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CANNABIS REGULATION  
-  
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October 13, 2022

COUNCIL FILE: 21-1083

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

Attention: Planning and Land Use Management Committee

Dear Honorable Members:

Pursuant to Council File no. 21-1083 and a request from the Planning and Land Use Management Committee for report backs and status updates on critical programs. The Department of Cannabis Regulation (DCR) transmits this report to provide updates on the Social Equity Program (SEP), Compliance and Enforcement Division (CED), environmental review and public convenience or necessity (PCN) processes, as well as recommends amendments to Article 4, Chapter X of the Los Angeles Municipal Code (LAMC) to reorganize, clarify and establish necessary procedures for the administration of the City's commercial cannabis licensing and Social Equity Program.

## STATUS REPORT

Under State law, the State Department of Cannabis Control (DCC) may issue new provisional licenses to Social Equity Applicants through June 30, 2023. Beginning July 1, 2023, any application/applicant that has not received a provisional license will transition into the DCC's annual application process. A local Annual License is required for a complete DCC annual application. DCC has set March 31, 2023 as an internal deadline for Social Equity Applicants to submit new provisional license applications. Therefore, DCR is working diligently to process Social Equity Applications and provide applicants with as much time as possible to meet the DCC's March 31, 2023 deadline. To that end, DCR began implementing Phase 3 Retail Round 2 earlier this year. The Social Equity Individual Applicant (SEIA) Eligibility Verification request process was open from May 26, 2022 to July 25, 2022. DCR received approximately 1,275 SEIA verification requests, including some duplicative and/or test requests. Fee waivers were granted to all unique requesters. DCR will complete its processing of those requests on or before Sunday, October 23, 2022. The 30-day Phase 3 Retail Round 2 (P3RR2) lottery (Lottery) registration period will open on Monday, October 24, 2022 and close on Wednesday, November 23, 2022. DCR plans to administer the Lottery in late November or early December consistent with the timelines articulated in the LAMC. To prepare those who want to register for the Lottery, DCR hosted four Technical Assistance webinars between August 31, 2022 and October 12,

2022. DCR will host a Lottery technical assistance webinar on Wednesday, November 9, 2022 at 6:30 P.M. to provide interested parties with a general overview of the Lottery process. Any delay to DCR's adopted timeline may prevent SEIAs selected through the Lottery from meeting the DCC's March 31, 2023 provisional license application deadline. Effectively, this timeline change will result in the SEIA having to secure a location, meet all annual local requirements, including CEQA review, and possibly incur operating costs for 12 months or longer before the SEIA can meet the DCC's annual license application requirements. Under State and local law, commercial cannabis businesses must possess a local commercial cannabis license, State commercial cannabis license, and meet other city and county permitting requirements to lawfully operate.

DCR will open the PCN process for a limited period of time later this year. Under the adopted PCN process, DCR may conduct a Pre-Application review to determine the eligibility of a proposed Business Premises location pursuant to Section 104.03(a)(3) and Article 5 of Chapter X of the LAMC. If DCR determines a Pre-Application is eligible for further processing, Applicants may file a PCN request to the City Council to find that approval of the License application would serve the public convenience or necessity, supported by evidence in the record. The Applicant shall also pay a PCN Application Fee pursuant to Section 104.19(g) within 30 days from the date of invoice issuance. DCR shall transmit the request to the City Clerk within 30 days of the Applicant's payment of the PCN Application Fee. The Applicant shall engage with and seek written input from the following key stakeholders for the area in which the proposed Business Premises will be located, which at a minimum should include: (1) area Neighborhood Council; (2) Los Angeles Police Department (LAPD) Division; (3) local chamber of commerce; and (4) at least one substance abuse intervention, prevention and treatment organization within the Community Plan Area. If the City Council does not act on the Applicant's request within 90 calendar days of the City Clerk's date of receipt, then the City Council shall be deemed to have not made the necessary findings to support the public convenience and necessity, the request shall be denied by operation of law, and the Pre-Application record shall not be further processed by DCR. If the City Council finds that approval of the License application would serve the public convenience or necessity, the Applicant shall pay a Temporary Approval Application Fee pursuant to Section 104.19 within 30 days of the City Council's action becoming final. Pre-Application review records that are incomplete or missing required information, forms or documents shall not be eligible for further processing.

The creation of DCR's CED was approved in April 2022 and five positions were allocated by the Civil Service Commission on August 25, 2022 to staff the CED. The CED's goal is to conduct annual compliance inspections and complaint-related investigations of licensed cannabis businesses, and issue the necessary notices and fines to achieve compliance. The CED will implement regulatory oversight of the licensed cannabis industry in the City of Los Angeles (City) through the development and implementation of a comprehensive compliance program to monitor licensed cannabis businesses and enforce regulatory compliance. DCR's program and its implementation will include goals and objectives for education and outreach related to DCR's Rules and Regulations' operational requirements, provide greater transparency and responsiveness to complaints and improve the coordination amongst state, county and other City agencies to establish a cohesive enforcement strategy. DCR's forthcoming fee study will include the costs to fund staffing and operational expenses to implement the CED's regulatory compliance program.

DCR began accepting final project description forms (LIC-4013-FORM) from Licensees on June 1, 2022. Upon a Licensee filing a complete LIC-4013-FORM, DCR updates their draft project-specific environmental review findings and prepares the final environmental document required by the California Environmental Quality Act (CEQA). Once the final environmental document is complete, the Licensee may submit its local Annual Application. In accordance with Section 15001.2(b)(1)(B) of Title 4 of the California Code Of Regulations, Licensees are issued a "Notice of Substantial Progress - Local Environmental Review" letter. This letter confirms DCR has made substantial progress during the

previous 12-month period toward completing its environmental review of the Licensee's project. The letter was designed, with the assistance of the DCC, to facilitate the timely renewal of a Licensee's State provisional licenses from July 1, 2022 through June 30, 2023.

## **SUMMARY OF RECOMMENDED AMENDMENTS SORTED BY CATEGORY**

### **A. Amendments to Further Support the Social Equity Program**

Aggregation of Social Equity Interests - Generally speaking, Social Equity Applicants and Licensees must have a SEIA who is a majority owner of the business. DCR proposes an amendment to LAMC section 104.20(b) to allow multiple SEIAs to aggregate their ownership shares to meet a combined total of 51% interest in the licensed business. This allows a greater number of SEIAs to participate in the Social Equity Program while ensuring that the business entity remains predominantly controlled by SEIAs and continues to qualify for the Social Equity Program. It also allows SEIAs greater flexibility in their business arrangements. For example, with this amendment, a SEIA who currently owns 51% may be able to sell a portion of their interest to another SEIA to raise capital or for other business purposes. For these reasons, DCR has received significant stakeholder feedback in favor of allowing aggregation of ownership interests for Social Equity Individuals Applicants.

DCR proposes creating a new definition for "Indirect Owner" to allow all Applicants, including SEIAs, greater flexibility in their business arrangements. This definition would capture individuals who only have an ownership interest in an Applicant or Licensee by virtue of ownership of another entity that has at least a 20% aggregate ownership stake or equity interest in an Owner of the Applicant or Licensee. While this would apply to all Applicants, it would in particular facilitate the aggregation of Social Equity interests, as discussed above, by permitting verified SEIAs to be either Owners or Indirect Owners provided the aggregate ownership percentage(s) of all SEIAs disclosed complies with LAMC section 104.20. The creation of this definition will also streamline DCR's review of ownership disclosure forms and the process for obtaining information and signatures for Applicants and Licensees by clearly delineating between indirect and direct owners when a business has a multilayer or complex ownership structure. This provision is not intended to override or otherwise dilute the provision in LAMC section 104.02 which restricts the max number of licenses a Person may hold for certain license types.

Sunset Date for Original SEIA Verification Requirements - DCR recommends amendments to LAMC sections 104.06.1(d) through (f) to specify that SEIAs must be verified under amended eligibility criteria contained in LAMC section 104.20(b) if they submit applications after December 31, 2022. In 2020, City Council adopted amended eligibility criteria for SEIAs. This proposed amendment would sunset the original criteria and establish that Applicants who submit applications for the PCN process, delivery (Type 9) licenses, and non-retail applications after December 31, 2022 must be verified under the new criteria adopted by City Council in 2020.

Entity Substitutions - DCR recommends the addition of language concerning the entity substitution process in LAMC section 104.03(e). Currently, entity substitutions are limited to Pre-Applications originally filed as sole proprietorships, Licensees, or Social Equity Applicants eligible to participate in the refiling process. DCR suggests language to clarify the following: (1) allow for the transfer of a License from one entity to a new entity; (2) not require a new land-use review when the Business Premises associated with the License is not amended in the same modification request; (3) require the new entity to have a complete Legal Business Entity record before a modification request is considered; and, (4) reduce the processing time to complete the entity substitution process. Entity substitution modification requirements exist in DCR's Rules and Regulations and forms, but not in LAMC section 104.03(e) which contains provisions about other types of modification requests. Therefore, DCR recommends adding a new subdivision LAMC section 140.03(e)(5) to include a description of the process and requirements for entity substitution modifications.

Successor in Interest as Natural Person - DCR recommends an amendment to LAMC 104.20(a)(2)(ii)(4) to require SEIAs to identify a successor-in-interest who is a natural person(s). In the event a SEIA passes away, this would maintain the spirit of the Social Equity Program by ensuring that a deceased SEIAs' interest remains in the control of their individual successors, such as family members, rather than a corporate entity, bank, or other entity which the successor(s) may not control.

Clarification of the Abandonment Process - DCR proposes an amendment to LAMC section 104.03(h) to establish additional reasons for abandonment and to restructure the existing provisions. Specifically, DCR suggests adding provisions that establish that an application which is not associated with an active, compliant Business Premises address may be subject to abandonment. This may occur, for example, when an applicant has lost site control of, or terminated their lease at, the relevant Business Premises. If the applicant is not eligible to relocate, abandonment would provide a pathway to refiling and an opportunity to restart the licensing process at a new location. Similarly, DCR suggests adding provisions that require Applicants to pass an Initial Inspection within six months of the date their Application is deemed filed or the Temporary Approval Application record may be subject to abandonment. Additionally, existing language prohibits Social Equity Applicants from modifying applications to remove or replace a Social Equity Owner until a License is issued; this provision should be amended to prevent the removal or replacement of any Owner until a License is issued.

Relocations for Licensees and/or Applicants - DCR proposes distinct rules to facilitate Business Premises relocation for (1) Applicants and (2) Licensees. The inability to relocate freely like any other business in the City is a common obstacle faced by Social Equity Applicants and Licensees, and DCR routinely receives feedback from stakeholders frustrated that they are trapped at locations with unfavorable leases or at locations that may limit the success of their business. The retail storefront and cultivation commercial cannabis license types, exclusive to Social Equity Applicants until January 1, 2025, are subject to a finding of Undue Concentration. As proposed above, if an Applicant loses site control, their application may be subject to abandonment. Therefore, Applicants should be allowed to relocate through the refiling process contained in LAMC section 104.03(i) or (j). Once the application is abandoned, the Applicant could then refile a new Pre-Application Review record proposing a Business Premises in a different Community Plan Area (CPA), as long as that CPA has not reached Undue Concentration. For Licenses, beginning on January 1, 2025, they should be authorized to relocate by submitting a relocation modification request for a Business Premises in any CPA that has not reached Undue Concentration. Currently, both Applicants and Licensees seeking to apply or relocate to a CPA subject to a finding of Undue Concentration must first receive a PCN finding from the City Council before DCR is authorized to process the Application or modification request.

Licensee Relocation after Temporary Approval - DCR also recommends an amendment to Section 104.03(e)(1) to clarify the rules when a Licensee requests to relocate to a new Business Premises after receiving Temporary Approval or a License at the original Business Premises. Specifically, DCR suggests a rule that would make any Temporary Approval and/or License issued to the original Business Premises location expire 180 calendar days from the date the new Business Premises is deemed eligible for further processing. DCR may grant an extension of time provided the extension would not prevent another Applicant or Licensee from moving forward with an Application or modification request. This is necessary to ensure Social Equity Applicants can identify compliant locations unaffected by buffers created by other Licensees seeking to relocate, prevent Licensees from conducting commercial cannabis activity concurrently at more than one location, and will facilitate the maintenance of accurate and up-to-date information on DCR's Licensing Map for prospective applicants.

P3RR1 Businesses Ineligible due to Sensitive Uses - DCR proposes an amendment to LAMC section 104.06.1(b)(7) to allow DCR to conduct a second review of Phase 3 Retail Round 1 applications previously deemed ineligible due to proximity to a Sensitive Use, as defined in LAMC 105 *et seq.* LAMC

105 *et seq.* was substantially amended in July 2021, including changes to the data sources used to identify Sensitive Uses and the timing of DCR's land use review, as well as the modification provisions added in 2020. This amendment would allow Phase 3 Retail Round 1 Applicants to benefit from the updated ordinance amendments which were enacted after the Phase 3 Retail Round 1 application window closed.

*Deletion of or Changes to Certain Definitions (Undue Concentration)* - DCR also recommends changes to the definition of "Undue Concentration" to move the threshold at which a Community Plan Area reaches Undue Concentration from the point at which the relevant number of licenses is issued to the point at which the relevant number of applications is received by DCR. The current definition relies on the number of *licenses issued* in a Community Plan Area to determine whether that Community Plan Area has reached the Undue Concentration limit; therefore, when a Community Plan Area reaches Undue Concentration, DCR cannot issue a license to any applicant with a pending application in that Community Plan Area, no matter how close the applicant may be to a license or how much the applicant has invested in the relevant Business Premises property. For example, if DCR receives 20 applications for a particular Community Plan Area that is authorized for only 10 licenses, the applicants who do not reach licensure within the first 10 will be halted in the licensing process mid-stream when 10 licenses have been issued and routed to the PCN process. In effect, the current "Undue Concentration" definition creates a race to licensure that will leave many applicants with significant sunk or continuing costs, such as rent and renovation costs, and with no immediate prospect of a license. Maintaining the current mathematical formula but moving the threshold to *applications received* from *licenses issued* will protect the interests of applicants who have made significant progress in the licensing process at the time Undue Concentration is reached, therefore encouraging businesses to seek licensure and deterring possible litigation. With this amendment, DCR would accept only the relevant number of applications to meet the threshold of Undue Concentration. Persons not subject to a finding of Undue Concentration should be limited to: (1) an EMMD; (2) an Applicant eligible for processing under Section 104.08; (3) a SEIAs previously selected through an Application lottery pursuant to Section 104.06.1(c)(5) and deemed eligible for further processing pursuant to Section 104.03(a); and, (4) a refiled Application pursuant to Section 104.03(i) and 104.03(j).

*Minor Typographical Changes* - DCR recommends a number of minor typographical changes for consistency. For example, with the removal of the definition for "Employee," all instances of "Employee" should be amended to "employee." Similarly, DCR's Rules and Regulations refer to the most egregious violations as "Major" but LAMC section 104.13 refers to this category as a "Serious" violation. Similarly, subsection B of the "Household Size" definition should be clarified to state "All household members who are under 18 years of age must be the legal dependent or emancipated minor of an adult household member, as claimed on the most recent income tax return". Similarly, clarifications to the definition of "Licensee" require a corresponding amendment to LAMC section 104.04 to specify that a final inspection and community meeting must occur before the issuance of an annual license. LAMC section 104.03 should also be amended to reflect new record types, as well as the modification processes for each record type. For example, Social Equity, Owner, and Primary Personnel documents, forms, and information are stored in Legal Entity records rather than Temporary Approval records. This change was implemented to eliminate duplicative review and streamline the Application process. LAMC section 104.11(m) should also be amended to change the semiannual reporting concerning workforce requirements from January and July to "on or before the last day of February" to coincide with the existing renewal process and requirements, thereby simplifying the reporting process for licensees.

*Sunset Date for the Issuance of Temporary Approval* - DCR recommends establishing a sunset date in LAMC Section 104.06(d) for the City's Temporary Approval process to coincide with the end of the State's provisional licensing process. In the near future, the State will require all licensees to obtain an annual State license, thereby necessitating the issuance of a corresponding annual City license. Under State regulations, the last day for the DCC to accept provisional license applications for most general applicants passed on March 31, 2022; the equivalent deadline for Social Equity Applicants will elapse on March 31, 2023. Therefore, DCR recommends setting the final date for DCR to accept new Temporary Approval applications from general Applicants and Social Equity Applicants the latter of December 31, 2022 or six months after the date the State stops accepting provisional license applications from each Applicant group. DCR also recommends setting corresponding expiration dates for the final date that Temporary Approvals may be renewed based on the State's deadline. Establishing these recommended deadlines will ensure that the City's Licensees move through the City and State annual licensing processes in a timely manner to comply with the State's deadline. Without such deadlines, some Licensees may lose the ability to conduct commercial cannabis activity when their State provisional licenses expire. Additional amendments to LAMC sections 104.03 and 104.06 are also necessary to ensure the application processes require Applicants with a status of "Local Compliance Underway" to meet the current year requirements, including but not limited to updated forms or documents, to receive Temporary Approval or an Annual License. Finally, DCR recommends an amendment to LAMC sections 104.07(c) and 104.08(b) to clarify that Phase 1/EMMD Applicants and Phase 2 Applicants have always been required and shall continue to be required to go through the Temporary Approval Application process by submitting all required information, forms, and documents until the proposed Temporary Approval sunset date. This amendment will ensure that the Temporary Approval requirements are the same across Phase 1, Phase 2, and Phase 3 Applicants.

*Expansion of the Refiling Process* - DCR suggests an amendment to expand the refiling process to allow Licensees with an abandoned Temporary Approval or annual License application to refile, as well as establish a process for a new Application to be submitted for expired Licenses within three years of the License expiration date. Currently, LAMC sections 104.03(i) and 104.03(j) allow only an applicant with an abandoned Temporary Approval Application to refile a new application. DCR anticipates that the annual licensing process will begin for the first time in late 2022 or early 2023. This proposed amendment would expand the refiling process to allow Applicants participating in the annual licensing process who are not issued an annual license due to unpaid fees or incomplete forms, among other reasons, to refile their annual Application after the initial Applicant is abandoned. Likewise, an amendment is necessary to clarify that, after January 1, 2023, a Temporary Approval Application must have been deemed filed, *i.e.* all documents and fees were submitted, for the application to be eligible for the refiling process. This will ensure that only applications that were actually *filed* are eligible to *refile*, and eliminate applicants from the refiling process that have not made substantial efforts to comply with the licensing requirements. DCR also proposes an amendment to require that applications abandoned three months after the end of State's provisional licensing process must be refiled as Annual Applications rather than as Temporary Approval Applications. This change is necessary to effectuate the sunset date for Temporary Approval, as described above, and to harmonize the LAMC's requirements with the end of State's provisional licensing process. Lastly, expanding the refiling process to include expired licenses is consistent with the intent of LAMC Section 104.12(a) which states, in the event the License is not renewed prior to the expiration date, the Licensee shall cease all Commercial Cannabis Activity until such time that the Licensee is issued a new License from DCR and a license from the State of California.

*New Section Concerning Annual Licenses* - DCR proposes the creation of a new subsection (f) within LAMC section 104.06 concerning annual licensing requirements as DCR prepares to begin the annual licensing process in late 2022. This new section would include establishing the process for annual licensing, including environmental review and other similar requirements. In this new subsection, it should also be established that an annual license may be suspended or revoked for the same reasons as a Temporary Approval and using the same procedures. This would allow DCR to suspend an annual license or issue a Notice of Violation (NOV) if there is a threat to life safety at the Business Premises, the business is operating without a valid State license, or the business has not complied with a notice to correct from another government agency, among other reasons. This amendment is necessary to ensure the same safety and permit requirements are required for annual licensees as Temporary Approval holders prior to DCR beginning the annual license process for the first time. Similarly, DCR recommends an amendment to LAMC section 104.06(b)(1) to clarify the annual licensing approval process for non-retailer activity in a Business Premises less than 30,000 sq. ft. and/or non-storefront retailer activity. Currently, this section does not contain a requirement for DCR to issue written findings based on evidence in the record when denying these application types. DCR, therefore, suggests mirroring the language that appears in LAMC section 104.06(a) for the retail annual licensing process. DCR also proposes an amendment to LAMC sections 104.03 and 104.06 to clarify that all records must be updated or renewed annually. Requiring all Applicants to stay current on document, form, and information requirements ensures that all records are maintained to the same standard, the form and manner in which the information is stored is consistent, the record maintains its compatibility with planned system enhancements, and facilitates DCR's ability to accurately manage and report on all active records.

*Authorize Certain Applicants to Participate in the Annual Renewal Process* - Records with local authorization under LAMC section 104.08 are required to renew their status annually. DCR proposes adding or moving this requirement to LAMC section 104.12, amending the term "local authorization" to "Local Compliance Underway," and continuing to require LAMC section 104.08 records to renew their "Local Compliance Underway" status annually until such time a License is issued and the Licensee has the option to renew their License. Lastly, DCR has previously provided fee deferrals to Applicants that were required to renew their record before a License was issued. Currently, deferred fees are due within six months or at the time of Licensure. Currently, most Applicants have exceeded the six-month limit; therefore, all previously deferred fees are due before Temporary Approval is issued and an Applicant's application may be deemed abandoned due to unpaid fees if the Applicant fails to pay all outstanding fees within 30 days. DCR recommends adding a third option to allow the deferred fees to be paid within one year of the issuance of a license. Deferred fees that are not timely paid may be subject to late fees and must be paid prior to the renewal of a License consistent with LAMC section 104.12(c).

## **B. Amendment to Support Compliance and Enforcement**

*Progressive Compliance Amendments* - DCR proposes comprehensive amendments to LAMC Section 104.13, which has not been substantially amended since 2018. These proposed amendments would reorganize existing provisions, establish a progressive compliance enforcement strategy, and facilitate efforts by DCR's newly formed Compliance and Enforcement Division to encourage compliance with DCR's Rules and Regulations for licensed businesses. For example, these amendments include the addition of a new "Notice to Correct" procedure, which may be used for minor corrections required of the Licensee, in lieu of a Notice of Violation which carries higher penalty fees. Notices to Correct may be issued in certain situations where the non-compliance could be corrected by updating the Licensee's records with DCR, such as when modifications to the License were made without prior DCR approval. DCR may issue a NOV based upon evidence that a License was procured by fraud, misrepresentation, deceit, or material misstatement of fact in the Application for licensure. Other proposed amendments would provide a mechanism for DCR to suspend or revoke a License

and/or reinstate a License if suspended, and establish factors DCR must consider when suspending or revoking a License.

### **C. Amendments to Consolidate and Clarify Existing Licensing Requirements**

Standalone Denial Reason Section - DCR suggests the creation of an independent section compiling all reasons for denial of a license. Currently, reasons for denial of a license exist in several different sections scattered across Article 4. This proposal would consolidate all reasons for denial into a single newly created section, LAMC section 104.06(g), and clarify that an application or license may be denied for these reasons at either the Temporary Approval stage or during the annual licensing process. This would provide clarity in the application process and help inform prospective applicants in advance of entering the licensing process.

Revisions to the Mandatory Requirement Section - DCR suggests updating LAMC section 104.11, which sets forth mandatory requirements for all licensees. The vast majority of this section has not been updated since it was originally enacted in 2017 and therefore contains outdated references to State requirements, or provisions that are now duplicative with DCR's Rules and Regulations. The current version also does not contain more recent important requirements, such as a County Public Health inspection, or a requirement to allow DCR or any of its agents to conduct on-site inspections to verify compliance with DCR's Rules and Regulations after a complaint from the public or investigation. DCR also proposes the elimination of several existing subsections that are no longer relevant, such as (e), (h), (l), (o), and (p). Finally, DCR suggests the addition of a provision to exempt cannabis and cannabis accessories associated with a License or Licensee's Business Premises so they are not considered "Drug paraphernalia" as defined in LAMC Section 45.19.5.

### **D. Amendments to Clarify and/or Consolidate Administrative Requirements**

Clarification of Appeals to Hearing Officers, Commission, and City Council - DCR suggests comprehensive amendments to LAMC section 104.10, which has not been updated since 2018 and therefore contains language somewhat inconsistent with other, more recently-updated sections. DCR suggests restructuring Section 104.10 to create separate subsections that set forth clear rules concerning (1) general appeal procedures; (2) appeals to administrative hearing officers; (3) appeals to the Cannabis Regulation Commission; and (4) appeals to City Council. Each section would state the relevant timing considerations for that type of appeal and which body may hear which type of appeal. Many of these requirements exist already in other parts of Article 4 but would benefit from consolidation into a single section. Similarly, DCR suggests amendments to LAMC section 104.13 to specify that any decision concerning an appeal of a Notice of Violation (NOV) which is issued by a hearing officer becomes final and effective 5 days after the date the decision is mailed. If there are monetary penalties associated with the NOV, DCR shall issue an invoice for the associated administrative fine after the decision becomes final with a due date in 30 days. These changes are necessary to clarify the NOV appeal process as DCR ramps up its enforcement efforts with the hiring of dedicated enforcement and compliance personnel.

Deletion of/or Changes to Certain Definitions - DCR recommends the deletion of certain definitions in LAMC section 104.01(a) which are unused outside of LAMC section 104.01, or which are not used consistently, for the sake of clarity and to eliminate confusion. These definitions include: (1) "Branded Merchandise;" (2) "Canopy"; (3) "Delivery Employee;" (4) "Employee;" and (5) "License Renewal Inspection." DCR also recommends amendments to the definitions of "Application," "License" and "State License" to clarify that these definitions apply to all Licensees whether they have Temporary Approval, a State provisional license, and/or annual licenses from the City or State.



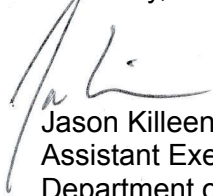
## RECOMMENDATION

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

1. Approve the proposed amendments as outlined above;
2. Request the Office of the City Attorney (City Attorney) to prepare and present a draft ordinance to effectuate the proposed amendments as outlined above; and,
3. Authorize the City Attorney, with the assistance of the DCR, to make technical corrections as necessary to the proposed amendments included in this report and/or include additional technical amendments to Article 4, Chapter X of the LAMC to implement the proposed amendments, as well as Mayor and Council intentions.

These 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,



Jason Killeen  
Assistant Executive Director  
Department of Cannabis Regulation

- c: Kevin Keller, Deputy Mayor of Economic Development  
Leila Lee, Director of Economic Policy  
Matt Szabo, City Administrative Officer  
Sharon Tso, Chief Legislative Analyst  
Taylor Wagniere, Deputy City Attorney