

SCNC Board

Patrice Berlin
Claire Curet
John Crotteau
Alex Izbicki
Lisa Karadjian
Patrick Lewis
Heidi MacKay
Richard Niederberg
Sarina Patel
Eric Preven
Craig Radow
Rob Schiller
Andrew Sussman
Rita C. Villa
Richard Welsh
Denise Welvang



4024 Radford Avenue,
Editorial Bld. 2, Room 6
Studio City, CA 91604
(818) 655-5400

President
Denise Welvang
Vice President
Patrick Lewis
Treasurer
Rob Schiller
Secretary
Rita C. Villa
Corresponding Secretary
John Crotteau

www.StudioCityNC.org

August 8, 2017

Council President Wesson, councilmember.wesson@lacity.org

Mr. Vincent Bertoni Director of Planning
Department of City Planning, City of Los Angeles
200 N. Spring Street, Fifth Floor
Los Angeles, CA 90012

Re: CF 14-0366-S5

At its meeting on July 19, 2017, the board of the Studio City Neighborhood Council (the "SCNC") passed the motion below with respect to the draft of the proposed requirements for Commercial Cannabis Activity in the City of Los Angeles issued June 18, 2017.

The Board of the Studio City Neighborhood Council approves the submission of the attached comments regarding the Draft of the Proposed Requirements for Commercial Cannabis Activity in the City of Los Angeles issued June 18, 2017.

If you have any questions, please do not hesitate to contact me.

Sincerely,

Denise Welvang

Denise Welvang, President
Studio City Neighborhood Council

Cc: City Council
Andrew Westall andrew.westall@lacity.org
Matt Hale, CD2 matt.hale@lacity.org;
areen.ibranossian@lacity.org. karo.torossian@lacity.org

ATTACHMENT

GENERAL COMMENTS REGARDING THE PROPOSED REQUIREMENTS FOR COMMERCIAL CANNABIS ACTIVITY IN THE CITY OF LOS ANGELES

LIMITED IMMUNITY:

The proposed requirements provide for the issuance of a “Certificate of Compliance”, the official document issued by the Cannabis Commission to a business for the purposes of conducting and engaging in commercial cannabis activity. The Certificate of Compliance gives the business owner only limited immunity from prosecution. It is not the same as a license.

“The City’s requirements for obtaining a Certificate of Compliance mirror the extensive requirements for a state license very closely. So closely, in fact, that a court may well decide that Certificates of Compliance are de-facto business licenses, carrying the same rights and remedies a license typically does.

Cities all over the State are issuing licenses and if the City of Los Angeles refuses to do so, it may find that quality business operators and lucrative brands seek licensure elsewhere, causing the City to lose significant tax revenues and the opportunity for meaningful job creation.”

Limited immunity was a legislative response to conditions which existed when Proposition D was enacted and there was no state licensing procedure. Those conditions have changed. The City should adjust its regulatory framework accordingly and issue licenses rather than a certificate of compliance granting only limited immunity. (Quote from the SCC)

YOUTH CENTER LOCATIONS:

At the time of the application to the state for a license for a cannabis business, there can’t be a youth center within 600 feet. We request that the City of Los Angeles op-out of the youth center location regulation at the state level. See Business and Professional Code 26054:

“(a) A licensee shall not sell alcoholic beverages or tobacco products on or at any premises licensed under this division.

(b) A premises licensed under this division shall not be located within a 600-foot radius of a school providing instruction in kindergarten or any grades 1 through 12, day care center, or youth center that is in existence at the time the license is issued, unless a licensing authority or a local jurisdiction specifies a different radius. The distance specified in this section shall be measured in the same manner as provided in subdivision (c) of Section 11362.768 of the Health and Safety Code unless otherwise provided by law.”

TIMING:

We are concerned about the timing of the city’s application process. The State is rolling out their regulations through the end of the year. Many of the City’s regulations are based on the State’s regulations. As the City of Los Angeles cannabis application process may begin in October not all of the State’s regulations may be in place by that time. Differences in these timetables need to be reconciled.

ENFORCEMENT AND ALLOCATION OF THE BUDGET FOR ENFORCEMENT:

We request that the responsibility for enforcement of each of the specific requirements be assigned to a particular department. We also request that the manner of identifying the failure to comply with the requirements be specifically set forth and that such identification not be based solely on

reports of noncompliance by stakeholders but should be incorporate into the annual compliance audits in the renewal process. Additionally, the goal of administration and regulation of the cannabis industry should be for it to be self-funded. Therefore, the funds raised from the application process and a specific allocation of the taxation of the businesses should be segregated and used to fund the operations of the Department including administration and enforcement activities.

REGULATION OF EDIBLES:

The requirements are silent on the regulation of edibles. A section should be added to specifically address the manner of their regulation including the allowable appearance of such edibles and the department responsible for that regulation.

FINANCIAL OPERATIONS OF CANNABIS BUSINESSES:

Most banks and other financial institutions will not accept cannabis businesses as customers for fear that their Federal licenses would be jeopardized. Cannabis businesses have either had to process transactions covertly through accounts not specifically identified as belonging to a cannabis business or transacting all business on a cash basis. This situation has made it difficult to properly account for, monitor and audit sales and other transactions. The City of Los Angeles should consider establishing a financial institution for the specific purpose of making accounts available to cannabis businesses through which funds from cannabis related transactions could be processed.

COMMENTS ON SPECIFIC ITEMS WITHIN THE PROPOSED REQUIREMENTS FOR COMMERCIAL CANNABIS ACTIVITY IN THE CITY OF LOS ANGELES

DEFINITIONS:

#10 (page 5) – The definition of proper notice should be expanded to include a time period for such notice. “Proper Notice” needs to be given at least 45 days in advance.

COMMERCIAL CANNABIS ACTIVITY APPLICATION PROCESSING:

General-#4ciii1(page 9/10)- If the Department accepts an appeal, the appeal will be transmitted to the City Council. The City Council must act within 15 Council days on the appeal, or the Commission or Department’s decision will be final. If the Council does not act, then the application is denied. As the applicant will have paid significant application fees to reach this point in the process, there should be a process whereby the City Council specifically advises the applicant if it decides not to hear the appeal.

General-#5 (page 10)- This section requires the applicant to cease all commercial cannabis activity at the location or premises identified in the application once the application has been denied. Which department will be responsible for enforcement of this provision and where will funding for the enforcement come from.

Proposition M Priority Processing - #1(page 11)- Applicants under Proposition M Priority Processing will only be allowed to apply for Retailer Commercial Cannabis Activity, which may include on-site cultivation as allowable under Proposition D. As such applicants may also have an off-site indoor cultivation, they should be allowed to either include that cultivation area in their prioritized application or be granted priority entry into the Non-Retail Registry as long as their application is submitted within the first 30 days of the first date of applications being made available to the public.

Non-retail Registry Processing - #2(page 12)- As indoor cultivation of commercial cannabis outside of Proposition D compliant dispensaries was not legal before the passage of Proposition M, it may be difficult for these businesses to document that they have no outstanding tax payments

due and therefore qualify for the registry. Most banks have refused to open bank accounts for cannabis businesses and much of this business has been done on a cash basis. What specific documentation will be accepted in light of the “illegal/cash basis” nature of the indoor cultivation businesses?

CERTIFICATE OF COMPLIANCE TYPES AVAILABLE FOR APPLICATION:

Retailer Commercial Cannabis Activity- #1b & c(page 14)- An applicant for a Type 10A producing Certificate of Compliance can only hold 3 Certificates of Compliance per owner, including Delivery for Retailer Commercial Cannabis Activity. Therefore, Proposition D compliant operators should also be given priority access to a Certificate of Compliance for Delivery of Retailer Commercial Cannabis Activity.

COMMERCIAL CANNABIS ACTIVITY APPLICATION REQUIREMENTS:

General-#18 (page 19)- The applicant must submit a detailed description and plan for hiring local residents, including ensuring that at least 30 percent of hours of their workforce including independent contractors are performed by residents of the City of Los Angeles and 10 percent of their workforce come from Transitional Workers. On a going forward basis, how will this be monitored, by which department and what will be the source of the funds? This could be one element of an annual compliance audit required for submission of the annual renewal application.

General-#20 (page 19)- The applicant must have a labor peace agreement if it has 10 or more employees. This requirement should, at a minimum be adjusted to reflect that this is applicable if the applicant has 10 or more full time equivalent employees and/or independent contractors.

General-#23 (page 19)- The section should be expanded to specifically require product liability insurance.

General-#30 (page 20)- Applicants must provide a Community Benefits Agreement for consideration. This agreement should be presented to the Neighborhood Council in connection with item 32 below.

General-#32 (page 20)- Applicants are required to provide proof that the local Neighborhood Council has been provided notice of the application and that the application was considered in a duly noticed and agenzized public meeting of the board of the Neighborhood Council. This notice should be at least a 45 day notice. The applicant should be required to provide proof of notice to the Neighborhood Council and to document its efforts to have the item be put on a Neighborhood Council board agenda but the applicant can't force a Neighborhood Council to agenzize the matter. The failure of a Neighborhood Council to take the opportunity to work with applicants and participate in the process should not prevent an applicant from having its application be considered complete.

General-#35 (page 20)- An item 35 should be added stating that anyone convicted of drug trafficking or distribution of drugs to minors would be banned from the cannabis industry for a period of 10 years.

General-#36 (page 20)- An item 36 should be added stating subsequent to obtaining a certificate of compliance, that anyone convicted of illegal drug trafficking or distribution of other than cannabis drugs would be banned from the cannabis industry for a period of 10 years.

Delivery for Retailer Commercial Cannabis Activity Requirements-#3 (page 21)- This provision requires that applications for Delivery for Retailer Commercial Cannabis Certificates of Compliance be considered new applicants including EMMD's afforded Proposition M Priority processing. We recommend that EMMD's afforded Proposition M Priority processing also be

afforded priority processing for Certificates of Compliance for Delivery of Retailer Commercial Cannabis Activity as long as it is one of the three certificates of compliance allowed per owner.

INDOOR CULTIVATION COMMERCIAL CANNABIS ACTIVITY REQUIREMENTS:
#3 (page 22) This section should be expanded to require submission of an energy efficiency plan.

COMMERCIAL CANNABIS ACTIVITY OPERATIONAL REQUIREMENTS:
General-#4 (page 24)- This section should be expanded to include a requirement that the badge include the ID number for the individuals proof of training.

General-#7 (page 24/25)- The last sentence of this section should be revised to add that videos should also be made available to the office of finance and to anyone conducting an annual compliance audit.

General-#13 (page 26)- This provision prohibits off-site signs. Please add language to this item to specifically prohibit billboard and buss bench advertisement of any type in the City of Los Angeles. Additionally, all advertising must include the state license number and the City of Los Angeles Certificate of Compliance number.

General-#15 (page 26)- This provision requires annual renewal of the Business's Certificate of Compliance. This provision should be expanded to include a requirement that the renewal application include proof that the Department has audited the inventory and financial records of the business and included proof of payment of all taxes.

Retailer Commercial Cannabis Activity-#1 (page 31)- This item should be expanded to require electronic age verification for every transaction.

Retailer Commercial Cannabis Activity-#17 (page 33)- This section should be revised to require training within 3 months not 6 months. Additionally, all owners and employees operating in any cannabis related business should be required to have such training not just those involved in Retail Commercial Cannabis Activity and that training should be required every 24 months.

Retailer Commercial Cannabis Activity-#19 (page 33)- This provision allows only one door to be used for patron access. We recommend that applicants be allowed to have two doors for patron access if medical and recreational cannabis are being sold from the same physical premises. This would allow for medical and recreational patrons to have direct access to the separate and distinct retail environments.

Delivery for Retailer Commercial Cannabis Activity (page 34)- We are concerned that the requirements in this section will be very hard to enforce. Specific provisions should be added to this section identifying the department that will be responsible for enforcement of these requirements and setting forth specifically how compliance will be monitored.

#2 (page 34)- This item should be expanded to state that only authorized employees of the Delivery company can be in the delivery vehicle during a delivery.

#3 (page 34)- The second sentence of this item should be deleted so that delivery services are not restricted to the City of Los Angeles boundaries.

#9 (page 35)- This item should be expanded to indicate that no delivery employee should be under the influence of any substance while working.

#10 (page 35)- This item should be expanded to indicate that all cannabis products to be delivered must be preordered, packaged for sale, labeled and placed in exit packaging prior to being dispatched for delivery. No dispensing of cannabis can be done from a vehicle and it should not be visible in the vehicle during delivery.

#12 (page 35/36)- The last sentence of this item should be struck.

#14 (page 36)- An item number 14 should be added that requires electronic age verification prior to completing delivery.

DISTRIBUTOR COMMERCIAL CANNABIS ACTIVITY REQUIREMENTS:

#9 (page 42)- This item prohibits the storage or distribution of non-medical cannabis on a premises approved for the distribution of medical cannabis. Distribution of medical and non-medical cannabis should be allowed from the same premises as long the retail spaces are distinct.

INSPECTIONS:

#1 (page 45)- This section describes general inspections which are allowed. The section should be revised to specifically identify the department required for each type of inspection and should provide that a certificate of inspection indicating that the business is in compliance with the requirement should be part of the annual renewal process.

ENFORCEMENT:

#1 (page 47)- This section should be expanded to state the manner in which violations will be identified that will then result in enforcement actions. Will the system of enforcement be complaint based? We recommend that actions that will result in enforcement not be limited to complaint based actions violations but should also include violations that are discovered if the requirements are expanded to include the annual compliance audits which we recommend herein.