entity may hold. The amendments propose a limit of three Type 3A Medium – Cultivation Licenses that can be issued to an individual or entity, which is the equivalent of approximately 1.5 acres of cultivation area. The limitation of a maximum number of Type 3A Licenses would also apply to any individual or entity whose aggregate ownership or profit-sharing interest is 20 percent or more in the entity applying for, or issued the License. Furthermore, text is added to clarify that the limitation also applies to an individual or entity who holds any combination of cultivation license types where the aggregate allowable cultivation area would exceed 1.5 acres.

If the proposed amendments are adopted, they would not apply to applications submitted prior to the effective date of the ordinance as long as any changes or modifications to the license requested by an Applicant or Licensee do not exceed the total allowable aggregate cultivation area or the number of allowable cultivation licenses held by a Person.

Sec. 104.03 – Application Procedure

Amendments to this section are necessary to add clarity to the application process. While the core requirements are maintained, the proposed amendments re-organize this section in its entirety and add specificity to the various stages of the application process. This process includes the payment of fees necessary for DCR to perform each step in the application process. Three of the proposed five subsections in Section 104.03 represent the following stages in the application process: preliminary review for application eligibility, application filing and application completeness. The last two subsections include the requirements for application withdrawal and the process for application modifications.

Section 104.03(a) explains the first stage in the application process. A preliminary application review is conducted by DCR to determine if the application is eligible for further processing. A non-refundable Pre-Application Review Fee is collected to cover DCR's costs in this portion of the process. During this stage of the process, DCR will assess Business Premises location compliance with zoning requirements and sensitive use restrictions and when available, assess any criminal offender record information on Primary Personnel via LiveScan, before allowing the application to proceed. The section lists specific circumstances, within a specified time, which disqualify Primary Personnel. Except for the Social Equity Individual Applicant who is an Owner in an application subject to processing pursuant to Section 104.06.1, these amendments allow the Applicant to replace an individual who is disqualified from being an Owner or from receiving a license. Applications which do not comply with zoning or sensitive use restrictions are ineligible for further processing, however the Applicant may submit a new application with another Business Premises location for consideration by the Department.

Section 104.03(a)(4) clarifies and amends the public convenience or necessity process (PCN). If an Applicant's Business Premises is located in a Community Plan Area which has reached Undue Concentration, the Applicant is required to file a request (on a form provided and transmitted by DCR to the City Clerk) that the City Council find that approval of the License application would serve a public convenience or necessity, supported by evidence in the record. The amendments revise the result if the City Council does not act on the request from an automatic approval to an automatic denial. Proposed amendments require DCR to provide approval standards subject to City Council

adoption for their use when considering PCN requests. The step-by-step process and proposed standards are included in DCR Report No. 4.

Section 104.03(b) explains the second stage of the application process. An Applicant can proceed after the preliminary review determines that the application is eligible for further processing. The amendments clarify that before beginning this stage of the process the Applicant is required to pay the Temporary Approval Application Fee which covers the cost to review the Temporary Approval documents and the Initial Inspection of the Business Premises. Temporary Approvals are addressed in DCR Report No. 2.

Section 104.03(c) explains the third stage of the application process. After the issuance of the Temporary Approval, DCR shall continue to work with the Applicant toward licensure. Before beginning this stage of the process, the Applicant must pay the Annual License Application Fee which covers review of the annual license documents, Final Inspection, CEQA clearance and when applicable, scheduling of the community meeting and public hearing with the Cannabis Regulation Commission.

Section 104.03(d) explains the process for application withdrawal which as proposed would eliminate the reference to the process in the Rules and Regulations by adding the language directly in the text of the ordinance.

The ability of Applicants and Licensees to make modifications to their application/license is critical to the viability of the City's commercial cannabis Licensing and Social Equity Program. Section 104.03(e) establishes a streamlined process to request various application modifications. Here, the first five subdivisions describe requirements specific to the application modification request; the sixth addresses other amendments at DCR's discretion. The five application modifications listed in this new section are: 1) Business Premises Relocation, 2) Ownership Structure, 3) Legal Entity Name Change, 4) Physical Modification of Business Premises, and 5) Fictitious Business Name Change.

In accordance with the proposed amendments, any Applicant may relocate their Business Premises provided the location complies with the requirements outlined in the subsection. These requirements are based on whether the Commercial Cannabis Activity is subject to Undue Concentration and whether the business has been issued an annual license. For example, an Applicant with delivery, distribution and/or non-volatile manufacturing commercial cannabis activities may relocate without restrictions related to the underlying Community Plan Area because these activities are not subject to Undue Concentration or sensitive use restrictions, other than the State's 600 foot distance requirement from schools. An Applicant with retail, volatile manufacturing and/or cultivation cannabis activities, however, may only relocate within their existing community plan area provided it has not reached Undue Concentration and the new location complies with zoning requirements and sensitive use restrictions.

Business Premises located within a community plan area which has reached Undue Concentration may relocate within the same community plan area provided the new location complies with zoning requirements and sensitive use restrictions, unless the application was submitted to DCR with a PCN finding by the City Council. Under these circumstances, if a License has not been issued by DCR at the existing location, the Applicant is required to return to the City Council to request a finding that approval of the license application at the new location would serve the public convenience or necessity. Once an Applicant receives a License from DCR, the requirement to return to the City Council for a PCN finding will no longer apply.

The proposed amendments to this section clarify the process for application modifications related to ownership structure changes. The added text requires that for single and multi-layered owned businesses, the Applicant shall provide DCR ownership information for each and every business entity that has an ownership or financial interest in the Application. The ownership and financial interest disclosure is required until only individuals remain in the organizational structure. The remaining sections include proposed language to allow modifications to the application or license related to changing the name of the legal entity, physically modifying the Business Premises, and the changing of a Fictitious Business Name.

A new Subsection (f) addresses how time is calculated whenever the final day to file an application or an appeal falls on the weekend or on a City holiday. The provision allows for the deadline to be moved to the close of the next business day as well as the final date of any action, decision, or determination.

Sec. 104.04 – Pre-Licensing Inspection and Community Meeting

Throughout the current ordinance there are references to “Pre-licensing Inspection” that when capitalized, means an inspection required prior to the issuance of the annual license. In other references, the term “pre-licensing inspection” uncapitalized, is used to mean an inspection prior to the issuance of a Temporary Approval. These proposed amendments delete the term Pre-Licensing Inspection but establish three separate terms to denote when a particular type of inspection is required. The Initial Inspection would be required prior to the issuance of a Temporary Approval; the Final Inspection would be required prior to the issuance of the Annual License and the License Renewal Inspection would be required on an annual basis prior to renewing a license. In addition, these amendments clarify the application procedure in Section 104.03. Given these clarifications and new definitions, Section 104.04 is amended for consistency.

Subsection (a) requires that a Final Inspection be conducted in a manner as provided in the Rules and Regulations and clarifies that DCR may conduct a Final Inspection once DCR determines that an application is complete.

The City has embraced video and phone conferencing to conduct public meetings of the City Council, its Committees and other City Commissions and Boards, to the extent allowed by law. Furthermore, recently COVID-19 has forced many employers and employees to rely on technology to manage day-to-day operations and remain effective with minimal disruption. In doing so, these tools have proven to be convenient and cost-effective and allow for broader public participation while ensuring the health and safety of all the participants. Subsection (b) is amended to allow DCR to conduct community meetings via video or phone conferencing.

Subsection (c) is added to require that Applicants contact the Neighborhood Council within 10 days after receiving the Notice of Complete application from DCR. The Applicant must offer to appear before the Neighborhood Council to address questions about the application. Meeting with the Neighborhood Council affords the community where the cannabis business is proposed, the opportunity to hear about the proposed project and allows for a discussion between the Applicant and the stakeholders before the public hearing takes place when public comment may be limited.

Sec. 104.05 – Notice

The amendments proposed in this section are primarily technical and not substantive in nature. In order to add clarity, the section has been amended in its entirety and organized into three subsections. Subsection (a) contains the general requirements that apply to all notices. The proposed amendments require that the Applicant pay the cost of the notice mailing and/or posting. This cost is not a one size fits all and therefore was not projected in the Department’s fee study.

Subsection (b) contains the requirements for the content, distribution, and mailing radius, when applicable, for each type of notice. This subsection is arranged into three subdivisions detailing the requirements for each notice type: Written Notice, Mailed Notice and Posted Notice. Written Notice requires posting on the Department's website and electronic distribution to the closest neighborhood council, the closest business improvement district, and the City Council office within which the Business Premises is located. As proposed, this type of notice would only be required at various early stages in the application process: when an application is deemed complete and when DCR transmits a PCN request to the City Clerk, well before the application is submitted to the Department.

Subsection (c) contains the events that trigger notice and the corresponding notice type organized in separate subdivisions. The amendments maintain the same notice triggers, and the distribution or mailing for each notice type, except as described above for the notice of complete application. For example, the "Notice of Community Meeting" or "Notice of Cannabis Regulation Commission Public Hearing" must be sent no later than 20 days prior to the meeting or public hearing. In addition, the amendments propose a separate subdivision for the "Notice of Public Convenience or Necessity" which is required within 10 days of the Department's transmittal of an Applicant's request to the City Clerk. The last subdivision maintains the existing notice requirement for interested parties.

Sec. 104.07 – Proposition M Priority Processing ("Phase 1")

Amendments to Section 104.07 are not substantive and are proposed to add clarity to the existing requirements. Text is added at the end of Subsection (c) to clarify that once DCR deems a Phase 1 Application complete and eligible for priority processing, DCR shall issue the EMMD a Temporary Approval and further, it requires that these applications be reviewed and processed pursuant to Section 104.06 for annual licensing.

Subdivision (d) adds a hearing officer as an appellate body for appeals from the Department's decision to deny a Proposition M Priority Processing license. Subsection (e) is amended to clarify language regarding Phase 1 applications in community plan areas which have reached Undue Concentration.

Sec. 104.08 – Non-Retailer Commercial Cannabis Activity Prior to January 1, 2016, Processing. ("Phase 2")

Amendments to Section 104.08 are not substantive and are proposed to add clarity to the existing requirements. Amendments to Subsection (a) correct the first sentence by deleting the portion of the sentence which states that Applicants who receive Temporary Approval shall be provided with limited immunity because limited immunity would no longer be necessary after the Applicant receives authorization from the Department to engage in commercial cannabis activity. Other amendments update terms to be consistent with amendments to the definitions in Section 104.01.

Amendments to Subsection (b) include added text to clarify that a completed application must be processed and reviewed pursuant to Section 104.06. Language regarding the 15-day appeal period is clarified in Subsections (c) and (d). Subdivision (e) which addresses the relocation of Business Premises, is deleted because these amendments propose addressing Business Premises relocations entirely under Section 104.03.

Sec. 104.12 – Renewal and Cancellation.

The proposed amendments to Section 104.12 are not substantive but clarify the Department's requirement that every license, including a Temporary Approval must be renewed annually and that if fees are not timely paid, the License will expire after 11:59 p.m. on December 31st.

The proposed amendments to Section 104.12(b) require the Applicant to submit updated annual licensing documents when the license is renewed. This requirement seeks to ensure that the Licensee will continue to comply with the City's laws and regulations and seeks to promote regulatory education and compliance. The proposed amendments also require that Social Equity Applicants must submit Equity Share documents in compliance with Section 104.20(a)(2) as part of the annual renewal process.

Proposed amendments to Section 104.12(d) broaden the language to prohibit a Licensee who has ceased conducting a Commercial Cannabis Activity at the Business Premises for a continuous period of 180 days from renewing the License unless DCR authorizes the suspension of the activity. This amendment seeks to ensure that there is a potential opportunity for others to apply if any of the existing authorized businesses cannot continue to operate.

RECOMMENDATION

That the City Council, subject to approval by the Mayor:

1. Approve amending Article 4, Chapter X of the Los Angeles Municipal Code to comprehensively reorganize and revise the ordinance as outlined below; and
2. Request the Office of the City Attorney to prepare and present an ordinance to amend Article 4, Chapter X of the Los Angeles Municipal Code in accordance with the proposed amendments.

Proposed Amendments to Sec. 104.01:

1. Amend Sections 104.01(a)(1) through (15) and renumber as 104.01(a)(2), (5), (7), (8), (11), (12), (13), (14), (16), (17), (18), (21), (22), (28), and (29); add Sections 104.01(a)(1), (3), (4), (6), (9), (10), (15), (19), (20), (23), (24), (25), (26), (27), (30), (31) and (32); delete Section 104.01(a)(16) and amend Sections(a)(2),(7), (17), (18) and (22).
2. Amend Sections 104.01(a)(17) through (29) and renumber as 104.01(a)(33), (34), (36), (37), (40), (41), (42), (43), (45), (46), (47) and (48); add Sections 104.01(a)(38), (39) and (44), and amend Section 104.01(a)(46).

Proposed Amendments to Sec. 104.02:

1. Amend Section 104.02(a)(2) to clarify the limitation of an individual or entity to hold a maximum of three Type 10 Licenses and to limit an entity or an individual with an aggregate ownership or profit sharing interest of 20 percent or more in the entity who owns the Application or license to no more than three Type 10 Licenses.
2. Amend Section 104.02(a)(5) to clarify the limitation of an individual or entity to hold a maximum of three Type 3A Medium – Cultivation Licenses or any combination of cultivation license types where the aggregate allowable cultivation area would exceed 1.5 acres and to

limit a Person with an aggregate ownership or profit sharing interest of 20 percent or more in the Person applying for a License to a maximum of three Type 3A Medium - Indoor Cultivation Licenses or any combination of cultivation license types where the aggregate allowable cultivation area would exceed 1.5 acres. The provision clarifies that it does not apply to applications submitted prior to the effective date of this ordinance provided that any changes or modifications to the license do not exceed the total allowable aggregate cultivation area or the number of allowable cultivation licenses held by a Person.

Proposed Amendments to Sec. 104.03:

Amend Section 104.03 in its entirety as follows:

1. Amend Section 104.03(a) to require the payment of the Pre-Application Review Fee to conduct a preliminary review of the application which includes an assessment of the Business Premises for compliance with zoning requirements and sensitive use restrictions and a determination of eligibility of Persons to receive a license based on a background check.
 - a. Add Section 104.03(a)(1) to disqualify Primary Personnel with any of the convictions listed in paragraphs (i) through (vii) from applying for or holding a Temporary Approval or License.
 - b. Add Sections 104.03(a)(1)(i) through (vii) to list convictions which will disqualify Primary Personnel from applying for or holding a Temporary Approval or License.
 - c. Add Sections 104.03(a)(2) (i) and (ii) to list circumstances which will disqualify individuals or entities from being Owners of Persons applying for or holding a Temporary Approval or License.
 - d. Add Section 104.03(a)(3)(i) through (v) to list circumstances under which a Business Premises is not eligible for Licensure.
 - e. Add Section 104.03(a)(4) to describe the process to request that the City Council find that approval of the license application would serve a public convenience or necessity, when an Applicant's Business Premises is located in a Community Plan Area which has reached Undue Concentration.
2. Amend 104.03(b) in its entirety to require the payment of a Temporary Approval Application Fee to conduct the Initial Inspection of the Business Premises and to review documents required to issue a Temporary Approval.
3. Amend Section 104.03(c) in its entirety to require payment of the Annual License Application Fee to review annual documents, prepare the environmental clearance, conduct a Final Inspection of the Business Premises and when applicable, schedule a community meeting.
4. Amend Section 104.03(d) in its entirety to describe the application withdrawal procedure.
5. Add Section 104.03(e) to allow modifications to applications or licenses, which include the relocation of Business Premises, changes to the ownership structure, changes to the legal entity name, physical modification of the Business Premises, changes to the fictitious business name and other amendments as determined by DCR.

- a. Add Section 104.03(e)(1) to allow an Applicant or Licensee to request a relocation of the application's Business Premises upon payment of a modification fee, compliance with zoning requirements and sensitive use restrictions and submittal of 1) a copy of an executed lease with proof of a deposit or property deed for the new location; 2) a landowner acknowledgement that the Licensee has the right to occupy the property for Commercial Cannabis Activity for which the Licensee is seeking a license; 3) a site plan; 4) a Business Premises diagram; and, 5) copies of the licenses from the applicable State agency(ies).
- b. Add Section 104.03(e)(1)(i) to allow the relocation of the Business Premises for an Applicant or Licensee applying for or authorized to conduct non-volatile manufacturing (Type 6), Non-Storefront Retailer (Type 9) and distribution (Type 11) to another location within the City subject to Subdivision 1 of this section.
- c. Add Section 104.03(e)(1)(ii) to allow the relocation of the Business Premises for an Applicant or Licensee applying for, or authorized to conduct cultivation (Types 1A, 1C, 2A, 3A, 5A), volatile manufacturing (Type 7) and retail store-front (Types 10, 12) activities to relocate within the same Community Plan Area provided the Community Plan Area has not reached Undue Concentration . A relocation request within the same Community Plan Area which has reached Undue Concentration may be permitted provided the application was submitted prior to the Community Plan Area reaching Undue Concentration, subject to compliance with zoning requirements and sensitive use restrictions.
- d. Add Section 104.03(e)(1)(iii) to allow the relocation of the Business Premises if the application was submitted pursuant to a City Council finding that approval of the license application would serve a public convenience or necessity, provided the Applicant or Licensee complies with applicable requirements:
 - (1) Add Section 104.03(e)(1)(iii)(1) to require that if the City Council found that approval of the application would serve a public convenience or necessity for the original Business Premises location and DCR has not issued a License at the location, the Applicant shall request that the City Council find that approval of the License application at the new Business Premises location within the community plan area would serve the public convenience or necessity.
 - (2) Add Section 104.03(e)(1)(iii)(2) to require that if the City Council found that approval of the application would serve the public convenience or necessity for the original Business Premises location and DCR has issued a License at the location, the Licensee may be permitted to relocate within the same Community Plan Area which has reached Undue Concentration subject to compliance with zoning requirements and sensitive use restrictions.
- e. Add Section 104.03(e)(2) to allow the modification of an Application's ownership structure with requirements and limitations.
 - (1) Add Section 104.03(e)(2)(i) to require that when an entity is an owner in the Application, all entities and individuals with a financial interest in the entity shall be disclosed to DCR. This includes all entities in a multi-layer business structure, as well as the chief financial officer, members of the board of directors, partners, trustees and all Persons who have control of a trust, and

managing members or non-members managers of the entity. Each entity disclosed as having a financial interest must disclose the identities of Persons until only individuals remain.

- (2) Add Section 104.03(e)(2)(ii) to require that if at least one existing Owner is not transferring his or her ownership interest and will remain as an Owner under the new structure, the business may continue to operate if a Temporary Approval or License has been issued by DCR while it reviews the eligibility of the new Owner(s) to determine whether the change would constitute grounds for disqualification of the Licensee pursuant to Section 104.03(a)(1) and (2).
 - (3) Add Section 104.03(e)(2)(iii) to require that if all Owners will be transferring their ownership interest, the Applicant shall resubmit all application documents and pay all required application fees. The business shall not operate under the new ownership structure until a new License has been issued by DCR.
 - (4) Add Section 104.03(e)(2)(iv) to clarify that a change of ownership does not occur when one or more owners leave the business by transferring their ownership interest to the other existing Owner(s).
 - (5) Add Section 104.03(e)(2)(v) to require that in cases when an owner leaves the business by transferring their ownership interest to the other existing Owner(s), written approval shall be required from the Owner that is transferring his or their ownership interest.
6. Add Section 104.03(e)(3) to require that business entities formed as corporations, limited partnerships or limited liability companies that wish to conduct Commercial Cannabis Activity in the City be registered with the California Secretary of State (SOS) and provide the Entity (File) Number to DCR upon application submission. Applications, Temporary Approvals or Licenses may change the legal entity name under which the application, Temporary Approval or License was submitted or issued, provided the Entity (File) Number registered with the SOS remains the same. The Applicant shall submit the Modification Form, pay the required modification fee, and submit the necessary documents to demonstrate that the changes have been registered with the SOS and approved by the State agency or agencies.
7. Add Section 104.03(e)(4) to allow the modification of an application's Business Premises.
 - a. Add Section 104.03(e)(4)(i) to limit the expansion of the Business Premises footprint to 500 square feet or 20 percent of the existing Business Premises floor area, whichever is less, and require compliance with Article 5, Chapter X of the Los Angeles Municipal Code.
 - b. Add Section 104.03(e)(4)(ii) to require that the Applicant or Licensee submit a proposed Premises Diagram which clearly indicates the proposed construction, alterations, addition or expansion of the Business Premises footprint. The diagram shall be drawn to scale ($1/8" = 1' - 0"$ minimum scale) with dimensions and indicate the existing floor area, the added floor area and clearly label each Commercial Cannabis Activity on the Business Premises and all ancillary uses.
 - c. Add Section 104.03(e)(4)(iii) To allow the increase of the cultivation area within the existing Business Premises or the expansion of the existing Building Premises floor

area per paragraph (i), provided that the resulting cultivation area does not exceed the maximum cultivation area allowed by the License Type under which the application was submitted.

- d. Add Section 104.03(e)(4)(iv) if applicable DCR may require a copy of an executed lease with proof of a deposit or property deed if the expansion includes additional adjacent units, 2) landowner acknowledgement that the Applicant or Licensee has the right to occupy the Business Premises; 3) a site plan, if the Business Premises diagram has been expanded, and 4) any additional documents or information DCR deems necessary to consider the request.
8. Add Section 104.03(e)(5) to allow the name change of an application's Fictitious Business Name.
9. Add Section 104.03(e)(6) to allow other amendments to an application at the discretion of DCR.

Proposed Amendments to Sec. 104.04:

1. Amend Section 104.04 to change the Section name from "Pre-Licensing Inspection and Community Meeting" to "Final Inspection and Community Meeting".
2. Amend Section 104.04(a) to require that DCR conduct Final Inspections in the manner as provided in the Rules and Regulations; to clarify language requiring that a completed application shall be referred by DCR for Final Inspection and that all applicants must pass a Final Inspection prior to the issuance of a License.
3. Amend Section 104.04(b) to clarify existing language and add the ability for DCR to conduct community meetings via video or telephone conferencing.
4. Amend Section 104.04(c) requires that the Applicant contact the Neighborhood Council within 10 days of the Notice of Complete application to offer to appear before the Neighborhood Council.

Proposed Amendments to Sec. 104.05:

Amend Section 104.05 in its entirety as follows:

1. Amend Section 104.05(a) to require the Applicant to pay the cost of mailing and posting of a required notice in accordance with mailing procedures in the Rules and Regulations, when notice is required.
2. Amend Section 104.05(b) to include the contents and distribution requirements for the different types of notice required under the section.
 - a. Add Section 104.05(b)(1) to require that a "Written Notice" contain the purpose of the notice, name of the Applicant, application number, Business Premises address, Commercial Cannabis Activities requested, Council District and Community Plan Area in which the Business Premises is located. In addition the notice shall also inform interested parties on how to provide DCR with information about the application. DCR shall post Written Notices on its website and shall send via electronic mail to 1) the

closest neighborhood council, 2) the closest business improvement district, and 3) the City Council office within which the Business Premises is situated.

- b. Add Section 104.05(b)(2) to require that a "Mailed Notice". Mailed Notices contain the following information: date, time and place where the community meeting or public hearing will be held or if the community meeting will be held online, a link to the webinar or virtual meeting. The notice shall also include the purpose of the meeting, name of the Applicant, application number, Business Premises address, Commercial Cannabis Activities requested, Council District and Community Plan Area in which the Business Premises is located. The notice shall inform interested parties how to provide DCR with information about the application. DCR shall post the Mailed Notice on its website and shall send via U.S. mail to 1) the Applicant, 2) Applicant's representative, 3) Owner or owners listed on the application, 4) the owners and occupants of all property within 500 feet of the property line of the lot on which the subject Business Premises is located, using for the purpose of notification of property owners, the last known name and address of owners as shown on the records of the City Engineer or the records of the County Assessor. For occupants, the notice shall be addressed to "occupant" and mailed to all property addresses within the 500-foot radius. Where all property within the 500-foot radius is under the same ownership as the Business Premises, the owners of all property that adjoins that ownership, or is separated from it only by a street, alley, public right-of-way or other easement, shall also be notified as set forth above, 5) the closest neighborhood council; 6) the closest business improvement district; and 7) the City Council office within which the Business Premises is situated.
 - c. Add Section 104.05(b)(3) to require that a "Posted Notice" contain the following information: date, time and place where the meeting or public hearing will be held or if the meeting will be held online, a link to the webinar or virtual meeting. The notice shall also include, the purpose of the meeting, name of the Applicant, application number, Business Premises address, Commercial Cannabis Activities requested, Council District and Community Plan Area in which the Business Premises is located. The notice shall inform interested parties how to provide DCR with information about the application. The Notice shall be posted in a conspicuous place on the property where the Business Premises is located. The notice shall be electronically provided by DCR and printed by the Applicant on a minimum of 11" x 17" paper size with a minimum 20 font size. The notice shall be posted immediately upon receipt from DCR.
3. Amend Section 104.05(c) to describe the different events which trigger a required notice.
- a. Add Section 104.05(c)(1) to require a Written Notice within ten days of DCR determining that an application is complete.
 - b. Add Section 104.05(c)(2) to require a Mailed Notice no less than 20 days prior to the date of any community meeting
 - c. Add Section 104.05(c)(3) to require a Mailed Notice no less than 20 days prior to the date of any Commission public hearing.
 - d. Add Section 104.05(c)(4) to require a Written Notice within 10 days of DCR transmitting an application to the City Clerk for the City Council to determine if approval of the license application would serve the public convenience or necessity.

- e. Add Section 104.05(c)(5) to require notice to interested parties upon a written request to DCR.

Proposed Amendments to Sec. 104.07:

1. Amend 104.07(c) to clarify language related to DCR's written findings when the EMMD
2. Applicant does not meet the requirements for priority processing and that once DCR deems a Proposition M Priority Processing Application complete, DCR shall issue the EMMD a Temporary Approval and further that these applications will be reviewed and processed pursuant to Section 104.06.
3. Amend 104.07(d) to add a hearing officer as an appellate body when Proposition M Priority Processing is denied by DCR.
4. Amend 104.07(e) to delete the first two sentences and clarify the remaining language regarding the Business Premises location in a community plan area which has reached Undue Concentration.
5. Amend 104.07(f) to clarify existing language.
6. Amend 104.07(g) to clarify existing language.
7. Amend 104.07(h) to clarify existing language.

Proposed Amendments to Sec. 104.08:

1. Amend Section 104.08(a) to delete the sentence affording applicants subject to Section 104.08 limited immunity after DCR issues a Temporary Approval and to add text that local authorization must be renewed pursuant to Section 104.12
2. Amend Section 104.08(b) to add language which clarifies that a completed application accepted by DCR as eligible for processing under this section shall be reviewed and processed pursuant to Section 104.06; to require DCR to make written findings when the Applicant does not meet the requirements under the section; and to clarify language that the Applicant can appeal within 15 days of the mailing of the decision by DCR.
3. Amend Section 104.08(c) to add clarifying language that the limited immunity afforded to the Applicant under this section and as authorized by California Health and Safety Code Section 11362.83, shall terminate upon the close of a 15-day appeal period if the Applicant does not timely request an administrative hearing pursuant to Section 104.10.
4. Delete Section 104.08(e) and renumber Subsection (f) as Subsection (e) and amend to replace pre-licensing inspection with Initial Inspection.

Proposed Amendments to Sec 104.12:

1. Amend Section 104.12(a) to clarify that all Licenses including Temporary Approvals must be renewed annually and that if not timely renewed the License will expire at 11:59 on December 31st of the year the License is issued.
2. Amend Section 104.12(b) to require that the Licensee submit updated annual licensing documents required by the Rules and Regulations and that except for Tier 3 Licensees, Licensees subject to Section 104.20 must also submit Equity Share documents in compliance with Section 104.20(a)(2).
3. Amend Section 104.12(c) minor revisions.
4. Amend Section 104.12(d) to require that any Licensee who has ceased a commercial cannabis activity at a Business Premises for a continuous period of 180 days shall not be authorized to renew its license unless authorized by DCR in accordance with the Rules and Regulations.

The above recommendations seek to improve the administration of the City's commercial cannabis Licensing and Social Equity Program. 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

c: 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

Attachments:

A - Redlined LAMC Sections 104.01, 104.02, 104.03, 104.04 104.05, 104.07, 104.08 and 104.12
B - Proposed Draft Ordinance

ATTACHMENT A

Redlined Ordinance

LAMC 104.01 -104.05, 104.07, 104.08, 104.12

SEC. 104.01. DEFINITIONS.

(a) The following definitions shall apply to this article. Words and phrases not defined herein shall be construed as defined elsewhere in this Code, as required by the context: For the purpose of this Article, certain terms and words are herewith defined as follows:

1. "Act" means the Medicinal and Adult-Use Cannabis Regulation and Safety Act (MAUCRSA).

2. "Applicant" means an Owner a Person applying for a City License, pursuant to this article.

4. "Application" means all records submitted to the Department by an Applicant requesting Temporary Approval or a License to conduct Commercial Cannabis Activity.

4. "Branded Merchandise" means clothing, hats, pencils, pens, keychains, mugs, water bottles, beverage glasses, notepads, lanyards, cannabis accessories, or other types of merchandise approved by the DCR with the name or logo of a commercial cannabis business licensed pursuant to the Act. Branded Merchandise does not include items containing cannabis or any items that are considered food as defined by California Health and Safety Code section 109935.

2.5. "BTRC" means a Business Tax Registration Certificate (BTRC) issued by the City's Office of Finance.

6. "Business Day" is a day Monday through Friday from 9:00 a.m. to 4:00 p.m. Pacific Time, excluding City holidays.

3.7. "Business Premises" means the designated physical structure or structures and land specified in an application for a License that is owned, leased, or otherwise held under the control of the Applicant or Licensee where the licensed Commercial Cannabis Activity will be or is conducted.

4.8. "Cannabis" means cannabis as defined in Section 26001 of the California Business and Professions Code, included in the Act, as currently defined or as may be amended.

9. "Cannabis Accessories" has the same meaning as in California Health and Safety Code section 11018.2.

10. "Canopy" means the designated area(s) at a Business Premises that will contain mature plants at any point in time.

5.11. "City" means the City of Los Angeles.

6.12. "City Council" means the Council of the City of Los Angeles.

7.13. "Commercial Cannabis Activity" includes the cultivation, possession, manufacture, distribution, processing, storing, laboratory testing, packaging, labeling, transportation, delivery or sale of Cannabis or Cannabis products in the City as provided for in Division 10 of the California Business and Professions Code and the California Code of Regulations, as currently defined or as may be

amended.

~~8-14.~~ **"Commission"** means the City of Los Angeles Cannabis Regulation Commission, as described in Chapter 31 of Division 22 of the Los Angeles Administrative Code.

~~15.~~ **"Community Plan Area"** shall have the same meaning as within Article 1.5, Chapter 1 of the Los Angeles Municipal Code.

~~9-16.~~ **"Cultivation"** means cultivation as defined in Section 26001 of the California Business and Professions Code, included in the Medicinal and Adult Use Cannabis Regulation and Safety Act, as currently defined or as may be amended.

~~10-17.~~ **"Day"** means ~~calendar~~~~business~~ day, unless another meaning is provided.

~~11-18.~~ **"DCR" or "Department"** means the City of Los Angeles Department of Cannabis Regulation, as described in Chapter 31 of Division 22 of the Los Angeles Administrative Code.

"Delivery Employee" means an individual employed by a licensed retailer or licensed microbusiness authorized to engage in retail sales who delivers cannabis goods from the licensed retailer or licensed microbusiness premises to a customer at a physical address:

~~19.~~

~~20.~~ **"Disproportionately Impacted Area"** is defined in Sec. 104.20 and incorporated herein by reference.

~~12-~~

~~13-21.~~ **"EMMD"** means an existing medical marijuana dispensary that is in compliance with all restrictions of Proposition D, notwithstanding those restrictions are or would have been repealed, including, but not limited to, either possessing a 2017 L050 BTRC and current with all City-owed business taxes, or received a BTRC in 2007, registered with the City Clerk by November 13, 2007 (in accordance with the requirements under Interim Control Ordinance 179027), received a L050 BTRC in 2015 or 2016 and submits payment for all City-owed business taxes before the License application is deemed complete. For purposes of this subsection only, an EMMD that has entered into a payment plan with the City's Office of Finance pursuant to LAMC Section 21.18 to pay all outstanding City-owed business taxes is deemed current on all City-owed business taxes and is deemed to have submitted payment for all City-owed business taxes. (Amended by Ord. No. 185,608, Eff. 7/23/18.)

~~22.~~ **"Employee"** means a person who works for compensation and is under the control of an employer. Employee as defined herein includes seasonal and contract employees. means a person who works for the Licensee or the Licensee's Management Company regardless of compensation and is under the control of an employer. Employee as defined herein includes seasonal and contract employees.

~~23.~~ **"Equity Shares"** is defined in Sec. 104.20 and incorporated herein by reference.

~~14-~~

~~15-24.~~ **"Final -Inspection"** is a required inspection of the Business Premises conducted by DCR prior to the issuance of an annual License.

~~25.~~ **"Immature Cannabis Plant" or "Immature Plant"** means a plant that is nonflowering and is shorter and narrower than 18 inches. This definition is applicable to retail activities.

~~16-26.~~ **"Individual"** means a natural person and the terms are used interchangeably throughout this Article.

~~17. “Initial Inspection” is a required inspection of the Business Premises conducted by DCR prior to the issuance of a Temporary Approval.~~

~~27.~~

~~18.28.~~ **"License"** means a City license issued under this article.

~~19.29.~~ **"Licensee"** means any Person holding a License under this article.

~~20.30.~~ **"Limited-Access Area"** means an area in which cannabis goods are stored or held and is only accessible to a licensee and its employees and authorized individuals.

~~21. “License Renewal Inspection” is a required inspection of the Business Premises conducted by DCR prior to the renewal of a License.~~

~~31.~~

~~32. “Low Income” is defined in Sec. 104.20 and incorporated herein by reference.~~

~~22. “Manage” means to participate in the management, direction or control of Commercial Cannabis Activity. (Added by Ord. No. 185,629, Eff. 7/2/18.)~~

~~23.33.~~ **"Management Company"** means a Person who manages Commercial Cannabis Activity on a Licensee's behalf, or a Person who directs or controls another Person who manages Commercial Cannabis Activity on a Licensee's behalf. A Management Company does not include an Employee of a Licensee or an Owner of a Licensee. (Amended by Ord. No. 186,111, Eff. 6/14/19.)

~~24.34.~~ **"Neighborhood Liaison"** means a natural person specifically designated by the Licensee to interact with the community, including, but not limited to, responding to complaints.

~~25.35.~~ **"Non-Retailer Commercial Cannabis Activity"** means Commercial Cannabis Activity not involving the sale or distribution of Cannabis directly to a consumer.

~~26.36.~~ **"Owner"** means owner as defined in Section 26001 of the California Business and Professions Code, included in the Medicinal and Adult Use Cannabis Regulation and Safety Act, as currently defined or as may be amended.

~~37. “Person” includes any individual, firm, partnership, joint venture, association, corporation, limited liability company, estate, trust, business trust, receiver, syndicate, or any other group or combination acting as a unit, and the plural, as well as the singular.~~

~~38. “Primary Personnel” means any of the following:~~

~~(i) A natural person with an aggregate ownership interest of 20 percent or more in the Person applying for a License or a Licensee, unless the interest is solely a security, lien, or encumbrance.~~

~~(ii) The chief executive officer, managing member(s), or a general partner of a nonprofit or other entity seeking licensure.~~

~~(iii) The chief executive officer, managing member(s), or a general partner of any Person with an aggregate ownership interest of 20 percent or more in the Person seeking licensure.~~

~~27.39.~~ **"Program"** means the Social Equity Program pursuant to Section 104.20.

~~28.40.~~ **"Proposition D"** means the initiative adopted by the voters of the City of Los Angeles on May 21, 2013.

~~29.41.~~ **"Proposition M Priority Processing Application"** or "Proposition M Priority Processing" means an application filed by an EMMD pursuant to the priority processing for EMMD dispensaries as provided by Measure M, adopted by the voters of the City of Los Angeles on March 7, 2017.

~~30.42.~~ **"Retail Commercial Cannabis Activity"** means Commercial Cannabis Activity involving the sales or distribution of Cannabis directly to a consumer.

~~43.~~ **"Rules and Regulations"** mean detailed requirements meant to clarify and aid in the administration of this article, which are approved by the City Council or promulgated by DCR. (Amended by Ord. No. 186,111, Eff. 6/14/19.)

~~44. "Social Equity Applicant Individual" is defined in Sec. 104.20 and incorporated herein by reference.~~

~~31.~~

~~32.45.~~ **"State License"** means a license issued by the state of California pursuant to Division 10 of the Business and Professions Code and the California Code of Regulations as currently defined or as may be amended.

~~33.46.~~ **"Temporary Approval"** means a DCR-issued temporary license that authorizes an Applicant to engage for a limited period of time in Commercial Cannabis Activity as would be permitted under the privileges of a non- temporary ~~L~~icense of the same type. An Applicant with Temporary Approval shall follow all applicable ~~R~~ules and ~~R~~egulations as would be required if the Applicant held a non-temporary License of the same type. ~~Temporary Approval does not create a vested right in the holder to either an extension of the Temporary Approval or to the issuance of a subsequent non-temporary License. DCR may revoke Temporary Approval without a hearing based upon written findings that an Applicant violated this article or applicable rules and regulations~~

~~34.47.~~ **"Undue Concentration"** means the Applicant's Business Premises is located within a higher cannabis license/population ratio within the community plan based on the ~~2016~~ American Community Survey, updated ~~annually by each decennial census~~, than the following: ratio of one license per 10,000 residents for Retailer (Type 10); ratio of one license per 7,500 residents for Microbusiness (Type 12); ~~ratio of 1 square foot 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 one License for every 2,500 square feet of allowable cultivated area for Cultivation (Types 1A, 1C, 2A, 3A, and 5A); and ratio of one license per 7,500 residents for Manufacture (Type 7). An EMMD is not subject to a finding of Undue Concentration. An Applicant eligible for processing under Section 104.08 is not subject to a finding of Undue Concentration. A Microbusiness involved in on-site retail counts towards the Undue Concentration License limits applied to Retailer (Type 10) Licenses, and a Microbusiness involved in Cultivation counts towards the Undue Concentration limits applied to Cultivation Licenses (Types 1A, 1C, 2A, 3A, and 5A).~~

~~35.48.~~ **"Unlawful Establishment"** means any Person engaged in Commercial Cannabis Activity if the Person does not have a City issued Temporary Approval or License.

SEC. 104.02. LICENSE REQUIRED.

(a) A License is required for any of the following Commercial Cannabis Activity and shall be issued as A (Adult) and/or M (Medical) categories: (Amended by Ord. No. 185,608, Eff. 7/23/18.)

1. RETAILER COMMERCIAL CANNABIS ACTIVITY - Type 10 - Retailer; Type 9 - Non-Storefront Retailer as currently defined or amended by the State of California.

~~2. A Person may not hold an more than three Type 10 Licenses. A Person with an aggregate ownership or profit sharing interest of 20 percent or more in the Person applying for a License may not hold more than three Type 10 Licenses, unless the interest is solely a security, lien, or encumbrance. ownership or profit sharing interest of 20 percent or greater in no more than three Type 10 or Type 9 Licenses. (Amended by Ord. No. 186,111, Eff. 6/14/19.)~~

~~2.~~

3. MICROBUSINESS COMMERCIAL CANNABIS ACTIVITY - Type 12 - Microbusiness as currently defined or amended by the State of California.

4. INDOOR COMMERCIAL CANNABIS CULTIVATION ACTIVITY - Type 1 through Type 5 as defined herein; Type 1A - Cultivation, Specialty Indoor, Small; Type 2A - Cultivation, Indoor Small; Type 3A - Cultivation; Indoor, Medium; Type 4 - Cultivation, Nursery (limited to indoor cultivation); and Type 5A - Cultivation, Indoor, Large; Type 1C - Specialty Cottage Small (limited to indoor cultivation); Processor as currently defined or amended by the State of California.

~~4.~~

~~5. An Applicant is not limited in the number of License applications, except that the maximum amount of cultivated area that may be licensed is 1.5 acres per Applicant.~~

~~5. A Person shall not hold more than three Type 3A Medium - Indoor Cultivation Licenses or any combination of cultivation license types where the aggregate allowable cultivation area would exceed 1.5 acres. A Person with an aggregate ownership or profit sharing interest of 20 percent or more in the Person applying for a License may not hold more than three Type 3A Medium - Indoor Cultivation Licenses or any combination of cultivation license types where the aggregate allowable cultivation area would exceed 1.5 acres. This provision does not apply to applications submitted prior to the effective date of this ordinance provided that any changes or modifications to the license do not exceed the total allowable aggregate cultivation area or the number of allowable cultivation licenses held by a Person.~~

~~6.~~

~~7.5.~~ MANUFACTURE COMMERCIAL CANNABIS ACTIVITY

- (i) Type 6 - Manufacturer 1 as currently defined or amended by the State of California.
- (ii) Type 7 - Manufacturer 2 as currently defined or amended by the State of California.
- (iii) Type N - Infusion.
- (iv) Type P - Packaging.
- (v) Type S - Shared-use facility. (Added by Ord. No. 185,629, Eff. 7/2/18.)

~~8.6.~~ TESTING COMMERCIAL CANNABIS ACTIVITY - Type 8 - Testing Laboratory as currently defined or amended by the State of California.

~~9.7.~~ DISTRIBUTOR COMMERCIAL CANNABIS ACTIVITY - Type 11 - Distributor as currently defined or amended by the State of California.

~~10.8.~~ OTHER COMMERCIAL CANNABIS ACTIVITY - Any Commercial Cannabis Activity which requires a State of California license as currently defined or amended by the State of California and which is not identified in this article.

SEC. 104.03. APPLICATION PROCEDURE.

(a) **Application — Pre-Application Review.** Prior to filing an application pursuant to Subsection (b), an applicant shall pay a Pre-Application Review Fee pursuant to Sec. 104.19 for DCR to conduct a preliminary review of the application and to verify eligibility of Primary Personnel subject to a background review per Subdivisions 1 and 2 and compliance of the Business Premises location per Subdivision 3. If the application is deemed eligible for further processing the Applicant shall pay a Temporary Approval Application Fee pursuant to Sec. 104.19 within 10 days of receiving an eligibility determination for further processing. DCR may request additional information, including documents, from the Applicant at any time during the pre-application review. If the Applicant fails to provide the additional information in the time allotted by DCR, the application shall be considered abandoned. Except for the Social Equity Individual Applicant who is an Owner in an application subject to processing pursuant to Section 104.06.1, an Owner or Primary Personnel individual who is disqualified under Subdivision 1 or 2 may be permitted to amend their application to cure those defects, subject to the payment of any applicable modification fee in Section 104.19. An Applicant whose Business Premises location is deemed ineligible under Subdivision 3 shall not be permitted to amend their application but may submit a new application subject to the payment of any applicable fee in Section 104.19.

1. Primary Personnel convicted of any of the following offenses within the time specified, shall be disqualified in any of the following circumstances and are prohibited from applying for, or holding a Temporary Approval or License:

(i) Illegal volatile Cannabis manufacturing under Health and Safety Code Section 11379.6 for a period of five years from the date of conviction.

(ii) A violation of any State or local law involving wage or labor for a period of five years from the date of conviction.

(iii) A violation of any law involving distribution of Cannabis to minors for a period of five years from the date of conviction.

(iv) Illegal Commercial Cannabis Activity after April 1, 2018, for a period of five years from the date of conviction.

(v) A violation any State or local law involving distribution or sales of tobacco or alcohol to minors for a period of five years from the date of conviction.

(vi) A violent felony as defined in California Penal Code Section 667.5, a serious felony conviction as defined in California Penal Code Section 1192.7, or a felony conviction for violating any law involving violent crimes, sex trafficking, rape, crimes against children, gun crimes or hate crimes for a period of 20 years from the date of conviction or completion of a term of imprisonment, supervised release or probation imposed as a sentence for the conviction, whichever is later.

(vii) A felony conviction for a crime involving fraud, deceit, or embezzlement for a period of 20 years from the date of conviction. In addition, an individual with a felony conviction under this paragraph shall be prohibited from serving as an agent for service of process for any Application.

2. Persons are prohibited from being Owners of Persons applying for, or holding a Temporary Approval or License and shall be disqualified in any of the following circumstances:

(i) An individual who holds office in, is employed by, or is appointed to, any agency of the State of California and any of its political subdivisions, including the City and any of its agencies, departments, commissions or boards, when the individual's duties include the enforcement or regulation of Commercial Cannabis Activity or any other penal provisions of law of the State of California prohibiting or regulating Commercial Cannabis Activity.

(ii) Any entity that is incorporated outside of the United States.

3. In the following circumstances a Business Premises location is ineligible for Licensure:

(i) The Business Premises is owned or managed by a Person who holds office in any agency of the State of California and any of its political subdivisions, including the City and any of its agencies, departments, commissions or boards of the State of California or its political subdivisions when the individual's duties include the enforcement or regulation of Commercial Cannabis Activity or any other penal provisions of law of the State of California prohibiting or regulating Commercial Cannabis Activity.

(ii) The Business Premises was the site of illegal volatile Cannabis manufacturing under Health and Safety Code Section 11379.6 as evidenced by a conviction, for a period of five years from the date of conviction.

(iii) The Business Premises was the site of distribution of Cannabis to minors as evidenced by a conviction, for a period of five years from the date of conviction.

(iv) The Business Premises was the site of any illegal Commercial Cannabis Activity after April 1, 2018, as evidenced by a conviction, for a period of five years from the date of conviction.

(v) The Business Premises was the site of a disconnection of utilities pursuant to Section 104.15(e) for a period of five years from the date of the disconnect.

4. If the Applicant's Business Premises is located in a Community Plan Area of Undue Concentration, DCR shall not conduct a preliminary review of the application -pursuant to Subsection (a) and the Applicant shall file a request on a form provided- and transmitted by DCR to the City Clerk, that the City Council find that approval of the License application would serve the public convenience or necessity, supported by evidence in the record. The Applicant shall also pay -a Public Convenience or Necessity Application Fee within 10 days from the date of invoice issuance. DCR shall promulgate standards subject to City Council approval by resolution, which may be amended from time to time. 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.

(b) **Application – Filing and Fees.** DCR shall consider the application filed following a determination of eligibility pursuant to Subsection (a) and the payment of the Temporary Approval Application Fee for each Commercial Cannabis Activity pursuant to Sec. 104.19. The Temporary Approval Application Fee shall be due within 10 calendar days from the date of invoice issuance. If the fees are not paid within the allotted time, the application shall be deemed abandoned. An Applicant shall submit all required information pursuant to the Rules and Regulations. An EMDM seeking a Retail License under Section 104.07 for a Type 10 - Retailer license shall pay the EMDM Retail License Fee pursuant to Section 104.19. Any additional licenses or activities (e.g., cultivation or manufacturing) sought by an EMDM require payment of the Cannabis License Fee for each additional license or activity requested in the application pursuant to Section 104.19. An Applicant seeking a License under Section 104.08 is required to pay the Cannabis LAMC Section 104.08 License Fee pursuant to Section 104.19 for each Commercial Cannabis Activity.

(b)(c) **Application – Determination of Completeness.** DCR shall determine if the Application is complete as provided in the Rules and Regulations. A determination of completeness includes an Initial Inspection and environmental clearance as required by Section 104.06(e). DCR may request additional information, including documents, from the Applicant at any time during application processing. If the

Applicant fails to provide the additional information in the time allotted by DCR, the Application shall be deemed abandoned. An Annual License Application Fee for each Commercial Cannabis Activity pursuant to Sec. 104.19 shall be paid within 10 days of DCR's determination that the Application is complete. DCR will conduct a Final Inspection and when applicable, schedule a Community meeting pursuant to Sec. 104.04. If the fees are not paid within the allotted time, the application shall be deemed abandoned.

(d) **Application - Withdrawal.** An Applicant may withdraw an Application prior to the City's approval or denial of the License. An Application shall not be considered withdrawn until DCR has consented to its withdrawal in writing. An Applicant may reapply at any time if an Application is withdrawn or abandoned; however, the Applicant must file a new application. DCR shall not refund any fee for a withdrawn or abandoned application. A request to withdraw an application must be submitted in writing, dated and signed by the Owner(s) representing a majority ownership share. Withdrawal of an Application shall not, unless consented by DCR, deprive DCR of its authority to institute or continue a proceeding against the Applicant for the denial of the License upon any ground provided by law or to enter an order denying the license upon any such ground.

(e) **Application – Modification.** An Applicant or Licensee shall not make modifications to an Application or License, without prior written approval by DCR in accordance with this subsection, by submitting a modification request on a form provided by DCR and payment of a modification request fee per Sec. 104.19. Upon payment, DCR, in its sole discretion, will review and determine if the modification request is eligible for further consideration. DCR's determination is not appealable. If the requested modification(s) can be further considered, the Applicant or Licensee shall submit any additional documents or information DCR deems necessary to process the request and pay any additional modification fees pursuant to Sec. 104.19. Modification requests shall not be processed until all required documents, information, and fees have been submitted to DCR. DCR may require Licensees to obtain approval for the proposed modification(s) from the applicable California commercial cannabis licensing regulatory agency(ies). DCR may also require business entities formed as corporations, limited partnerships or limited liability companies to update their filings with the California Secretary of State (SOS). DCR shall provide written notification when the requested modification has been processed. Persons shall not be permitted to sell, lease, lend, or otherwise transfer an Application, Temporary Approval, or License separate and apart from a transfer of the Person who owns the Application, Temporary Approval, or License. DCR may adopt guidelines, rules or regulations in accordance with this section.

1. **Business Premises Relocation.** An Applicant or Licensee shall not relocate the Commercial Cannabis Activity without prior written approval by DCR. The Applicant or Licensee shall submit a modification request form and pay the required modification fee pursuant to Sec. 104.19. Upon payment of the modification fee, DCR shall review the new location request and notify the Applicant or Licensee if the new location complies with Article 5, Chapter X of the Los Angeles Municipal Code. Upon notification, the Applicant or Licensee shall provide, at a minimum, 1) a copy of an executed lease with proof of a deposit or property deed for the new location; 2) a landowner acknowledgement that the Licensee has the right to occupy the property for Commercial Cannabis Activity for which the Licensee is seeking a license; 3) a site plan; 4) a Business Premises diagram; and, 5) copies of the licenses from the applicable State agency(ies).

2. —

(i) An Applicant or Licensee applying for, or authorized to conduct non-volatile manufacturing (Type 6), Non-Storefront Retailer (Type 9) and distribution (Type 11) may relocate to another location within the City subject to Subdivision 1 of this section.

(ii) An Applicant or Licensee applying for, or authorized to conduct cultivation (Types 1A, 1C, 2A, 3A, 5A), volatile manufacturing (Type 7) and retail store-front (Types 10, 12)

activities may relocate within the same Community Plan Area provided the Community Plan Area has not reached Undue Concentration subject to Subdivision 1 of this section. A relocation request within the same Community Plan Area which has reached Undue Concentration may be permitted provided the application was submitted prior to the Community Plan Area reaching Undue Concentration.

(iii) If the application was submitted pursuant to a City Council finding that approval of the license application would serve the public convenience or necessity, the relocation request shall comply with the following requirements:

(1) **Businesses without a License.** If the City Council found that approval of the Application would serve the public convenience or necessity for the original Business Premises location and DCR has not issued a License at the location, the Applicant shall request that the City Council find that approval of the License application at the new Business Premises location within the community plan area would serve the public convenience or necessity pursuant to Sec.104.03(a)(4) and subject to Subdivision 1 of this section.

(2) **Businesses with a License.** If the City Council found that approval of the Application would serve the public convenience or necessity for the original Business Premises location and DCR has issued a License at the location, the Licensee may be permitted to relocate within the same Community Plan Area which has reached Undue Concentration subject to Subdivision 1 of this section.

2. **Ownership Structure.** Except for the Social Equity Individual Applicant who is an Owner in an application subject to processing pursuant to Section 104.06.1, an Owner or Owners may be removed or replaced from the Application in accordance with the provisions in this subsection. DCR shall review and approve modifications to an Application or License's Applications. Temporary Approvals or Licenses are not transferable or assignable to another Person unless a request is submitted and approved by DCR. Business entities formed as corporations, limited partnerships or limited liability companies must update their filings with the California Secretary of State (SOS). The Applicant or Licensee shall pay the applicable modification fees pursuant to Sec. 104.19, as determined by DCR and submit the following: 1) copy of Statement of Information filed with the Secretary of State, if applicable; 2) copy of the Amended Articles of Organization or Incorporation, if applicable; 3) Ownership and Financial Interest Holder Disclosure Form for all Persons associated with the Application, Temporary Approval or License, 4) organization chart showing all owners and entities in a multi-layer business structure, and 5) any additional information DCR deems necessary to consider the request. Applicants and Licensees subject to Sec. 104.20, shall also provide all business records and agreements necessary to demonstrate that the Social Equity Individual Applicant owns the minimum Equity Shares in the Applicant required under Sec. 104.20(a)(2). Amendments to the ownership structure shall be made in accordance with the following:

(i) When an entity is an owner in the Application, all entities and individuals with a financial interest in the entity shall be disclosed to DCR. This includes all entities in a multi-layer business structure, as well as the chief financial officer, members of the board of directors, partners, trustees and all Persons who have control of a trust, and managing members or non-members managers of the entity. Each entity disclosed as having a financial interest must disclose the identities of Persons until only individuals remain.

(ii) If at least one existing Owner is not transferring his or her ownership interest and will remain as an Owner under the new structure, the business may continue to operate if a Temporary Approval or License has been issued by DCR while it reviews the eligibility of the new Owner(s) to determine whether the change would constitute grounds for disqualification of the Licensee pursuant to Section 104.03(a)(1) and (2).

(iii) If all Owners will be transferring their ownership interest, the Applicant shall resubmit all application documents and pay all required application fees. The business shall not operate under the new ownership structure until a new License has been issued by DCR.

(iv) A change of ownership does not occur when one or more owners leave the business by transferring their ownership interest to the other existing Owner(s).

(v) In cases when an owner leaves the business by transferring their ownership interest to the other existing Owner(s), written approval shall be required from the Owner that is transferring his or their ownership interest.

3. Legal Entity Name Change. Business entities formed as corporations, limited partnerships or limited liability companies that wish to conduct Commercial Cannabis Activity in the City must register with the California Secretary of State (SOS) and provide the Entity (File) Number to DCR upon application submission. Applications, Temporary Approvals or Licenses may change the legal entity name under which the Application, Temporary Approval or License was submitted or issued, provided the Entity (File) Number registered with the SOS remains the same. The Applicant shall submit the Modification Form, pay the required modification fee pursuant to Sec. 104.19 within 10 days from invoice issuance, and submit the necessary documents to demonstrate that the changes have been registered with the SOS and approved by the State agency or agencies. DCR may require that a new Application be submitted if it determines that the Application or License has been sold, transferred, auctioned, relinquished, transmitted, granted, bequeathed, leased or lent to another Person and shall deem the existing Application abandoned. Any new Application will be considered in the order received with respect to sensitive uses and if applicable, to activities subject to findings of Undue Concentration.

4. Physical Modification of Business Premises. An Applicant or Licensee shall not perform interior physical modifications, alterations, additions, or expansions of the Business Premises without the prior written approval by DCR. The Applicant shall submit a modification request form and pay the required modification fees pursuant to Sec. 104.19. Requests to modify the Business Premises shall comply with the following:

(i) Limit the expansion of the Business Premises footprint to 500 square feet or 20 percent of the existing Business Premises floor area, whichever is less, and shall comply with Article 5, Chapter X of the Los Angeles Municipal Code.

(ii) The Applicant or Licensee shall submit a proposed Premises Diagram which clearly indicates the proposed construction, alterations, addition or expansion of the Business Premises footprint. The diagram shall be drawn to scale (1/8" = 1' - 0" minimum scale) with dimensions and indicate the existing floor area, the added floor area and clearly label each Commercial Cannabis Activity on the Business Premises and all ancillary uses.

(iii) An Applicant may increase the cultivation area within the existing Business Premises or may expand the existing Building Premises floor area per paragraph (i), provided that the resulting cultivation area does not exceed the maximum cultivation area allowed by the License Type under which the Application was submitted.

(iv) Additional Requirements if applicable, DCR may require a copy of an executed lease with proof of a deposit or property deed if the expansion includes additional adjacent units, 2) landowner acknowledgement that the Applicant or Licensee has the right to occupy the Business Premises; 3) a site plan, if the Business Premises diagram has been expanded, and 4) any additional documents or information DCR deems necessary to consider the request.

5. **Fictitious Business Name Change.** Applicants who register a Fictitious Business Name (FBN) with the Los Angeles County Registrar must provide the FBN to DCR upon application submission. A new FBN or a change to the existing FBN after the Application is submitted must be requested using the application modification form and pay the required modification fees pursuant to Sec. 104.19. The Applicant shall submit the necessary documents to demonstrate that the changes have been registered with the Los Angeles County Registrar and approved by the State.

6. **Other Modifications.** DCR may consider other application modifications on a case-by-case basis. The Applicant shall submit a modification request form and pay the required modification fees to Sec. 104.19.

(f) **Calculation of Time.** Notwithstanding any provisions of this Article, whenever the final day for filing an application or appeal falls on a Saturday, Sunday or City holiday, the time for filing shall be extended to the close of the next Business Day and the effective or final date of any action, decision or determination shall be extended by the same amount of time.

~~—(a) To apply for a License, an Applicant shall file an application for Commercial Cannabis Activity online and shall at the time of filing include all information and fees required pursuant to the Rules and Regulations. An EMMD seeking a Retail License under Section 104.07 for a Type 10—Retailer license or for the on-site retail portion of a Type 12—Microbusiness License shall pay the Cannabis LAMC Section 104.07 EMMD Retail License fee pursuant to Section 104.19. Any additional licenses or microbusiness activities (e.g., cultivation or manufacturing) sought by an EMMD require payment of the Cannabis License Fee for each and every additional license or microbusiness activity requested in the application pursuant to Section 104.19. An Applicant seeking a License under Section 104.08 is required to pay the Cannabis LAMC Section 104.08 License Fee for each and every license applied for, and if applying for a non-retail microbusiness license, each and every non-retail microbusiness activity. For all other Applicants seeking a License not described above, a Cannabis License Fee shall be paid for each and every license or microbusiness activity applied for. (Amended by Ord. No. 185,608, Eff. 7/23/18.)~~

~~—If the Applicant's Business Premises is located in a geographical area of Undue Concentration, then DCR shall not process the application and the Applicant shall file 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 public convenience or necessity, supported by evidence in the record. Notice of the Applicant's request shall be provided in the same manner as a Notice of Complete Application under Section 104.05(a). If the City Council does not act on the Applicant's request within 90 days, then the City Council shall be deemed to have made the necessary findings to support the public convenience and necessity. (Amended by Ord. No. 185,850, Eff. 11/28/18.)~~

~~—(b) DCR shall determine if the application is complete. An incomplete application shall be rejected by DCR. DCR may request additional information, including documents, from the Applicant at any time during application processing. If the Applicant fails to provide the additional information in the time allotted by DCR, the application shall be considered abandoned. An Applicant may withdraw an application prior to the City's approval or denial of the application. An Applicant shall follow the withdrawal process provided in the Rules and Regulations. An Applicant may reapply at any time if an application is withdrawn, rejected or abandoned; however, the Applicant must file a new application. DCR shall not refund any fee for a withdrawn, rejected or abandoned application. (Amended by Ord. No. 186,111, Eff. 6/14/19.)~~

~~—(c) A Person is ineligible to apply for a License in any of the following circumstances:~~

~~—1. A Person holds office in, or is employed by, any agency of the State of California and any of its political subdivisions, including the City, when the Person's duties include the enforcement and~~

~~regulation of Commercial Cannabis Activity or any other penal provisions of law of the State of California prohibiting or regulating Commercial Cannabis Activity.~~

~~-~~
~~2. A Person convicted of illegal volatile Cannabis manufacturing under Health and Safety Code Section 11379.6 for a period of five years from the date of conviction.~~

~~-~~
~~3. A Person convicted of violating any State or local law involving wage or labor for a period of five years from the date of conviction.~~

~~-~~
~~4. A Person convicted of violating any law involving distribution of Cannabis to minors for a period of five years from the date of conviction.~~

~~-~~
~~5. A Person convicted of conducting any illegal Commercial Cannabis Activity after April 1, 2018, for a period of five years from the date of conviction.~~

~~-~~
~~6. An entity that is incorporated outside of the United States.~~

~~-~~
~~7. A Person convicted of violating any State or local law involving distribution or sales of tobacco or alcohol to minors for a period of five years from the date of conviction.~~

~~-~~
~~8. A Person with a violent felony conviction as defined in California Penal Code Section 667.5, a serious felony conviction as defined in California Penal Code Section 1192.7, or a felony conviction for violating any law involving violent crimes, sex trafficking, rape, crimes against children, gun crimes or hate crimes for a period of 20 years from the date of conviction or completion of a term of imprisonment, supervised release or probation imposed as a sentence for the conviction, whichever is later. (Amended by Ord. No. 185,629, Eff. 7/2/18.)~~

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~~9. A Person with a felony conviction for a crime involving fraud, deceit, or embezzlement for a period of five years from the date of conviction. (Added by Ord. No. 185,629, Eff. 7/2/18.)~~

~~(d) The Commission, based on a recommendation of License suitability provided by DCR, may determine that a Person is ineligible to apply for a License due to previous non-Cannabis drug felonies. DCR and Commission shall base the determination of ineligibility using the Criteria for Rehabilitation as described in Title 16, Division 42, Chapter 1, Article 3, Section 5017 of the State of California Code of Regulations.~~

SEC. 104.04. PRE-LICENSING FINAL INSPECTION AND COMMUNITY MEETING.

(a) DCR shall conduct Final Inspections in the manner as provided in the Rules and Regulations. A completed application shall be referred by DCR for pre-licensingFinal Inspection as provided in the Rules and Regulations. All applicants must pass a Final Inspection prior to the issuance of a License. EMMDs are not required to pass inspection before issuance of a Temporary Approval.

(a)

(b) After DCR determines an application is complete and before pre-licensing inspection is complete, DCR shall conduct a community meeting via video or telephone conferencing or within the defined geographic area of the Area Planning Commission within which the Business Premises is situated. At the meeting, DCR shall accept written and oral testimony regarding the application and then prepare a written report to the Cannabis Regulation Commission summarizing the testimony in favor and against the application. Notice of the community meeting shall be provided as specified in Section 104.05(b). This subsection shall not apply to an application for Non-Retailer Activity in a Business Premises less than 30,000 square feet or Non-Storefront Retailer Activity.

(a)(c) Within 10 days of receipt of the Notice of Complete application, the Applicant or a designated

representative shall contact the Neighborhood Council and offer to appear before the Neighborhood Council to address questions about the application. Written evidence shall be provided to DCR such as an email to the Neighborhood Council -or a copy of their meeting minutes.

SEC. 104.05. NOTICE.

~~(a) **Notice of Complete Application.** Within ten days of DCR determining that an application is complete, DCR shall provide mailed notice of the application to the owner or owners of the Business Premises, and the owners and occupants of all property within 500 feet of the property line of the lot on which the subject Business Premises is located, using for the purpose of notification of property owners, the last known name and address of owners as shown on the records of the City Engineer or the records of the County Assessor. For occupants, the notice shall be addressed to "occupant" and mailed to all property addresses within the 500-foot radius. Where all property within the 500-foot radius is under the same ownership as the Business Premises, the owners of all property that adjoins that ownership, or is separated from it only by a street, alley, public right-of-way or other easement, shall also be notified as set forth above. DCR shall also provide written notice to the closest neighborhood council, the closest business improvement district, and the City Council office within which the Business Premises is situated. DCR shall also post the notice on its website. The Applicant shall immediately post in a conspicuous place on the Business Premises a copy of the notice DCR provided to the Applicant. All notices shall inform interested parties on how to provide DCR with information about the application. The Applicant shall provide written evidence to DCR that the Applicant offered to appear before the neighborhood council to address questions about the application.~~

~~—(b) **Notice of Community Meeting or Public Hearing.** Except where a different notice requirement is provided, no less than 20 days prior to the date of any community meeting or public hearing required under this article, DCR shall provide mailed notice of the meeting or hearing to the Applicant's agent for service of process, the owner or owners of the Business Premises, and the owners and occupants of all property within 500 feet of the property line of the lot on which the Business Premises is situated, in the same manner as specified in Section 104.05(a). DCR shall also provide written notice of the meeting or hearing to the closest neighborhood council, the closest business improvement district and the City Council office within which the Business Premises is situated. DCR shall also post notice on its website. The Applicant shall immediately post in a conspicuous place on the Business Premises a copy of the notice DCR provided to the Applicant. The Applicant is not required to offer to appear before the neighborhood council to address questions about the community meeting or hearing.~~

~~(b) **Notice of Public Convenience or Necessity (PCN) Public Hearing.** no less than 10 days prior to the date of any PCN Public Hearing or public hearing required under this article, the City Clerk shall provide mailed notice of the Public Hearing or hearing to the Applicant's agent for service of process, the owner or owners of the Business Premises, and the owners and occupants of all property within 500 feet of the property line of the lot on which the Business Premises is situated, in the same manner as specified in Section 104.05(a). DCR shall also provide written notice of the meeting or hearing to the closest neighborhood council, the closest business improvement district and the City Council office within which the Business Premises is situated. DCR shall also post notice on its website. The Applicant shall immediately post in a conspicuous place on the Business Premises a copy of the notice DCR provided to the Applicant. The Applicant is not required to offer to appear before the neighborhood council to address questions about the community meeting or hearing.~~

~~(c) **Interested Party Notification.** Upon written request to DCR, any Person shall be placed on DCR's Interested Party Notification list to receive via email all notices required under this section~~

(a) **General.** Whenever a notice is required under this article, the Applicant shall bear the cost of mailing and posting of the notice in accordance with the mailing procedures in the Rules and Regulations. The Executive Director may adopt Rules and Regulations consistent with this section for the posting of notices.

(b) **Types of Notice.**

1. **Written Notice.** Written notices shall contain the following information: purpose of the notice, name of the Applicant, application number, Business Premises address, Commercial Cannabis Activities requested, Council District and Community Plan Area in which the Business Premises is located. The notice shall also inform interested parties on how to provide DCR with information about the application. DCR shall post Written Notice on its website and shall send via electronic mail to 1) the closest neighborhood council, 2) the business improvement district, if applicable, and 3) the City Council office within which the Business Premises is situated.

2. **Mailed Notice.** Mailed Notices shall contain the following information: date, time and place where the community meeting or public hearing will be held or if the community meeting will be held online, a link to the webinar or virtual meeting. The notice shall also include the purpose of the meeting, name of the Applicant, application number, Business Premises address, Commercial Cannabis Activities requested, Council District and Community Plan Area in which the Business Premises is located. The notice shall inform interested parties how to provide DCR with information about the application. DCR shall post the Mailed Notice on its website and shall send via U.S. mail to 1) the Applicant, 2) Applicant's representative, 3) Owner or owners listed on the Application, 4) the owners and occupants of all property within 500 feet of the property line of the lot on which the subject Business Premises is located, using for the purpose of notification of property owners, the last known name and address of owners as shown on the records of the City Engineer or the records of the County Assessor. For occupants, the notice shall be addressed to "occupant" and mailed to all property addresses within the 500-foot radius. Where all property within the 500-foot radius is under the same ownership as the Business Premises, the owners of all property that adjoins that ownership, or is separated from it only by a street, alley, public right-of-way or other easement, shall also be notified as set forth above. In addition, DCR shall post the notice on its website and shall send via electronic mail to 1) the closest neighborhood council, 2) the business improvement district, if applicable and 3) the City Council office within which the Business Premises is situated.

3. **Posted Notice.** Posted Notices shall contain the following information: date, time and place where the meeting or public hearing will be held or if the meeting will be held online, a link to the webinar or virtual meeting. The notice shall also include, the purpose of the meeting, name of the Applicant, application number, Business Premises address, Commercial Cannabis Activities requested, Council District and Community Plan Area in which the Business Premises is located. The notice shall inform interested parties how to provide DCR with information about the application. The Notice shall be posted in a conspicuous place on the property where the Business Premises is located. The notice shall be electronically provided by DCR and printed by the Applicant on a minimum of 11" x 17" paper size with a minimum 20 font size. The notice shall be posted immediately upon receipt from DCR.

(c) **Required Notice.** When required by this subsection, notices shall comply with Section 105(b).

1. **Notice of Complete Application.** Within ten days of DCR determining that an application is complete, DCR shall provide Written Notice as described in Section 104.05(a)(1). The Applicant shall provide written evidence to DCR that the Applicant offered to appear before the neighborhood council to address questions about the application.

2. **Notice of Community Meeting.** No less than 20 days prior to the date of any community meeting required under this article, DCR shall provide Mailed and Posted Notice of the meeting as described in Sections 104.05(a)(2) and (3).

3. **Notice of Cannabis Regulation Commission Public Hearing.** No less than 20 days prior to the date of any Commission Public Hearing required under this article, DCR shall provide Mailed and Posted Notice of the Commission Public Hearing as described in Section 104.05(a)(2) and (3).

4. **Notice of Public Convenience or Necessity (PCN) Public Hearing.** Within 10 days of DCR transmitting an applicant's request to the City Clerk that the City Council find that approval of the license application would serve the public convenience or necessity, DCR shall provide Written Notice per Sec. 104.05(b)(1).

5. **Notice to Interested Parties.** Upon written request to DCR, any Person shall be placed on DCR's Interested Party Notification list to receive via email all notices required under this section.

SEC. 104.07. PROPOSITION M PRIORITY PROCESSING.

(Added by Ord. No. 185,343, Eff. 12/19/17.)

(a) Proposition M Priority Processing Applications for Retailer Commercial Cannabis Activity, which includes delivery, and on-site cultivation consistent with Proposition D, shall be accepted and processed by DCR for the first 60 days after DCR starts accepting applications. EMD Applicants may apply for a maximum of one Microbusiness License (Type 12); or a maximum combination of one Retailer License (Type 10), one Distributor License (Type 11), one Manufacturer License (Type 6 only) and one Cultivation, Indoor (Type 1A, 1C, 2A or 3A) License for the one location identified in its original or amended BTRC and as demonstrated in previous Commercial Cannabis Activity as of March 7, 2017.

(b) An EMD that as of January 1, 2018, meets all of Proposition D requirements shall continue to have limited immunity up until the time the EMD receives Temporary Approval. The limited immunity shall terminate if the EMD Applicant fails to seek or obtain a Temporary Approval, although the limited immunity shall be extended through any appeal of the Temporary Approval denial. The limited immunity shall be as follows: the EMD shall not be subject to the remedies set forth in Los Angeles Municipal Code Sections 11.00 or 12.27.1 solely on the basis of engaging in medical Commercial Cannabis Activity, provided however that, as authorized by California Health and Safety Code Section 11362.83, this limited immunity is available and may be asserted as an affirmative defense only so long as the requirements of this Section are adhered to by the EMD and only by an EMD at the one Business Premises operated by the EMD. This limited immunity shall not be available to and shall not be asserted as an affirmative defense to any violation of law except as expressly set forth in this Section. Further, nothing contained in this limited immunity is intended to provide or shall be asserted as a defense to a claim for violation of law brought by any county, state or federal governmental authority.

(c) DCR's determination of whether an EMD Applicant is eligible for Proposition M Priority Processing shall be made with no hearing and shall be final and effective upon the close of the 15-day appeal period if the EMD Applicant does not timely request an administrative hearing, as provided in Section 104.10. In making its determination, DCR may request additional information from the EMD Applicant. ~~In making its determination,~~ DCR shall make written findings ~~when regarding whether~~ the EMD Applicant ~~complies does not comply with does not meet~~ the requirements for priority processing for EMDs. In determining whether an EMD Applicant meets the requirements for priority processing, DCR shall consider whether ~~the EMD Applicant cured any non-substantive administrative violations in C. through F., and M. under LAMC Section 45.19.6.3.~~ Once DCR deems a Proposition M Priority Processing Application is complete and eligible for a Proposition M Priority Processing, DCR shall issue the EMD a Temporary Approval. EMDs issued a Temporary Approval shall have their License(s) processed and reviewed pursuant to Section 104.06.

(d) If Proposition M Priority Processing is denied by DCR and, if appealed to the Commission ~~or hearing officer -and is~~ also denied by the Commission ~~or the hearing officer~~, the EMD Applicant shall immediately cease all Commercial Cannabis Activity at the Business Premises and the EMD Applicant shall not be entitled

to the limited immunity from prosecution afforded by Proposition D. An EMMD Applicant determined ineligible for Proposition M Priority Processing may apply for a License by filing a new application and abiding by the application priority in effect at that time. DCR shall not refund any fee for an application determined ineligible for Proposition M Priority Processing.

(e) ~~Once DCR deems a Proposition M Priority Processing Application is complete and eligible for a Proposition M Priority Processing, DCR shall issue the EMMD a Temporary Approval, which shall allow the EMMD to maintain the limited immunity from prosecution afforded by Proposition D even after Proposition D is repealed. A completed Proposition M Priority Process Application accepted by DCR as eligible for a Proposition M Priority Processing shall be shall have their License(s) processed and reviewed pursuant to Section 104.06. An EMMD otherwise eligible for Proposition M Priority Processing shall not be denied a Temporary Approval or a License by the Commission based upon the EMMD's location in a geographical area of Undue Concentration. Business Premises location initially or amended prior to the enacted date of Section 45.19.7.2, or subsequent location approved pursuant to Section 45.19.7.2, if located in a Community Plan Area of Undue Concentration geographical area. An EMMD otherwise eligible for Proposition M Priority Processing shall not be denied a Temporary Approval or a License based upon the location of: 1) the EMMD's original Business Premises, 2) Business Premises amended prior to the enactment of Section 45.19.7.2, or 3) subsequent Business Premises approved pursuant to Section 45.19.7.2, if located in a Community Plan Area of Undue Concentration. A final denial of a License and exhaustion of all administrative appeals shall terminate the Temporary Approval and the limited immunity.~~

(f) An EMMD shall submit to a financial audit by the City's Office of Finance and clear all City tax obligations prior ~~to being issued to the issuance of~~ a Temporary Approval or a License, and the renewal of a Temporary Approval or a License. For purposes of this subsection only, an EMMD that has entered into a payment plan with the City's Office of Finance pursuant to LAMC Section 21.18 to pay all outstanding City-owed business taxes is deemed current on all City-owed business taxes and is deemed to have submitted payment for all City-owed business taxes.

(g) ~~A pre-licensing inspection n Initial Inspection~~ for a Temporary Approval is not required for an EMMD whose Proposition M Priority Processing Application is accepted by DCR, ~~but shall be required before issuance of a License pursuant to Section 104.06.~~

(h) An EMMD issued a License pursuant to Proposition M Priority Processing is not required to adhere to the zone, distance and sensitive use restrictions stated in Section 105.02 of this Code as long as, and on the condition that, the EMMD: (1) operates and continues to operate in compliance with the distance and sensitive use restrictions (Los Angeles Municipal Code Section 45.19.6.3(L) and (O)) of Proposition D notwithstanding those restrictions are or would have ~~been repealed~~; and (2) 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. This limited grandfathering shall not create, confer, or ~~convey~~ any vested right or non-conforming right or benefit regarding any activity conducted by the EMMD beyond the term and activities provided by the City License. This limited grandfathering shall cease on December 31, 2022, after which all EMMDs shall be required to cease conducting any commercial cannabis activities on Business Premises that do not meet the zone requirements of Article 5 of Chapter X of this Code. If an EMMD issued a License fails to operate in compliance with the specified provisions of Proposition D, the EMMD's ~~City Temporary Approval or~~ License shall be subject to revocation.

SEC. 104.08. NON-RETAILER COMMERCIAL CANNABIS ACTIVITY PRIOR TO JANUARY 1, 2016, PROCESSING.

(a) An Applicant who applies for a License for Non-Retailer Commercial Cannabis Activity and who

meets the below criteria as determined by DCR shall receive a Temporary Approval, ~~which shall provide the Applicant with limited immunity, as described in Subsection (c),~~ to operate pending the review of its License application: 1) the Applicant was engaged prior to January 1, 2016, in the same Non-Retailer Commercial Cannabis Activity that it now seeks a License ~~for~~; 2) the Applicant provides evidence and attests under penalty of perjury that it was a supplier to an EMD prior to January 1, 2017; 3) the Business Premises meets all of the land use and sensitive use requirements of Article 5 of Chapter X of this Code; 4) the Applicant passes an Initial Inspection-pre-license inspection; 5) there are no fire or life safety violations on the ~~Business Premises~~; 6) the Applicant paid all outstanding City business tax obligations; 7) the Applicant indemnifies the ~~City~~ from any potential liability on a form approved by DCR; 8) the Applicant provides a written attestation that it will enter into an agreement with a testing laboratory for testing of all Cannabis and Cannabis products and attests to testing ~~all of its Cannabis and Cannabis products in accordance with state standards~~; 9) the Applicant is not engaged in Retailer Commercial Cannabis Activity at the Business Premises; 10) the Applicant attests that it will cease all operations if ~~denied a State license or City License~~; 11) the Applicant qualifies under the Social Equity Program as it existed as of January 1, 2020; and 12) the Applicant attests that it will comply with all operating requirements imposed by DCR and understands that DCR may immediately suspend or revoke the Temporary Approval if the Applicant fails to abide by any City operating requirement. For purposes of this subsection only, an Applicant who has entered into a payment plan with the City's Office of Finance pursuant to LAMC Section 21.18 to pay all outstanding City-owned business taxes is deemed current on all City-owned business taxes and is deemed to have submitted payment for all City-owned business taxes. Prior to determining that an Applicant is eligible ~~for processing under this section~~, DCR, at its discretion, may provide an Applicant with local authorization to apply for a temporary license from the Bureau of Cannabis Control, the California Department of Food and Agriculture or the California Department of Public Health. This local authorization shall not permit an Applicant to engage in Ceommercial Ceannabis Aactivities unless DCR grants the Applicant a Temporary Approval. This local authorization must be renewed pursuant to Section 104.12. (Amended by Ord. No. 185,850, Eff. 11/28/18.)

(b) A completed application accepted by DCR as eligible for a processing under this Section shall be processed and reviewed pursuant to Section 104.06. DCR may request additional information from the Applicant. DCR shall make written findings when the Applicant does not meet the requirements for processing under this Section. DCR's determination of whether an Applicant is eligible for processing under this Section shall be made with no hearing and shall be final and effective 15 days after the date of its mailing upon the close of the 15-day appeal period if the Applicant does not timely request an administrative hearing, as provided in Section 104.10. DCR may request additional information from the Applicant. In making its determination, DCR shall make written findings when regarding whether the Applicant does not meet the requirements for processing under this Section. A completed application accepted by DCR as eligible for a processing under this Section shall be processed and reviewed pursuant to Section 104.06. A final denial of a License and exhaustion of all administrative appeals shall terminate the Temporary Approval and the limited immunity. (Amended by Ord. No. 185,850, Eff. 11/28/18.)

(b) —

(c) An Applicant that submitted an aApplication pursuant to this Section by September 13, 2018, paid all fees required under Section 104.19, and received from DCR local authorization under this section shall not be subject to the remedies ~~set forth in Los Angeles Municipal Code Sections 11.00 or 12.27.1 solely on the basis of Non-Retailer Commercial Cannabis Activity~~; provided, however, that, as authorized by California Health and Safety Code Section 11362.83, this limited immunity is available and may be asserted as an affirmative defense only so long as the requirements of this ~~Section~~ are adhered to by the Applicant and only by an Applicant at the one Business Premises identified in its application. This limited immunity shall terminate upon the close of the 15-day appeal period if the Applicant does not timely request an administrative hearing as provided in Section 104.10 on the date DCR makes written findings that the Applicant does not meet the requirements for processing under this Section ineligibility regarding whether the Applicant meets the requirements for processing under this Section, although the limited immunity shall be extended through any appeal of DCR's findings. This limited immunity shall not be available to and shall not be asserted as an affirmative defense to any violation of law except as expressly set forth in this Section. Further, nothing contained in this limited immunity is intended to provide or shall be asserted as a defense to a claim for violation of law brought by any county, state or federal governmental authority. (Amended by Ord. No.

185,850, Eff. 11/28/18.)

(d) Once application processing pursuant to Section 104.07 begins, DCR may, at its discretion, accept Section 104.08 applications for a period of 30 business days. (Amended by Ord. No. 185,608, Eff. 7/23/18.)

~~(e) An Applicant under this section shall not be permitted to change the location of its Business Premises on its application after May 15, 2019. If an Applicant did not identify a Business Premises on its application by May 15, 2019, its application shall be deemed abandoned. (Added by Ord. No. 186,111, Eff. 6/14/19.)~~

~~(f)(e)~~ An Applicant under this section that has not received Temporary Approval shall report to DCR by July 1, 2019, whether it has made substantial progress, as determined by DCR, towards preparing its Business Premises to pass an Initial Inspection ~~pre-license inspection~~. An Applicant who cannot report substantial progress by July 1, 2019, shall have its application deemed abandoned. An Applicant who reports substantial progress by July 1, 2019, shall be required to pass an Initial Inspection ~~pre-license inspection~~ by December 31, 2019, or its application shall be deemed abandoned unless DCR grants the Applicant an extension due to extenuating circumstances as determined by DCR in its sole discretion. (Added by Ord. No. 186,111, Eff. 6/14/19.)

SEC. 104.12. RENEWAL AND CANCELLATION.

(Added by Ord. No. 185,343, Eff. 12/19/17.)

(a) Every License, including Temporary Approvals, shall be renewed annually. If a License is not timely renewed, it shall expire after 11:59 p.m. on December 31st for the year issued. To renew a License, a completed License renewal application ~~License renewal form~~ and renewal License Renewal Fee shall be received ~~paid~~ by DCR ~~from~~ the Licensee no earlier than 120 calendar days before the expiration of the License, and no later than 60 calendar days before the expiration of the License. Failure to receive a notice for License renewal from DCR does not relieve a Licensee of the obligation to renew a License. In the event the License is not renewed prior to the expiration date, the Licensee shall cease all Commercial Cannabis Activity until such time that the Licensee is issued a new License from DCR and a license from the State of California. ~~DCR shall send to the Licensee a letter denying or approving the License renewal application. The Licensee may file an administrative appeal, pursuant to Section 104.14, within 15 days of the date of DCR sending the denial letter. Failure to file an administrative appeal shall constitute a failure to exhaust administrative remedies.~~

~~(a)~~

At the time a License renewal application is submitted to DCR, a Licensee must include updated annual licensing documents required by Rule and Regulation No. 3. A Licensee's security plan must comply with the Rules and Regulations and be reviewed every year as part of the License renewal process. As part of the License renewal process, DCR may require ~~modification to the~~ Licensee's security plan. Except for Tier 3 Licensees, Licensees subject to Sec. 104.20 shall also submit Equity Share documents in compliance with Sec. 104.20(a)(2).

(b)

~~(b)(c)~~ In order to renew a ~~receive a License renewal~~, a Licensee shall be in good standing with the requirements in this article and shall not be delinquent on any City tax or fee. For purposes of this subsection only, a Licensee who has entered into a payment plan with the City's Office of Finance pursuant to LAMC Section 21.18 to pay all outstanding City-owed business taxes shall not be deemed delinquent on any City tax. (Amended by Ord. No. 185,608, Eff. 7/23/18.)

~~(e)(d)~~ Any Licensee who has ceased a conducting business ~~commercial cannabis activity~~ at the ~~a~~ Business Premises for a continuous period of 180 days ~~exceeding 30 consecutive calendar days~~, except for ~~shall not be authorized to renew its license~~ bona fide remodeling pursuant to a City-issued building permit and for not longer than a commercially reasonable period of time as determined by DCR, unless authorized shall be

~~subject to action by DCR to suspend or revoke their~~ in accordance with the Rules and Regulations. License.

(e) DCR may cancel any License upon the request of the Licensee.

(f) The Licensee may file an administrative appeal of the decision to deny License renewal, pursuant to Section 104.14, within 15 days of the date of DCR sendingmailing the denial letter. Failure to file an administrative appeal shall constitute a failure to exhaust administrative remedies.

~~(d)~~