DEPARTMENT OF CANNABIS REGULATION

CANNABIS REGULATION

CANNABIS REGULATION COMMISSION

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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 104.06, 104.06.1, 104.20, 104.21, AND 104.22 OF THE LOS ANGELES MUNICIPAL CODE; DCR REPORT NO. 2 (2 OF 4)

SUMMARY

On April 10, 2020, the Department of Cannabis Regulation (Department) transmitted a report to the Los Angeles City Council regarding the Department's Performance Audit and Review of the Department's Phase III Round 1 Licensing Process (Phase III Report). The Phase III Report summarized the Auditor's findings, the Office of the City Administrative Officer's recommendations and provided the Department's policy recommendations and legislative amendments to "provide practical strategies designed to establish a more equitable path forward..." (Council file No. 20-0446).

This report supplements the policy recommendations included in the Phase III Report and provides the draft ordinance language to effectuate the proposed amendments. This report also provides additional recommended amendments to Article 4 of Chapter X of the Los Angeles Municipal Code (Cannabis Procedures Ordinance) to reorganize, clarify and include necessary procedures for the administration of City's commercial cannabis Licensing and Social Equity Program. 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 second 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.

DCR Report No. 1:	LIST AND SUMMARY OF DCR REPORTS 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 104.06, 104.06.1, 104.20, 104.21 and 104.22.

Sec. 104.06 – Issuance of License

Section 104.06 provides the process and requirements for the issuance of commercial cannabis activity licenses and related appeal procedures. The proposed amendments to this section include a substantive revision to the application processing of Type 9 Non-Storefront Retailer Licenses and Type 10 Storefront Retailer Licenses by recommending that application processing of these types of licenses be limited to only Social Equity Applicants until January 1, 2025. Accordingly, the amendments also propose language to process applications consistent with Social Equity Program application processing as described in Section 104.20.

The Department is responsible for administering the City's commercial cannabis Licensing and Social Equity Program. The Social Equity Program is aimed at promoting equitable ownership and employment opportunities in the Cannabis industry and is intended to decrease disparities in life outcomes for marginalized communities. The proposed amendments in Section 104.06 are consistent with the Program's purpose because they seek to provide a more equitable opportunity for Social Equity Applicants to compete in the City's nascent legal market.

Current law requires that Social Equity Applicants receive priority processing for Type 9 and Type 10 Retailer commercial activity Licenses on a 2:1 ratio with all non-Social Equity Applicants. As of the date of this report, 189 Type 10 Storefront Retailer Licenses have been issued to non-Social Equity Applicants by way of Proposition M Priority Processing for EMMDs. To meet the required ratio, 378 Type 10 Retailer License applications would have to be processed before Type 10 Retailer License application processing is available to non-Social Equity Applicants. However, it is likely that all community plan areas will reach Undue Concentration before this processing ratio is reached. As such, limiting retail application processing to Social Equity Applicants as proposed may not impact the total number of licenses issued by the Department to non-Social Equity Applicants without the proposed sunset provision.

By limiting the processing of new applications for Type 10 and Type 9 Retailer Licenses to Social Equity Applicants, the proposed amendments seek to afford these applicants the opportunity to be among the first-to-market, reduce barriers to entry and promote opportunities for the viability of Social Equity Applicants. Additionally, this limitation on Type 10 and Type 9 licenses for the immediate future will bolster the Social Equity Program's objectives by further promoting equitable ownership and employment opportunities in the cannabis industry, decreasing disparities in life

outcomes for marginalized communities and addressing disproportionate impacts of cannabis prohibition in adversely-impacted and lower income communities.

Overall, proposed amendments to this section also seek to clarify the process for the issuance of an annual license. When necessary, a subsection was added to clarify a requirement, procedure and/or limitation. The terms used throughout this section are consistent with the proposed definitions in Section 104.01 (see DCR Report No. 1).

Throughout Subsection 104.06(a), the reference to "pre-licensing inspection" is deleted because, it is replaced by an initial inspection and as newly defined, it is a prerequisite to deeming an annual licensing application complete and therefore it is redundant as used in this subsection. The reference to "Temporary Approval" is deleted throughout this subsection and added in its own subsection to specifically address the requirements and limitations to issue, revoke or suspend a Temporary Approval.

Amendments to Subdivision 104.06(a)(1) expand and clarify existing language which authorize DCR to deny the issuance of a License. These amendments add two reasons which are implicit in the current ordinance to deny a License, namely when a Temporary Approval has been revoked and when the Applicant is ineligible for licensure.

Section 104.06(d) is added to authorize the issuance of Temporary Approvals to applicants conditioned on the submittal of documents, passing an Initial Inspection and provided there are no fire or life safety violations on the Business Premises. The proposed amendments recognize that given the duration of the application and licensing process, the competitive nature of the cannabis industry and high start-up costs, it is imperative that operators can begin operating in compliance with State and City laws and regulations sooner rather than later. The proposed amendments would apply to all applicants. This amendment is on par with the Temporary Approval process in effect for Phase 1 Applicants and Phase 2 Applicants. To date, the Department has already issued 378 Temporary Approvals for retail and non-retail activities pursuant to Sections 104.07 and 104.08.

Further, the proposed language in 1040.06(d) does not waive any other City requirements or necessary permits that would otherwise be required to occupy the Business Premises. In addition, the proposed language requires Social Equity Applicants to provide all business records and agreements necessary to demonstrate that the Social Equity Individual Applicant meets the "Equity Share" definition pursuant to Section 104.20(a)(2). This provision seeks to mitigate against potential predatory practices and further would require that all Social Equity Applicants currently operating comply with the expanded definition of Equity Share by January 2021. The proposed language related to the expanded definition of Equity Share is addressed in Section 104.20.

The proposed amendments also delete all existing references to CEQA in this section and add Subsection 104.06(e), to comprehensively address CEQA review requirements.

Sec. 104.06.1 – Retailer Commercial Cannabis Activity Application Processing

Currently, Section 104.06.1, as captured by its title, provides the requirements and procedures for Type 9 Non-Storefront Retailer License and Type 10 Storefront Retailer License application processing. These amendments propose a substantive revision to broaden the scope to include requirements and procedures for all license types and narrows its applicability to only Social Equity Applicants. The proposed amendments require that once deemed eligible for further processing under this section, applications must follow the processing requirements in Section 104.06, consistent with the issuance of an annual license.

The proposed amendments seek to re-organize this section to articulate the verification process for the individual and the initial application process once the individual has been verified as a Social Equity Individual Applicant by the commercial cannabis activity type. The types of application processing included in this section are: 1)Type 10 Application Processing -Round 1 in Section 104.06(b), 2) Type 10 Application Processing - Round 2 in Section 104.06(c), 3) the Public Convenience or Necessity Application Processing in Section 104.06.1(d), 4) Type 9 Application Processing in Section 104.20 (e), and 5) Non-Retail Application Processing in Section 104.20(f).

Proposed amendments increase the number of days for eligibility verification in Round 2 of Type 10 Application Processing from 30 calendar days to 60 calendar days in which new applicants may submit documents to DCR for review. This is consistent with the Round 1 verification period. In addition, the proposed amendments allow DCR 90 calendar days to review and determine eligibility.

Another substantive amendment proposed to Section 104.06, is the manner in which DCR will administer Round 2 for Type 10 Application Processing in Section 104.06.1(c). The new process, as proposed, eliminates the first come, first served method used in Round 1 and proposes a lottery to select verified Social Equity Applicants for the remaining Type 10 Licenses available in the City. The lottery will only be available to verified Social Equity Individual Applicants. Social Equity Applicants determined eligible to apply for a Type 10 License via lottery will be afforded one year to identify a Business Premises location within a community plan area that has not reached Undue Concentration. The amendments include a provision which will allow for the potential selection of Additional Social Equity Applicants through a future lottery if any of the applications from the first or subsequent lotteries do not result in the issuance of a license. The proposed Application Lottery supports a process that provides a fair and transparent opportunity for pre-verified applicants to apply for the remaining retail licenses in the City.

Proposed amendments to Type 9 Non-Storefront Retailer application processing delete the delivery pilot and the ability for applicants subject to Section 104.08 to apply for this type of license, unless otherwise eligible pursuant to Section 104.20.

The section is amended to include non-retail application processing which allows Social Equity Applicants as defined under the original or revised criteria to apply for application processing.

Sec. 104.20 – Social Equity Program

Section 104.20 contains the City's Social Equity Program (Program). The purpose of the Program is to promote equitable ownership and employment opportunities in the cannabis industry to decrease the disparities in life outcomes for marginalized communities. These amendments propose a comprehensive reorganization to simplify Program eligibility and Program requirements and benefits. The section is amended in its entirety as follows:

The first subsection includes the eligibility criteria based on the October 2017 Cannabis Social Equity Analysis, adopted by the City Council in December of 2017. The second section contains the revised eligibility criteria based on the May 27, 2020 Expanded Cannabis Social Equity Analysis¹ (Expanded Analysis) transmitted to the City Council in DCR Report No. 3. The last section contains the benefits and requirements provided for those who qualify for the Program.

¹ The Expanded Cannabis Social Equity Analysis dated May 27, 2020 by Wood Environment & Infrastructure Solutions is submitted in DCR Report No. 3.

As proposed, to participate in Programming under the Social Equity Program, Applicants must be verified either, on criteria established under the 2017 Analysis or the Expanded Analysis (see DCR Report No. 3). The original eligibility criteria are maintained in Sec 104.20(a)(1), where the definitions of Low-Income, Cannabis Arrest or Conviction and Disproportionately Impacted Area are unchanged. In this section, the amendments propose succinct definitions for the existing Tier 1 and Tier 2 Social Equity Individual Applicant based solely on the original criteria, taking all references related to benefits and placing them in the "Programming" portion of the section as explained below. In addition, the term for "Tier 3 Social Equity Applicant" has been revised to "Tier 3 Applicant". This revision is appropriate because individuals assigned to this status do not meet any of the qualifying criteria to be a Social Equity Individual Applicant. Unlike Tier 1 and Tier 2 Social Equity Applicants, the Tier 3 Applicant is not a Social Equity Applicant but an applicant that agrees to support a Social Equity Applicant via a Social Equity Agreement with the City.

The proposed amendments revise the definition of Social Equity Individual Applicant in Section 104.20(b) for those seeking to participate in the Program based on the Expanded Social Equity Analysis (See DCR Report No. 3). The proposed revised definition of Social Equity Individual Applicant is any individual who meets any two of the following three criteria: 1) Low-Income 2) a prior California Cannabis Arrest or Conviction 3) ten year's cumulative residency in a Disproportionately Impacted Area. Under this criteria, Low-Income is defined by the thresholds established in the annual U.S. Department of Housing and Urban Development (HUD) income limits which are based on Area Median Income (AMI) for Los Angeles County and based on Household size. Further, the definition also requires that the individual does not have assets in excess of an amount as defined in the subsection. To assess whether the Low-Income threshold has been met, DCR will calculate the Household size based on the number of individuals that meet the criteria as defined.

Furthermore, the amendments revise the definition of Disproportionately Impacted Area, as part of the proposed eligibility criteria, in accordance with the Expanded Social Equity Analysis which recommends using Police Reporting Districts instead of Zip Codes as the geographic unit for inclusion in the Program (see DCR Report N. 3). The new criteria will apply to individuals who were not verified as Social Equity Applicants under the criteria in Section 104.20(a) but wish to participate in future Social Equity Program application processing pursuant to Section 104.06.1.

The proposed amendments seek to expand the definition of Equity Share and establish related requirements to provide additional protections to mitigate against potential predatory practices. Generally, the proposed amendments to the definition of Equity Share maintain the foundational requirements intended for the benefit of the Social Equity Individual Applicant related to business profits, proceeds of the sale of business assets and voting rights, but provisions are expanded in an effort to provide additional protections.

Chief among the concepts of equity share, is unconditional ownership. Therefore, the proposed amendments seek to ensure true ownership by the Social Equity Individual Applicant and as such, prohibits the divestment or relinquishment of any part of their ownership under any circumstance.

Proposed amendments expand the definition of Equity Share to address profits, dividends and distributions or other payments more appropriately. The definition clarifies the intent of the requirement and seeks to ensure that the Social Equity Individual Applicant receives profits equal to their equity share, or 100 percent of the value of each of stock, member interest or partnership interest in the event that the stock, member interest or partnership interest is sold. The definition, as proposed, also includes a provision that requires that the Social Equity Individual Applicant

receives the Equity Share percent of the retained earnings and 100 percent of the unencumbered value of each share of stock, member interest or partnership interest owned in the event of the dissolution of the entity.

The definition of Equity Share is also expanded to address voting rights on fundamental decisions relating to the business. The expanded definition clarifies the intent of the requirement to mean having control of at least the equity share percent of the voting rights on all decisions involving the operation of the business. In addition, proposed amendments also require that the Social Equity Individual Applicant be offered the highest officer position of the business or that another individual is appointed to that position by mutual agreement of the parties.

These amendments seek to provide protections for the Social Equity Individual Applicant in the event of his or her death. The definition of Equity Share, as proposed, bequeaths the rights of ownership to the surviving spouse for a maximum of ten years after the death of the Social Equity Individual Applicant or until the surviving spouse remarries or relinquishes the ownership interest in the license, whichever comes first.

The definition of Equity Share includes additional protections such as the power to audit records to asses compliance, initiate legal action due to a breach of contract agreement, and the authority by DCR to suspend and/or revoke a license if any provision in an operating agreement violates any of the Equity Share requirements. Lastly, all applicants will be required to incorporate an addendum into their operating agreements that makes any provision ineffective, unenforceable, null and void, if it is inconsistent with, or in violation of, the Equity Share requirements. As proposed, Social Equity Applicants verified under 104.20(a) and (b) must meet the expanded definition of Equity Share at the time of license issuance or renewal.

The amendments propose to move the programming portion of the Program to the third and last subsection. Subsection (c) is further divided between the benefits and the requirements of the Program. Ownership and disclosure requirements are listed in Subsection (c)(1), workforce requirements are listed in Subsection (c)(2) and the requirements for Social Equity Agreements are included in Subsection (c)(3). Rather than making substantive changes to the existing programming, the proposed amendments add clarity to the various existing benefits of the Program.

Sec 104.21 – Management Companies

This section contains the requirements for management companies. The amendments remove the requirement of a Tier 1 or Tier 2 Social Equity Individual Applicant to have DCR approve their Management Company.

Sect 104.22 – Cannabis Corporate Responsibility Report

This section contains the requirements for Cannabis Corporate Responsibility Reports. The amendments require DCR to develop criteria and guidelines for Cannabis Responsibility Reports which DCR will post on its website. The amendments revise the deadline that a Licensee submit the Report to DCR every year on February 1 to prior to the issuance of a License or its renewal. The amendments also include a provision that the Report may be publicly disclosed, such as being posted on the DCR's Website.

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
- Request the Office of the City Attorney to prepare and present and ordinance to amend Article
 Chapter X of the Los Angeles Municipal Code in accordance with the proposed amendments.

Proposed Amendments to Sec. 104.06:

- 1. Amend Section 104.06(a) to delete the reference of pre-licensing inspection and Temporary Approval; change the number of days from 60 business days to 90 calendar days for DCR to deny or make a recommendation of Storefront Retailer License approval to the Commission; clarify existing language; require application processing consistent with Social Equity Program processing requirements, and that except for EMMD Phase 1 License applications, Type 9 Non-Storefront Retailer and Type 10 Storefront Retailer License applications be limited to only verified Social Equity Applicants until January 1, 2025.
 - a. Amend Section 104.06(a)(1)(iii) to expand language related to making a false statement on the application to DCR as a reason to deny the issuance of a License.
 - b. Amend Section104.06(a)(1)(vi) to change "geographical area" to "Community Plan Area" and clarify language related to Applications in an area of Undue Concentration.
 - c. Amend Section 104.06(a)(1)(xi) to add revocation of a Temporary Approval as a reason to deny the issuance of a License.
 - d. Amend Section 104.06(a)(1)(xii) to add an Applicant's ineligibility under Section 104.03 as a reason to deny the issuance of a License.
 - e. Renumber the second unnumbered paragraph of Section 104.06(a) to Section 104.06(a)(2) and renumber Section 104.06(a)(2) to Section 104.06(a)(3).
 - f. Delete the fourth unnumbered paragraph in Section 104.06(a)(3).
 - g. Number the first through the third unnumbered paragraphs in Section 104.06(a)(3) to Sections 104.06(a)(3)(i) through (iii).
 - h. Amend Section 104.06(a)(3)(ii) to change "geographical area" to "Community Plan Area" and clarify language related to Applications in an area of Undue Concentration.
- 2. Amend Section 104.06(b) to delete the reference in pre-licensing inspection; change the number of days from 60 business days to 90 calendar days for DCR to deny or approve the issuance of a Non-Storefront Retailer License or Non-Retailer License; delete all references to CEQA; delete redundant language regarding License issuance in a geographical area of Undue Concentration; require application processing consistent with Social Equity Program processing requirements; and that Type 9 Non-Storefront License applications be limited to only verified Social Equity Applicants until January 1, 2025; delete the last sentence regarding an appeal of DCR's decision.

- a. Add Section 104.06(b)(1) to include language that DCR's decision to approve or deny the Licenses shall be final and effective upon the close of the 15-calendar appeal period if not timely appealed to the Commission by the Applicant or any other person aggrieved by the decision, and that a final denial of a License or exhaustion of all administrative appeals shall terminate any active Temporary Approval.
- 3. Amend Section 104.06(c) to delete the reference of pre-licensing inspection; clarify existing language; change the number of days from 60 business days to 90 calendar days for DCR to deny or make a recommendation of Storefront Retailer License approval to the Commission; require application processing consistent with Social Equity Program processing requirements, and that Type 9 Non-Storefront License applications be limited to only verified Social Equity Applicants until January 1, 2025
 - a. Amend Section 104.06(c)(1) to add "calendar" to the 15-day appeal period; and add a sentence that a final denial of a License or exhaustion of all administrative appeals shall terminate any active Temporary Approval.
 - b. Amend Section 104.06(c)(2) to delete language regarding License issuance in a geographical area of Undue Concentration and delete references to CEQA; delete the last sentence regarding an appeal of the Commission's decision.
 - c. Add Section 104.06(c)(3) to include language that the Commission's decision to approve or deny the Licenses shall be final and effective upon the close of the 15-calendar appeal period if not timely appealed to the Council by the Applicant or any other person aggrieved by the decision, and that a final denial of a License or exhaustion of all administrative appeals shall terminate any active Temporary Approval.
- 4. Add Section 104.06(d) to allow the issuance of Temporary Approvals to engage in commercial Cannabis Activity at a Business Premises location provided the Temporary Approval Application Fee is paid and the following requirements are met: 1) the Applicant receives authorization from the State; 2) the Business Premises location passes an Initial Inspection; 3) there are no fire or life safety violations at the Business Premises; 4) the Applicant submits required attestations as determined by the Department; and 5) the Applicant indemnifies the City on a form provided by the Department; Social Equity Applicants will be required to submit documents which demonstrate the required ownership in the Application in compliance with the expanded definition of Equity Share.
- 5. Add Subsection (e) to Section 104.06 regarding compliance with the California Environmental Quality Act (CEQA).
 - a. Add Section 104.06(e) and 104.06(e)(1) and 104.06(e)(2) to include CEQA-related definitions and CEQA Project review requirements.

Proposed Amendments to Sec. 104.06.1:

1. Amend Section 104.06.1 to read "Social Equity Program Commercial Cannabis Activity Application Processing".

- 2. Amend 104.06.1(a) to require application processing consistent with Social Equity Program processing requirements and further that applications that meet the requirements of the section be eligible for further processing pursuant to Sec. 104.06.
- 3. Delete Section 104.06.1(b) in its entirety, and renumber Subsections (c) through (g) to Subsections (b) through (f) and delete Subsection (g).
- 4. Amend Section 104.06.1(b) as follows:
 - a. Amend new Section 104.06.1(b) to read, "Type 10 Application Processing Round 1".
 - b. Renumber new Subsections (b)(1) through (b)(5) to Subsections (b)(3) through(b)(7).
 - c. Add Section 104.06.1(b)(1) to require a 60-calendar day verification period (existing language for Phase 3, Retailer Round 1 eligibility verification).
 - d. Add Section 104.06.1(b)(2) to require Type 10 application processing for a period of 14 calendar days (existing language for Phase 3, Retailer Round 1).
 - e. Amend new Section 104.06.1(b)(3) to revise "Social Equity Applicant" to "Social Equity Individual Applicant".
- 5. Delete the text in new Section 104.06.1(c) in its entirety; add, Subsection title, "Type 10 Application Processing Round 2" and add the following:
 - a. Add Section 104.06.1(c)(1) to describe eligibility verification based on expanded eligibility criteria pursuant to an addendum to the Social Equity Analysis report for a period of 60 days and to allow 90 days for DCR review and Social Equity Individual Applicant eligibility determination. Applicants who were verified in Round 1 Retailer application processing will be able to participate.
 - b. Add Section 104.06.1(c)(2) to describe the application processing period to begin on a date beginning at DCR's sole discretion after providing at least 15-day notice on DCR's website for a period of 30 calendar days, and to require applicants who wish to participate in Round 2 and were not verified during Round 1, to pay a Pre-Application Review Fee.
 - c. Add Section 104.06.1(c)(3) to require that individuals who would participate in Round 2 be verified per Subsection (b)(1) or (c)(1), and that those individuals shall be disqualified from participating in the application lottery for any of the convictions listed in 104.03(a)(1) or the circumstances in Section 104.03(a)(2).
 - d. Add Section 104.06.1(c)(4) to describe the application lottery available to only verified Social Equity applicants.
 - e. Add Section 104.06.1(c)(5) to allow Social Equity Applicants selected during the application lottery one year to find a compliant property in any Community Plan Area which, at the time of the lottery, is not subject to findings of Undue Concentration.

- f. Add Section 104.06.1(c)(6) to allow DCR to hold additional lotteries if there is capacity in any Community Plan Area.
- g. Add Section 104.06.1(c)(7) to require payment of application fees within 10 days of invoice issuance or the application will be deemed abandoned.
- 6. Amend new Section 104.06.1(d) to add the title, "Public Convenience or Necessity Application Processing", and to change "geographic area" to "Community Plan Area".
 - a. Amend new Section 104.06.1(d)(1) to delete all references to Tier 1 and Tier 2 and revise the term "Social Equity Applicant" to "Social Equity Individual Applicant".
 - b. Amend new Section 104.06.1(d)(2) to correct the subsection reference to (b)(4).
 - c. Amend new Section 104.06.1(d)(3) to correct the Section reference to 104.03(a)(4).
- 7. Delete the text in new Section 104.06.1(e) in its entirety; add Subsection title, "Type 9 Application Processing".
 - a. Add Section 104.06.1(e)(1) to describe eligibility verification based on original or expanded Social Equity Individual Applicant eligibility criteria.
 - b. Add Section 104.06.1(e)(2) to describe the application processing period to begin on a date beginning at DCR's sole discretion after providing at least 15-day notice on DCR's website and require the following documents at the time of application submittal: 1) a copy of an executed lease agreement with proof of a deposit or property deed for its Business Premises; 2) a Business Premises diagram; 3) a dated radius map including horizontal lines and labeling of any sensitive uses relative to a Type 9 License.
 - c. Add Section 104.06.1(e)(3) to allow applicants from Round 1 Application Processing who were found ineligible for further processing because their Business Premises were in a Community Plan area subject to findings of Undue Concentration or within 700-foot radius of another Type 10 application to receive priority processing for a Type 9 License relative to all other Social Equity Applicants applying for a Type 9 License.
 - d. Add Section 104.06.1(e)(4) to require payment of application fees within 10 days of invoice issuance or the application will be deemed abandoned.
- 8. Add Section 104.06.1(f) titled, "Non-Retail Application Processing".
 - a. Add Section 104.06.1(f)(1) to describe eligibility verification based on original or expanded Social Equity Individual Applicant eligibility criteria.
 - b. Add Section 104.06.1(f)() to describe the application processing period to begin on a date beginning at DCR's sole discretion after providing at least 15-day notice on DCR's website and require the following documents at the time of application submittal: 1) letter from the landlord or other evidence of a legal right to occupy the Business

Premises; 2) a Business Premises diagram; and 3) a dated radius map including horizontal lines and labeling of any sensitive uses relative to a Type 10 License.

c. Add Section 104.06.1(f)(3) to require payment of application fees within 10 days of invoice issuance or the application will be deemed abandoned.

Proposed Amendments to Sec. 104.20:

Amend Sec. 104.20 in its entirety to as follows:

- 1. Add Section 104.20(a) to require that except for Phase 2, Tier 3 Applicants, Phase 2 and Phase 3 Round 1 Social Equity Individual Applicants comply with the expanded definition of Equity Share when a License is issued or renewed.
 - a. Add Section104.20(a)(1) to require that an Applicant be verified as a Social Equity Individual Applicant who may be further verified as Tier 1 or Tier 2 Social Equity Individual Applicant or a Tier 3 Applicant.
 - b. Add Section104.20(a)(1)(i) to include existing definitions in Subsections (a)(1)(i)(1) through (3) for "California Cannabis Arrest or Conviction", "Disproportionately Impacted Area" and "Low-Income".
 - c. Add Section104.20(a)(1)(ii) to define "Tier 1 Social Equity Individual Applicant" as an individual who meets the following criteria at the time of applying for a license: 1) Low-Income and prior California Cannabis Arrest or Conviction; or 2) Low-Income and a minimum of five years' cumulative residency in a Disproportionately Impacted Area.
 - d. Add Section104.20(a)(1)(iii) to define "Tier 2 Social Equity Individual Applicant" as an individual who meets the following criteria at time of applying for a license: 1) Low-Income and a minimum of five years' cumulative residency in a Disproportionately Impacted Area; or 2) a minimum of 10 years' cumulative residency in a Disproportionately Impacted Area.
 - e. Add Section104.20(a)(1)(iv) to define "Tier 3 Applicant" as a Person who applied for a Commercial Cannabis Activity License pursuant to Sec. 104.08 and does not meet the criteria of a Tier 1 or Tier 2 Social Individual Equity Applicant.
 - f. Add Section 104.20(a)(2) to require that a Social Equity Individual Applicant comply with the expanded Equity Share criteria before a license is issued or renewed.
 - g. Add Section 104.20(a)(2)(i) to require that a Tier 1 Social Equity Individual Applicant own no less than a 51 percent Equity Share in the Person to whom the License is issued and a Tier 2 Social Equity Individual Applicant own no less than a 33 1/3 percent Equity Share in the Person to whom the License issued.
 - h. Add Section 104.20(a)(2)(ii) to expand the definition of "Equity Share" in terms of unconditional ownership of the Equity Share relative to profits, dividends, distributions, voting rights and control and additional equity share requirements and require that all applicants incorporate an addendum into operating agreements, as follows:

"To the extent that any provision of this agreement, or part thereof, is or may be construed to be inconsistent with or in violation of the "Equity Share" requirements set forth in Los Angeles Municipal Code section 104.20, such provision(s) shall be ineffective, unenforceable, and null and void."

- 2. Add Section 104.20(b) to require an Applicant, not subject to Subsection (a), seeking to participate in the Social Equity Program meet the criteria and requirements in this subsection.
 - a. Add Section 104.20(b)(1) to require that an Applicant be verified as Social Equity Individual Applicant per the criteria in this subsection.
 - b. Add Section 104.20(b)(1)(i) to define "Social Equity Individual Applicant" as an individual who meets two of the following three criteria: 1) Low-Income, 2) a prior California Cannabis Arrest or Conviction 3) ten year's cumulative residency in a Disproportionately Impacted Area.
 - c. Add Section104.20(b)(1)(ii) to include new definitions in Subsections (b)(1)(ii)(1) through (5) for "Asset", "Household Size" "Disproportionately Impacted Area" and "Low-Income", except that "California Cannabis Arrest or Conviction" is unchanged.
 - d. Add Section 104.20(b)(2) to require that a Social Equity Individual Applicant comply with the expanded Equity Share criteria before a license is issued or renewed.
 - e. Add Section 104.20(b)(2)(i) to require that a Social Equity Individual Applicant own no less than a 51 percent Equity Share in the Person to whom the License is issued.
 - f. Add Section 104.20(b)(2)(ii) to include the expanded definition of "Equity Share" as defined in Subsection (a)(2).
- 3. Add Section 104.20(c) for Programming Benefits and Requirements of the Program.
 - a. Add Section 104.20(c)(1) for ownership and disclosure requirements which apply to Social Equity Applicants.
 - b. Add Section 104.20(c)(2) for workforce requirements which apply to Social Equity Applicants and Tier 3 Applicants.
 - c. Add Sections 104.20(c)(2)(i) to include definitions in Subsections (c)(2)(i)(1) and (2) for "Social Equity Worker" and "Transitional Worker".
 - d. Add Section 104.20(c)(2)(ii) for workforce requirements which apply to a Social Equity Individual Applicant who shall make a good faith effort to have no less than 50 percent of the weekly hours of the Licensee's workforce performed by employees whose primary place of residence is within a three-mile radius of the Business Premises location and that of those employees, 20 percent shall be Social Equity Workers and 10 percent Transitional Workers.
 - e. Add Section 104.20(c)(2)(iii) for workforce requirements which apply to a Tier 3 Applicant who shall make a good faith effort to have no less than 50 percent of the weekly hours of the Licensee's workforce performed by employees whose primary

place of residence is within a five-mile radius of the Business Premises. Of those employees, 30 percent shall be Social Equity Workers and 10 percent Transitional Workers and that at a minimum, a Licensee is required to contact local community-based organizations, City of Los Angeles Work Source Centers, and other such similar organizations to facilitate job outreach, development, and placement services. A Licensee is required to provide a detailed semiannual report on the first business day of January and the first business day of July every year that provides evidence of its outreach efforts, including the number of persons interviewed, and details on who was hired to satisfy the good faith requirement.

- 4. Add Section 104.20(c)(3) for Social Equity Agreement Requirements which apply to Tier 3 Applicants.
 - a. Add Section 104.20(c)(3)(i) to require that prior to the issuance of a License, a Tier 3 Applicant, enter into a Social Equity Agreement with the City to provide: 1) Ancillary Business Costs, 2) Property, and 3) Education and Training, to a Social Equity Individual Applicant for a period of three years. Social Equity Agreements shall be processed and approved by DCR.
 - b. Add Section 104.20(c)(3)(ii) to include definitions in Subsections (c)(3)(ii)(1) through (5) for the following:
 - Ancillary Business Costs
 - Education and Training
 - Property Onsite
 - Property Off-site
 - Property Support
 - 5. Add Section 104.20(c)(4) to describe the programming benefits received by Social Equity Applicants verified in accordance with Subsections (a) and (b). Tier 3 Applicants will not be processed under this subsection but shall be afforded priority processing as described in Section 104.08 (Phase 2 Application Processing).
 - a. Add Section 104.20(c)(4)(i) to include Subsections 104.20(c)(4)(i)(1) through (3):
 - (1) DCR shall process Applications for Social Equity Applicants in accordance with Sec. 104.06.1
 - (2) DCR shall provide priority processing to Social Equity Applicants applying for a Non-Retailer License on a 1:1 ratio with all non-Social Equity Individual Applicants.
 - (3) DCR shall process Applications or renewals from Social Equity Applicants in accordance with Subsections (a) or (b) before processing an Application or renewal from non-Social Equity Applicants.
 - b. Add Section 104.20(c)(4)(ii) to describe the Fee Deferral Program: DCR shall administer the Fee Deferral Program based on requirements and restrictions established in the Rules and Regulations. Participation in this Program may be subject to the availability of resources.

- c. Add Section 104.20(c)(4)(iii) to describe Business Licensing and Compliance Assistance: DCR shall provide Business, Licensing and Compliance Assistance through programming and curriculum development training in the areas of state and local licensing requirements, commercial cannabis regulations, general business development, cannabis-specific business development and workforce development.
- d. Add Section 104.20(c)(4)(iv) to describe Financial Grant Program: DCR shall administer the Financial Grant Program based on requirements and restrictions established in the Rules and Regulations. Participation in this Program may be subject to the availability of resources.
- e. Add Section 104.20(c)(4)(v) to describe Ancillary Business Costs: Social Equity Applicants may receive security, management, equipment and other ancillary business costs provided by a Tier 3 Applicant pursuant to a Social Equity Agreement as defined in Section 104.20 (a)(1)(iv). Participation in this Program may be subject to the availability of resources.
- f. Add Section 104.20(c)(4)(vi) to describe Education and Training: Social Equity Applicants may receive a minimum of 50 hours per year in business development, education and training provided by a Tier 3 Applicant pursuant to a Social Equity Agreement as defined in Section 104.20 (a)(1)(iv). Additional education and training provided by Tier 3 Applicants may include: accounting, inventory management, payroll practices, tax preparation, employee recruitment, retention and workforce outreach reporting requirements training. Participation in this Program may be subject to the availability of resources.
- g. Add Section 104.20(c)(4)(vii) to describe Property: Social Equity Applicants may receive Property as defined in Sec. 104.20(c)(3)(i)(3) through (5) provided by a Tier 3 Applicant. Participation in this Program may be subject to the availability of resources.

Proposed Amendments to Sec. 104.21:

1. Delete Subsection (b) and renumber the Subsections (c), (d), (e), (f) and (g) as (b), (c), (d), (e) and (f).

Proposed Amendments to Sec.104.22:

- 1. Delete Subsections (c) and (d); renumber Subsections (a) and (b) as Subsections (b) and (c);
- 2. Add a new Subsection (a) to require DCR to develop criteria and guidelines for Cannabis Corporate Responsibility Reports and to post the criteria and any amendments on its website.
- 3. Amend Subsection (b) to require that prior to the issuance or renewal of a License, a Licensee shall submit to DCR a Report as described therein; and to state that said Reports may be publicly disclosed, such as being posted on DCR's website.

The above proposed 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

Cat Pake-

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 104.06, 104.06.1, 104.20, 104.21 and 104.22

B - Proposed Draft Ordinance

ATTACHMENT A

Redlined Ordinance LAMC 104.06, 104.06.1, 104.20, 104.21, 104.22

SEC. 104.06. ISSUANCE OF LICENSE.

- (a) Storefront Retailer Commercial Cannabis Activity. With respect to an application for a License for Storefront Retailer Commercial Cannabis Activity or for Microbusiness Commercial Cannabis Activity that includes Storefront Retailer Commercial Cannabis Activity, DCR shall either deny the issuance of the License with no hearing at any time during application processing or, within 6090-calendar days of the date DCR deems the application and pre-licensing inspection complete, make a recommendation to the Commission to issue the License. If DCR recommends issuance of a License, DCR, at its discretion, may issue the Applicant a Temporary Approval to engage in Storefront Retailer Commercial Cannabis Activity at its Business Premises. DCR shall revoke the Temporary Approval if the Commission denies issuance of a License. The date of the recommendation shall be the date when DCR transmits its report to the Commission for consideration to be scheduled at a future Commission meeting. DCR shall process applications as specified in this subsection consistent with the Social Equity Program processing specified in Sec. 104.20(c)(4)(i). Except as otherwise permitted per Sec. 104.07, Type 10 Licenses shall be limited to only Social Equity Applicants as defined in Sec. 104.20(a) and (b) until January 1, 2025.
 - 1. DCR may deny, with no hearing and based upon written findings and evidence in the record, the issuance of a License where the Applicant fails to meet any of the requirements of Article 5 of Chapter X of this Code, or for any of the following reasons:
 - (i) The Applicant's Business Premises is substantially different from the diagram of the Business Premises submitted by the Applicant, in that the size, layout, location of common entryways, doorways, or passage ways, means of public entry or exit, or limited-access areas within the Business Premises are not the same:
 - (ii) The Applicant denied DCR employees or agents access to the Business Premises;
 - (iii) The Applicant made a material misrepresentation or false statement on the application or knowingly fails to disclose a material fact in any documentation required by the Department;
 - (iv) The Applicant failed timely to provide DCR with additional requested information, including documentation;
 - (v) The Applicant was denied a license, permit or other authorization to engage in Commercial Cannabis Activity by any state or other local licensing authority due to any illegal act or omission of the Applicant;
 - (vi) Issuance of a License would create a significant public safety problem as documented by a law enforcement agency;
 - (vii) The Applicant's Business Premises is located in a geographical area Community Plan Area which has reached of Undue Concentration, unless the Applicant is not subject to a finding of Undue Concentration or the City Council has adopted written findings that approval of the License application would serve public convenience or necessity, supported by evidence

in the record:

- (viii) The Applicant failed to adhere to the requirements of this article or the Rules and Regulations;
- (ix) The Applicant engaged in unlicensed Commercial Cannabis Activity in violation of Section 104.15; or
- (x) The Applicant's Business Premises was the site of Unlicensed Commercial Cannabis Activity, in violation of Section 104.15, on or after January 1, 2018-
 - (xi) Temporary Approval has been revoked;
 - (xii) The Applicant is ineligible for a License under Sec. 104.03.
- 2. DCR's decision to deny the issuance of the License is final and effective upon the close of the 15_day appeal period if not timely appealed to the Commission by the Applicant as provided in Sec. 104.10. There is no -further appeal to the City Council. A final denial of a License or exhaustion of all administrative appeals shall terminate any active Temporary Approval.
- 3. If the decision by DCR is to recommend approval of the Application, then the Commission shall make the determination whether to issue the License after it conducts a public hearing. Notice of the public hearing shall—be made pursuant to Sec. 104.05(cb)(3). Prior to making its decision, the Commission shall accept and consider written information submitted and oral testimony. The Commission shall consider the decision by DCR to recommend approval of the application, the written summary of the community meeting prepared by DCR, the record before DCR and any written information and oral testimony timely provided to -the Commission.
 - (i) The Commission may deny the issuance of the License for any of the reasons stated in Sec. 104.06(a)(1): of this article, based upon written findings and evidence in the record. The Commission's decision to deny the issuance of the License is final and effective upon the close of the 15—dayday appeal period if not timely appealed to the City Council by the Applicant as provided in Sec. 104.10.
 - (ii) ____The Commission may approve the issuance of the License with written findings and evidence in the record to support that the Applicant and Business Premises meet the restrictions of Article 5 of Chapter X of this Code. The Commission may impose conditions to address public safety concerns based on findings and evidence in the record. The Commission shall not approve the issuance of a License for an Applicant with a Business Premises located in a Community Plan Areageographical area of Undue Concentration unless the Applicant is not subject to a finding of Undue Concentration or the City Council has found or has been deemed to have found that approval of the application would serve public convenience or necessity.

The Commission's action shall also comply with the California Environmental Quality Act (CEQA) and the CEQA Guidelines. The Commission shall not approve the issuance of a License without written findings that any feasible mitigation measure or feasible alternative identified in any CEQA clearance, as necessary to avoid or substantially lessen any significant impact on the environment, has been made enforceable as a condition of the License.

(xii)(iii) The Commission's decision to approve the issuance of the License is final and effective upon the close of the 15-day appeal period if not timely appealed to the City Council by the Applicant or any other person aggrieved by the decision, as provided in Sec. 104.10.

(b) Non-Retailer Commercial Cannabis Activity in a Business Premises Less than 30,000 Square Feet

or Non-Storefront Retailer Commercial Cannabis Activity. With respect to an application for a License for Non-Retailer Commercial Cannabis Activity where the Business Premises is less than 30,000 square feet or Non-Storefront Retailer Commercial Cannabis Activity, DCR shall either deny the issuance of the License with no hearing at any time during application processing or, within 6090 calendar days of the date DCR deems the application and pre licensing inspection complete, approve the issuance of the License with no hearing. Prior to making its decision, DCR shall consider written information submitted by the public and other interested parties. DCR's decision shall be based on written findings and evidence in the record to support that the Applicant and Business Premises meet the restrictions of Article 5 of Chapter X of this Code. DCR may approve the issuance of the License with the imposition of conditions to address public safety concerns. DCR shall process applications as specified in this subsection consistent with the Social Equity Program processing specified in Section 104.20(c)(4)(i). Except as otherwise permitted per Sec. 104.07, Type 9 Licenses shall be limited to only Social Equity Applicants as defined in Sec. 104.20(a) and (b) until January 1, 2025. DCR's action shall also comply with the CEQA and the CEQA Guidelines. DCR shall not approve the issuance of a License without written findings that any feasible mitigation measure or feasible alternative identified in any CEQA clearance, as necessary to avoid or substantially lessen any significant impact on the environment, has been made enforceable as a condition of the License. DCR may deny the issuance of the License for any of the reasons listed in Section 104.06(a)1. The DCR shall not approve the issuance of a License for an Applicant with a Business Premises located in a geographical area of Undue Concentration unless the Applicant is not subject to a finding of Undue Concentration or the City Council has found or has been deemed to have found that approval of the application would serve public convenience or necessity.

1. DCR's decision to approve or deny the issuance of the License is final and effective upon the close of the 15_-calendar_day appeal period if not timely appealed to the Commission by the Applicant or any other person aggrieved by the decision, as provided in Sec. 104.10. A final denial of a License or exhaustion of all administrative appeals shall terminate any active Temporary Approval.

(b)(c) Non-Retailer Commercial Cannabis Activity in a Business Premises 30,000 Square Feet or Larger. With respect to an application for a License for a Non-Retailer Commercial Cannabis Activity in a Business Premises 30,000 square feet or larger, DCR shall either deny the issuance of the License with no hearing at any time during application processing or, within 6090 calendar days of the date DCR deems the application and pre-licensing inspection complete, make a recommendation to the Commission to issue the License. The date of the recommendation shall be the date when DCR transmits its report to the Commission for consideration to be scheduled at a future Commission meeting. DCR shall process applications as specified in this subsection consistent with the Social Equity Program processing specified in Section 104.20(c)(4)(i). Except as otherwise permitted per Sec. 104.07, Type 9 Licenses shall be limited to only Social Equity Individual Applicants as defined in Sec. 104.20(a) and (b) until January 1, 2025.

▲1._DCR may deny the issuance of the License based on written findings, evidence in the record and for any of the reasons listed in Section 104.06(a)(1). DCR's decision to deny the issuance of the License is final and effective upon the close of the 15—calendar day appeal period if not timely appealed to the Commission by the Applicant, as provided in Section 104.10. There is no further appeal to the City Council. A final denial of a License or exhaustion of all administrative appeals shall terminate any active Temporary Approval.

4.2. If DCR recommends approval of the application, then the Commission shall make the determination whether to issue the License after it conducts a public hearing. Notice of the public hearing shall be made –pursuant to Section 104.05(cb)(3). Prior to making its decision, the Commission shall accept and consider written information submitted and oral testimony. The Commission shall consider the decision by DCR to recommend approval of the application, the written summary of the community meeting prepared by DCR, the record before DCR and any written information and oral testimony timely provided to the Commission. The Commission may approve the issuance of the License based on written findings and evidence in the record to support that the Applicant and Business Premises meet the restrictions of Article 5 of Chapter X of this Code. The Commission may also

impose conditions to address public safety concerns. The Commission shall not approve the issuance of a License for an Applicant with a Business Premises located in a Community Plan Areageographical area of Undue Concentration—unless the Applicant is not subject to a finding of Undue Concentration or the City Council has found or has been deemed to have found that approval of the application would serve public convenience or necessity. The Commission's action shall also comply with CEQA and the CEQA Guidelines. The Commission—shall—not—approve the issuance of a License without written findings that any feasible mitigation measure or feasible alternative identified in any CEQA clearance, as necessary to avoid or substantially lessen any significant impact—on the environment, has been made enforceable as a condition of the License. The Commission may deny the issuance of the License based on written findings, evidence in the record and for any of the reasons stated in Section 104.06(a)(1)-of this article.

- 3. The Commission's decision to approve or deny the issuance of the License is final and effective upon the close of the 15_-calendar day appeal period if not timely appealed to the City Council by the Applicant or any other person aggrieved by the decision, as provided in Section 104.10. A final denial of a License or exhaustion of all administrative appeals shall terminate any active Temporary Approval.
- **Temporary Approval.** DCR may, at its discretion, issue a Temporary Approval to engage in (e)(d) Commercial Cannabis Activity at a Business Premises location provided the Applicant pays the Temporary Approval Application Fee for each Commercial Cannabis Activity pursuant to Sec. 104.19 and the following requirements are met: 1) the Applicant receives authorization from the State; 2) the Business Premises location passes an Initial Inspection; 3) there are no fire or life safety violations at the Business Premises; 4) the Applicant submits required attestations as determined by the Department; and 5) the Applicant indemnifies the City on a form provided by the Department. 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 Share in the Applicant required under Sec. 104.20(a)(2). -Issuance by DCR of a 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. This subsection does not apply to Temporary Approvals issued under the authority of Sections 104.07 and 104.08. Temporary Approval authorizes the Applicant to conduct Commercial Cannabis Activities, but does not waive or otherwise circumvent other City requirements or necessary permits from the City or other public agencies, including, but not limited, to a Certificate of Occupancy, health permit from the County of Los Angeles, or authorization from the State. If at any time during the processing of an Application it is discovered that an Application has been improperly prepared or required information has not been submitted in accordance with the Rules and Regulations, upon notification to the Applicant, processing shall be suspended and not continue until the Application has been corrected or the required information furnished in a proper manner.
 - 1. DCR may immediately suspend a Temporary Approval without a hearing based upon written findings that an Applicant's use of or conduct at the Business Premises poses an imminent threat to life or public safety. DCR's written findings shall conform with Sec. 104.13(c). After suspension, the Applicant may request an administrative hearing pursuant to Sec. 104.14.
 - (e) **CEQA**. Compliance with the California Environmental Quality Act (CEQA).
 - 1. **CEQA Definitions.** The following definitions shall apply in this subsection:
 - (i) <u>"CEQA" means the California Environmental Quality Act, California Public Resources Code Sections 21000 et seq. (see CEQA Guidelines, § 15353.)</u>
 - (ii) "Environment" means the physical conditions which exist within the area which will be affected by a proposed project including land, air, water, minerals, flora, fauna, ambient noise, and objects of historical or aesthetic significance. The area involved shall be the area in

which significant effects would occur either directly or indirectly as a result of the project. The "environment" includes both natural and man-made conditions. (CEQA Guidelines, § 15360.)

- (iii) "Lead Agency" means the public agency which has the principal responsibility for carrying out or approving a project. The Lead Agency will decide whether an EIR or Negative Declaration will be required for the project and will cause the document to be prepared. Criteria for determining which agency will be the Lead Agency for a project are contained in Section 15051. (CEQA Guidelines, § 15367.)
- (iv) "Project" means the whole of an action, which has a potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment as defined by CEQA Guidelines section 15378.
- (v) "Responsible Agency" means a public agency which proposes to carry out or approve a project, for which a Lead Agency is preparing or has prepared an EIR or Negative Declaration. For the purposes of CEQA, the term "Responsible Agency" includes all public agencies other than the Lead Agency which have discretionary approval power over the project. (CEQA Guidelines, § 15381.)
- (vi) "Significant effect on the environment" means a substantial, or potentially substantial, adverse change in any of the physical conditions within the area affected by the project, including land, air, water, minerals, flora, fauna, ambient noise, and objects of historic or aesthetic significance. An economic or social change by itself shall not be considered a significant effect on the environment. A social or economic change related to a physical change may be considered in determining whether the physical change is significant. (CEQA Guidelines, § 15382.)
- 2. Upon submission of an Application containing a complete project description for a License, and payment of all applicable environmental review fee. DCR shall consider whether the Project has been subject to prior environmental review under the California Environmental Quality Act (CEQA) and, if not, what form of environmental review for the License is appropriate. If DCR proposes to act as the local Lead Agency under CEQA, DCR shall prepare, or oversee the preparation of, the appropriate CEQA document which may include: reliance on one or more categorical or statutory exemptions, a negative declaration or mitigated negative declaration, an environmental impact report, a sustainable communities environmental assessment, an addendum or other document provided by CEQA. The Commission or its designee shall consider and adopt the CEQA document prior to issuance of the License. If a Significant Effect on the Environment is identified, the Commission or its designee shall adopt one or more findings, supported by substantial evidence in the record, consistent with Public Resources Code Sections 21081 and 21081.6, and CEQA Guidelines section 15091. Alternatively, if DCR acts as a Responsible Agency under CEQA, the Commission or its designee, prior to approval of a License, shall consider the Lead Agency's environmental document and make the findings required by Public Resources Code section 21081, and CEQA Guidelines sections 15096(g)-(h), 15050(b).

SEC. 104.06.1. <u>RETAILER_SOCIAL EQUITY PROGRAM</u> COMMERCIAL CANNABIS ACTIVITY APPLICATION PROCESSING.

——DCR shall process an Application under this Section consistent with Social Equity Program
processing specified in Section 104.20(c)(4)(i). Applications that meet the requirements of this section
shall be eligible for further processing pursuant to Sec. 104.06.

(a) DCR shall process an application for a Type 9 - Non-Storefront Retailer License or Type 10 - Storefront Retailer License as specified in this Section, except that this Section shall not apply to an application for Retailer Commercial Cannabis Activity processed pursuant to Section 104.07. DCR shall process an application under

this Section consistent with the Social Equity Program priority processing ratios specified in Section 104.20(a). DCR shall not accept or process Type 9 or Type 10 applications under this section before it has made technical assistance available for a period of at least 45 calendar days to Tier 1 and Tier 2 Social Equity Applicants who have been verified pursuant to Subsection (b) of this section.

(b) Social Equity Applicant Verification. For a period of 60 calendar days, beginning on a date at DCR's sole discretion, an individual may apply to be verified as a Tier 1 or Tier 2 Social Equity Applicant as defined in Section 104.20. If the City Council adopts additional Tier 1 or Tier 2 Social Equity Applicant eligibility criteria pursuant to an addendum to the Social Equity Analysis report, DCR shall establish a 30 calendar day period, which may be concurrent or non-concurrent with the 60 calendar day verification period, for individuals to apply to be verified under any additional eligibility criteria. DCR's determination of whether an individual is a Tier 1 or Tier 2 Social Equity Applicant shall be made with no hearing and is final and not appealable.

(b) Type 10 Application Processing - Round 1.

- 1. Social Equity Applicant Verification. For a period of 60 calendar days, beginning on a date at DCR's sole discretion, an individual may apply to be verified as a Tier 1 or Tier 2 Social Equity Individual Applicant as defined in Sec. 104.20(a). DCR's determination of whether an individual is a Social Equity Individual Applicant shall be made with no hearing, is final and not appealable.
- (a)2. Application Period. DCR shall, on at date starting at its sole discretion, accept Type 10 applications for processing under this subsection for a period of 14 calendar days, provided that DCR posts written notice of the processing period on its website at least 15 calendar days before the start date of the processing period. DCR shall not accept or process applications under this subsection before it has made technical assistance available for a period of at least 45 calendar days to prospective or verified Social Equity Applicants as defined in Sec. 104.20 who have been verified pursuant to this subsection.
- 4.3. To be eligible to apply in Round 1, an Applicant shall have an individual Owner that is a Tier 1 or Tier 2 Social Equity Individual Applicant verified pursuant to this subsection Subsection (b) of this section and who shall own an Equity Share in the Applicant who meets the requirements in Section 104.20(a). An individual may not be the Tier 1 or Tier 2 Social Equity Individual Applicant for more than one Applicant in Round 1. An individual who is an Owner of an EMMD shall not be eligible to be the Tier 1 or Tier 2 Social Equity Individual Applicant for an Applicant, but may be an Owner of an Applicant if otherwise allowed under this article.
- 2.4. During the 14-calendar-day application period, an Applicant shall submit, in a form and manner determined by DCR, an application that includes the following: 1) a copy of an executed lease agreement with proof of a deposit or property deed for its Business Premises; 2) an ownership and financial interest holder form; 3) a financial information form; 4) a Business Premises diagram; 5) proposed staffing and security plans; 6) a dated radius map including horizontal lines and labeling of any sensitive uses relative to a Type 10 License; 7) a labor peace agreement attestation form; 8) an indemnification agreement; and 9) all business records and agreements necessary to demonstrate that a Tier 1 or Tier 2 Social Equity Applicant owns the minimum Equity Share in the Applicant required under Section 104.20.
 - 3.5. An Applicant's Business Premises shall meet the following requirements:
 - (i) The Business Premises meets all applicable requirements of Article 5 of Chapter X of this Code;
 - (ii) The Business Premises is outside of a 700-foot radius of another Type 10 Applicant's Business Premises, as measured in the manner specified in LAMC Section 105.02(b). If two

or more Round 1 Applicant's Business Premises are within a 700-foot radius of one another, the Applicant who first submitted an application that meets the requirements of this subsection shall be eligible for further processing and all other Round 1 Applicants within a 700-foot radius of the first Applicant shall be ineligible for further processing in Round 1.

- (iii) The Business Premises is not subject to a finding of Undue Concentration. For purposes of this subsection only, DCR shall determine whether the Business Premises is subject to a finding of Undue Concentration based upon the time and date an Applicant submitted an application that meets the requirements of this subsection.
- 4.6. The first 75 Tier 1 Applicants and the first 25 Tier 2 Applicants who meet the requirements of this subsection shall be eligible for further processing pursuant to Section 104.06. If less than 75 Tier 1 Applicants meet the requirements of this subsection, DCR may process additional Tier 2 applications, based upon the time —and date of application submission, until DCR has identified 100 Tier 1 and Tier 2 Applicants who meet the requirements of this subsection. All Applicants who submitted an application that are not eligible for further processing may apply for Type 10 Application Processing Round 2.
- 5.7. An Applicant shall pay all required application fees under Section 104.19 within 10 days of being issued an invoice by DCR or its application shall be deemed abandoned.
- (d) Type 10 Application Processing—Round 2. DCR shall, on a date beginning at its sole discretion, accept Type 10 applications for processing under this subsection for a period of 30 calendar days.
 - 1. To be eligible to apply in Round 2, an Applicant shall have an individual Owner that is a Tier 1 or Tier 2 Social Equity Applicant verified pursuant to Subsection (b) of this section and who shall own an Equity Share in the Applicant who meets the requirements in Section 104.20.
 - 2. During the 30 calendar day application period, an Applicant shall submit, in a form and manner determined by DCR, an application that includes the following: 1) a financial information form; 2) a labor peace agreement attestation form; and 3) an indemnification agreement.
 - -3. The first 150 Applicants who submit an application that meets the requirements of Subdivision 2 of this subsection shall then each have 90 calendar days, beginning on a date determined by DCR at its sole discretion, to submit, in a form and manner determined by DCR, the following application documents: 1) a copy of an executed lease agreement with proof of a deposit or property deed for its Business Premises; 2) a Business Premises diagram; 3) proposed staffing and security plans; 4) a dated radius map including horizontal lines and labeling of any sensitive uses relative to a Type 10 License; 5) an indemnification agreement; 6) an ownership and financial interest holder form; and 7) all business records and agreements necessary to demonstrate that a Tier 1 or Tier 2 Social Equity Applicant owns the minimum Equity Share in the Applicant required under Section 104.20. An Applicant who fails to timely meet these requirements shall have its application deemed abandoned.
 - 4. An Applicant's Business Premises shall meet the requirements specified in Subdivision 3. of Subsection (c) of this section.
 - -5. The first 150 Applicants who submit an application that meets the requirements of this subsection shall be eligible for further processing pursuant to Section 104.06. DCR may process additional applications that meet the requirements of this subsection and based on date and time submitted until each Community Plan Area has reached Undue Concentration for Type 10 Licenses.
 - -6. An Applicant shall pay all required application fees under Section 104.19 within 10 days of being issued an invoice by DCR or its application shall be deemed abandoned.

(c) Type 10 Application Processing - Round 2.

- 1. **Applicant Eligibility Verification.** If the City Council adopts additional Social Equity Applicant eligibility criteria pursuant to an addendum to the Social Equity Analysis report, DCR shall establish a second 60 calendar day eligibility verification period, for individuals to apply to be verified under any additional or revised eligibility criteria pursuant to Sec. 104.20(b). DCR shall have at least 90 calendar days to determine Social Equity Applicant eligibility which shall not run concurrently with the 60-calendar day eligibility verification period. DCR's determination of whether an individual is a Social Equity Individual Applicant shall be made with no hearing, is final and not appealable. Social Equity Applicants verified pursuant to Subsection (b)(1).
- 2. Application Period. DCR shall, on a date beginning at its sole discretion, accept Type 10 applications for processing under this subsection for a period of 30 calendar days. To participate in Type 10 Application Processing Round 2, an Applicant shall pay the Pre-Application Review Fee pursuant to Sec. 104.19 within 10 days of being issued an invoice by DCR. Upon payment of the Pre-Application Review Fee, DCR shall process Applications in accordance with this subsection. DCR shall not accept or process applications under this subsection before it has made technical assistance available for a period of at least 45 calendar days to prospective or verified Social Equity Applicants as defined in Sec. 104.20(b) who have been verified pursuant to this subsection.
- 3. Social Equity Individual Applicant. To be eligible to participate in the Application Lottery pursuant to Subsection (c)(4), the Applicant shall have an individual Owner that is a Social Equity Individual Applicant verified pursuant to Subsection (b)(1) or (c)(1). A Social Equity Individual Applicant shall be disqualified from participating in the Application Lottery for any of the offenses within the time specified in Sec. 104.03(a)(1) or for any of the circumstances in Sec. 104.03(a)(2).
- 4. Application Lottery. Verified Social Equity Applicants shall be entered into an Application Lottery. Social Equity Applicants shall be randomly selected during the lottery at a place, date and time at DCR's sole discretion until Undue Concentration is reached citywide. DCR shall post a notice at least 15 calendar days prior to the lottery which shall include the procedures and protocol to conduct the lottery and information regarding how the public can live stream the event. Applications drawn at the lottery shall be processed pursuant to Subsection (c)(5).
- 5. Business Premises. Social Equity Applicants selected during the Application lottery shall be afforded one year to find a compliant property in any Community Plan Area that has not reached Undue Concentration. A Social Equity Individual Applicant's Business Premises location is subject to Chapter 5, Article X of the Los Angeles Municipal Code and shall comply with Sec. 104.03(a)(3). Business Premises locations shall be reviewed and approved in the order received. An Applicant whose Business Premises location is deemed ineligible under Sec. 104.03(a)(3) shall be permitted to amend their Application subject to the payment of any applicable fee in Sec. 104.19 and provided the new Business Premises location is submitted to DCR within the one year time limitation. Social Equity Applicants shall comply with the Equity Share requirements in effect at the time DCR deems the location eligible per Sec. 104.03(a)(3).
- 6. Additional Application Lottery. If additional capacity is available in any Community Plan Area after a lottery ends, DCR will hold another lottery pursuant to Subsection (c)(4).
- 6.7. Application Fees. An Applicant shall pay all required application fees pursuant to Section 104.19 within 10 days of being issued an invoice by DCR or the application shall be deemed abandoned.
- (de)Public Convenience or Necessity Application Processing. In addition to Type 10 applications processed through Round 1 and Round 2 under this section, on or after September 3, 2019, DCR shall process any Type 10 application with a Business Premises located in a geographic area Community Plan Area of Undue

Concentration if the Applicant meets the following requirements:

- 1. The Applicant has an individual Owner who is a Tier 1 or Tier 2-Social Equity Individual Applicant and who owns an Equity Share in the Applicant that meets the requirements in has been verified pursuant to Sec. 104.20;
- 2. The Applicant submits, in a form and manner determined by DCR, all documents and information required under Subdivision 2 of Subsection (c) of this Section Subsection (b)(4);
- 3. The Applicant's Business Premises meets all applicable requirements of Article 5 of Chapter X of this Code; and
- 4. The City Council, pursuant to Section 104.03(a)(4), has found that approval of the application would serve public convenience or necessity.

(d) Type 9 Application Processing.

- 1. DCR shall, on a date beginning at its sole discretion, accept applications for processing under this section, provided that it posts written notice on its website at least 15 calendar days before the start date of the processing period. To be eligible for processing under this subsection, a Type 9 Applicant shall submit the following application documents: 1) a copy of an executed lease agreement with proof of a deposit or property deed for its Business Premises; 2) a Business Premises diagram; 3) proposed staffing, security and delivery plans; 4) a dated radius map including horizontal lines and labeling of any sensitive uses relative to a Type 9 License; 5) an indemnification agreement; 6) a current Certificate of Occupancy for retail use for the Business Premises; and 7) all business records and agreements necessary to demonstrate that a Tier 1 or Tier 2 Social Equity Applicant owns the minimum Equity Share in the Type 9 Applicant required under Section 104.20, if applicable.
- 2. **Delivery Pilot Program.** DCR shall process the first 60 Type 9 Applications that meet the requirements of subdivision 1. of this subsection and comply with the Social Equity Program priority processing ratios specified in Section <u>104.20(a)</u>. An Applicant who is eligible for processing under subdivisions 3. or 4. of this subsection shall not be eligible for the Delivery Pilot Program.
- —3. An Applicant who submitted a complete application pursuant to Subsection (c) or (d) of this section, but was ineligible for further processing because its Business Premises is in a geographic area of Undue Concentration limits or within a 700 foot radius of another Type 10 application, shall receive priority processing for a Type 9 License relative to all other Applicants except those in the Delivery Pilot Program.
- 4. An Applicant eligible for processing pursuant to Section <u>104.08</u> may amend its pending Section <u>104.08</u> application to add a Type 9 License at the time it submits an annual License application to DCR.
- -5. DCR, at its sole discretion, may process additional Type 9 Applications provided such processing complies with the processing requirements of this subsection and the Social Equity Program priority processing ratios specified in Section <u>104.20(a)</u>.
- 6. An Applicant shall pay all required application fees under Section <u>104.19</u> within <u>10 days of being issued an invoice by DCR or its application shall be deemed abandoned.</u>

(e) Type 9 Application Processing.

- 1. **Applicant Eligibility Verification.** Social Equity Individual Applicants verified as defined in Section 104.20(a) or (b) may participate in application processing under this subsection. DCR's determination of whether an individual is a Social Equity Individual Applicant shall be made with no hearing, is final and not appealable.
- 2. Application Period. DCR shall, on a date beginning at its sole discretion, accept applications for processing under this subsection, provided that it posts written notice on its website at least 15 calendar days before the start date of the processing period. To be eligible for processing under this subsection, a Type 9 Applicant shall submit the following application documents: 1) a copy of an executed lease agreement with proof of a deposit or property deed for its Business Premises; 2) a Business Premises diagram; 3) a dated radius map including horizontal lines and labeling of any sensitive uses relative to a Type 9 License;
- 3. An Applicant who submitted a complete application pursuant to Subsection (b) of this section, but was ineligible for further processing because its Business Premises is in a Community Plan Area that has reached Undue Concentration limits or within a 700-foot radius of another Type 10 application, shall receive priority processing for a Type 9 License relative to all other Social Equity Applicants applying for Type 9 License.
- 4. **Application Fees.** An Applicant shall pay all required application fees under Section 104.19 within 10 days of being issued an invoice by DCR or its application shall be deemed abandoned.

(f) Non-Retail Application Processing.

- 1. **Applicant Eligibility Verification.** Social Equity Applicants verified as defined in Section 104.20(a) or (b) may participate in application processing under this subsection. DCR's determination of whether an individual is a Social Equity Individual Applicant shall be made with no hearing, is final and not appealable.
- 2. **Application Period.** DCR shall, on a date beginning at its sole discretion, accept applications for processing under this subsection, provided that it posts written notice on its website at least 15 calendar days before the start date of the processing period. To be eligible for processing under this subsection, a Type 9 Applicant shall submit the following application documents: 1) letter from the landlord or other evidence of a legal right to occupy the Business Premises; 2) a Business Premises diagram; and 3) a dated radius map including horizontal lines and labeling of any sensitive uses relative to a Type 10 License.
- 3. **Application Fees.** An Applicant shall pay all required application fees under Section 104.19 within 10 days of being issued an invoice by DCR or its application shall be deemed abandoned.

SEC. 104.20. SOCIAL EQUITY PROGRAM.—(a)—Social Equity Applicants shall receive priority processing as provided in this Section. Tier 1 and Tier 2 Social Equity Applicants shall receive priority processing for Retailer Commercial Cannabis Activity Licenses (Types 9 and 10) and for Microbusiness Commercial Cannabis Activity Licenses that include retail (Type 12) on a 2:1 ratio with all non-Social Equity Applicants (including Applicants issued Licenses pursuant to Section 104.07). Tier 3 Social Equity Applicants may not apply for Retailer Commercial Cannabis Activity Licenses or Microbusiness Commercial Cannabis Activity Licenses that include retail. Tiers 1 through 3 Social Equity Applicants shall receive priority processing for all non-retail License types on a 1:1 ratio with all non-Social Equity Applicants (excluding Applicants issued Licenses pursuant to Section 104.08) based on License type category, provided that Tier 1 Social Equity Applicants shall receive priority over Tier 2 and Tier 3 Social

Equity Applicants, and Tier 2 Social Equity Applicants shall receive priority over Tier 3 Social Equity Applicants. (Amended by Ord. No. 185,629, Eff. 7/2/18.)

- (b) The following definitions shall be applicable in this Section: (Amended by Ord. No. 185,850, Eff. 11/28/18.)
- —"Low Income" means 80 percent or below of Area Median Income for the City based on the 2016 American Community Survey and updated with each decennial census.
- —"California Cannabis Arrest or Conviction" means an arrest or conviction in California for any erime under the laws of the State of California or the United States relating to the sale, possession, use, manufacture, or cultivation of Cannabis that occurred prior to November 8, 2016. An arrest, prosecution or conviction for a violation of Proposition D, as codified in former Article 5.1 of Chapter IV of the Los Angeles Municipal Code, notwithstanding that Proposition D has been repealed, is not a California Arrest or Cannabis Conviction. A Social Equity Applicant with a California Cannabis Arrest or Conviction shall be ineligible to apply for a License in any of the circumstances specified in Section 104.03(c), subject to the time restrictions therein.
- —"Disproportionately Impacted Area" means eligible zip codes based on the "More Inclusive Option" as described on page 23 of the "Cannabis Social Equity Analysis Report" commissioned by the City in 2017, and referenced in Regulation No. 13 of the Rules and Regulations, or as established using similar criteria in an analysis provided by an Applicant for an area outside of the City.
- "Equity Share" means a share of all of the following:
- -(i) a business's profits, including dividends, distributions or other payments;
- (ii)—the proceeds of a sale of a business's assets, liquidation of a business, merger of a business into another business, or another transaction that would constitute the end of an original business; and
- (iii) the voting rights on fundamental decisions relating to the business.
- (e) A Tier 1 Social Equity Applicant shall meet the following criteria at time of applying for a License: 1. Low Income and prior California Cannabis Arrest or Conviction; 2. Low Income and a minimum of five years' cumulative residency in a Disproportionately Impacted Area. A Tier 1 Social Equity Applicant shall own no less than a 51 percent Equity Share in the Person to whom the License is issued. A Tier 1 Social Equity Applicant shall receive the following benefits: 1. business, licensing and compliance assistance; 2. expedited renewal processing; 3. the potential for fee deferrals if the City Council adopts a fee deferral program; and 4. access to an Industry Investment Fund if established. (Amended by Ord. No. 186,111, Eff. 6/14/19.)
- —(d) A Tier 2 Social Equity Applicant shall meet the following criteria at time of applying for a License: 1. Low Income and a minimum of five years' cumulative residency in a Disproportionately Impacted Area; or 2. a minimum of 10 years' cumulative residency in a Disproportionately Impacted Area. A Tier 2 Social Equity Applicant shall own no less than a 33 1/3 percent Equity Share in the Person to whom the License issued. A Tier 2 Social Equity Applicant shall receive the following benefits: 1. business, licensing and compliance assistance; and 2. expedited renewal processing. (Amended by Ord. No. 186,111, Eff. 6/14/19.)
- (e) A Tier 3 Social Equity Applicant, prior to issuance of a License, shall enter into a Social Equity Agreement with the City to provide capital, leased space, business, licensing and compliance assistance for a period of three years to Persons who meet the criteria to be a Tier 1 Social Equity Applicant or Tier 2 Social Equity Applicant. If a Tier 3 Social Equity Applicant is eligible for Temporary Approval, it shall enter into a Social Equity Agreement with the City by August 1, 2019, or the date DCR determines it is eligible for Temporary Approval, whichever is

later. A Tier 3 Social Equity Applicant shall provide a Tier 1 or Tier 2 Social Equity Applicant access to property with no rent and with prorated utilities for a minimum of three years. The minimum requirements of the property provided to the Tier 1 or Tier 2 Social Equity Applicant shall be: 1. Cultivation - minimum 500 square feet or 10 percent of Tier 3 Social Equity Applicant's Business Premises, whichever is greater; 2. Manufacturing - minimum 800 square feet or 10 percent of Tier 3 Social Equity Applicant's Business Premises, whichever is greater: 3. Testing - minimum 1,000 square feet or 10 percent of Tier 3 Social Equity Applicant's Business Premises, whichever is greater; 4. Distributor - minimum 1,000 square feet or 10 percent of Tier 3 Social Equity Applicant's Business Premises, whichever is greater; 5. Non-storefront retailminimum 1,000 square feet or 10 percent of Tier 3 Social Equity Applicant's Business Premises, whichever is greater; 6. Storefront retail - minimum 1,000 square feet or 10 percent of Tier 3 Social Equity Applicant's Business Premises, whichever is greater; 7. Microbusiness - minimum 800 square feet or 10 percent of Tier 3 Social Equity Applicant's Business Premises, whichever is greater. A Tier 3 Social Equity Applicant may provide access to property to a Tier 1 or Tier 2 Social Equity Applicant who will engage in a different type of Commercial Cannabis Activity than the Tier 3 Social Equity Applicant. (Amended by Ord. No. 186.111, Eff. 6/14/19.)

In lieu of providing the minimum property requirements on its Business Premises pursuant to this subsection, a Tier 3 Social Equity Applicant may do one of the following:

- -1. Pay a property support fee that shall be equal to the greater of the following:
- —(i) The actual monthly cost per square foot of leased space at the Tier 3 Social Equity Applicant's Business Premises multiplied by the required amount of space pursuant to this subsection multiplied by 36 months;
- (ii) The arithmetic mean of the cost per square foot of leased space for the 10 closest commercial cannabis businesses authorized by DCR for the same commercial cannabis activity to the Tier 3 Social Equity Applicant's Business Premises multiplied by the required amount of space pursuant to this subsection multiplied by 36 months; or
- (iii) The highest cost per square foot for a) commercial, b) industrial, or c) manufacturing space within the City adjusted annually based on the US Commercial Real Estate Index multiplied by the required amount of space pursuant to this subsection multiplied by 36 months.
- DCR shall determine the manner in which the property support fee is paid. A Tier 3 Social Equity Applicant shall pay the fee in full upon the first effective day of the Social Equity Agreement, in three equal payments on dates determined by DCR within the first 24 months of the term of the Social Equity Agreement, or in 36 equal monthly payments during the term of the Social Equity Agreement. DCR shall determine the distribution of property support fees to Tier 1 Social Equity Applicants after considering factors including but not limited to: the order of applications received; an applicant's financial resources; an applicant's readiness to proceed through the application process; and, any other factor that would enable a fair and efficient distribution of fees. A Tier 1 Social Equity Applicant shall use a property support fee only for rent, utilities, facilities improvements, or construction at the Business Premises identified in its application.
- -2. Provide a Tier 1 or Tier 2 Social Equity Applicant an equivalent or greater amount of property at a different location in the City if all of the following conditions are met:
- (i) The Tier 1 or Tier 2 Social Equity Applicant can conduct the Commercial Cannabis Activity for its License type at the new location without violating any of the land use or sensitive use requirements in Article 5, Chapter X of this Code:
- (ii) The Tier 1 or Tier 2 Social Equity Applicant will not incur costs for bringing the new location into compliance with City and State regulations in excess of those it would incur if it occupied property on the Tier 3 Social Equity Applicant's Business Premises;

— (iii) The Tier 1 or Tier 2 Social Equity Applicant has the legal right to occupy and use the new location for Commercial Cannabis Activity; and

(iv) DCR finds that the facilities at the new location are substantially similar to the facilities at the Tier 3 Social Equity Applicant's Business Premises.

- (f) A Tier 3 Social Equity Applicant shall receive expedited renewal processing. (Amended by Ord. No. 186,111, Eff. 6/14/19.)
- (g) Social Equity Applicants Tiers 1 and 2 shall make a good faith effort to have no less than 50 percent of the weekly hours of the Licensee's workforce performed by Employees whose primary place of residence is within a three-mile radius of the Business Premises. Of those Employees, 20 percent shall be Social Equity Workers and 10 percent Transitional Workers. Social Equity Applicant Tier 3 shall make a good faith effort to have no less than 50 percent of the weekly hours of the Licensee's workforce performed by Employees whose primary place of residence is within a five-mile radius of the Business Premises. Of those Employees, 30 percent shall be Social Equity Workers and 10 percent Transitional Workers. Transitional Worker is defined in Section 104.12(m). Social Equity Worker is a Person who is: 1. Low Income and has a prior California Cannabis conviction as defined in Section 104.20(b); or 2. Low Income and a minimum of five years cumulative residency in a Disproportionately Impacted Area. At a minimum, a Licensee is required to contact local community-based organizations, City of Los Angeles Work Source Centers, and other such similar organizations to facilitate job outreach, development, and placement services. A Licensee is required to provide a detailed semiannual report on the first business day of January and the first business day of July every year that provides evidence of its outreach efforts, including the number of persons interviewed, and details on who was hired to satisfy the good faith requirement.
- (h) Social Equity Agreements shall be processed and approved by DCR. (Amended by Ord. No. 186,111, Eff. 6/14/19.)
- (i) Tier 1 and Tier 2 Social Equity Applicants shall comply with all of the following: (Amended by Ord. No. 186,111, Eff. 6/14/19.)
- —1. May only transfer control or ownership to Persons who meet the same social equity ownership and local requirements as when the License was issued and only upon the prior written approval of DCR. DCR shall promulgate Rules and Regulations for the transfer of control or ownership before providing written approval to a Licensee subject to this subsection; (Amended by Ord. No. 186,111, Eff. 6/14/19.)
- 2. Shall provide to DCR bylaws or operating agreements which specify the percentage of ownership and control by each Person;
- —3. Shall not borrow any money or take out any loan without first disclosing to DCR the source and terms of the loan and obtaining DCR approval;
- —4. Prior to approval of a License, shall disclose to DCR any encumbrances or debt held by the Applicant and disclose the conditions, responsibilities of the borrower and lender and liabilities of the debt held by the Applicant;
- —5. If DCR deems the debt to interfere with the Applicant's ability to be successful, then DCR may deny the Applicant Social Equity Tiered status;
- —6. After issuance of a License, all future changes in ownership or control or intention to take on debt shall first be disclosed and approved by DCR;
- -7. Shall disclose to DCR any management or employee staffing agreements it has or will enter

into during the period of the License; and

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- -8. Shall disclose any options to purchase equity or control in the Applicant.
- 9. During the term of a Social Equity Agreement in which a Tier 3 Social Equity Applicant provides support directly to a Tier 1 or Tier 2 Social Equity Applicant, a Tier 1 or Tier 2 Social Equity Applicant may only transfer control or ownership of a License after first providing the Tier 3 Social Equity Applicant the right of first refusal to buy, at market-rate, the Tier 1 or Tier 2 Social Equity Applicant's interest in the License and transfer it to a Person who meets the same social equity ownership and local requirements as when the License was issued. (Amended by Ord. No. 186,111, Eff. 6/14/19.)
- —10. At the time of requesting an annual license renewal pursuant to Section 104.12, shall provide to DCR a financial statement for its most recently completed fiscal year. (Added by Ord. No. 186,111, Eff. 6/14/19.)
- (j) DCR shall establish the following programs and incentives: 1. recruitment and outreach to support the Social Equity Program; 2. business, licensing and compliance assistance; 3. general business assistance; 4. a registry for incubator projects that offer education and training to Tier 1 and Tier 2 Social Equity Applicants; and 5. a fee deferral for Tier 1 and Tier 2 Social Equity Applicants. Based on a Request for Qualifications, DCR shall establish an approved list of private investors to fund start-up costs for approved Tier 1 and Tier 2 Social Equity Applicants. (Amended by Ord. No. 185,850, Eff. 11/28/18
- (a) **Program Original Eligibility Verification.** Except for Tier 3 Applicants as defined in Sec. 104.20(a)(1)(iv), an Applicant that submitted an Application subject to Sec. 104.08 by September 13, 2018, or submitted an application for Program eligibility verification during the verification period between May 28, 2019 and July 29, 2019 and met the criteria in this subsection for a Commercial Cannabis Activity License pursuant to Sec. 104.06.1(c), shall comply with Sec. 104.20(a)(2) when a License is issued or renewed.
 - 1. Social Equity Individual Applicant Individual Eligibility Verification. An Individual subject to this subsection shall be verified as Social Equity Individual Applicant. A Social Equity Individual Applicant may be further verified as a Tier 1 or Tier 2 Social Equity Individual Applicant, or a Tier 3 Applicant in accordance with the definitions and criteria in this subsection.
 - (i) The following definitions shall be applicable in this subsection:
 - (1) "California Cannabis Arrest or Conviction" means an arrest or conviction in California for any crime under the laws of the State of California or the United States relating to the sale, possession, use, manufacture, or cultivation of Cannabis that occurred prior to November 8, 2016. An arrest, prosecution or conviction for a violation of Proposition D, as codified in former Article 5.1 of Chapter IV of the Los Angeles Municipal Code, notwithstanding that Proposition D has been repealed, is not a California Arrest or Cannabis Conviction. A Social Equity Applicant with a California Cannabis Arrest or Conviction shall be ineligible to apply for a License in any of the circumstances specified in Section 104.03(c), subject to the time restrictions therein.
 - (2) "Disproportionately Impacted Area" means eligible zip codes based on the "More Inclusive Option" as described on page 23 of the "Cannabis Social Equity Analysis Report" commissioned by the City in 2017, and referenced in Regulation No. 13 of the Rules and Regulations, or as established using similar criteria in an analysis provided by an Applicant for an area outside of the City.
 - (3) "Low-Income" means 80 percent or below of Area Median Income for the

City based on the 2016 American Community Survey and updated with each decennial census.

- (ii) "Tier 1 Social Equity Individual Applicant" is an individual who meets the following criteria at the time of applying for a License: 1) Low-Income and prior California Cannabis Arrest or Conviction; or 2) Low-Income and a minimum of five years' cumulative residency in a Disproportionately Impacted Area.
- (iii) "Tier 2 Social Equity Individual Applicant" is an individual who meets the following criteria at time of applying for a license: 1) Low-Income and a minimum of five years' cumulative residency in a Disproportionately Impacted Area; or 2) a minimum of 10 years' cumulative residency in a Disproportionately Impacted Area.
- (iv) "Tier 3 Applicant" is a Person who applied for a Commercial Cannabis Activity License pursuant to Sec. 104.08 and does not meet the criteria of a Tier 1 or Tier 2 Social Individual Equity Applicant.
- 2. Social Equity Individual Applicant Entity Eligibility Verification. A Social Equity Individual Applicant shall comply with the Equity Share criteria in this subsection before a license is issued or renewed.
 - (i) Ownership Percentage. A Tier 1 Social Equity Individual Applicant shall own no less than a 51 percent Equity Share in the Person to whom the License is issued. A Tier 2 Social Equity Individual Applicant shall own no less than a 33 1/3 percent Equity Share in the Person to whom the License issued.
 - (ii) "Equity Share" means all of the following:
 - (1) Unconditional ownership of the Equity Share. The Equity Share shall not be subject to conditions precedent, conditions subsequent, executory agreements, voting trusts, restrictions on or assignments of voting rights, or other arrangements causing or potentially causing ownership benefits in the Social Equity Applicant/Licensee to go to another in any circumstance other than after death or incapacity. In the case of death or incapacity, a Social Equity Individual Applicant shall identify his or her own successor in interest or assignee of their Equity Share. Community property laws shall have no effect on unconditional ownership.
 - (2) Profits, dividends, and distributions. All Social Equity Individual Applicants shall receive all of the following:
 - (A) At least their Equity Share percent of the distribution of profits paid to the owners of the Social Equity Applicant/Licensee;
 - (B) 100 percent of the value of each share of stock, member interest, partnership interest, or other equivalent owned by them in the event that the stock, member interest, or partnership interest is sold; and
 - (C) At least their Equity Share percent of the retained earnings of the Social Equity Applicant/Licensee and 100 percent of the unencumbered value of each share of stock, member interest, or partnership interest owned in the event of dissolution of the corporation, limited liability company, or partnership.

- (3) Voting rights and control. All Social Equity Individual Applicants shall receive the following at all times:
 - (A) At least their Equity Share percent of the voting rights on all business decisions, including, but not limited to, long-term decisions, daily business operations, retention and supervision of the executive team, managers, and management companies, and the implementation of policies.
 - (B) The highest officer position in the Social Equity Applicant/Licensee, such as the position of chief executive officer, unless a natural person who otherwise meets the requirements of a Social Equity Individual Applicant, but who is not an Owner, is appointed to that position by mutual agreement of the parties or another natural person is appointed to that position by mutual agreement of the parties.
- (4) Surviving spouse. If a Social Equity Individual Applicant dies, the Social Equity Applicant/Licensee will continue to qualify under this section with the requisite Equity Shares so long as the surviving spouse of the deceased Social Equity Individual Applicant inherits or otherwise acquires all of such individual's ownership interest in the Social Equity Applicant/Licensee. The continued qualification by the surviving spouse shall begin on the date of the Social Equity Individual Applicant's death and terminate on the earlier of: (1) the date in which the surviving spouse remarries; (2) the date in which the surviving spouse relinquishes his or her ownership interest in the Social Equity Applicant/Licensee; or (3) the date that is ten (10) years after the date of the death of the Social Equity Individual Applicant.

(iii) Additional Equity Share Requirements.

- (1) All Owners shall 1) comply in all respects with the Equity Share requirements set forth in Los Angeles Municipal Code section 104.20 (hereinafter "Equity Share Requirements") in dealings with one another, 2) keep records evidencing their compliance, and 3) on the other party's reasonable request, provide these records of compliance to the other party.
- (2) Any action or inaction taken by a party in violation of the Equity Share Requirements shall entitle the other party to initiate a legal action in the Superior Court of Los Angeles, including, but not limited to, an action for specific performance, declaratory relief, and/or injunctive relief, to enforce the Equity Share Requirements against the other party.
- (3) Any annual commercial cannabis License(s) issued to a Social Equity Applicant may be suspended and/or revoked if it can be shown, by a preponderance of the evidence, that any provision in an operating agreement, contract, business formation document, or any other agreement between Owners of the Social Equity Applicant violates any of the Equity Share Requirements and is not cured within the time allowed by DCR.
- (4) All Owners are required to incorporate the following addendum into operating agreements documents to evidence compliance with Equity Share:

"To the extent that any provision of this agreement, or part thereof, is or may be construed to be inconsistent with or in violation of the "Equity Share" requirements set forth in Los Angeles Municipal Code section 104.20, such provision(s) shall be ineffective, unenforceable, and null and void."

- (b) Program Expanded Eligibility Verification. An Applicant seeking to participate in the Social Equity Program shall meet the criteria and requirements in this subsection.
 - 1. Social Equity Individual Applicant Individual Eligibility Verification. An Individual subject to this subsection shall be verified as a Social Equity Individual Applicant in accordance with the definitions and criteria in this subsection.
 - (i) "Social Equity Individual Applicant" is an individual who meets two of the following three criteria: 1) Low-Income, 2) a prior California Cannabis Arrest or Conviction 3) ten year's cumulative residency in a Disproportionately Impacted Area.
 - (ii) The following definitions shall be applicable in this section:
 - (1) "Asset" means net assets at, or below, four times the Low-Income thresholds based on household size. Examples of liquid accounts that shall be disclosed include but are not limited to, saving accounts, checking accounts, certificates of deposit, money market accounts, stocks, trusts, and gifts. Qualified retirement accounts and an individual's primary residence shall be excluded for purposes of the calculation, but other forms of real estate shall be included. Such retirement accounts are limited to accounts that are intended for retirement and that would incur a penalty if withdrawn before a specified retirement age per each account.
 - (2) "Household Size" means the number of individuals that meet any of the following criteria:
 - (A) All Spouses or Domestic Partners must be included in the Household and must appear in the submission content.
 - (B) All household members who are under 18 years of age must be the legal dependent of an adult household member, except in the case of emancipated minors, as claimed on the most recent income tax return, or legal minor children of title holders.
 - (C) Pregnant individuals will only be counted as two Household members with verifiable medical documentation.
 - (D) Temporarily absent household members who intend to live in the residence upon return may be considered, if verifiable documentation supporting their absence is provided. Such household members include, but are not limited to, household members serving temporarily in the armed forces, or who are temporarily institutionalized.
 - (E) Live-in assistants and foster children will not be counted toward household size. Any individual not listed on the Social Equity Individual Applicant's most recent tax return will not be counted toward household size.
 - (3) "California Cannabis Arrest or Conviction" means an arrest or conviction in California for any crime under the laws of the State of California or the United States relating to the sale, possession, use, manufacture, or cultivation of Cannabis that occurred prior to November 8, 2016. An arrest, prosecution or conviction for a violation of Proposition D, as codified in former Article 5.1 of Chapter IV of the Los Angeles Municipal Code, notwithstanding that Proposition D has been repealed, is not a California Arrest or Cannabis Conviction. A Social Equity Applicant with a

California Cannabis Arrest or Conviction shall be ineligible to apply for a License in any of the circumstances specified in Section 104.03(c), subject to the time restrictions therein.

- (4) "Disproportionately Impacted Area" means Police Reporting Districts as utilized in the Expanded Social Equity Analysis, or as established using the same methodology and criteria in a similar analysis provided by an Applicant for an area outside of the City.
- (5) "Low-Income" a Social Equity Individual Applicant shall be defined as Low-Income if both of the following definitions are met: 1) the Social Equity Individual Applicant meets the low-income thresholds established in the annual U.S. Department of Housing and Urban Development (HUD) income limits based upon the Area Median Income (AMI) for Los Angeles County based on Household size, and 2) The Social Equity Individual Applicant does not have Assets in excess of the amount as defined in this subsection. For the purpose of assessing whether the low-income threshold has been met, DCR shall calculate the Household size based on the number of individuals that meet the criteria per Subsection (b)(1)(ii)(2)(A) through (E).
- 2. Social Equity Individual Applicant Entity Eligibility Verification. An Applicant must comply the Equity Share requirements in this subsection before a license is issued or renewed.
 - (i) Ownership Percentage. The Social Equity Individual Applicant shall own no less than a 51 percent Equity Share in the Person to whom the License is issued.
 - (ii) "Equity Share" " is defined in Subsection (a)(2) and incorporated herein by reference.

(c) Programming – Benefits and Requirements.

- 1. **Programming Ownership and Disclosure Requirements.** Social Equity Applicants shall comply with the requirements as described below and, in the Rules, and Regulations.
 - (i) May only transfer control or ownership to Persons who meet the same social equity ownership and local requirements as when the License was issued and only upon the prior written approval of DCR. DCR shall promulgate Rules and Regulations for the transfer of control or ownership before providing written approval to a Licensee subject to this subsection;
 - (ii) Shall provide to DCR bylaws or operating agreements which specify the percentage of ownership and control by each Person;
 - (iii) Shall disclose to DCR any management or employee staffing agreements it has or will enter into during the period of the License; and
 - (iv) Shall disclose any options to purchase equity or control in the Social Equity Applicant.
 - (v) At the time of requesting an annual license renewal pursuant to Section 104.12, shall provide to DCR a financial statement for its most recently completed fiscal year.
- 2. **Programming Workforce Requirements.** Social Equity Applicants and Tier 3 Applicants shall comply with the workforce requirements in this subsection.

(i) **Definitions.**

- (1) Social Equity Worker. A Social Equity Worker is an individual who meets criteria as defined in Sec. 104.20(a), except for Tier 3 Applicants and Applicants who meet the criteria as defined in 104.20(b).
- (2) Transitional Worker. Transitional Worker means an individual who, at the time of starting employment at the Business Premises, resides in an Economically Disadvantaged Area or Extremely Economically Disadvantaged Area, as those terms are defined in Section 11.5.6 of this Code, and faces at least two of the following barriers to employment: 1) being homeless; 2) being a custodial single parent; 3) receiving public assistance; 4) lacking a GED or high school diploma; 5) having a criminal record or other involvement with the criminal justice system; 6) suffering from chronic unemployment; 7) emancipated from the foster care system; 8) being a veteran; or 9) over the age of 65 and financially compromised.
- (ii) Social Equity Applicants. A Social Equity Individual Applicant shall make a good faith effort to have no less than 50 percent of the weekly hours of the Licensee's workforce performed by employees whose primary place of residence is within a three-mile radius of the Business Premises location. Of those Employees, 20 percent shall be Social Equity Workers and 10 percent Transitional Workers.
- (iii) Tier 3 Applicants. A Tier 3 Applicant shall make a good faith effort to have no less than 50 percent of the weekly hours of the Licensee's workforce performed by employees whose primary place of residence is within a five-mile radius of the Business Premises. Of those employees, 30 percent shall be Social Equity Workers and 10 percent Transitional Workers. At a minimum, a Licensee is required to contact local community-based organizations, City of Los Angeles Work Source Centers, and other such similar organizations to facilitate job outreach, development, and placement services. A Licensee is required to provide a detailed semiannual report on the first business day of January and the first business day of July every year that provides evidence of its outreach efforts, including the number of persons interviewed, and details on who was hired to satisfy the good faith requirement.
- 3. Programming Social Equity Agreement Requirements. Tier 3 Applicants shall comply with the Social Equity Agreement requirements in this subsection.
 - (i) Prior to the issuance of a License, a Tier 3 Applicant, shall enter into a Social Equity Agreement with the City to provide: 1) Ancillary Business Costs, 2) Property, and 3) Education and Training, to a Social Equity Individual Applicant for a period of three years. Social Equity Agreements shall be processed and approved by DCR.
 - (1) Ancillary Business Costs. Tier 3 Applicants shall provide security, management, equipment and other ancillary business costs to a Social Equity Individual Applicant.
 - (2) Education and Training. Tier 3 Applicants shall provide a minimum of 50 hours per year in business development education and training to a Social Equity Individual Applicant. Additional Education and Training provided by Tier 3 Applicants may include: accounting, inventory management, payroll practices, tax preparation, employee recruitment, retention and workforce outreach reporting requirements training.
 - (3) Property Onsite. Tier 3 Applicants shall provide floor area, at no cost and

inclusive of utilities, within their Business Premises location or at an off-site location pursuant to Subsection (c)(3)(i)(4), established as a separate Business Premises for a Social Equity Individual Applicant, for a period of three years, to engage in a Commercial Cannabis Activity in accordance with Article 5, Chapter X of the Los Angeles Municipal Code. The minimum requirements of the floor area provided shall be: 1) Cultivation - minimum 500 square feet or 10 percent of Tier 3 Applicant's entire Business Premises, whichever is greater; 2) Manufacturing - minimum 800 square feet or 10 percent of Tier 3 Applicant's entire Business Premises, whichever is greater; 3) Testing - minimum 1,000 square feet or 10 percent of Tier 3 Applicant's entire Business Premises, whichever is greater; 4) Distributor - minimum 1,000 square feet or 10 percent of Tier 3 Applicant's entire Business Premises, whichever is greater; 5) Non-storefront retail - minimum 1,000 square feet or 10 percent of Tier 3 Applicant's entire Business Premises, whichever is greater; 6) Storefront retail - minimum 1,000 square feet or 10 percent of Tier 3 Applicant's entire Business Premises, whichever is greater; 6) Storefront retail - minimum 1,000 square feet or 10 percent of Tier 3 Applicant's entire Business Premises, whichever is greater; 6) Storefront retail - minimum 1,000 square feet or 10 percent of Tier 3 Applicant's entire Business Premises, whichever is greater; 6)

- (4) Property Off-site. A Tier 3 Applicant shall provide floor area, at no cost and inclusive of utilities, at an off-site Business Premises location, unless property is provided on-site pursuant to Subsection 104.20(c)(3)(i)(3), to a Social Equity Individual Applicant an equivalent or greater amount of property at a different location in the City if all of the following conditions are met:
 - (A) The Social Equity Individual Applicant can conduct the Commercial Cannabis Activity for its License type at the new location without violating any of the land use or sensitive use requirements in Article 5, Chapter X of this Code;
 - (B) A Tier 3 Applicant shall be responsible for all costs to bring the offsite property location into compliance with all site specific and property related regulations, including, but not limited to, Building Code and Fire Code regulations.
 - (C) The Social Equity Individual Applicant has the legal right to occupy and use the new location for Commercial Cannabis Activity; and
 - (D) DCR finds that the facilities at the new location are substantially similar to the facilities at the Tier 3 Applicant's Business Premises.
- (5) **Property Support.** In lieu of providing the minimum property requirements per Subsections (c)(1)(iii)(3) and (4), a Tier 3 Applicant may Provide property support directly to the Social Equity Individual Applicant equal to the greater of the following:
 - (A) The actual monthly cost per square foot of leased space at the Tier 3 Applicant's Business Premises multiplied by the required amount of space pursuant to this subsection multiplied by 36 months;
 - (B) The arithmetic mean of the cost per square foot of leased space for a total of 10 commercial cannabis businesses within a one mile radius authorized by DCR for the same commercial cannabis activity to the Tier 3 Applicant's Business Premises multiplied by the required amount of space pursuant to this subsection multiplied by 36 months; If there are less than 10 commercial cannabis businesses within the one mile radius, the radius shall be increased in 100-foot increments until a total of 10 businesses are included.

- (6) A Tier 3 Applicant shall provide property support directly to the Social Equity Individual Applicant: 1) in full upon the first effective day of the Social Equity Agreement, 2) in three equal payments on dates determined by DCR within the first 24 months of the term of the Social Equity Agreement, 3) in 36 equal monthly payments during the term of the Social Equity Agreement, or 4) as agreed upon by the Social Equity Individual Applicant and the Tier 3 Applicant, and as approved by DCR.
- 4. **Programming Benefits.** Social Equity Applicants verified in accordance with Subsections (a) and (b) may receive benefits outlined in this subsection. Tier 3 Applicants shall not be processed under this subsection but shall be afforded priority processing as described in Sec. 104.08.

(i) **Processing.**

- (1) DCR shall process Applications for Social Equity Applicants in accordance with Sec. 104.06.1
- (2) DCR shall provide priority processing to Social Equity Applicants applying for a Non-Retailer License on a 1:1 ratio with all non-Social Equity Individual Applicants.
- (3) DCR shall process Applications or renewals from Social Equity Applicants in accordance with Subsections (a) or (b) before processing an Application or renewal from non-Social Equity Applicants.
- (ii) Fee Deferral Program. DCR shall administer the Fee Deferral Program based on requirements and restrictions established in the Rules and Regulations. Participation in this Program may be subject to the availability of resources.
- (iii) Business Licensing and Compliance Assistance. DCR shall provide Business, Licensing and Compliance Assistance through programming and curriculum development training in the areas of state and local licensing requirements, commercial cannabis regulations, general business development, cannabis-specific business development and workforce development.
- (iv) Financial Grant Program. DCR shall administer the Financial Grant Program based on requirements and restrictions established in the Rules and Regulations. Participation in this Program may be subject to the availability of resources.
- (v) Ancillary Business Costs. Social Equity Applicants may receive security, management, equipment and other ancillary business costs provided by a Tier 3 Applicant pursuant to a Social Equity Agreement as defined in Section 104.20 (a)(1)(iv). Participation in this Program may be subject to the availability of resources.
- (vi) Education and Training. Social Equity Applicants may receive a minimum of 50 hours per year in business development, education and training provided by a Tier 3 Applicant pursuant to a Social Equity Agreement as defined in Section 104.20 (a)(1)(iv). Additional education and training provided by Tier 3 Applicants may include: accounting, inventory management, payroll practices, tax preparation, employee recruitment, retention and workforce outreach reporting requirements training. Participation in this Program may be subject to the availability of resources.
 - (vii) Property. Social Equity Applicants may receive Property as defined in Sec.

104.20(c)(3)(i)(3) through (5) provided by a Tier 3 Applicant. Participation in this Program may be subject to the availability of resources.

SEC. 104.21. MANAGEMENT COMPANIES.

(Added by Ord. No. 185,629, Eff. 7/2/18.)

- (a) A Licensee shall provide to DCR a copy of all written agreements and contracts, including all amendments thereto, with every Management Company that manages Commercial Cannabis Activity on its behalf and all other information and documents DCR requires to determine the nature and scope of a Management Company's participation in Commercial Cannabis Activity.
- (b) A Tier 1 or Tier 2 Social Equity Applicant, upon issuance of a License, shall not permit a Management Company to manage Commercial Cannabis Activity on the Applicant's behalf without first obtaining written approval from DCR.
- (e)(b) DCR may prohibit a Licensee from permitting a Management Company to manage Commercial Cannabis Activity on the Licensee's behalf if: (Amended by Ord. No. 185,850, Eff. 11/28/18.)
 - 1. Any Owner of the Management Company would be ineligible to apply for a License pursuant to Section 104.03(c) or to receive a License pursuant to Section 104.06(a)(1);
 - 2. DCR or another Cannabis licensing authority has determined that the Management Company has failed to comply with State or City operating requirements while managing Commercial Cannabis Activity; or
 - 3. The Management Company cannot manage Commercial Cannabis Activity on behalf of any additional Licensees pursuant to the restrictions set forth in Section 104.21(g).
 - (d)(c) Every Management Company shall register with DCR pursuant to procedures established by DCR and provide DCR all requested information and documents regarding its participation in Commercial Cannabis Activity in the City.
- (e)(d) A Management Company shall not hold an equity interest in a Licensee on whose behalf it manages Commercial Cannabis Activity. Notwithstanding the foregoing restriction, a Management Company may receive a share of a Licensee's revenues or profits in exchange for management services rendered, subject to limitations established by DCR.
- (f)(e) A Management Company shall manage Commercial Cannabis Activity on a Licensee's behalf in adherence to the operational requirements in this article and the Rules and Regulations that apply to the License type. In construing and enforcing this article and the Rules and Regulations, any act, omission, or failure of a Management Company, including its officers, Employees and agents, shall in every case be deemed the act, omission, or failure of the Licensee.
 - <u>(g)(f)</u> Every Management Company shall be subject to the following restrictions:
 - 1. Through June 30, 2019, a Management Company shall not manage Commercial Cannabis Activity on behalf of more than three percent of the Licensees in the City engaged in the same type of Commercial Cannabis Activity;
 - 2. From July 1, 2019 through June 30, 2020, a Management Company shall not manage Commercial Cannabis Activity on behalf of more than four percent of the Licensees in the City engaged in the same type of Commercial Cannabis Activity;

- 3. From July 1, 2020 through June 30, 2021, a Management Company shall not manage Commercial Cannabis Activity on behalf of more than five percent of the Licensees in the City engaged in the same type of Commercial Cannabis Activity;
- 4. From July 1, 2021 through June 30, 2022, a Management Company shall not manage Commercial Cannabis Activity on behalf of more than six percent of the Licensees in the City engaged in the same type of Commercial Cannabis Activity; and

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5. On or after July 1, 2022, a Management Company shall not manage Commercial Cannabis Activity on behalf of more than seven percent of the Licensees in the City engaged in the same type of Commercial Cannabis Activity.

If a Management Company manages Commercial Cannabis Activity on behalf of a Licensee who is a Tier 1 or Tier 2 Social Equity Applicant, that License shall not count against the restrictions set forth in this subsection.

SEC. 104.22. CANNABIS CORPORATE RESPONSIBILITY REPORT. (Added by Ord. No. 185,850, Eff. 11/28/18.)

- (a) DCR shall develop criteria and guidelines for Cannabis Corporate Responsibility Reports (Report). DCR shall post the criteria, guidelines and any amendments on its -website.
- (a)(b) Prior to the issuance of a License or renewal pursuant to Section 104.12. No later than February 1 of every year, a Licensee shall submit to DCR a Report written Cannabis Corporate Responsibility Report (Report) that describes the Licensee's community engagement, corporate philanthropy, relationship with the neighborhood surrounding the Licensee's Business Premises, and compliance with applicable City and state Cannabis laws and regulations within the previous calendar year. A Licensee shall prepare its Report in a format consistent with guidelines established by DCR. If a Licensee fails to timely submit a Report to DCR, DCR may impose any administrative penalties or order corrective action as provided in Section 104.13(b). Reports may be publicly disclosed, such as being posted on DCR's website.
- (b)(c) If a Licensee holds Licenses for multiple Business Premises, the Licensee shall submit a separate Report for each Business Premises.
- (c) DCR shall develop criteria to score each Report based upon License type. DCR shall post the criteria and any amendments on its website no later than January 1, 202019, and it may amend the criteria provided that it posts the amendments on its website no later than January 1 of the year in which the amended criteria will be used to score Reports.
 - (d) An Applicant with Temporary Approval shall meet the requirements of this section.