ORDINANCE NO. 185343

An ordinance adding Article 4 to Chapter X of the Los Angeles Municipal Code to regulate commercial cannabis activities in the City of Los Angeles.

THE PEOPLE OF THE STATE OF CALIFORNIA
DO ORDAIN AS FOLLOWS:

Section 1. Article 5.1 of Chapter IV of the Los Angeles Municipal Code, which sets forth restrictions on medical marijuana businesses and granted a limited immunity to those businesses, is repealed effective January 1, 2018.

Sec. 2. A new Article 4 is added to Chapter X of the Los Angeles Municipal Code to read as follows:

ARTICLE 4

CANNABIS PROCEDURES

SEC. 104.00. PURPOSE.

In November 2016, the people of the State of California voted to approve Proposition 64, the Adult Use of Marijuana Act (AUMA), which decriminalized certain activities related to non-medical cannabis in California. Subsequently, the State enacted the Medicinal and Adult-Use Cannabis Regulation and Safety Act to establish a system to control and regulate the cultivation, distribution, transport, storage, manufacturing, processing and sale of both medicinal and recreational cannabis. The AUMA also provided for State licensing of commercial cannabis businesses, starting January 1, 2018. State law requires city approval in order to obtain a State License. The City desires to create a licensing system for certain cannabis-related businesses. Therefore, the City has created a Department of Cannabis Regulations and a Cannabis Regulation Commission to implement this article and otherwise coordinate administration of the requirements of this article. The City Council will promulgate and approve by resolution Rules and Regulations for this article.

The City has a long history of working with communities to make medical cannabis available to patients with a medical need and physician approval. However, the City experienced years of litigation enforcing various ordinances against illegal cannabis businesses.

Because the ongoing litigation limited enforcement, it left residents subject to the negative impacts and secondary effects associated with Cannabis related activities in the City, including, but not limited to, those documented in case law and in the legislative histories of Cannabis-related laws in the City. Without comprehensive regulations, consumers in the City were vulnerable to the dangers inherent in ingesting and using a substance that was not subject to basic rules of safety for ingestible substances. Nor were the businesses penalized for unscrupulous practices utilized

against defenseless consumers. Further, unregulated cannabis businesses remain a source of danger for unsuspecting neighbors when fires or other catastrophes take place at those locations.

In order to appropriately acknowledge and address the harmful impacts of past Cannabis policies and their enforcement, the Social Equity Program is aimed at promoting equitable ownership and employment opportunities in the Cannabis industry. This program is intended to decrease disparities in life outcomes for marginalized communities and to address disproportionate impacts of Cannabis prohibition in adversely-impacted and lower income communities. In furtherance of these goals, the City Council adopts the Social Equity Analysis report, dated October 18, 2017, and its addendums, as the findings for the Social Equity Program.

Therefore, it is the City's intent to issue licenses in an orderly and transparent manner to eligible applicants according to the requirements of this article and the Rules and Regulations, and to mitigate the negative impacts brought by unregulated Cannabis businesses.

SEC. 104.01. DEFINITIONS.

(a) The following definitions shall apply to this article. Words and phrases not defined herein shall be construed as defined elsewhere in this Code, as required by the context:

1. **"Applicant"** means an Owner applying for a City License pursuant to this article.

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

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

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

5. **"City"** means the City of Los Angeles.

6. **"City Council"** means the Council of the City of Los Angeles.

7. **"Commercial Cannabis Activity"** includes the cultivation, possession, manufacture, distribution, processing, storing, laboratory testing, packaging, labeling, transportation, delivery or sale of Cannabis or Cannabis

products in the City as provided for in Division 10 of the California Business and Professions Code and the California Code of Regulations, as currently defined or as may be amended.

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

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

10. **"Day"** means business day, unless another meaning is provided.

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

12. **"EMMD"** means an existing medical marijuana dispensary that is in compliance with all restrictions of Proposition D, notwithstanding those restrictions are or would have been repealed, including, but not limited to, either possessing a 2017 L050 BTRC and current with all City-owed business taxes, or received a BTRC in 2007, registered with the City Clerk by November 13, 2007 (in accordance with the requirements under Interim Control Ordinance 179027), received a L050 BTRC in 2015 or 2016 and submits payment for all City-owed business taxes before the License application is deemed complete.

13. **"Employee"** means a person who works for compensation and is under the control of an employer. Employee as defined herein includes seasonal and contract employees.

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

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

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

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

18. **"Owner"** means owner as defined in Section 26001 of the California Business and Professions Code, included in the Medicinal and Adult

Use Cannabis Regulation and Safety Act, as currently defined or as may be amended.

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

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

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

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

23. **"Rules and Regulations"** mean detailed requirements meant to clarify and aid in the administration of this article, which are approved by the City Council.

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

25. **"Temporary Approval"** means a DCR-issued temporary approval.

26. **"Undue Concentration"** means the Applicants' Business Premises is located within a higher cannabis license/population ratio within the community plan based on the 2016 American Community Survey, updated by each decennial census, than the following: ratio of one license per 10,000 residents for Retailer (Type 10); ratio of one license per 7,500 residents for Microbusiness (Type 12); ratio of 1 square foot of cultivated area for every 350 square feet of land zoned M1, M2, M3, MR1, and MR2 with a maximum aggregate of 100,000 square feet of cultivated area and a maximum aggregate number of 15 Licenses at a ratio of one License for every 2,500 square feet of allowable cultivated area for Cultivation (Types 1A, 1C, 2A, 3A, 4 and 5A); and ratio of one license per 7,500 residents for Manufacture (Type 7). An EMMD is not subject to a finding of Undue Concentration. A Microbusiness involved in on-site retail counts towards the Undue Concentration License limits applied to Retailer (Type 10) Licenses, and a Microbusiness involved in Cultivation counts towards the Undue Concentration limits applied to Cultivation Licenses (Types 1A, 1C, 2A, 3A, 4 and 5A).

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

SEC. 104.02. LICENSE REQUIRED.

(a) A License is required for any of the following Commercial Cannabis Activity and shall be issued as A (Adult) and/or M (Medical) categories:

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

2. DELIVERY FOR RETAILER COMMERCIAL CANNABIS ACTIVITY - **Type 10** – Retailer; **Type 9** – Non-Storefront Retailer as currently defined or amended by the State of California.

3. An Applicant may hold up to a maximum of three Type 10 or Type 9 Licenses.

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

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

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

7. MANUFACTURE COMMERCIAL CANNABIS ACTIVITY

(i) **Type 6** – Manufacturer 1 as currently defined or amended by the State of California.

(ii) **Type 7** – Manufacturer 2 as currently defined or amended by the State of California.

(iii) **Type N** – Infusion.

(iv) **Type P** – Packaging.

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

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

SEC. 104.03. APPLICATION PROCEDURE.

(a) To apply for a License, an Applicant shall file an application for Commercial Cannabis Activity online and shall at the time of filing include all information and fees required pursuant to the Rules and Regulations. An EMMD seeking a Retail License under Section 104.07 for a Type 10 – Retailer license or for the on-site retail portion of a Type 12 – Microbusiness License shall pay the Cannabis LAMC Section 104.07 EMMD Retail License fee pursuant to Section 104.19. Any additional licenses or microbusiness activities (e.g. delivery, cultivation, manufacturing) sought by an EMMD require payment of the Cannabis License Fee for each and every additional license or microbusiness activity requested in the application pursuant to Section 104.19. An Applicant seeking a License under Section 104.08 is required to pay the Cannabis LAMC Section 104.08 License Fee for each and every license applied for, and if applying for a non-retail microbusiness license, each and every non-retail microbusiness activity. For all other Applicants seeking a License not described above, a Cannabis License Fee shall be paid for each and every license or microbusiness activity applied for.

If the Applicant's Business Premises is located in a geographical area of Undue Concentration, then the Applicant shall also file with the City Clerk, on a form provided by DCR, a request that the City Council find that approval of the License application would serve public convenience or necessity, supported by evidence in the record. Notice of the Applicant's request shall be provided as described in Section 104.05(a). If the City Council does not act on the Applicant's request within 90 days, then the City Council shall be deemed to have made the necessary findings to support the public convenience and necessity.

(b) DCR shall determine if the application is complete. An incomplete application shall be rejected by DCR. DCR may request additional information, including documents, from the Applicant. If the Applicant fails to provide the additional information in the time allotted by DCR, the application shall be considered abandoned. An Applicant may withdraw an application prior to the City's approval or denial of the application. An Applicant shall follow the withdrawal process provided in the Rules and Regulations. An Applicant may reapply at any time if an application is withdrawn, rejected or abandoned; however, the Applicant must file a new application. DCR shall not refund any fee for a withdrawn, rejected or abandoned application.

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

1. A Person holds office in, or is employed by, any agency of the State of California and any of its political subdivisions, including the City, when the Person's duties include the enforcement and regulation of Commercial Cannabis Activity or any other penal provisions of law of the State of California prohibiting or regulating Commercial Cannabis Activity.

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

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

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

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

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

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

8. A Person with a felony conviction for violating any State or local law involving violent crimes, sex trafficking, rape, crimes against children, gun crimes or hate crimes for a period of ten years from the date of conviction.

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

SEC. 104.04. PRE-LICENSING INSPECTION.

A completed application shall be referred by DCR for pre-licensing inspection as provided in the Rules and Regulations. All Applicants, except EMMDs, must pass pre-licensing inspection before a Temporary Approval or License may be issued.

SEC. 104.05. NOTICE.

(a) **Notice of Complete Application.** Within ten days of DCR determining that an application is complete, DCR shall instruct the Applicant to provide mailed notice of the application to the owner or owners of the Business Premises, and the owners and occupants of all property within 500 feet of the property line of the lot on which the

subject Business Premises is located, using for the purpose of notification of property owners, the last known name and address of owners as shown on the records of the City Engineer or the records of the County Assessor. For occupants, the notice shall be addressed to "occupant" and mailed to all property addresses within the 500-foot radius. Where all property within the 500-foot radius is under the same ownership as the Business Premises, the owners of all property that adjoins that ownership, or is separated from it only by a street, alley, public right-of-way or other easement, shall also be notified as set forth above. Written notice shall also be provided to the closest neighborhood council, the closest business improvement district and the City Council office within which the Business Premises is situated. Applicant shall provide written evidence to DCR that the Applicant notified the local neighborhood council of the pending application and that the Applicant offered to appear before the neighborhood council to address questions about the application. Notice shall also be posted on DCR's website. The Applicant shall immediately post in a conspicuous place on the Business Premises a copy of the notice provided to Applicant by DCR. All notices shall inform interested parties on how to provide DCR with information about the application. Upon written request to DCR, any Person shall be placed on DCR's Interested Party Notification list to receive via email all notices required under this subsection.

(b) **Notice of Hearing.** No less than 45 days prior to the date of any public hearing required under this article, DCR shall instruct the Applicant or Licensee to provide notice of the hearing in the same manner as specified in Section 104.05(a).

SEC. 104.06. ISSUANCE OF LICENSE.

(a) **Retailer Commercial Cannabis Activity.** With respect to an application for a License for Retailer Commercial Cannabis Activity or for Microbusiness Commercial Cannabis Activity, DCR shall, within 60 days of the date DCR deems the application and pre-licensing inspection complete, deny the issuance of the License or make a recommendation to the Commission to issue the License.

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 on the application;

(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; or

(vii) The Applicant's Business Premises is located in a geographical area of Undue Concentration, unless 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.

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 Section 104.10. There is no further appeal to the City Council.

2. 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 within the defined geographic area of the Area Planning Commission. Notice of the public hearing shall be made pursuant to Section 104.05(b). 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 record before DCR and any written information and oral testimony timely provided to the Commission.

The Commission may deny the issuance of the License for any of the reasons stated in Section 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-day appeal period if not timely appealed to the City Council by the Applicant as provided in Section 104.10.

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 geographical area of Undue Concentration without a written finding by the City

Council that approval of the application would serve public convenience or necessity, supported by evidence in the record.

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.

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 Section 104.10.

(b) **Non-Retailer Commercial Cannabis Activity in a Business Premises Less than 30,000 Square Feet.** 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, DCR shall, within 60 days of the date DCR deems the application and pre-licensing inspection complete, approve or deny 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'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 without a written finding by the City Council that approval of the application would serve public convenience or necessity, supported by evidence in the record. DCR's decision to approve or 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 or any other person aggrieved by the decision, as provided in Section 104.10.

(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, within 60 days of the date DCR deems the application and pre-licensing inspection complete, deny the issuance of the License or make a recommendation to the Commission to issue the License.

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-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.

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 within the defined geographic area of the Area Planning Commission. Notice of the public hearing shall be made pursuant to Section 104.05(b). 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 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 geographical area of Undue Concentration without a written finding by the City Council that approval of the application would serve public convenience or necessity, supported by evidence in the record. 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. The Commission's decision to approve or 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 City Council by the Applicant or any other person aggrieved by the decision, as provided in Section 104.10.

SEC. 104.07. PROPOSITION M PRIORITY PROCESSING.

(a) Proposition M Priority Processing Applications for Retailer Commercial Cannabis Activity, including delivery and on-site cultivation consistent with Proposition D, shall be accepted and processed by DCR for the first 60 days after DCR starts accepting applications. EMMD Applicants may apply for a maximum of one; Microbusiness License (Type 12); or a maximum combination of one Retailer License (Type 10), one Delivery for Retailer License (Type 10), one Distributor License (Type 11 – for self-distribution transport only), one Manufacturer License (Type 6 only) and one Cultivation, Indoor (Type 1A, 1C, 2A or 3A) License for the one location identified in its

original or amended BTRC and as demonstrated in previous Commercial Cannabis Activity as of March 7, 2017.

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

(c) DCR's determination of whether an EMMD Applicant is eligible for Proposition M Priority Processing shall be made with no hearing and shall be final and effective upon the close of the 15-day appeal period if not timely appealed to the Commission by the EMMD Applicant, as provided in Section 104.10. In making its determination, DCR may request additional information from the EMMD Applicant. In making its determination, DCR shall make written findings regarding whether the EMMD Applicant complies with the requirements for priority processing for EMMDs. In determining whether an EMMD Applicant meets the requirements for priority processing, DCR shall consider whether the EMMD Applicant cured any non-substantive administrative violations in C through F, and M under LAMC Section 45.19.6.3.

(d) If Proposition M Priority Processing is denied by DCR and, if appealed to the Commission also denied by the Commission, the EMMD Applicant shall immediately cease all Commercial Cannabis Activity at the Business Premises and the EMMD Applicant shall not be entitled to the limited immunity from prosecution afforded by Proposition D. An EMMD Applicant determined ineligible for Proposition M Priority Processing may apply for a License by filing a new application and abiding by the application priority in effect at that time. DCR shall not refund any fee for an application determined ineligible for Proposition M Priority Processing.

(e) Once DCR deems a Proposition M Priority Processing Application is complete and eligible for a Proposition M Priority Processing, DCR shall issue the EMMD a Temporary Approval, which shall allow the EMMD to maintain the limited immunity from prosecution afforded by Proposition D even after Proposition D is repealed. A completed Proposition M Priority Process Application accepted by DCR as eligible for a Proposition M Priority Processing shall be processed and reviewed

pursuant to Section 104.06. An EMMD eligible for Proposition M Priority Processing shall not be denied a Temporary Approval or License by the Commission based upon the EMMD's location in a geographical area of Undue Concentration. A final denial of a License and exhaustion of all administrative appeals shall terminate the Temporary Approval and the limited immunity.

(f) An EMMD shall submit to a financial audit by the City's Office of Finance and clear all City tax obligations prior to being issued a Temporary Approval or a License.

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

(h) An EMMD issued a License pursuant to Proposition M Priority Processing is not required to adhere to the zone, distance and sensitive use restrictions stated in Section 105.02 of this Code as long as, and on the condition that, the EMMD: (1) operates and continues to operate in compliance with the distance and sensitive use restrictions (Los Angeles Municipal Code Section 45.19.6.3(L) and (O)) of Proposition D notwithstanding those restrictions are or would have been repealed; and (2) limits on-site Cultivation at the Business Premises to not exceed the size of the EMMD's existing square footage of building space as of March 7, 2017, as documented by dated photographs, building lease entered into on or before March 7, 2017, or other comparable evidence. This limited grandfathering shall not create, confer, or convey any vested right or non-conforming right or benefit regarding any activity conducted by the EMMD beyond the term and activities provided by the City License. This limited grandfathering shall cease on December 31, 2022, after which all EMMDs shall be required to be located on Business Premises that meet all the requirements of Article 5 of Chapter X of this Code. If an EMMD issued a License fails to operate in compliance with the specified provisions of Proposition D, the EMMD's City License shall be subject to revocation.

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

(a) An Applicant who applies for a License for Non-Retailer Commercial Cannabis Activity and who meets the below criteria as determined by DCR shall receive a Temporary Approval, which shall provide the Applicant with limited immunity, as described in Subsection (c), to operate pending the review of its License application: 1) the Applicant was engaged prior to January 1, 2016, in the same Non-Retailer Commercial Cannabis Activity that it now seeks a License for; 2) the Applicant provides evidence and attests under penalty of perjury that it was a supplier to an EMMD prior to January 1, 2017; 3) the Business Premises meets all of the land use and sensitive use requirements of Article 5 of Chapter X of this Code; 4) the Applicant passes a pre-license inspection; 5) there are no fire or life safety violations on the Business Premises; 6) the Applicant paid all outstanding City business tax obligations; 7) the Applicant

indemnifies the City from any potential liability on a form approved by DCR; 8) the Applicant provides a written agreement with a testing laboratory for testing of all Cannabis and Cannabis products and attests to testing all of its Cannabis and Cannabis products in accordance with state standards; 9) the Applicant is not engaged in Retailer Commercial Cannabis Activity at the Business Premises; 10) the Applicant attests that it will cease all operations if denied a State license or City License; 11) the Applicant qualifies under the Social Equity Program; and 12) the Applicant attests that it will comply with all operating requirements imposed by DCR and that DCR may immediately suspend or revoke the Temporary Approval if the Applicant fails to abide by any City operating requirement.

(b) DCR's determination of whether an Applicant is eligible for processing under this section shall be made with no hearing and shall be final and effective upon the close of the 15-day appeal period if not timely appealed to the Commission by the Applicant, as provided in Section 104.10. DCR may request additional information from the Applicant. In making its determination, DCR shall make written findings regarding whether the Applicant complies with the requirements for processing under this Section. The License shall be processed and reviewed pursuant to Section 104.06. A final denial of a License and exhaustion of all administrative appeals shall terminate the Temporary Approval and the limited immunity.

(c) An Applicant that meets the requirements of this Section and receives a Temporary Approval shall not be subject to the remedies set forth in Los Angeles Municipal Code Sections 11.00 or 12.27.1 solely on the basis of Non-Retailer Commercial Cannabis Activity subject to the Temporary Approval, provided however that, as authorized by California Health and Safety Code Section 11362.83, this limited immunity is available and may be asserted as an affirmative defense only so long as the requirements of this Section are adhered to by the Applicant and only by an Applicant at the one Business Premises identified in its application. This limited immunity shall not be available to and shall not be asserted as an affirmative defense to any violation of law except as expressly set forth in this Section. Further, nothing contained in this limited immunity is intended to provide or shall be asserted as a defense to a claim for violation of law brought by any county, state or federal governmental authority.

(d) Once application processing pursuant to Section 104.07 begins, DCR may, at its discretion, begin processing Section 104.08 applications until April 1, 2018.

SEC. 104.09. TESTING LAB LICENSES.

An Applicant seeking a Testing Lab License (Type 8) may submit an application to DCR at any time after DCR first accepts applications for any License.

SEC. 104.10. LICENSE APPEAL PROCEDURE.

(a) Appeals.

1. An appeal as authorized in Section 104.06 must be filed with DCR within 15 days of the date of the mailing of the written decision by DCR or the Commission (lower level decision maker). The appeal shall set forth the specific basis upon which the appellant claims there was an error or abuse of discretion by the lower level decision maker. Any appeal not filed within the 15-day period shall be rejected as untimely. The lower level decision maker shall transmit to the appellate body the appeal, the file of the matter, along with any report if one was prepared responding to the allegations made in the appeal.

2. Notice of the appeal shall be made pursuant to subsection 104.05(b).

3. The Commission shall hold a public hearing to consider an appeal of a DCR decision within 60 days of the Commission's receipt of the appeal. The City Council shall hold a public hearing to consider an appeal of a Commission decision within 15 Council meeting days of Council's receipt of the appeal. The time for holding a hearing may be extended by mutual agreement between the appellate body and the Applicant. Failure of the appellate body to act with the time period allowed shall be deemed a denial of the appeal.

4. The appellate body may consider the decision and record before the lower level decision maker and any new written information and oral testimony timely provided to the appellate body. The appellate body shall, however, rule on the record and evidence de novo, substituting its own judgment for that of the lower level decision maker without deferring to the lower level decision maker's findings and determinations. The appellate body may reverse or modify, in whole or in part, any decision of the lower level decision maker. The appellate body shall make the same written findings required to be made by the lower level decision maker, supported by evidence in the record.

5. The appellate body shall issue its decision within 30 days of the closure of the hearing on the appeal. Failure of the appellate body to issue its decision timely shall be deemed a denial of the appeal.

(b) A CEQA appeal to the City Council pursuant to Public Resources Code Section 21151(c) must be filed within 15 days of the approval of a License becoming final.

SEC. 104.11. MANDATORY REQUIREMENTS.

(a) A License is not transferable unless the change to the Licensee's organizational structure or ownership is submitted to and approved by DCR. The Licensee shall complete a change of ownership application, pay all applicable fees and obtain the written approval of the change of ownership by DCR, pursuant to the Rules and Regulations. A change from non-profit status to for-profit status by an EMMD is exempt from this requirement if no other ownership change is made in accordance with

Proposition D's ownership rules and notice is provided to DCR within five business days. This exemption is not available after a License is issued.

(b) A License must be prominently displayed at the Business Premises in a manner that makes it readable from the exterior of the Business Premises.

(c) A Licensee shall designate a supervisor, manager or person-in-charge at all times during regular business hours.

(d) The name and contact number of the Neighborhood Liaison must be prominently displayed at the Business Premises in a manner that makes it readable from the exterior of the Business Premises.

(e) Every Applicant or Licensee shall attest that he/she will not manufacture, prepare, package or label any products other than Cannabis products or accessories related to Cannabis use at the Business Premises.

(f) Every Applicant and Licensee shall adhere to all the operational requirements in the Rules and Regulations.

(g) An Applicant and Licensee shall be subject to inspection, investigation or audit by DCR or its agents, with no notice required, to determine compliance with this article. An inspection, investigation or audit is a review of any books, records, accounts, inventory, or onsite operations specific to the Business Premises and License.

1. Inspections, investigations, or audits may include, but are not limited to, employees or agents of the Los Angeles County Department of Public Health or the following City departments: DCR, Department of Building and Safety, Department of City Planning, Police Department, Fire Department and the Office of Finance. The Fire Department shall enforce the City's Fire Code and California Code of Regulation, Title 24, Part 9.

2. DCR and its agents may conduct an on-site inspection prior to issuing a new or renewal License in accordance with the requirements of the State of California and the Rules and Regulations. DCR may record the inspection, investigation, or audit.

3. An Applicant or Licensee shall allow DCR access to the Business Premises for any of the following purposes: determine accuracy and completeness of the application; determine compliance with this article and the Rules and Regulations; audit or inspect records; investigate a complaint received by DCR regarding the application or License; inspect incoming or outgoing shipments of Cannabis and Cannabis products, storage areas, production processes, labeling and packaging processes, and conveyances used in the manufacture, storage or transportation of Cannabis products; inspect pertinent equipment, raw material, finished and unfinished materials, containers, packaging and labeling that relates to whether the Cannabis or Cannabis product

is compliant; investigate the adulteration or misbranding of any Cannabis product, or production of any Cannabis product without a License, including the ability to inspect any place where any Cannabis product is suspected of being illegally manufactured or held; and investigate the operations and other activities associated with Commercial Cannabis Activity engaged in by the Licensee.

(h) For purposes of any notice required pursuant to this article, the Applicant's or Licensee's mailing address shall be the address listed on the application or License, as updated by the Applicant or Licensee.

(i) Failure to cooperate fully with an inspection, investigation or audit is a violation of this article.

(j) In construing and enforcing this article and the Rules and Regulations, any act, omission, or failure of an agent, officer, or other person acting for or employed by a Licensee, within the scope of his or her employment or office, shall in every case be deemed the act, omission, or failure of the Licensee.

(k) If Applicant or Licensee contend that any information provided to the City is confidential, Applicant or Licensee shall mark that information as confidential at the time of submitting it to the City. If the City obtains a request for disclosure of the information, the City may provide Applicant or Licensee notice of the request for disclosure and allow Applicant or Licensee a period of time determined by the City to seek a court protective order. The City may publically release the information absent the issuance of the protective order or if the City is required by law to release the information.

(l) If the state adopts a law requiring a state Cannabis license applicant to agree to enter into a Labor Peace Agreement with any bona-fide labor organization who requests such an agreement, then an Applicant for a City Licensee shall meet that same requirement, with the exception that the requirement applies to Applicants with 10 or more Employees.

(m) A Licensee shall make a good-faith effort to have no less than 30% 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. A Licensee shall make a good-faith effort to have no less than 10% of the weekly hours of the Licensee's workforce performed by Employees who are Transitional Workers. Transitional Worker means a person 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. 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 effort requirement.

(n) It shall be unlawful for a Licensee or any other party to discriminate in any manner or take adverse action against any Employee in retaliation for exercising rights protected under this article. These rights include, but are not limited to: the right to file a complaint or inform any person about any party's alleged noncompliance with this article; and the right to inform any person of his or her potential rights under this article and to assist him or her in asserting such rights. Protections under this article shall apply to any Employee who mistakenly, but in good faith, alleges noncompliance with this article. Taking adverse action against an Employee within 90 days of the Employee's exercise of rights protected under this article shall raise a rebuttable presumption of having done so in retaliation for the exercise of such rights.

(o) Effective April 1, 2018, a Licensee may only transact Commercial Cannabis business with a Person who possesses a State License for Commercial Cannabis Activity. Failure to comply with this requirement is a Moderate Violation under Section 104.13(b).

SEC. 104.12. RENEWAL AND CANCELLATION.

(a) Every License shall be renewed annually. To renew a License, a completed License renewal form and renewal License fee shall be received by DCR from the Licensee no earlier than 120 calendar days before the expiration of the License, and no later than 60 calendar days before the expiration of the License. Failure to receive a notice for License renewal from DCR does not relieve a Licensee of the obligation to renew a License. In the event the License is not renewed prior to the expiration date, the Licensee shall cease all Commercial Cannabis Activity until such time that the Licensee is issued a new License from DCR and a license from the State of California. DCR shall send to the Licensee a letter denying or approving the License renewal application. The Licensee may file an administrative appeal, pursuant to Section 104.14, within 15 days of the date of DCR sending the denial letter. Failure to file an administrative appeal shall constitute a failure to exhaust administrative remedies.

(b) A Licensee's security plan must comply with the Rules and Regulations and be reviewed every year as part of the License renewal process. As part of the License renewal process, DCR may require modification to the Licensee's security plan.

(c) In order to receive a License renewal, a Licensee shall be in good standing with the requirements in this article and shall not be delinquent on any City tax or fee.

(d) Any Licensee who has ceased conducting business at the Business Premises for a period exceeding 30 consecutive calendar days, except for bona fide remodeling pursuant to a City-issued building permit and for not longer than a commercially reasonable period of time as determined by DCR, shall be subject to action by DCR to suspend or revoke the License.

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

SEC. 104.13. ADMINISTRATIVE VIOLATIONS AND PENALTIES.

(a) Violations of this article.

1. Within five years of discovering an alleged violation of this article, the Rules and Regulations or a License condition, DCR may issue a Notice of Violation (NOV) to the Licensee. Any action of DCR does not preclude any enforcement agency from taking its own enforcement action for violation of any local, state or federal law or regulation.

2. DCR shall use the following violation classes to assess administrative fines and the types of violations associated with each class shall be delineated in the Rules and Regulations: "Minor," "Moderate" and "Serious." Repeat Minor or Moderate violations that occur within a two-year period and result in an administrative fine may result in escalation to a higher class of violation.

3. DCR shall provide notice of a NOV by mail to the Licensee and the owner of the Business Premises as shown on the records of the City Engineer or the records of the County Assessor. The NOV shall contain all of the following: a brief statement of the alleged violation; a description of whether the violation is minor, moderate or serious; a statement of whether the violation is correctable; and a timeframe in which the violation shall be corrected, which shall not be sooner than 15 days from the date of mailing of the NOV. The notice shall also inform the Licensee or owner of the Business Premises that they may request an administrative hearing, pursuant to Section 104.14, within 15 days of the date of the NOV was mailed. The Licensee or the Business Premises owner's right to an administrative hearing shall be deemed waived if he or she fails to file a timely request for an administrative hearing. After the administrative hearing, or no sooner than 15 days of the date of the mailing of the NOV if no hearing was timely requested, DCR may take the following actions: 1) denial of a License renewal; 2) revocation or suspension of a License for a specified period of time; 3) more restrictive License conditions; and/or 4) order an administrative hold of Cannabis and/or a Cannabis product.

4. To prevent destruction of evidence, illegal diversion of Cannabis or a Cannabis product, or to address a potential threat to the environment or public safety, DCR may order an administrative hold of Cannabis or a Cannabis

product. DCR shall give written notice, by mail, of the administrative hold to the Licensee and shall provide a description of the Cannabis and/or Cannabis product subject to the administrative hold, along with a statement for the basis of issuing the administrative hold. Within 24 hours of receipt of the notice of administrative hold, the Licensee shall physically segregate all applicable Cannabis and/or Cannabis products subject to the hold and shall safeguard and preserve the subject property as required in the notice and the Rules and Regulations. Following the issuance of a notice of administrative hold to the Licensee, DCR shall identify the Cannabis and/or Cannabis product subject to the administrative hold in DCR's track-and-trace system. While the administrative hold is in effect, the Licensee is restricted from selling, donating, transferring, transporting, or destroying the administratively held property. Nothing herein shall prevent a Licensee from the continued possession, cultivation, or harvesting of Cannabis subject to the administrative hold. During the hold period, all Cannabis and/or Cannabis products subject to an administrative hold shall be put into separate batches. Nothing herein shall prevent a Licensee from voluntarily surrendering Cannabis and/or a Cannabis product that is subject to an administrative hold. The Licensee shall identify the Cannabis and/or Cannabis product being voluntarily surrendered in DCR's track-and-trace system. Voluntary surrender does not waive the right to an administrative hearing pursuant to Section 104.14 within 15 days of the date of mailing of the written notice by DCR.

(b) Administrative fines may be assessed and collected pursuant to the Administrative Citation Enforcement Program under this Code and shall be issued in the following amounts:

1. "Minor" violation – amount equal to 50% of the current Cannabis License fee for each and every violation;

2. "Moderate" violation – amount equal to 150% of the current Cannabis License fee for each and every violation; and

3. "Serious" violation – amount equal to 300% of the current Cannabis License fee for each and every violation.

SEC. 104.14. ADMINISTRATIVE HEARING PROCEDURE.

(a) A request for an administrative hearing may be filed for the following:

1. Issuance of NOV by DCR.

2. Suspension or revocation of a License by DCR.

3. Notice of an administrative hold by DCR.

(b) A request for an administrative hearing shall be filed within the time specified in this article and as required by the Rules and Regulations. If the time is not specified, the request for an administrative hearing shall be filed within 15 days of the date of mailing the notice of DCR's action. Failure to timely request an administrative hearing shall constitute a failure to exhaust administrative remedies. If DCR places an administrative hold on Cannabis and/or a Cannabis product, the hold shall remain in effect pending the outcome of the administrative hearing.

(c) DCR shall schedule an administrative hearing before a hearing officer within 30 calendar days from the date of filing of the administrative hearing. DCR shall mail the notice of the hearing to the Licensee.

(d) Administrative hearings shall be conducted as follows:

1. The standard of proof to be applied by the hearing officer shall be preponderance of the evidence;

2. The decision of the hearing officer shall be in writing and shall include a statement of the factual and legal basis of the decision; and

3. The written decision shall be issued within 30 days after the conclusion of the hearing, but may be issued orally at the conclusion of the hearing subject to written confirmation.

The hearing officer's decision shall be sent by mail to the Licensee and shall become final within 15 days of the mailing date, unless the Licensee files a timely appeal to the Commission.

(e) The Commission shall hold a hearing on an appeal by the Licensee from a hearing officer's decision within 60 days of the date of filing the appeal to the Commission. DCR shall mail to the Licensee notice of the hearing. The appeal to the Commission shall be conducted using the same criteria as in Section 104.14(d). The Commission's decision shall be issued within 30 days of the conclusion of the hearing and be mailed to the Licensee. The Commission's decision is final.

SEC. 104.15. ENFORCEMENT AND PENALTIES FOR UNLAWFUL CANNABIS RELATED ACTIVITY.

(a) Prohibitions on Unlicensed Commercial Cannabis Activity and Certain Medical Marijuana Collectives.

1. It is unlawful for a Person to establish, operate, or participate as an Employee, contractor, agent or volunteer, in any unlicensed Commercial Cannabis Activity in the City.

2. It is unlawful for a Person to establish, operate or participate in a medical marijuana collective or cooperative unless in a dwelling unit with three or fewer qualified patients, persons with identification cards or primary caregivers, or any combination thereof.

3. The prohibitions in Subsections (a)(1) and (2), include renting, leasing to or otherwise allowing any unlicensed Commercial Cannabis Activity or a medical marijuana collective or cooperative to occupy or use any building or land.

(b) Starting on January 1, 2018, it is unlawful to:

1. Own or operate an Unlawful Establishment;

2. Participate as an Employee, contractor, agent or volunteer or in any other capacity in an Unlawful Establishment;

3. Use any portion of any parcel of land as an Unlawful Establishment; or

4. Lease, rent to, or otherwise allow an Unlawful Establishment to occupy any portion of parcel of land.

(c) A violation of this section is a public nuisance and may be abated by the City or by the City Attorney, on behalf of the people of the State of California, as a nuisance by means of a restraining order, injunction or any other order or judgment in law or equity issued by a court of competent jurisdiction. The City or the City Attorney, on behalf of the people of the State of California, may seek injunctive relief to enjoin violations of, or to compel compliance with, this section or seek any other relief or remedy available at law or equity. Each day that a violation continues is deemed to be a new and separate offense and subject to a maximum civil penalty of $20,000 for each and every offense.

(d) Any Person violating this section shall be guilty of a misdemeanor punishable by a fine of not more than $1,000 or by imprisonment in the County Jail for a period of not more than six months, or by both a fine and imprisonment. Each day that a violation continues is deemed to be a new and separate offense.

(e) The remedies specified in this section are cumulative and in addition to any other remedies available under state or local law for a violation of this article.

(f) Nothing in this section shall be construed as requiring the City to allow, permit, license, authorize or otherwise regulate medical or nonmedical Cannabis, or as abridging the City's police power with respect to enforcement regarding medical or nonmedical Cannabis.

SEC. 104.16. ADMINISTRATION.

DCR shall administer the Rules and Regulations as adopted by the City Council. DCR and the Commission may recommend to the City Council amendments to the Rules and Regulations.

SEC. 104.17. SEVERABILITY.

If any section, subsection, subdivision, clause, sentence, phrase or portion of this article is held unconstitutional or invalid or unenforceable by any court or tribunal of competent jurisdiction, the remaining sections, subsections, subdivisions, clauses, sentences, phrases or portions of this measure shall remain in full force and effect, and to this end the provisions of this article are severable. Notwithstanding anything to the contrary in the prior sentence, if any State or City licensure requirement is held unconstitutional or invalid or unenforceable by any court or tribunal of competent jurisdiction, the Commercial Cannabis Activity subject to such licensure requirement shall be prohibited in the City.

SEC. 104.18. NO VESTED OR NONCONFORMING RIGHTS.

Neither this article, nor any other provision of this Code, or action, failure to act, statement, representation, recognition, certificate, approval, permit or License issued by the City, DCR, the Commission, or their respective representatives, agents, employees, attorneys or assigns, shall create, confer, or convey any vested or nonconforming right or benefit regarding any Commercial Cannabis Activity beyond the period of time and range of activities specifically provided by the licenses issued by the State of California and the City. This article does not create, confer, or convey any right or benefit regarding any activity beyond the lawfulness of any License issued by the City to engage in Commercial Cannabis Activity or any applicable State of California license for such activity. If any City License or any applicable State license is held unconstitutional, invalid or unenforceable for any reason by any court or tribunal of competent jurisdiction, the Commercial Cannabis Activity subject to such license shall be prohibited in the City of Los Angeles and all operations shall immediately cease in the City. The owner of any City License or any applicable State license assumes all risk associated with the validity of such licenses. The owner of any license found to be unconstitutional, invalid or unenforceable and required thereby to cease Commercial Cannabis Activity, shall not be entitled to any compensation from the City based upon such license; the finding that such license is unconstitutional, invalid or unenforceable; or the requirement that any Commercial Cannabis Activity must thereby immediately cease in the City.

SEC. 104.19. FEES AND FINES.

SEC. 104.20. SOCIAL EQUITY PROGRAM.

(a) Social Equity Applicants shall receive priority processing as provided in this Section. Tier 1 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). 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.

(b) The following definitions shall be applicable in this Section:

"**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 Conviction**" means a Cannabis-related crime that occurred prior to November 8, 2016, and could have been prosecuted as a misdemeanor or citation under current California law.

"**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.

(c) 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 Conviction; or 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 of the business that would benefit from the issuance of the License. A Tier 1 Social Equity Applicant shall receive the following benefits: 1. business, licensing and compliance assistance; 2. expedited renewal processing; 3. program site specific conditions; 4. the potential for fee deferrals if the City Council adopts a fee deferral program; and 5. access to an Industry Investment Fund if established.

(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 of the business that would benefit from issuance of the License. A Tier 2 Social Equity Applicant shall enter into a Social Equity Agreement with the City to provide business, licensing and compliance assistance to Tier 1 Social Equity Program participants. A Tier 2 Social Equity Applicant shall receive the following benefits: 1. business, licensing and compliance assistance; 2. expedited renewal processing; and 3. program site specific conditions.

(e) A Tier 3 Social Equity Applicant shall enter into a Social Equity Agreement with the City to provide capital, leased space, business, licensing and compliance assistance to Persons who meet the criteria to be a Tier 1 or Tier 2 Social Equity Applicant. A Tier 3 Social Equity Applicant shall provide Tier 1 Social Equity Applicants access to property with no rent and with prorated utilities for a minimum of two years. The minimum requirements of the property provided to the Tier 1 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; 4. Distributor – minimum 1,000 square feet or 10 percent of Tier 3 Social Equity Applicant's Business Premises; 5. Non-storefront retail – minimum 1,000 square feet or 10 percent of Tier 3 Social Equity Applicant's Business Premises; 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.

(f) A Tier 3 Social Equity Applicant shall receive the following benefits: 1. expedited renewal processing; and 2. program site specific conditions.

(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 by DCR and approved by the Commission.

(i) Social Equity Applicants Tiers 1 through Tier 3 shall comply with all of the following:

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;

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

8. Shall disclose any options to purchase equity or control in the Applicant.

(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; and 3. general business assistance. 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.

Sec. 3. **URGENCY CLAUSE.** The City finds and declares that this ordinance is required for the immediate protection of the public peace, health and safety for the following reasons: As documented in, among other places, case law and the legislative histories of cannabis regulations in the City, the proliferation of unauthorized cannabis businesses, with the attendant crime and negative secondary impacts, poses a current and immediate threat to the public welfare; that despite aggressive enforcement by the office of the City Attorney, an unknown number of unauthorized cannabis businesses, including growers, delivery apps and delivery services, continue to open, close, and reopen within the City, and the proliferation of these unauthorized businesses has led to increased crime and negative secondary impacts in neighborhoods, including but not limited to violent crimes, robberies, the distribution of tainted marijuana, and the

diversion of marijuana; that with State licenses for retail sales of cannabis, including nonmedical cannabis, becoming available in 2018, a comprehensive regulatory and enforcement system is required to protect the public and consumers of cannabis from the aforementioned crime and negative secondary impacts on the City's communities; that the passage of the 2016 Adult Use of Marijuana Act has created confusion about the legality of commercial cannabis activity in the City in the absence of a comprehensive local regulatory and enforcement system, with certain businesses selling or distributing nonmedical cannabis to the public despite lacking the proper authorization from the State or City to do so; that the State's issuance of licenses to businesses in other, nearby jurisdictions in the absence of a comprehensive local regulatory and enforcement program in the City of Los Angeles would create further confusion and potentially lead to the further proliferation of unauthorized cannabis businesses in the City; and that this further proliferation would result in that threat to the public welfare. For all of these reasons, this ordinance shall become effective upon publication pursuant to Section 253 of the Los Angeles City Charter.

Sec. 4. The City Clerk shall certify to the passage of this ordinance and have it published in accordance with Council policy, either in a daily newspaper circulated in the City of Los Angeles or by posting for ten days in three public places in the City of Los Angeles: one copy on the bulletin board located at the Main Street entrance to the Los Angeles City Hall; one copy on the bulletin board located at the Main Street entrance to the Los Angeles City Hall East; and one copy on the bulletin board located at the Temple Street entrance to the Los Angeles County Hall of Records.

Approved as to Form and Legality

MICHAEL N. FEUER, City Attorney

By _____
DAVID MICHAELSON
Chief Assistant City Attorney

Date December 5, 2017

File No. _____

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I hereby certify that the foregoing ordinance was passed by the Council of the City of Los Angeles, **by a vote of not less than three-fourths** of all of its members.

CITY CLERK

MAYOR

12/06/2017
Ordinance Passed _____

12/13/2017
Approved _____

Published Date: 12/19/2017
Ordinance Effective Date: 12/19/2017
Council File No.: 17-0653,14-0366-S5