CLA MEMORANDUM

DATE: October 18, 2017

TO: Honorable Members of the
Los Angeles City Council

Assignment No:17-10-0996

FROM: Sharon M. Tso
Chief Legislative Analyst

Cannabis Social Equity Analysis Report

Honorable Members:

At the meeting of June 21, 2017, the City Council instructed the Chief Legislative Analyst to secure a study relative to a social equity analysis of cannabis regulations aimed at promoting equitable ownership and employment opportunities in the cannabis industry (Council File No. 17-0653). The requested study included the following components:

> An analysis of **poverty and LAPD statistics**; **options to create a Social Equity Program** for individuals and communities that were disproportionally harmed by cannabis prohibition.
>
> An analysis ensuring that communities identified in the social equity analysis have **access to ownership training programs, technical assistance, capital**, ... to reduce and remove barriers to ownership of Commercial Cannabis Activity businesses.
>
> An analysis for **multicultural community outreach strategies** ... to ensure that targeted communities are engaged in cannabis policy development and implementation.
>
> **Maps with Council District overlays** that include LAPD and Planning data.
>
> Preparation of **a validation study to support participation of marginalized community** members in the cannabis industry.

Pursuant to the above request, transmitted herewith is the Cannabis Social Equity Analysis Report prepared by the consulting firm of Amec Foster Wheeler. The report was prepared with extensive consultation and participation of the Chief Legislative Analyst; City Administrative Officer; Cannabis Department; Planning Department; City Attorney; Police Department; Fire Department; Water & Power Department; and Department of Building & Safety.

In addition, a large Community Outreach and Workshop meeting was held on September 30, 2017 at the Watts Labor Community Action Committee Center wherein 600 City residents attended.

The Consultant will be available to present their report and findings. If we may be of further assistance, please let us know.

SMT:ak

Cannabis Social Equity Analysis Report



Prepared by:

Amec Foster Wheeler Environment & Infrastructure, Inc.
104 West Anapamu Street, Suite 204-A
Santa Barbara, California 93101

For:

City of Los Angeles
Sharon M. Tso
Chief Legislative Analyst
200 North Spring Street
Los Angeles, California 90012

CANNABIS SOCIAL EQUITY ANALYSIS

Table of Contents

1.0 Executive Summary 1

2.0 Introduction 2

3.0 Social Equity Analysis 3

- 3.1 Methodology for Analysis 3
- 3.2 Cannabis Enforcement History 6
- 3.3 Cannabis-Related Arrests 11
- 3.4 Low Income and Poverty 20
- 3.5 Race and Ethnicity 22
- 3.6 Identification of Disproportionately Affected Disadvantaged Communities and Populations 23

4.0 Opportunities and Potential Barriers under Proposed Commercial Cannabis Regulations 29

- 4.1 Barriers to Entry 29
- 4.2 Opportunities to Overcome Barriers 35
- 4.3 Existing Cannabis Social Equity Programs 43

5.0 Public Workshop 48

- 5.1 Spoken Comments 48
- 5.2 Written Comments 51
- 5.3 Survey 53

6.0 Recommendations for the Cannabis Social Equity Program 55

- 6.1 Licensing Structure 56
- 6.2 Social Equity Program Staffing and Support 57
- 6.3 Definition of Social Equity Applicant 61
- 6.4 Proposed Program Components 63
- 6.5 Diversity Program 68
- 6.6 Summary of Recommended Social Equity Program Components 68

7.0 List of Preparers 74

8.0 References 75

Attachment 1 Draft Requirements for Commercial Cannabis Activity in the City of Los Angeles
Attachment 2 Proposed City Cannabis Zoning Maps

Figures

Figure 1. Methodology for Identifying Police Reporting Districts Potentially Eligible for Inclusion in the City's Cannabis Social Equity Program 4
Figure 2. Proportion of City Population by Race/Ethnicity 12
Figure 3. Proportion of City Cannabis-Related Arrests by Race/Ethnicity based on LAPD Data 13
Figure 4. Arrest Levels by Race/Ethnicity 14
Figure 5. Arrest Types by Race/Ethnicity. 15
Figure 6. Cannabis-Related Arrests by Police Reporting District 19
Figure 7. Percentage of Low Income Households by Police Reporting District 21
Figure 8. Percentage of Low Income Households in High and Very High Arrest Rate Police Reporting Districts 27
Figure 9. Percentage of People of Color in High and Very High Arrest Police Reporting Districts 28

Tables

Table 1 Police Reporting Districts with the Most Cannabis-Related Arrests (2000-2016) 17
Table 2. City of Los Angeles (Community of Comparison) 2015 Poverty Characteristics 20
Table 3. City of Los Angeles (Community of Comparison) 2010 Race and Ethnicity Characteristics 22
Table 4. Police Reporting Districts with a Very High Number of Cannabis Arrests (Greater than 2.5 Standard Deviations from City Average). 25
Table 5. Police Reporting Districts with a High Number of Cannabis Arrests (Greater than 1.5 and Less than 2.5 Standard Deviations from City Average). 26
Table 6. Acreage Available for Specific Cannabis License Types by City Council District 31
Table 7. Summary of Recommended Cannabis Social Equity Program Components 69

Acronyms and Abbreviations

%	percent
ACS	American Community Survey
AUMA	Adult Use of Marijuana Act
BNDD	Bureau of Narcotics and Dangerous Drugs
BPBC	Business Promotion Bill Credit
Cal OSHA	California Occupational Safety and Health Act
CCE	Continuing Criminal Enterprise
CDCR	California Department of Corrections and Rehabilitation
CETRA	Los Angeles Cannabis Enforcement, Taxation, and Regulation Act
City	City of Los Angeles
County	Los Angeles County
CRASH	Community Resources Against Street Hoodlums
CSA	Controlled Substances Act
DEA	Drug Enforcement Administration
EWDD	Department of Economic and Workforce Development
FIT	Feed-In-Tariff Program
GAO	U.S. Government Accountability Office
GREAT	Gang Reporting Evaluation and Tracking System
HCD	California Department of Housing and Community Development
IRS	Internal Revenue Service
LADWP	Los Angeles Department of Water and Power
LAPD	Los Angeles Police Department
LASD	Los Angeles County Sheriff Department
MAUCRSA	Medical and Adult-Use Cannabis Regulation and Safety Act
MBC-LA	Minority Business Development Agency Business Center – Los Angeles
MBDA	Minority Business Development Agency
MMRSA	Medical Marijuana Regulation and Safety Act
NAFTA	North American Free Trade Agreement
Oakland	City of Oakland
ODALE	Office of Drug Abuse Law Enforcement
ONDCP	Office of National Drug Control Policy
OSS	Operation Safe Streets
Program	City of Los Angeles Cannabis Social Equity Program
RICO	Racketeer-Influenced and Corrupt Organizations
SAODAP	Special Action Office of Drug Abuse Prevention
SB	Senate Bill
SBA	U.S. Small Business Administration
sf	Square feet
SIP	Solar Incentive Program
SOR	California Senate Office of Research
State	California
STEP	Street Terrorism Enforcement and Prevention Act
SWAT	Special Weapons and Tactics
UIL	Utility Infrastructure Program

CANNABIS SOCIAL EQUITY ANALYSIS

1.0 EXECUTIVE SUMMARY

A social equity analysis was conducted aimed at promoting equitable ownership and employment opportunities in the commercial cannabis industry to decrease disparities in life outcomes for marginalized communities and to address disproportionate impacts of past cannabis enforcement in those communities. U.S. Census Bureau household income data and Los Angeles Police Department (LAPD) arrest statistics from 2000-2016 were analyzed by police reporting district (aka "police beats") and mapped to determine which communities were subject to high cannabis-related arrest rates and high poverty rates. Arrest and low income maps were overlaid, and police reporting districts with both a disproportionate number of cannabis-related arrests and higher than average percentage of low income households were identified, along with their corresponding City Council Districts.

Cannabis Social Equity Program Purpose & Intent

"Promoting equitable ownership and employment opportunities in the cannabis industry in order to decrease disparities in life outcomes for marginalized communities and to address the disproportionate impacts of the war on drugs in those communities."

Potential barriers that may prevent social equity applicants from equitable access to the legal cannabis industry are identified in this analysis along with opportunities to overcome these barriers. These potential barriers and opportunities were discovered and verified through review of an existing cannabis social equity program in the City of Oakland and were also a focus of citizen concerns during the community outreach process for this social equity analysis. Based on this analysis, recommendations are provided for the City of Los Angeles (City) to determine eligibility for participation in the City's Cannabis Social Equity Program (Program). Each of these recommendations would enable the City to prioritize and target the benefits of the Program for individuals and communities that were disproportionately harmed by cannabis law enforcement. Recommendations are provided to the City that would support communities identified in the social equity analysis and their ability to have access to ownership training programs, technical assistance, capital and other programs necessary to reduce and remove barriers to ownership of a commercial cannabis activity business in the City. Outreach conducted during Program development and implementation is recommended to be achieved through retention of new dedicated staff within the Department of Cannabis Regulation to ensure efficient administration of the Program, including engagement of adversely affected individuals and communities.

Overall, more than 10,000 cannabis license applications are expected to be filed under the City's new cannabis licensing program. This surge in permit applications presents a challenge to the City to efficiently administer as the Department of Cannabis Regulation has only recently been created and in still in the process of retaining authorized staff to review and approve license applications, conduct inspections, and implement the Social Equity Program. Although staff from other departments could be loaned to supplement newly hired Department of Cannabis Regulations staff, this would impact workload in other departments. Therefore this analysis recommends that the demand for application processing in the Department of Cannabis Regulation be met through a combination of new hires and consultant support.

2.0 INTRODUCTION

The City is in the process of amending the City Municipal Code in order to implement Proposition M, also known as the Los Angeles Cannabis Enforcement, Taxation, and Regulation Act (CETRA). The proposed Commercial Cannabis Regulation Ordinance would further establish authority and responsibilities of the Department of Cannabis Regulation, procedures for review and approval by the Cannabis Regulation Commission, operating regulations for commercial cannabis activities to protect public health and safety, and location criteria for specific types of commercial cannabis activities. In addition to the Commercial Cannabis Regulation Ordinance, requirements for commercial cannabis activity have been proposed by various City Council members and members of the public have been afforded opportunities to provide public comment on the development and implementation of the City's new cannabis regulatory framework. The current revised draft requirements for commercial cannabis activity as of September 22, 2017, include three permit processing windows for applicants: Proposition M Priority Processing, Social Equity Program Processing, and General Processing (Attachment 1). The Proposition M Processing window (Window 1) is proposed to be open for the first 60 days that applications are made available to those existing, compliant businesses that qualify. Social Equity Program processing and general processing shall occur concurrently (Window 2) and this process shall not commence until the Social Equity Program is approved by City Council. In order to ensure the equitable licensing of commercial cannabis activity, Social Equity Program and General Processing shall occur on a one-for-one basis, in which the number of General applicants processed must not exceed the number Social Equity applicants processed. Voting on the Commercial Cannabis Regulations Ordinance is scheduled to occur on November 1, 2017. It has been proposed for Window 1 licensing to begin on December 4, 2017. At the state level, the regulatory and licensing program appears to be still evolving, with uncertain effects on local programs. The most recent information from the State indicates that temporary licenses will be issued to businesses during 2018. After 2018, the state will issue annual licenses.

Cannabis Licensing Program Windows

Window 1: Proposition M Priority Processing

Window 2: Concurrent Social Equity Program Processing & General Processing

In conjunction with the Commercial Cannabis Regulation Ordinance, the City Council directed inclusion of a Cannabis Social Equity Program (Program) 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 disproportionately, adversely-impacted and lower income communities. To accomplish this, a social equity analysis was performed, including review of income data and police enforcement of cannabis laws as it has related to marginalized communities within the City.

The following social equity analysis identifies disadvantaged communities and provides recommendations to specifically and intentionally serve individuals and communities that were disproportionately harmed by cannabis prohibition and law enforcement. Individuals who have low income and were arrested for a cannabis-related crime and their immediate family members, as well as those that have low income and live in communities that were subject to disproportionate cannabis-related arrests are recommended to be prioritized and provided support by the City based on this analysis and the standard goals and principals of social equity and environmental justice programs. This program will support the City's intention to ensure that these communities are not further disadvantaged by future cannabis policies and furthermore are able to participate in the legal economy created by a regulated cannabis market. In addition to the social equity analysis, a summary of the history of cannabis prohibition enforcement, generally across the United States and specifically in the City of Los Angeles, is provided to place the analysis and recent State and local

decriminalization, legalization and regulation efforts in the greater context of the history of drug enforcement and the evolution of cannabis policies. This discussion addresses legislative actions taken to regulate cannabis, and community and law enforcement responses to cannabis activities over time.

Initial Public Outreach and Community Workshop

Community Outreach and Workshop
On September 30th, 2017, the City held a community workshop at the Watts Labor Community Action Committee Center; approximately 600 hundred City residents attended.

To foster public understanding of the proposed Program and its integration with the draft Commercial Cannabis Regulation Ordinance, the City reached out to concerned community members through multiple media outlets, neighborhood council notifications, and known stakeholder groups, and scheduled an initial community workshop to inform the public about the proposed programs and receive initial community feedback. Written and verbal comments were solicited at this public workshop held on September 30th at the Watts Labor Community Action Committee Center. Public comments were recorded and grouped by themes to maintain confidentiality given the past history of cannabis enforcement activities and to permit incorporation of these initial comments into the Draft Cannabis Social Equity Analysis. Common themes from the workshop include community experience with cannabis enforcement, questions regarding the cannabis industry and future permitting structure, and suggested improvements to include in the Program, which are addressed more fully in Section 5.0.

3.0 SOCIAL EQUITY ANALYSIS

3.1 Methodology for Analysis

Police Reporting Districts
Police reporting districts were selected as potentially eligible districts for Social Equity Program benefits if they had a disproportionate number of cannabis-related arrests and percentage of low income households as compared to the City average.

The following social equity analysis reviewed cannabis-related arrests within the City, provided by the Los Angeles Police Department (LAPD) in relation to mapped low income communities, as well as race and ethnicity as derived from U.S. Census data. Under State law, government programs cannot consider race as eligibility criteria (Proposition 209, 1996). Therefore, race and ethnicity data are provided in order to assist reviewers' understanding of the total potential disproportionate impact of past cannabis enforcement activities on impacted communities, but are not used in determining which communities and individuals are recommended for consideration by the City for assistance under the Program. Eligibility criteria are based solely on disproportionate impacts on lower income communities and cannabis-related arrest data.

This analysis considers LAPD cannabis-related arrest data for 2000 to 2016, 2015 American Community Survey (ACS) income data, and 2010 Decennial Census race and ethnicity data by police reporting district or census tract. Police reporting districts are administrative units that are smaller than the larger bureau (5 total including Transit Services) and area (21 total) units. The smaller units permit better resolution of the supplied arrest data. Census tracts are the basic unit from which U.S. Census data is collected every 10 years for the nationwide Decennial Census and the continuous ACS, which periodically samples communities to track

community changes between censuses. The boundaries of census tracts are typically set so that each tract contains between 1,200 and 8,000 people with an optimum size of 4,000 people.

Specific police reporting districts are evaluated to determine whether they have had disproportionate numbers of cannabis-related arrests in comparison to the entire City since the year 2000. Police reporting districts are then evaluated to determine which areas have greater percentages of low income households in comparison to the entire City in the year 2015. Cannabis-related arrest data and low income data are mapped, and areas of overlap are identified. These areas of overlap are identified as the disproportionately impacted communities that are recommended for inclusion in the Program.

Police Reporting Districts and Community of Comparison

Federal guidelines recommend the selection of the smallest geographic areas for evaluating social and environmental justice impacts to disadvantaged communities (Council on Environmental Quality 1997; U.S. Environmental Protection Agency 1998). Within the City limits, census tracts are generally smaller than police reporting districts. However, police reporting districts could not be divided along census boundaries. Therefore, census tracts were combined where needed to align with police reporting district boundaries. Further, the police reporting districts and the associated underlying census tracts do not precisely match and in some cases the police reporting districts overlap multiple census tracts. When census tracts overlapped multiple police districts, census tract data were counted for each district. Though double counting occurred, this was the best available, and most consistent, method to process the data given time constraints. It ensured that the same methodology was applied to all areas equally and that discretion was minimized.

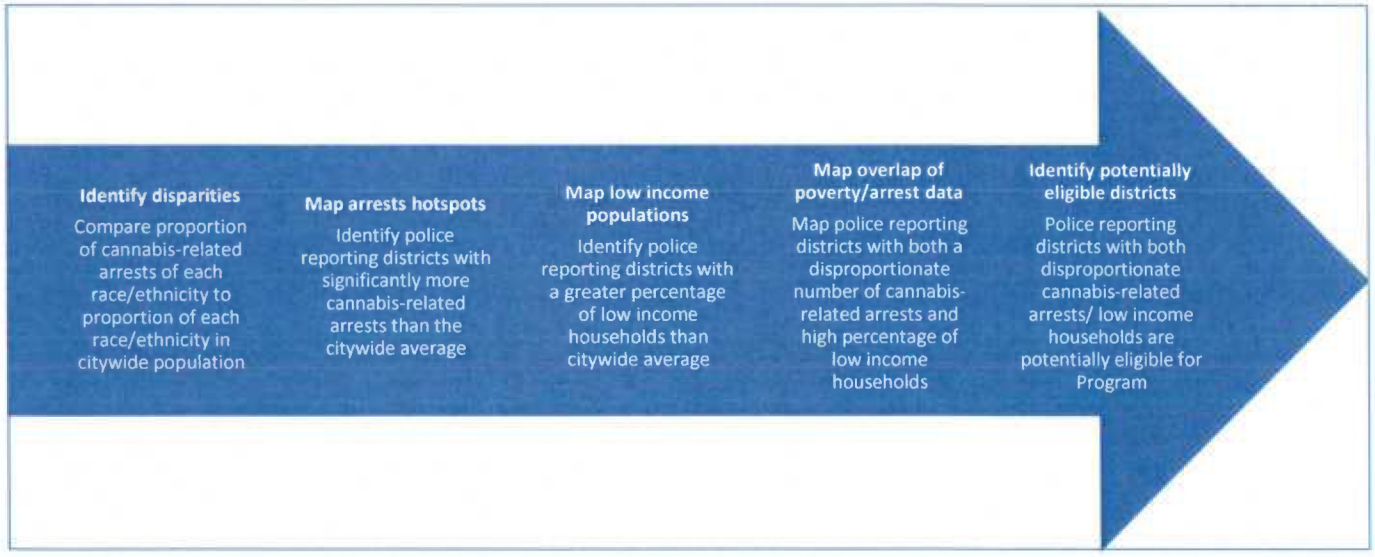


Figure 1. Methodology for Identifying Police Reporting Districts Potentially Eligible for Inclusion in the City's Cannabis Social Equity Program.

This analysis reviews police reporting districts within the existing boundary of the City. The police reporting districts reflect both low income households and cannabis-related arrests. These police reporting districts are evaluated against a Community of Comparison (i.e., City of Los Angeles), the larger geographical area that represents the general population of the entire community (Council on Environmental Quality 1997; U.S. Environmental Protection Agency 1998). First, baseline percentages of low income households and cannabis-related arrests were determined for the entire City (Community of Comparison). The same data were then

gathered for each police reporting district. When the percentage of low income households and number of cannabis-related arrests in a police reporting district was substantially greater than that of the City, it is recommended that the City select it for inclusion in the Program.

Population size may influence the number of cannabis-related arrests that occurred within a given police reporting district. Population size is accounted for through the geographic size of Census tracts/police reporting districts whose boundary designations are influenced by population size. Census tracts/police reporting districts with large populations are geographically smaller in size while Census tracts/police reporting districts with small populations are larger in size. Thus, the population size within each Census tract/police reporting district does not differ significantly. Therefore, population size is accounted for and does not significantly influence the number of cannabis-related arrests within a given police reporting district. Additionally, there were approximately 1,000 arrest records out of the approximately 89,000 records that were missing geographic data and were not used in this study. A random sample of 50 missing records was taken and the geographic location for these missing records determined. When mapped spatially, significant clustering was not observed. Therefore, there was no observed correlation between missing data and police reporting district. Thus, the remaining data is not biased and can be used to determine the geographic distribution and frequency of cannabis-related arrests.

Despite limitations, this analysis provides a comprehensive view of the geographic distribution of arrests and low-income households across the City, which is supported by evidence from scholarly articles. Recommendations are based on best available data and methodology of analysis given the time constraints. In the event that additional data or sectors that should be included in the analysis are identified, the Program is able to be opened and reevaluated.

3.2 Cannabis Enforcement History

It is important to understand how national policies and programs informed the City's past approach to cannabis enforcement. The following describes national goals and outcomes, and how cannabis enforcement generally manifested in the City. A brief overview of cannabis decriminalization in California and the City is also provided.

National Timeline

- **1970** Comprehensive Drug Abuse Prevention and Control Act
- **1970** Controlled Substance Act: cannabis placed in the same category as cocaine & heroin
- **1971** Nixon calls drug abuse "public enemy number one in the United States"
- **1978** Comprehensive Drug Prevention and Control Act amended: law enforcement can seize money & property furnished by any person in exchange for a controlled substance
- **1982** Posse Comitatus Act amended: State and local law enforcement can use military for training, intelligence & investigation of law violations involving drugs
- **1984** Regan Administration's "Just Say No" campaign
- **1984** Comprehensive Crime Control Act: broadens criminal & civil asset forfeiture laws; criminal sanctions increased for drug offenses
- **1986** Anti-Drug Abuse Act: mandatory minimum penalties for drug offenses established
- **1990** Crime Control Act: appropriations doubled for drug law enforcement; strengthens forfeiture & seizure statutes

National

The Marijuana Tax Act of 1937 was the first piece of supply reduction legislation that specifically targeted cannabis (Harrison, Backenheimer, and Inciardi 1995). It placed cannabis under the jurisdiction of the Bureau of Narcotics (Institute of Medicine (US) Committee for the Substance Abuse Coverage Study 1992). In 1961, the Single Convention of Narcotic Drugs made the control of cannabis one of its primary objectives (Harrison, Backenheimer, and Inciardi 1995). During the late 1960s to late 1970s under the Nixon and Ford administrations, public policy towards drugs, including cannabis, was highly restrictive. In 1968, the Justice Department's Bureau of Narcotics and Dangerous Drugs (BNDD) was founded (PBS 2014). Cannabis arrests in California increased from 7,560 in 1964 to 50,327 in 1968 (Institute of Medicine (US) Committee for the Substance Abuse Coverage Study 1992). At a press conference in 1971, Nixon called drug abuse "public enemy number one in the United States" (PBS 2014).

Federal policy has historically made little distinction between narcotics, cocaine, and cannabis in terms of enforcement and regulation (Harrison, Backenheimer, and Inciardi 1995). In 1970, Congress passed the Comprehensive Drug Abuse Prevention and Control Act. This law consolidated previous drug laws (PBS 2014). It also allowed law enforcement to conduct "no-knock" searches. The law included the Controlled Substances Act (CSA), which established five schedules, or categories, for regulating drugs based on their medicinal value and potential for addiction. Most narcotics, including cannabis, cocaine, and heroin were placed within Schedule I. Schedule I drugs are those that are considered to have no accepted medical uses and have a high potential for abuse. The CSA made it a crime under federal law to manufacture, distribute, dispense, or possess cannabis. However, the Act did reduced penalties for cannabis possession to one year in jail and a $5,000 fine for one ounce of cannabis (Harrison, Backenheimer, and Inciardi 1995). Between 1969 and 1973, cannabis seizures increased by more than 10-fold (Institute of Medicine (US) Committee for the Substance Abuse Coverage Study 1992). The Act also addressed drug treatment and rehabilitation, where the majority of funding during Nixon's term went

towards treatment rather than law enforcement. In 1970, the Narcotics Treatment Administration was founded, which expanded the methadone treatment program in Washington D.C. The Special Action Office of Drug Abuse Prevention (SAODAP) was responsible for drug treatment and rehabilitation, as well as prevention, education, training and research programs (Institute of Medicine (US) Committee for the Substance Abuse Coverage Study 1992).

In 1972, the Office of Drug Abuse Law Enforcement (ODALE) was created, which established joint federal and local task forces to fight the drug trade at the street level (PBS 2014). The Drug Enforcement Administration (DEA) was established in 1973 to handle all aspects related to drug issues. In 1975, the Ford administration Domestic Council Drug Abuse Task Force stated that cannabis was a "low priority drug" in terms of risk to individuals and society.

Following the Ford administration, President Carter was in favor of decriminalizing possession of cannabis of less than one ounce. However, the official Federal stance was that decriminalization was the states' decision (Harrison, Backenheimer, and Inciardi 1995). Between 1973 and 1978, eleven states decriminalized possession of small amounts of cannabis for personal use. Between 1978 and 1992, 35 states endorsed medical cannabis.

In 1978, the Comprehensive Drug Prevention and Control Act was amended to allow law enforcement to seize all money and "other things of value furnished or intended to be furnished by any person in exchange for a controlled substance [and] all proceeds traceable to such an exchange," also known as civil asset forfeiture (PBS 2014). The Racketeer-Influenced and Corrupt Organizations law (RICO) and the Continuing Criminal Enterprise (CCE) statute removed the rights of drug traffickers to any personal assets or property obtained by or used in a criminal enterprise or undertaking (Harrison, Backenheimer, and Inciardi 1995). In 1982, the Posse Comitatus Act of 1876 was amended to allow State and local law enforcement to use the military for training, intelligence and investigation of law violations involving drugs (Harrison, Backenheimer, and Inciardi 1995). Thus, military equipment was allowed to be used by civilian agencies in enforcing drug laws. In 1984, the "Just Say No" campaign became the center of the Regan administration's anti-drug campaign (PBS 2014). The Comprehensive Crime Control Act of 1984 broadened criminal and civil asset forfeiture laws and increased Federal criminal sanctions for drug offenses (Harrison, Backenheimer, and Inciardi 1995).

Under President Reagan, the Anti-Drug Abuse Act of 1986 created mandatory minimum penalties for drug offenses, and restored mandatory prison sentences for large-scale distribution of cannabis and imposed new sanctions on money laundering (Harrison, Backenheimer, and Inciardi 1995). The Act appropriated $1.7 billion for drug enforcement, with $97 million for new prisons, $200 million for drug education, and $241 million for treatment (PBS 2014). The Anti-Drug Abuse Amendment Act of 1988 increased sanctions for crimes related to drug trafficking and established new Federal offenses (Harrison, Backenheimer, and Inciardi 1995). The Comprehensive Crime Control Act and Anti-Drug Abuse Act and Amendment increased federal penalties for cannabis possession, cultivation, and trafficking. "Conspiracies" and "attempts" were punished as severely as completed acts (Harrison, Backenheimer, and Inciardi 1995). Sentences were determined by the quantity of the drug involved, and the possession of 100 cannabis plants had about the same sentence as the possession of a hundred grams of heroin.

LAPD Civil Forfeiture

Between 2006 and 2013, LAPD seized a total of $27,000,000 via civil asset forfeiture.

Per capita this was less than other cities within Los Angeles County (Drug Policy Alliance, 2015)

In 1989, the Office of National Drug Control Policy (ONDCP) was created (PBS 2014). It was led by William Bennett who campaigned to make drug abuse socially unacceptable. Federal spending on treatment and law enforcement increased under the Bush administration. The Crime Control Act of 1990 doubled the appropriations for drug law enforcement grants to states and localities, and strengthened forfeiture and seizure statutes (Harrison, Backenheimer, and Inciardi 1995). In 1993 under the Clinton administration, the North American Free Trade Agreement (NAFTA) was passed and signed into law, which increased legitimate trade across the U.S.-Mexican border (PBS 2014). The U.S. Sentencing Commission recommended revising mandatory minimum sentences to address racial disparities, but Congress overrode their recommendation. Mandatory sentencing, forfeiture, and seizure was still in place and enforced. Having 100 cannabis plants or 100 kilos of cannabis resulted in a 5-year sentence without parole, and 1,000 plants or 1,000 kilos resulted in 10 years without parole (Harrison, Backenheimer, and Inciardi 1995). While opinions about the legalization and penalties related to cannabis law enforcement varied through the administrations of G.W Bush, Obama, and Trump, no substantial changes or official changes in position have occurred to the Federal laws related to cannabis.

Los Angeles

In 1965, riots occurred in the Watts neighborhood for 6 days after an African American motorist arrest escalated into a fight (Felker-Kantor, M. 2017) The community reacted to allegations of police brutality and racism through riots and lootings, known as the Watts Rebellion. In 1973, Los Angeles' first African American mayor, Tom Bradley, tried to implement reforms that would increase civilian oversight and accountability of the LAPD. However, these reforms did not result in police reform or civilian review. In the 1970s, several anti-gang units formed. The LAPD's Special Weapons and Tactics (SWAT) team created what was later named the Community Resources against Street Hoodlums (CRASH) to suppress gang-related crimes in Los Angeles (Murch 2015). The Los Angeles County Sheriff Department (LASD) created the anti-gang unit Operation Safe Streets Bureau (OSS) (Los Angeles County Sheriff's Department 2014). The Hardcore Gangs Investigations Unit was established as a prosecutorial gang suppression program led by the Los Angeles District Attorney's Office and still operates today (National Gang Center 2017). From 1984 to 1990, the number of sworn LAPD officers expanded from 6,900 to 8,414 (Felker-Kantor, M. 2017). The LAPD budget often accounted for approximately 35% of the City's annual budget. This large budget enabled the LAPD to develop elite patrol units, patrol systems, and tested experimental crime control programs (Felker-Kantor, M. 2017).

City of Los Angeles Timeline

- **1965** Los Angeles Watts Rebellion
- **1970s** LAPD's SWAT team created in response to riots; anti-gang unit Community Resources against Street Hoodlums (CRASH) formed; LASD anti-gang unit Operation Safe Streets (OSS) Bureau formed; Los Angeles District Attorney's Office Hardcore Gangs Investigations Unit formed
- **1973** Los Angeles' first African American mayor, Tom Bradley, attempts to implement police reform
- **1985** LASD creates Gang Reporting Evaluation and Tracking (GREAT) system
- **1988** Operation Hammer: LAPD sends 1,000 officers to South Central Los Angeles & arrests over 1,400, including more African American youth than any other incident since the Watts Rebellion
- **1989** Operation Knockdown: "rock houses" bulldozed and property seized
- **1992** Los Angeles Riots
- **1992** 47% of African American men ages 21-24 are listed as gang members under GREAT
- **1992** Charter Amendment F passed in Los Angeles intended to help reform LAPD



The intersection of Florence and Normandie: the location where the 1992 LA Riots began. Florence is one of communities that had the greatest number of cannabis-related arrests during cannabis prohibition.

The City's approach reflected the policies of the Reagan administration, and included saturation policing, eradication of youth gangs, asset forfeiture, federalization of drug charges, and strict enforcement and mandatory sentencing (Murch 2015) The LAPD Chief and Mayor Bradley employed an increasingly punitive law-and-order campaign targeting gangs and drugs despite studies using LAPD statistics that found that the majority of drug sales in the City were not gang related (Felker-Kantor, M. 2017). Police units performed massive police sweeps in historically African American and Latino neighborhoods in Los Angeles, such as South Central, Watts, and Pico-Union (Murch 2015). Historically African American and Latino neighborhoods were at high risk of arrest due to their location in these areas. In 1988, in conjunction with Operation Hammer, the LAPD sent 1,000 officers to South Central Los Angeles and arrested over 1,400 people, including more African American youth than any other incident since the Watts Rebellion. Over the next 6 months, another 1,800 people were jailed for offenses that were "gang related." This was followed by Operation Knockdown in 1989, which bulldozed "rock houses" and took property (Felker-Kantor, M. 2017). In 1992, the 6-day Los Angeles Riots occurred after a trial jury acquitted four LAPD officers of the use of excessive force seen in the videotaped beating of Rodney King. The riots started in Florence and Normandie and then spread from South Central Los Angeles to Hollywood. Looting and fires spread to Inglewood, Hawthorne, Compton, and Long Beach (Felker-Kantor, M. 2017).

Number of LAPD Officers

20% increase between 1984 and 1990

In response to community concerns after the 1992 Los Angeles Riots, residents passed Charter Amendment F, which altered the City charter provisions insulating the LAPD from political oversight, limited the Chief of Police to two 5-year terms, and appointed a civilian member to the board of rights to promote greater accountability (Felker-Kantor, M. 2017). The same year, the Board of Police Commissioners appointed Willie Williams as the first African American Chief. However, his successor, Bernard Parks, opposed external control of the LAPD and the lack of substantive change within the department became evident (Felker-Kantor, M. 2017).

California passed over 80 anti-gang measures between 1984 and 1988, including civil gang injunctions and gang enhancements in sentencing (Murch 2015). Injunctions were first used against a West Los Angeles gang in 1987 (Murch 2015). In 1985, the LASD created the Gang Reporting Evaluation and Tracking system (GREAT). By 1992, 47% of all African American men in the City between the ages of 21 and 24 were listed as gang members under the system, many for minor offenses. The State was not required to provide a public defender for injunctions. Thus, young men on this list without adequate economic means did not have the ability to find legal representation to help them remove their names from the list. With the passage of the California Street

California Department of Corrections Prison Population

- 1977: 19,623
- 2000: 162,000
- 40% drawn from Los Angeles
- Black/African Americans & Latinos: 64% of prison population
- Black/African Americans & Latinos: 46% of California population

Terrorism Enforcement and Prevention (STEP) Act in 1988, people who had been listed as gang members faced additional charges. Prosecutors could "enhance" convictions, thereby increasing prison sentences. STEP was amended in 2000 to include greater sentences for nonviolent and violent crimes.

By 1990, drug offenses accounted for 32.4% of all new admissions to, and 25% of detainees, in the Los Angeles County Jail. The California Department of Correction prison population increased from 19,623 in 1977 to 162,000 in 2000, with 40% drawn from Los Angeles. By 2000, Black/African Americans and Latinos comprised 64% of the population of the California Department of Corrections. In 2008, the California Senate Office of Research (SOR) and California Department of Corrections and Rehabilitation (CDCR) surveyed California prison inmates. Of the inmates they surveyed, 14% had been in foster care during their childhood (California Senate Office of Research 2011). Nationwide, the number of youth who entered child welfare in 2015 due to drug use by a parent was 85,937, or 32% of all youth who entered child welfare (U.S. Department of Health and Human Services 2015).

Cannabis Decriminalization

In 1996, The Compassionate Use Act (Proposition 215) was passed by California voters. It allows patients and their designated primary caregivers in California to possess and cultivate marijuana for personal medical use with an appropriate recommendation or approval of a California-licensed physician. In 2004, Senate Bill 420 further protected patients and caregivers from State criminal prosecution for activities such as transporting medical cannabis, and allowed patients to form medical cultivation "collectives" or "cooperatives" to grow cannabis for medical use. In Los Angeles, demand for medical cannabis and dispensaries led to a need for regulating illegally operated cannabis businesses. Proposition D was passed by City voters in May 2013 to regulate medical marijuana dispensaries.

In 2015, the California Legislature passed the Medical Marijuana Regulation and Safety Act (MMRSA or MCRSA). Under the MMRSA, facilities currently operating in accordance with State and local laws may continue to do so until their license applications are approved or denied. In 2016, the Adult Use of Marijuana Act (AUMA) (Proposition 64) was passed by California voters. It legalizes cannabis under State law for use by adults 21 or older, including the cultivation of cannabis for personal use. In 2017, Senate Bill 94 repealed MCRSA and merged its provisions with AUMA under the Medicinal and Adult-Use Cannabis Regulation and Safety Act (MAUCRSA).

Cannabis Decriminalization Timeline

- **1996** Compassion Use Act: legal for patients & designated caregivers to possess & cultivate cannabis for medical use
- **2004** SB 420: patients & caregivers can transport medical cannabis & form cultivation "collectives" or "cooperatives" to grow cannabis for medical use
- **2013** Proposition D, Los Angeles: authorized medical cannabis businesses given "limited immunity"
- **2015** MMRSA: medical cannabis facilities can continue to operate if follow State & local laws
- **2016** Proposition 64: cannabis use & cultivation for personal use is legal for adults 21 or older
- **2017** Los Angeles Cannabis Enforcement, Taxation, and Regulation Act (Proposition M) affirms City's power to revise local legislation relating to cannabis

Locally, Proposition M, or CETRA, was passed by City voters in 2017. It affirms the City Council's power to revise and/or replace local legislation relating to cannabis and medical cannabis after conducting public hearings. It also sets new business taxes for cannabis and medical cannabis-related activity, as well as authorizes criminal penalties, nuisance abatement, increased civil fines, and disconnection of utilities for

unauthorized cannabis activities. The Bureau of Cannabis Control will be issuing temporary licenses starting January 1, 2018 provided an applicant has already received a permit from their local jurisdiction (the City). The City intends to have their Cannabis Licensing Program in place to coincide with the timing of State licensing.

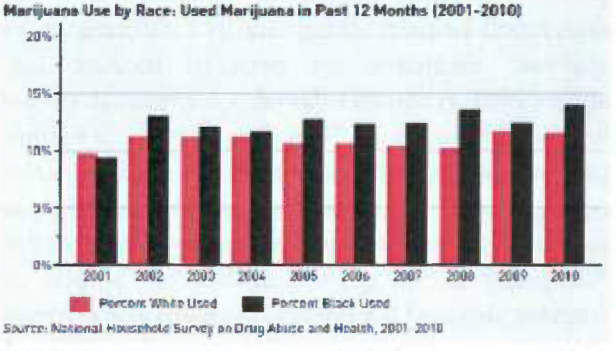
3.3 Cannabis-Related Arrests

In order to serve individuals and communities that were disproportionately harmed by cannabis prohibition, disparities in past cannabis enforcement must be identified. An analysis of cannabis-related arrests confirms racial and geographic disparities in enforcement.

Number of Cannabis-Related Arrests (2000-2016)
89,553 arrests Citywide

Proportion of Arrests by Race/Ethnicity

The total number of cannabis-related arrests from 2000-2017 Citywide was 89,553. Black/African American and White segments of the population use cannabis at roughly the same rate (ACLU 2017) and young Black/African American individuals use cannabis at lower rates than young White individuals (Drug Policy Alliance and California NAACP 2010). Additionally, a study by the Drug Policy Alliance found that Black/African Americans, Whites, and Latinos consume and sell cannabis at similar rates (Drug Policy Alliance 2016). Thus, it is expected that the racial composition of the population and the racial composition of cannabis-related arrests would be approximately the same.



Black/African American and White individuals consume cannabis at roughly the same rate.

However, there is a clear disparity between the City's population and the composition of arrests Citywide (Figure 1). Individuals who are Black/African American comprise 9.6% of the population, but represent approximately 40% of all cannabis-related arrests from 2000-2017. Approximately 28% of the population is White, not Hispanic or Latino, but these individuals represent only 16% of cannabis-related arrests. Furthermore, individuals who are Asian comprise approximately 11% of the population but represent close to 0% of cannabis-related arrests. The percentage of individuals who are Hispanic or Latino in the population (49%) is fairly consistent with the proportion of those who are arrested for cannabis-related crimes (44%).

Disparity in Cannabis Arrests

Race/ Ethnicity	% of Total City Population	% of Total Cannabis Arrests
Black/African American	9.6%	40%
White, not Hispanic or Latino	28%	16%
Asian	11%	0%
Hispanic or Latino	49%	44%

These results are consistent with the findings of other studies. One study by the Drug Policy Alliance found that Black/African Americans comprised 9.6% of the City's population but 35% of cannabis possession arrests from 2006-2008 (Drug Policy Alliance and California NAACP 2010). Another study by the Drug Policy Alliance found that Black/African Americans represented 6% of the population of Los Angeles County, but comprised 30% of the population in jail for cannabis only offenses (New Frontier and Drug Policy Action 2016). The Million Dollar Hoods project lead by Professor Kelly Lytle Hernandez and the Interim Director for the Ralph J. Bunche Center for African American Studies at the University of California, Los Angeles found that from 2010 to 2016, Black/African Americans comprised 9.6% of the City's population but constituted 38% of cannabis-related arrests (Million Dollar Hoods Project 2017). Though these studies have different time frames and explore different types of cannabis offenses, they provide support for this study's findings of inequity in cannabis enforcement within the City.



Figure 2. Proportion of City Population by Race/Ethnicity

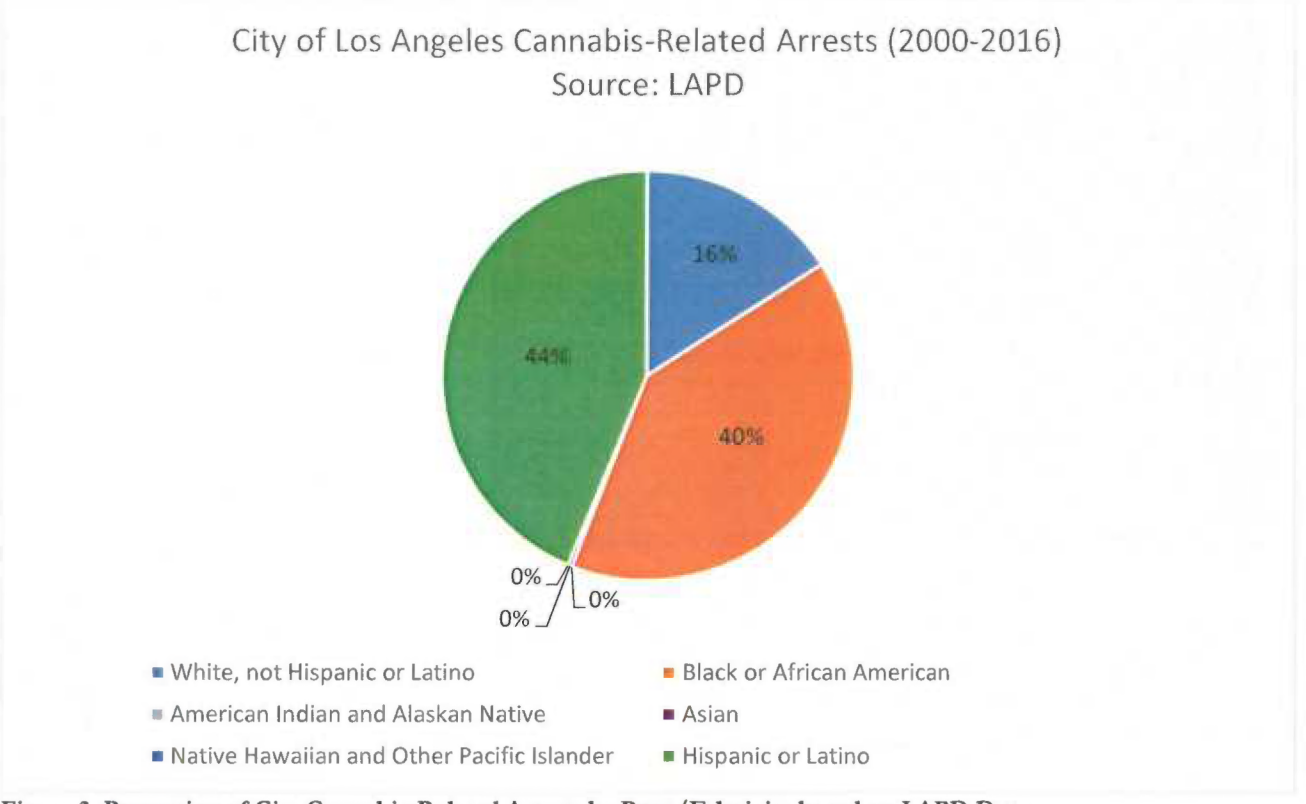


Figure 3. Proportion of City Cannabis-Related Arrests by Race/Ethnicity based on LAPD Data

As stated above, Black/African Americans and Hispanic/Latinos are arrested for cannibas-related offenses at higher rates than Whites, which does not correlate with their respective proportion of the City's population. When arrested for cannabis-related offenses, Black/African Americans are more likely to be arrested for felony cannabis-related offenses (37%) and less likely to be issued less severe misdemeanors (63%) or infractions (1%) than either Hispanic/Latinos (21%, 77%, and 1% respectively) or Whites (28%, 70%, and 2% respectively) (Figure 3).

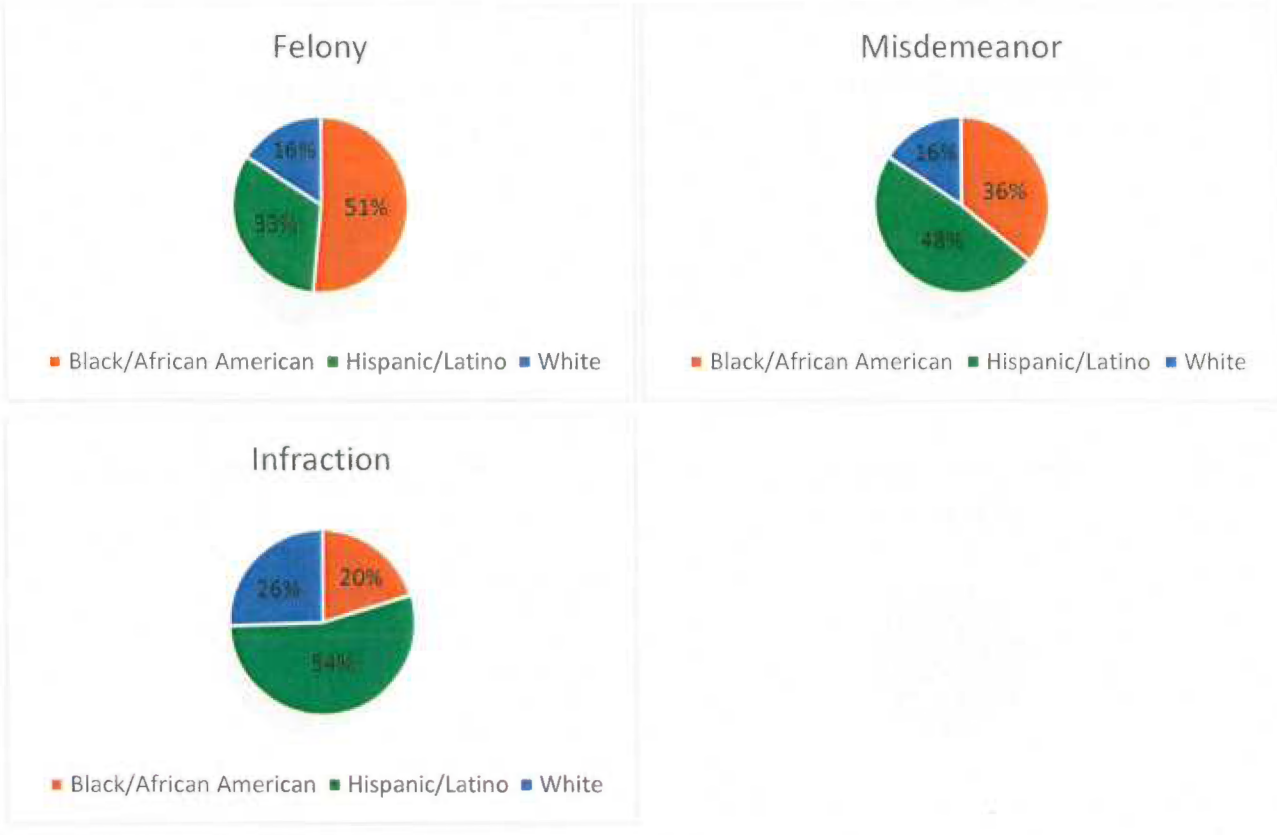


Figure 4. Arrest Levels by Race/Ethnicity.

Figure 4 indicates that Black/African Americans are more likely to be arrested for felony cannabis-related offenses than other segments of the population. Arrest data can be further divided based on the listed offense including: Possession of Marijuana, Cultivation/Processing of Marijuana, Possession of Marijuana for Sale, Transportation of Marijuana, and Driving While in Possession of Marijuana (Figure 4). Of the cannabis-related offenses, Possession of Marijuana and Driving While in Possession of Marijuana roughly mirror the total arrest distribution across all races. Black/African Americans were even more likely to be arrested for Possession of Marijuana for Sale and Transportation of Marijuana for Sale when compared to the already imbalanced total arrest data. The only arrest category for which Whites are arrested more frequently, both in raw numbers and proportionality, than both Black/African Americans and Hispanic/Latinos is Cultivation/Processing of Marijuana. Figure 5 indicates that Black/African Americans are disproportionately arrested for possession of cannabis, possession for sale, driving in possession of cannabis, and transportation of cannabis.

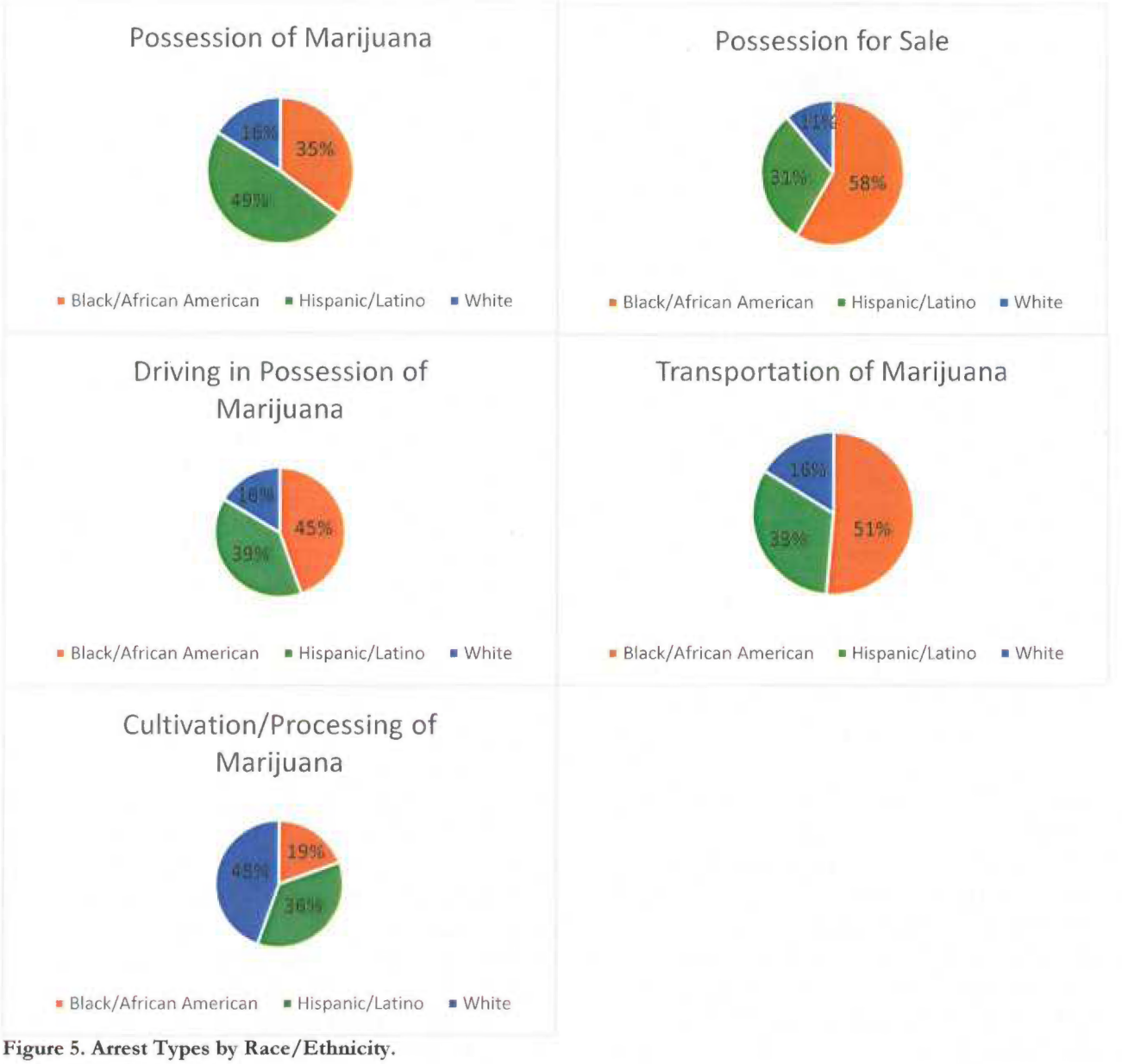


Figure 5. Arrest Types by Race/Ethnicity.

Arrest Hotspots

In order to determine which areas were subject to high cannabis arrest rates, the number of cannabis-related arrests in each police reporting district from 2000-2016 was calculated. The number of arrests varies by police reporting district. The majority of districts have few arrests, but there are a few districts that have a large number of arrests (Figure 2). The LAPD notes that districts with high numbers of arrest can also be those with a corresponding high level for requests for service, although precise data is not available for such service calls. The median number of arrests per police reporting district for the City is 714 and the mean is 72, demonstrating the high degree of variance between reporting districts throughout the City. Districts with a disproportionately large number of arrests include, but are not limited to, reporting districts 156 (1,426 arrests), 1258 (632 arrests) and 397 (525 arrests). These correspond to the communities of Downtown (Skid Row - San Julian Park), Florence, and Vermont Square (Figure 6. Cannabis-Related Arrests by Police Reporting District).

Million Dollar Hoods Project

The majority of people who are arrested for a cannabis-related crime reside in the Council District they were arrested in.

- 21% of people arrested reside in Council Districts 8 & 9
- Council Districts 8 & 9 had the most money spent on cannabis enforcement
- Zip codes 90037, 90044, and 90003 contain 5.8% of the City's population, but account for 10% of all arrests

These findings are consistent with those of the Million Dollar Hoods project. Professor Kelly Lytle Hernandez and colleagues determined the home addresses of those arrested for cannabis-related crimes from 2010 to 2016. They found that 21% of all people arrested reside in Council District 8 (10.73%) and Council District 9 (10.44%) (Million Dollar Hoods Project 2017). The amount of money spent on cannabis enforcement was also greatest in Council Districts 8 and 9. Furthermore, zip codes 90037, 90044, and 90003 contain 5.8% of the City's population, but accounted for over 10% of all arrests. These Council Districts and zip codes overlap with most of the communities found to be most impacted by cannabis enforcement: Downtown, Watts, Vermont Square, Florence, and Broadway-Manchester. Combined with the results of this study on the location of arrests, the Million Dollar Hoods project shows that there is a strong correlation between where people were arrested and where they reside. Furthermore, these areas were allocated a disproportionate amount of enforcement resources, and had a disproportionate number of arrests based on their population size.



Skid Row in Downtown Los Angeles is one of the areas that experience the largest number of cannabis-related arrests during cannabis prohibition.

There are a few areas where the results of this study and the Million Dollar Hoods project do not overlap. Generally, the people arrested in Hollywood, Venice Beach, and the Los Angeles International Airport do not reside in these areas. This is likely due to the fact that many non-residents, including tourists, frequent Hollywood and Venice Beach, and that no people reside on airport property. This is further supported by the fact that reporting districts 647 (Hollywood) and 1431 (Venice Beach) are 66% and 31% populated by people of color respectively, but people of color account for 73% and 58% of cannabis-related arrests in these districts, respectively. As a significant proportion of people arrested in Hollywood, Venice Beach, and the Los Angeles International Airport do not reside in these areas (e.g., tourists), they are not recommended as

communities that this Program should serve. In the case of Venice Beach, it is a community that is characterized not only by heavy visitation, but by a mix of both affluent and lower income residents, increasing the difficulty of supporting a finding of disproportionate enforcement adversely affecting a lower income community.

Table 1. Police Reporting Districts with the Most Cannabis-Related Arrests (2000-2016)

Police Reporting District	Cannabis-Related Arrests	Area Description
Council District 1		
245	427	MacArthur Park
Council District 4		
646*	1,395	Hollywood
645*	784	Hollywood
666*	637	Hollywood
Council District 8		
397*	525	Vermont Square
1822	470	Broadway-Manchester
1842	468	Broadway-Manchester
1844*	444	Green Meadows
363*	421	Baldwin Hills/Crenshaw
1266*	346	Vermont Knolls
1241	286	Hyde Park
392	283	Hyde Park/Crenshaw
1256*	269	Vermont Knolls
1249*	266	Vermont-Slauson
1203	259	Vermont Square
1802	253	Broadway-Manchester
Council District 9		
1258	632	Florence
397*	525	Vermont Square
1269	424	Florence
1259	367	Florence
1345	366	Central-Alameda
1266*	346	Vermont Knolls
398	325	Vermont Square
1268	282	Florence
1256*	269	Vermont Knolls
1249*	266	Vermont-Slauson
Council District 10		
363*	421	Baldwin Hills/Crenshaw
362	339	Baldwin Hills/Crenshaw
361	270	Baldwin Hills/Crenshaw
Council District 11		
1494	1,100	Los Angeles International Airport
1431	911	Venice Beach
1412	862	Venice Beach
1411	638	Venice Beach

Table 1. Police Reporting Districts with the Most Cannabis-Related Arrests (2000-2016) (Continued)

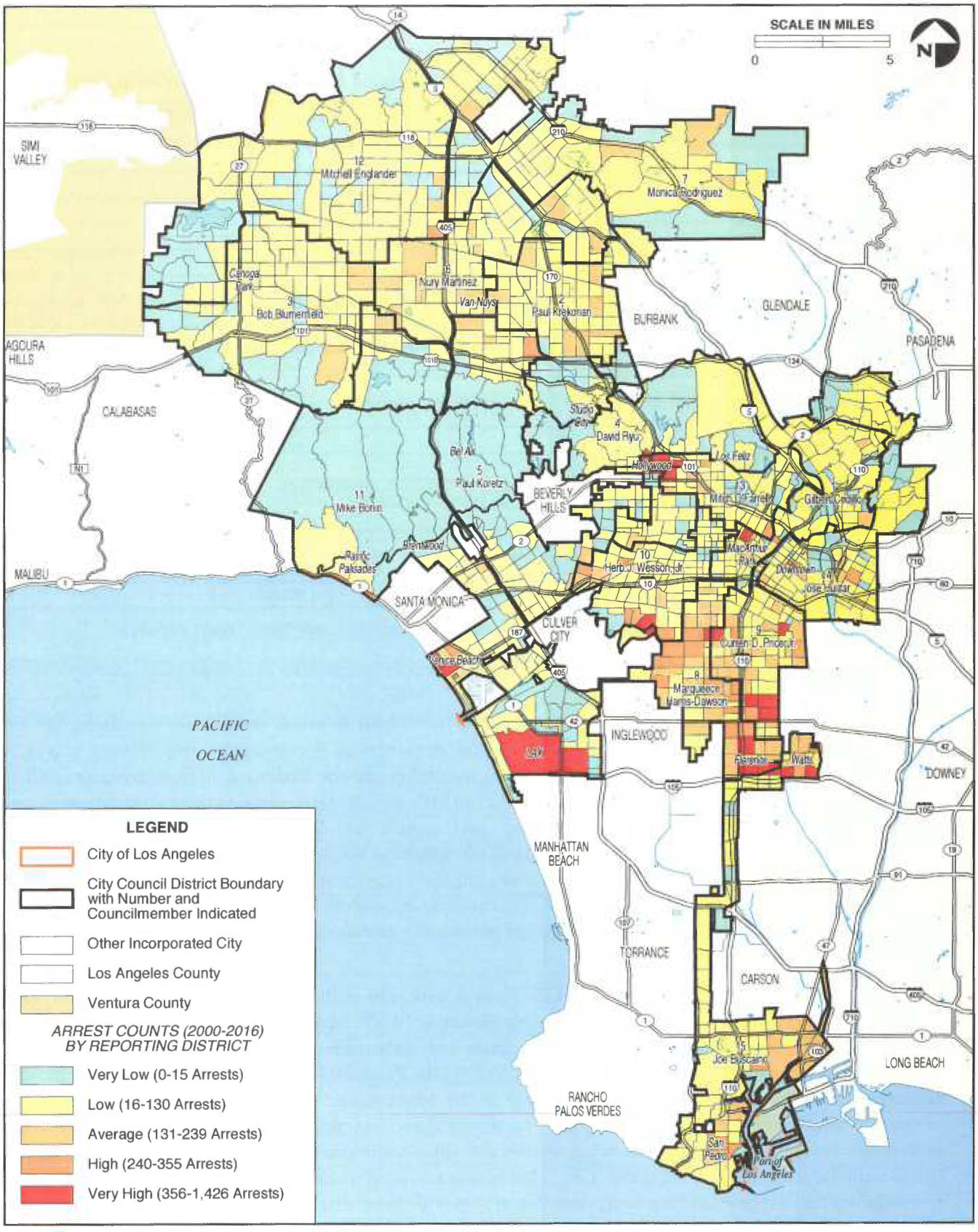
Police Reporting District	Cannabis-Related Arrests	Area Description
Council District 13		
646*	1,395	Hollywood
636	883	Hollywood
645*	784	Hollywood
666*	637	Hollywood
647	391	Hollywood
649	242	East Hollywood
Council District 14		
156	1,426	Downtown (San Julian Park)
155	595	Downtown (Skid Row)
166	521	Downtown (Skid Row)
157	370	Downtown (Skid Row)
147	351	Downtown
467	272	Boyle Heights
Council District 15		
1844*	444	Green Meadows
1846	431	Watts
1849	386	Watts
1837	298	Watts

*When a police reporting district spans multiple Council District boundaries, it is listed under each Council District it overlaps.

Discussion

Cannabis enforcement affects the life outcomes of the individuals arrested, their family members, and the community they live in. It can reduce education and employment opportunities and prevent access to federally-funded housing, as well as increase housing instability and the likelihood of homelessness (ACLU, 2017). The people and communities that were subject to little enforcement avoided these consequences, and thus, were able to expand their businesses and gain capital; this business advantage and subsequent opportunity for wealth development was not similarly afforded to communities that endured inequitable cannabis enforcement. The result is an opportunity gap between those that experienced little enforcement and those who were disproportionately arrested for cannabis-related crimes. Unless barriers, such as access to capital and real estate are addressed, and without meaningful community reinvestment this gap is likely to persist.

From the analysis of LAPD records and U.S. Census data, the segment of the population that is most disproportionately impacted from cannabis enforcement is Black/African American and Hispanic/Latino individuals and their families. However, under State law, race cannot be used as eligibility criteria for government programs (Proposition 209, 1996). Therefore, the Program should focus on individuals with prior cannabis arrest records and their families, as well as the communities that experienced the most cannabis arrests. To decrease disparities in life outcomes for marginalized communities, the Program should also focus on low income households. The following section identifies communities that have a greater percentage of low income households than the entire City. The subsequent section identifies areas of overlap between the communities that experienced the most cannabis arrests and those that have the highest percentages of low income households.



amec foster wheeler

Cannabis Arrest Counts by Police Reporting District

FIGURE 6

3.4 Low Income and Poverty

In Federal and State guidelines and regulations, disproportionate effects on lower-income and ethnic minority populations are considered (Council on Environmental Quality 1997; U.S. Environmental Protection Agency 1998). However, as race cannot be used eligibility criteria for government programs (Proposition 209, 1996), the focus of this analysis is on identifying low income communities. Nevertheless, racial composition is an important corroborating factor and will be described in Section 3.5.

Low Income and Poverty Citywide

Poverty Level is the level of income needed to meet basic needs for healthy living, including food, shelter, and clothing; the level qualifying as below poverty level is based upon household size/age of household members and adjusted annually for inflation by the Consumer Price Index (U. S. Census Bureau 2017a)(U. S. Census Bureau 2017a)(U. S. Census Bureau 2017a). Citywide poverty levels are presented in Table 2.

The 2015 ACS showed that 22.1% of the City's population was below the poverty level (refer to Table 1). By comparison, 16.7% of the County's population and 15.3% of California residents are estimated to be below the poverty level, which is less than the poverty level in the City (U. S. Census Bureau 2017b).

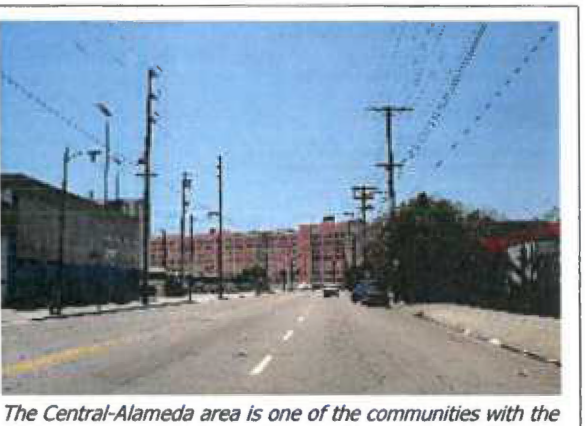
Table 2. City of Los Angeles (Community of Comparison) 2015 Poverty Characteristics

Sample	Population	Percentage
Total Population	3,900,794	100.0
Percent Below Poverty Level	**862,075**	**22.1**

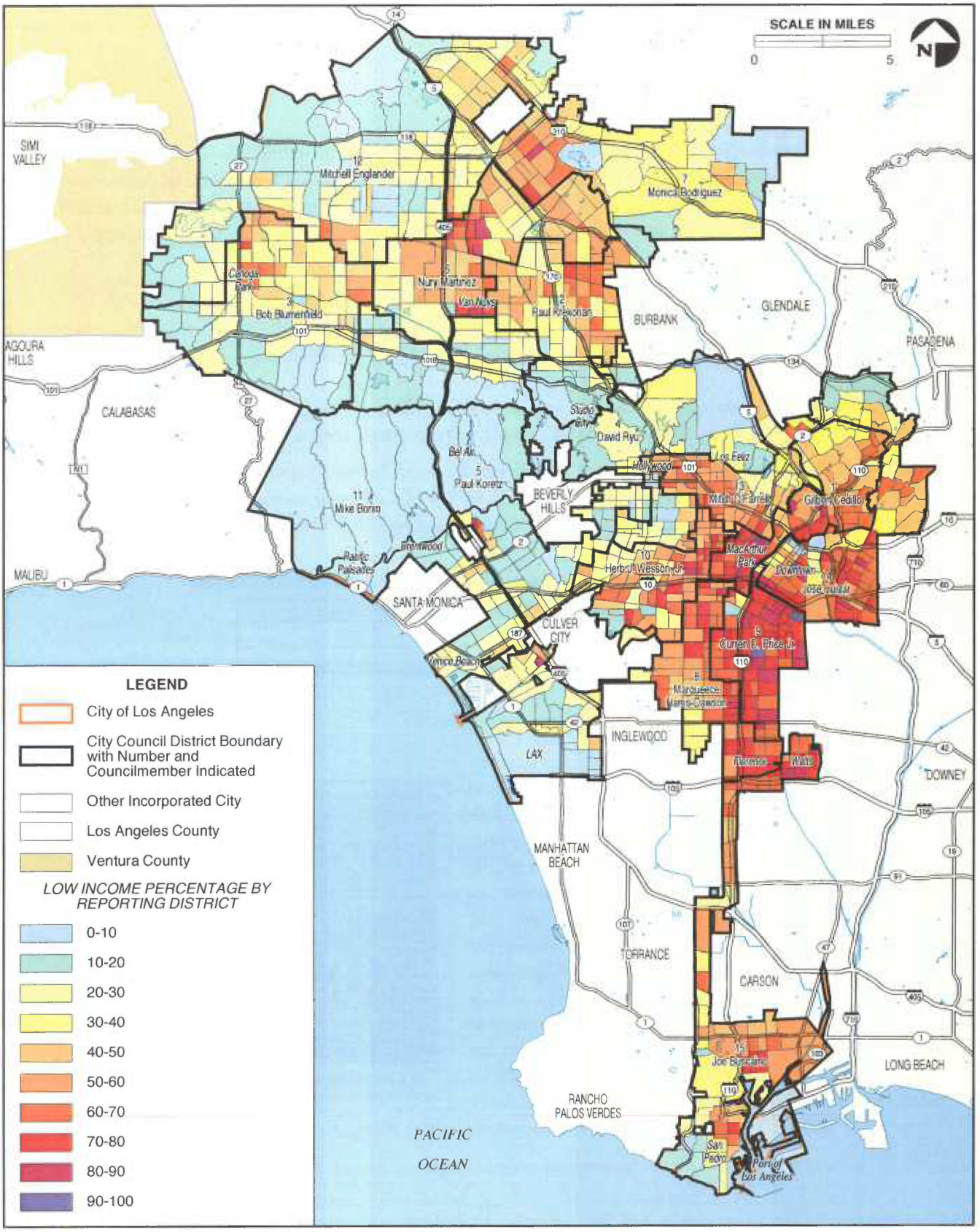
Source: (U. S. Census Bureau 2017b).

Low Income Hotspots

The California Department of Housing and Community Development (HCD) defines the 2017 Los Angeles County low income level as a household annual income of $72,100 for a household of four, very low income as $45,050, and extremely low income as $27,050 (California Department of Housing and Community Development 2017). Figure 3 shows the areas of the City that have the highest percentage of low income households. Alternatively, the U.S. Environmental Protection Agency Environmental Justice Screening and Mapping Tool maps low income census blocks by percentage of households whose income is less than twice the national poverty level. These areas include but are not limited to Downtown (Skid Row), Central-Alameda, Florence, and Watts (Figure 4).



The Central-Alameda area is one of the communities with the highest percentage of low income households in the City.



amec foster wheeler

Low Income Households as Percentage of Population by Police Reporting District

FIGURE 7

3.5 Race and Ethnicity

Under State law, race cannot be used as eligibility criteria for government programs (Proposition 209, 1996). However, the geographic composition of the population in terms race and ethnicity is an important corroborating factor for this analysis.

Race and Ethnicity Citywide

Table 3 summarizes the City's race and ethnicity characteristics. The percentage of each race and ethnicity differ at the City, County, and State level (U. S. Census Bureau 2017b). The percentage of White, not Hispanic or Latino, residents in the County of Los Angeles (27.8%) is similar to that of the City, which is 28.7% (U. S. Census Bureau 2017b). However, the percentage of White, not Hispanic or Latino, California residents was much greater at 40.1% than the City or County. The percentage of residents who are Hispanic or Latino is also similar between the City (48.5%) and County (47.7%), but is much lower at the State level (37.6%).

Population Composition Comparison

- *Black/African Americans*: greater representation in City than County or State
- *Asian*: lower representation in City than County or State
- *White, not Hispanic or Latino*: Similar representation between City and County, but less than State as a whole
- *Hispanic or Latino*: Similar representation between City and County, but greater than State as a whole
- *American Indian & Alaska Native*: Similar representation between City, County, and State
- *Native Hawaiian & Other Pacific Islander*: Similar representation between City, County, and State

The State, County, and City also differ in their percentages of Black/African American residents and Asian residents (U. S. Census Bureau 2017b). The City has the highest percentage of residents who are Black or African American, followed by the County at 8.7%, and State at 6.2%. The percentage of Asian residents is lower in the City (11.3%) than it is in the County (13.7%) and State (13.0%). Other populations, including American Indian and Alaska Native as well as Native Hawaiian and other Pacific Islander, represent a much smaller percentage of the City's, County's, and State's populations and are similar at the City, County, and State level (U. S. Census Bureau 2017b).

Table 3. City of Los Angeles (Community of Comparison) 2010 Race and Ethnicity Characteristics

Race and Ethnicity	Population	Percentage of Population
White alone	1,888,158	49.8
Black or African American alone	365,118	9.6
American Indian and Alaska Native alone	28,215	0.7
Asian alone	426,959	11.3
Native Hawaiian and other Pacific Islander alone	5,577	0.1
Other alone	902,959	23.8
Total One Race	**3,616,986**	**95.4**
Total two or more races	175,635	4.6
Hispanic or Latino (of any race)	1,838,822	48.5
Not Hispanic or Latino	1,953,799	51.5
White alone, not Hispanic or Latino[1]	1,088,482	28.7
Total Population	**3,792,621**	--

Source: (U. S. Census Bureau 2017c); (U. S. Census Bureau 2017b).

3.6 Identification of Disproportionately Affected Disadvantaged Communities and Populations

The Program is intended to be centered on social justice. The selection of police reporting districts as an initial metric provides a statistical basis for City action to help guide decision-making. The City retains flexibility in determining which police reporting districts are eligible for the Program based on initial statistical analysis. Which police reporting districts are eligible for inclusion in the Program depends on what statistical threshold is chosen. However, as a social equity and justice program intended to address disparities in cannabis enforcement activities, which have disproportionately affected disadvantaged communities, use of a low threshold would ensure the most inclusive program to redress past harm while remaining statistically valid. The City Council has the authority to determine if such a program requires 98% certainly of disproportionate effects or if a lower more inclusive threshold of 90% statistical certainty is acceptable.

There is a range of possible thresholds that can be used for the Program. These thresholds focus on standard deviation, a measure of the amount of variation or dispersion in a set of data values and present two options:

> Most Restrictive Option: This option would include a selection of police reporting districts where the number of cannabis-related arrests are 2.5 standard deviations away from the City average, as the most statistically rigorous and restrictive standard. If the number of cannabis-related arrests in a given reporting district is 2.5 standard deviations away from the City average, statistical standards yield a 99% certainty that this value is significantly different than the City average. There is only a 1% probability that this value differs from the City average simply due to random chance.
>
> More Inclusive Option: The Program is intended to redress past serious harm to disadvantaged communities and lower income individuals who in many cases have suffered major life altering adverse consequences of such enforcement. As such, the City Council may decide use of the most scientifically rigorous threshold does not match past harm or the City's intent for such a social justice program. Decreasing the threshold to ensure a greater number of communities and individuals would fall within in police reporting districts that are eligible for the Program under a lower threshold would ensure a more inclusive approach to redressing past harm. The lowest threshold generally acceptable for the scientific community is 90% certainty, or approximately 1.5 standard deviations away from the City average. With the more inclusive option, no additional communities would be recommended to be included in the Program. However, more police reporting districts, and therefore, more community residents would be recommended to be included in the Program.

Police reporting districts that have a greater number of cannabis-related arrests and a higher percentage of low income households than the City as a whole (Community of Comparison) were identified. Section 3 identifies the police reporting districts that had a significantly greater number of arrests than the City as a whole. Section 3.4 identifies the reporting districts that had a greater percentage of low income households than the City as a whole. To determine which areas have both disproportionately greater arrests and low-income households, an overlay map of poverty and arrests was created (Figure 7).

In general, lower income populations and high numbers of cannabis-related arrests are concentrated in South Los Angeles and Downtown (Figure 7). Sixteen police reporting districts were identified under the most restrictive option as they have greater percentages of low income residents (greater than 60% households are low income) and cannabis-related arrests (more than 2.5 standard deviations from the mean number of arrests) than the City overall. These police reporting districts include the following: 156, 1258, 155, 397, 166, 1822, 1842, 1844, 1846, 245, 1269, 363, 1849, 157, 1259, and 1345. These police reporting districts encompass all or portions of Downtown (San Julian Park and Skid Row), Florence, Vermont Square, Broadway-Manchester, Green Meadows, Watts, and Central Alameda (Table 4). The greatest number of police reporting districts occurs in Council District 9, followed by Council Districts 14 and 8, as well as Council District 1.



Downtown (San Julian Park). One of the areas with the highest number of cannabis-related arrests and percentage of low income households in the City.

The More Inclusive Option includes police reporting districts arrest counts greater than 1.5 standard deviations from the City average value). This adds 32 additional police reporting districts before the low-income criterion is applied, and police reporting districts with a high number of cannabis-related arrests but fewer than 50% of households classified as low income are eliminated. Considered as a group, these 32 additional police reporting districts have an average of 60% low income households. As with the highest arrest count police districts, outlier districts whose percentage of households that are low income are less than 60% were eliminated from further consideration as these areas are typically high tourist traffic areas where non-residents are more likely to be those arrested for cannabis-related offenses such as Venice Beach, Hollywood, and Los Angeles International Airport (see section 3.3, *Arrest Hotspots*, for further discussion). Applying the 60% low income household threshold to the more inclusive alternative eliminates 15 reporting districts leaving 17 potentially eligible for the Cannabis Social Equity Program. Combined with the highest arrest count districts, this results in 33 total police reporting districts recommended for inclusion in the Program under the more inclusive alternative. These police reporting districts generally encompass all or portions of Downtown, Vermont Knolls, Baldwin Hills/ Crenshaw, Vermont Square, Watts, Hyde Park, Hyde Park/Crenshaw, Boyle Heights, Florence, Vermont-Slauson, Broadway Manchester, Central Alameda and East Hollywood. The greatest number of police reporting districts under this alternative occurs in Council District 8, followed by Council Districts 9 and 14, as well as Council District 1, 10, 15 and 15.

Table 4. Police Reporting Districts with a Very High Number of Cannabis Arrests (Greater than 2.5 Standard Deviations from City Average).

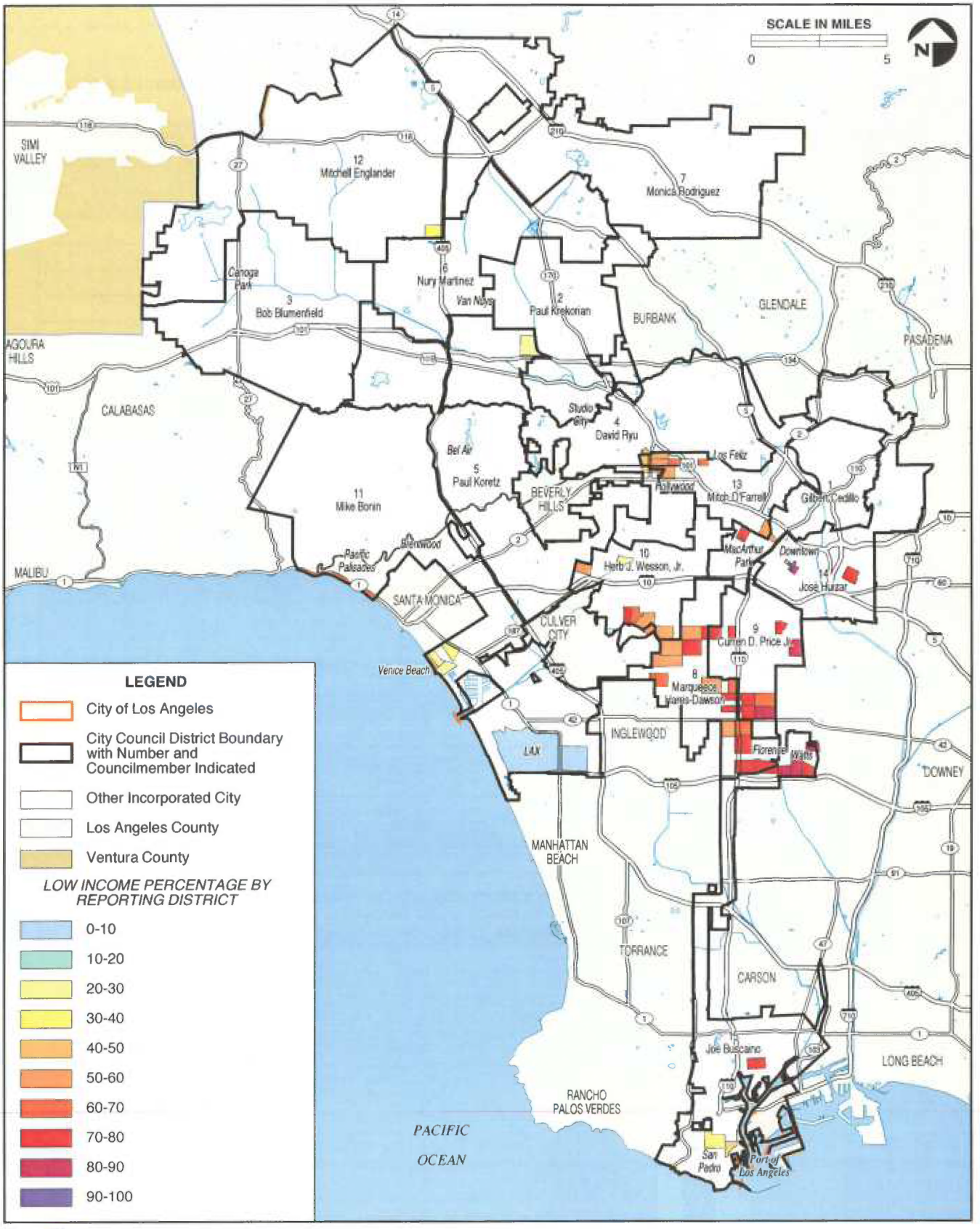
Police Reporting District	Area Description	Individual Cannabis Related Arrests	Percent Low Income Households	Percent People of Color
Citywide Mean Reporting District Values †		72	43	69
Council District 1				
245	MacArthur Park	427	73	93
Council District 8				
397*	Vermont Square	525	74	98
1822	Broadway-Manchester	470	73	99
1842	Broadway-Manchester	468	73	99
1844*	Green Meadows	444	77	99
Council District 9				
1258	Florence	632	79	99
397*	Vermont Square	525	74	98
1269	Florence	424	81	99
1259	Florence	367	68	99
1345	Central-Alameda	366	70	99
Council District 10				
363	Baldwin Hills/Crenshaw	421	51	97
Council District 14				
156	Downton (San Julian Park)	1,426	90	81
155	Downtown (Skid Row)	595	93	75
166	Downtown (Skid Row)	521	90	81
157	Downtown (Skid Row)	370	88	82
Council District 15				
1844*	Green Meadows	444	77	99
1846	Watts	431	77	99
1849	Watts	386	71	98

† Citywide values reflect the average count of cannabis-related arrests by police reporting district derived from LAPD data along with average percentage of low income households and average distribution of the population by race/ethnicity by police reporting district derived from U.S. Census data
**When a police reporting district spans multiple Council District boundaries, it is listed under each Council District it overlaps.*

Table 5. Police Reporting Districts with a High Number of Cannabis Arrests (Greater than 1.5 and Less than 2.5 Standard Deviations from City Average).

Police Reporting District	Area Description	Individual Cannabis-Related Arrests	Percent Low Income Households	Percent People of Color
Citywide Mean Reporting District Values †		72	43	69
Council District 8				
1266*	Vermont Knolls	346	78	99
1241	Hyde Park	286	68	99
392	Hyde Park/Crenshaw	283	71	97
1256*	Vermont Knolls	269	70	99
1249*	Vermont-Slauson	266	68	99
1203	Vermont Square	259	70	98
1802	Broadway-Manchester	253	67	99
Council District 9				
1266*	Vermont Knolls	346	78	99
398	Vermont Square	325	72	98
1268	Florence	282	78	99
1256*	Vermont Knolls	269	70	99
1249*	Vermont-Slauson	266	68	99
1367	Central Alameda	244	80	99
Council District 10				
362	Baldwin Hills/Crenshaw	339	68	99
361	Baldwin Hills/Crenshaw	270	72	99
Council District 13				
649	East Hollywood	242	67	63
Council District 14				
147	Downtown	351	95	73
467	Boyle Heights	272	74	98
Council District 15				
1837	Watts	298	82	99

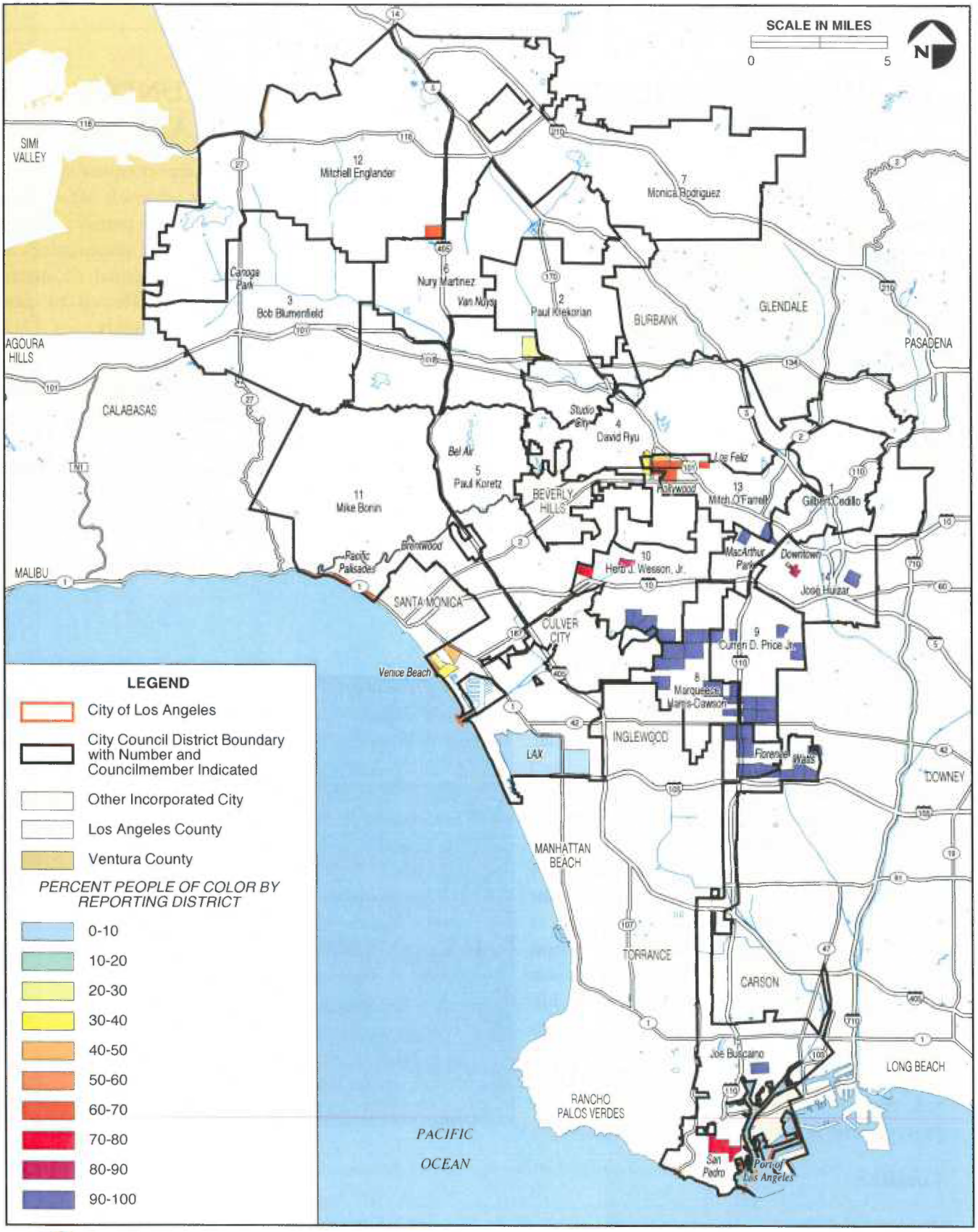
† Citywide values reflect the average count of cannabis-related arrests by police reporting district derived from LAPD data along with average percentage of low income households and average distribution of the population by race/ethnicity by police reporting district derived from U.S. Census data
**When a police reporting district spans multiple Council District boundaries, it is listed under each Council District it overlaps.*



amec foster wheeler

Low Income Households as Percentage Population by High to Very High Cannabis Arrest Count Police Reporting Districts

FIGURE 8



amec foster wheeler

People of Color as Percentage of Population by High to Very High Cannabis Arrest Count Police Reporting Districts

FIGURE 9

4.0 OPPORTUNITIES AND POTENTIAL BARRIERS UNDER PROPOSED COMMERCIAL CANNABIS REGULATIONS

The City is exploring development of a Cannabis Social Equity Program that would support equitable access to the legal commercial cannabis industry by individuals who were disproportionately adversely affected by past cannabis enforcement activities. This Program is intended to at least acknowledge and partially redress some of the past adverse effects of cannabis enforcement activities on both individuals and communities as identified in this analysis. Although the new legal cannabis industry offers major potential economic opportunity for participants, for a variety of reasons those most disproportionately affected by past enforcement activities face substantial challenges and barriers to entry into this new legal industry.

Entry into the cannabis industry presents many challenges to all participants due to the new nature of the industry including, evolving regulations, uncertain federal regulatory framework, restrictions on banking imposed by the federal government, the need for capital and technical expertise as well as acquiring or leasing real estate to support the business. These challenges are amplified for those without a sustained or ongoing track record in the industry, particularly those of lower income or from disadvantage communities that may not have access to capital, real estate or the technical knowledge of how to enter a new industry, obtain loans and needed City and other agency permits and sustain a successful business, especially during the challenging startup phase.

4.1 Barriers to Entry

Barriers for lower income or disadvantage individuals to entrance into the cannabis industry broadly include location, financial, technical, government relations and perceptions, licensing and permitting and past criminal record. While the City's Cannabis Social Equity Program is intended to address these barriers, entry into the Program itself may present challenges that may prevent an applicant eligible for inclusion in the Program aimed at promoting equitable ownership and employment opportunities in the cannabis industry in order to decrease disparities in life outcomes for marginalized communities and to address disproportionate impacts of cannabis prohibition in those communities. This section will discuss different types of barriers that prevent entry into the legal cannabis industry.

Barriers to Entry into Cannabis Industry

- *Location:* Availability of real estate with areas eligible for permitting under the City's Cannabis Regulation Ordinance
- *Financial*: Availability of startup capital and banking infrastructure for cannabis businesses along with cost of real estate
- *Technical Skills*: Cannabis operations such as cultivation and manufacturing require unique technical skills and knowledge
- *Criminal Record*: Prior drug-related convictions are often a disqualifying factor or stigma when reentering the workforce
- *Awareness of Cannabis Social Equity Program*: Public outreach is necessary to ensure participation of disproportionately affected communities

Location

Geographical barriers for lower income residents or other disadvantaged individuals may exist for participation in the City's Commercial Cannabis Activity Licensing Program. Locating a new cannabis

business in an area that is eligible for cannabis activities under the City's licensing program may be a barrier to prospective social equity applicants. Barriers may relate to distance between home and work, or the cost of rent in areas that are eligible to accommodate cannabis activities under the City's cannabis licensing program. Lower income individuals may also be transit dependent, and depending upon their community of residence, may not have direct or easy transit access from their community to areas in the City eligible for commercial cannabis activity. With relatively limited areas available to locate a new cannabis business, especially when considering the number of unauthorized operators occupying compliant locations in comparison, competition could also increase the cost of available real estate (Los Angeles County Advisory Working Group on Cannabis Regulation 2017).

The Commercial Cannabis Activity Location Restriction Ordinance establishes eligible areas for commercial cannabis activities, including cannabis retail, microbusiness, cultivation, and manufacturing, distribution and testing. Areas proposed to support commercial cannabis retail businesses occur throughout the City, including the recommended police reporting districts in communities such as Downtown, Watts, and Crenshaw, but available areas within those areas are limited by the requirement for compliance with sensitive uses (public and private schools, libraries, and parks) and cannabis retail and microbusiness operators that sell directly to the public. While the sensitive use requirements eliminate some areas within the police reporting districts from eligibility for cannabis retail permitting, the buffers do not fully eliminate this use within the selected police reporting districts. Areas available for indoor cannabis cultivation and non-volatile manufacturing are present in Downtown and South Los Angeles area police reporting districts, specifically in industrial-zoned areas along railroad corridors in Council Districts 8 and 9. Areas supporting volatile manufacturing are present in industrial areas of the City, including the Slauson Avenue corridor in Council Districts 8 and 9. A summary of commercial cannabis-eligible areas by City Council district is provided in Table 6 below and the proposed Commercial Cannabis Regulation Ordinance zoning maps are included as Attachment 2.

Table 6. Acreage Available for Specific Cannabis License Types by City Council District

Council District	Retail (ac)	Microbusiness (ac)	Indoor Cultivation (ac)	Mixed Light Cultivation (ac)	Level 1 Manufacturing (ac)	Level 2 Manufacturing (ac)	Testing/ Distribution (ac)	Total (ac)
City Average	972	1,159	1,320	1,202	1,320	1,232	1,382	3,382
1	1,043	292	325	401	325	306	462	1,476
2	1,805	972	1,056	268	1,056	1,016	1,152	2,158
3	1,014	120	392	1,253	392	256	400	2,267
4	903	130	186	1,077	186	130	205	2,165
5	883	106	113	1,232	113	106	113	2,227
6	700	2,731	2,838	520	2,838	2,753	2,914	4,058
7	591	946	1,080	6,037	1,080	991	1,114	7,708
8	903	175	209	0	209	175	241	1,112
9	789	908	1,133	0	1,133	960	1,221	1,922
10	1,115	36	76	0	76	35	176	1,191
11	948	680	695	3,659	695	680	777	5,302
12	965	960	1,695	2,916	1,695	1,538	1,766	5,576
13	996	380	456	281	456	380	550	1,734
14	1,182	2,296	2,472	273	2,472	2,333	2,478	3,883
15	746	6,660	7,076	119	7,076	6,820	7,158	7,950

Available acreage by license type is calculated by totaling acreage of designated zone districts within each City Council district boundary as listed below:

Retailer – CM, C1, C1.5, C2, C4, C5, M1, M2, M3 *Level 1 Manufacturing – M1, M2, M3, MR1, MR2* *Microbusiness – M1, M2, M3* *Level 2 Manufacturing – M1, M2, M3, MR2*
Indoor Cultivation – M1, M2, M3, MR1, MR2 *Testing – CM, M1, M2, M3, MR1, MR2*

Mixed Light Cultivation – A1, and A2 *Distribution – CM, M1, M2, M3, MR1, MR2*

Financial

As mentioned in Section 3.3, cannabis law enforcement has impacted the ability individuals and their families to obtain employment and gain capital. Thus, the cost of permitting fees and utilities, as well as the lack of access to loans and real estate can further limit these individuals' ability to participate in the legal cannabis industry. This section describes the different types of financial barriers these individuals may face.



Access to capital is one of largest barriers preventing individuals impacted by cannabis enforcement from participating in the legal cannabis industry. Because cannabis is illegal at the federal level, many banks will not provide startup loans to or open bank accounts for cannabis businesses.

Loans & Real Estate

Banks rely on federal deposit insurance and the Federal Reserve System, and are regulated by the federal government. A bank could be closed if it suspects a customer is engaged in illegal activity, but does not report it to federal authorities (Koren, J. R. 2017). Though the cannabis industry is legal in California, it is not legal at the federal level. Thus, banks that provide loans or operate bank accounts for cannabis businesses are at risk. Consequently, few banks and credit unions will accept cannabis businesses as customers (Alameda County Cannabis Equity Coalition 2016; Koren, J. R. 2017). Because of this, it is difficult for cannabis businesses to acquire loans to help cover costs associated with starting or expanding their businesses and acquiring real estate. For example, one credit union willing to do business with cannabis owners in Los Angeles requires a $10,000 fee to cover the costs of financial audits and criminal background checks (Koren, J. R. 2017). With few banks willing to do business with cannabis owners and the large fees required by those that are willing, it is difficult to start a cannabis business especially if the owner's financial situation has been impacted by cannabis enforcement. They often must rely on cash transactions with the capital they currently have. However, landlords often will not accept cash payment (Koren, J. R. 2017). Thus, real estate may be particularly difficult to secure.

In addition to discrimination against the cannabis industry in the financial sector, potential cannabis business owners may face racial discrimination when trying to obtain a loan or real estate. A report by the U.S. Small Business Administration's Office of Advocacy found that entrepreneurs of color were less likely to be approved for bank financing than White entrepreneurs, even when credit history and business type were accounted for in the review (Alameda County Cannabis Equity Coalition 2016). The Federal Reserve released data showing that, on average, business owners of color pay 32% higher interest rates than White business owners (Alameda County Cannabis Equity Coalition 2016). This was attributed to Hispanic and Black/African American entrepreneurs starting their companies with less money than White entrepreneurs, and having to rely more on their personal wealth than outside lenders or investors. Furthermore, the data shows that White landlords and investors are 10 times less likely to provide resources to businesses owned by people of color than White owned businesses (Alameda County Cannabis Equity Coalition 2016).

Start-Up Costs, Utilities, and Licensing Fees

Large start-up costs for cannabis-related businesses, which can be up to $250,000, are a barrier for social equity applicants (Alameda County Cannabis Equity Coalition 2016; Los Angeles County Advisory Working Group on Cannabis Regulation 2017). A review of the start-up costs for cultivation in California illustrates this. Start-up costs for outdoor cultivators ranges from $5,000 to $10,000, with the potential for $5,000 in

additional costs for mixing nutrients into the soil, and $2,000 in expenses for growing (California Department of Food and Agriculture 2017). Start-up costs for mixed light cultivators range from $18,000-$200,000 for greenhouses and $5,000 annually for electricity (California Department of Food and Agriculture 2017). Start-up costs for indoor cultivation may exceed $400,000 for creating an indoor grow room and $14,000 annually for electricity (California Department of Food and Agriculture 2017).

In addition to these expenses, business owners will have to pay for licensing fees, labor, and post-harvest processing (California Department of Food and Agriculture 2017). The licensing for general applicants in the City of Oakland is $3,000, whereas the City's licenses and inspection fees are proposed to be approximately $25,000. This may be a significant financial barrier to social equity applicants pursuing cannabis licenses that have fewer financial resources than general applicants.



Many individuals interested in participating in the legal cannabis industry cannot secure real estate. Large startup costs, application fees, and the cost of utilities are also barriers.

Rent

The cost of rent is another financial barrier. Commercial rent in the City has continuously increased over time (Kim, E. 2016). Monthly commercial rents in 2016 were $2.85 per square foot in Downtown, $7.81 per square foot in West Los Angeles, and $3.55 in Mid-Wilshire (Kim, E. 2016). For example, although grow sizes vary significantly, the City of Oakland's social equity program requires market-rate permittees to provide 1,000 square feet for social equity partnership grows; this would translate into annual rents of from $34,200 in Downtown to $93,720 in West Los Angeles, as significant annual cost for even an entry level grow operation. These costs can prove to be prohibitive for lower income individuals and those whose financial life outcomes were impacted by cannabis enforcement.

Technical Skills and Knowledge

Disadvantaged individuals attempting to start up a cannabis-related business may lack the technical knowledge they need to start a business, including direct knowledge of or experience with legal cultivation, manufacturing, distribution or the retail aspects of the trade. Lack of knowledge of irrigation systems, hydroponics, fertilizer application, organic techniques, and access to high quality strains of cannabis may inhibit the entry of disadvantaged individuals into cultivation. Manufacturing can be highly specialized, require specific and sometimes expensive equipment, and involve potentially hazardous operations and materials. Starting up a retail cannabis business has all the challenges of starting up any small retail outlet combined with those unique to the cannabis industry, such as the financial and banking challenges detailed above. Further, aside from standard property and other taxes, cannabis business owners will be subject to local and state taxes, from a system that is still not yet finalized, adding another layer of complexity and a potential major barrier. Thus, the task of starting a legal business in the City may seem daunting to those with limited or no prior experience in business or the cannabis industry. Individuals may also lack knowledge about business accounting, creating a business plan, or permitting (Los



Manufacturing activities include a range of processes, such as a rosin press which consists of two heated plates which are pressed together at high pressure to convert hashish into rosin. This process is typically considered non-volatile manufacturing.

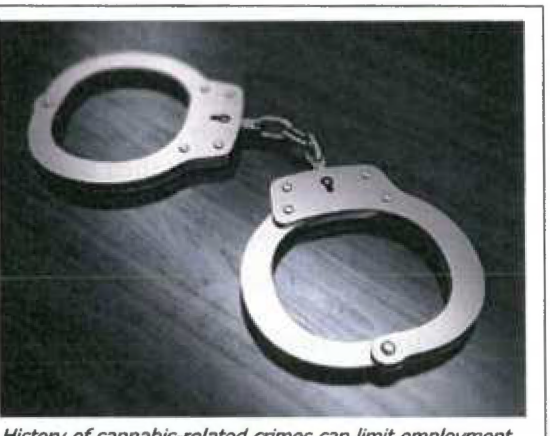
Angeles County Advisory Working Group on Cannabis Regulation 2017). Thus, without assistance, individuals may not be able to successfully start a legal business in the City.

Permitting

Disadvantaged individuals entering the legal cannabis industry will be required to obtain a City permit and potentially navigate a range of City permit processes and associated regulatory requirements. As noted above, the City's licensing process is estimated to cost $25,000, involve a relative complex application process, and potentially require acquisition of other types of City permits including building permits, electrical, plumbing, or historic/cultural structure clearances, as necessary depending on the type of business and any needed real property improvements. Further, given that the City's permit process will be discretionary, cannabis businesses may potentially be subject to the requirements of the California Environmental Quality Act (CEQA), which depending on the location, type of business and degree of needed improvements, may add complexity, delays, and cost to any permit process. State permits for cannabis businesses add another layer of complexity and are required prior to beginning the City's permit process. A lack the legal resources needed to ensure that they are in compliance with City regulations may also present a barrier (Los Angeles County Advisory Working Group on Cannabis Regulation 2017).

Criminal Record

The U.S. Government Accountability Office (GAO) determined the penalties and disadvantages that can be imposed upon individuals with a nonviolent drug conviction (U.S. Government Accountability Office 2017). The GAO identified 641 collateral consequences that may limit employment, business licensing, education, and government benefits to such individuals. Seventy-eight percent of these consequences can potential last a lifetime. Only 20% of these consequences can be removed using a legal relief mechanism. Thus, disadvantaged or lower income individuals who were subject to disproportionate cannabis enforcement activities with a related criminal record could potentially face major challenges attempting to start up a cannabis related business.



History of cannabis-related crimes can limit employment opportunities and the ability to secure business licenses, permits, capital, and real estate.

Criminal background checks can financially limit an individual with a record of cannabis crime. Background checks can disqualify individuals from employment if it is found that they have a history of cannabis-related crime (Drug Policy Alliance 2017a, 2017a, 2017b; Los Angeles County Advisory Working Group on Cannabis Regulation 2017). Background checks are often required prior to approval for opening a bank account or obtaining a loan (Drug Policy Alliance 2017a, 2017a, 2017b; Los Angeles County Advisory Working Group on Cannabis Regulation 2017). Consequently, having a criminal record can prevent an individual from acquiring real estate (Drug Policy Alliance and California NAACP 2010). Additionally, City criminal background check requirements may prevent individuals with a history of cannabis-related arrest from being able to obtain a City licenses and permits (Drug Policy Alliance 2017a; Los Angeles County Advisory Working Group on Cannabis Regulation 2017). These factors can prevent an individual from participating in the legal cannabis industry.

Proposition 64 requires that no applicant be denied a license to own or operate a cannabis business solely because of prior drug conviction (Drug Policy Alliance 2017c). However, Proposition 64 does not require local jurisdictions or the State to expunge, or clear, the criminal record of those who have a prior drug conviction. This may leave the barrier related to these conviction left in place for individuals who may not have the financial means or legal knowledge how to expunge their criminal record.

Perception of Government

Historical disparate enforcement practices are likely to have generated distrust of the City's government (see section 3.3). Individuals who have been subject to past disproportionate cannabis enforcement activities, who live in disadvantaged communities, and who have little or negative experience interacting with government agencies would face a major barrier entering into a complex permitting and regulatory environment. This potential distrust or unfamiliarity with government regulatory and permit processes could prevent individuals from pursuing commercial cannabis licenses and starting cannabis businesses seeks to serve from applying for a cannabis license. Furthermore, individuals may be reluctant to attend City affiliated workshops to learn more about the Program if they distrust the government.

Equity Program Awareness

Disadvantaged individuals and those disproportionately affected by past cannabis enforcement activities may be unaware of the details of the City's new Cannabis Licensing Program or that the City is undertaking development of a Cannabis Social Equity Program to encourage participation in the cannabis industry. Disadvantaged individuals and those disproportionately affected by past cannabis enforcement activities may have limited time to closely follow local news, limited or no internet access, and in some cases limited phone service. Visiting individuals at their homes may not be viable if individuals are not home, choose to not answer their door, or are transient and do not reside at a one, permanent location. Furthermore, disadvantaged individuals may be transit dependent or have work schedules that may interfere with their ability to attend public outreach workshops or meetings about the Program.

Cannabis Licensing Program Structure

Discretionary Permits

As noted above, a discretionary permit process can add cost and delays to starting up any business and may further impede social equity applicants seeking to enter the legal cannabis industry without the knowledge of complex governmental permit processes or the financial resources to sustain added cost. The Commercial Cannabis Regulation Ordinance requires that approval of a commercial cannabis permit be subject to discretionary action of the Cannabis Commission with the exception of non-retail cannabis businesses under 30,000 square feet, and thus, may represent a time and financial barrier to social equity applicants wishing to enter the legal cannabis industry.

4.2 Opportunities to Overcome Barriers

This section outlines the opportunities that exist to help disadvantaged individuals and those disproportionately affected by past cannabis enforcement activities become social equity applicants and overcome the financial, technical, permitting, criminal background, and Commercial Cannabis Activity

Licensing Program barriers described in Section 4.1 above that prevent them from entering the legal cannabis market.

Financial

Loans & Financial Assistance



Staff of the Los Angeles Department of Economic and Workforce Development Department (EWDD). The EWDD has existing programs that may be used to provide technical and financial assistance to cannabis businesses in the City.

Although obtaining loans by prospective cannabis business owners, including prospective social equity applicants, can be challenging as discussed above, opportunities do exist for cannabis businesses owners to obtain loans and real estate. A municipal bank, operated by the City in place of corporate banks that avoid federal legal issues with doing business with the cannabis industry, could help cannabis businesses acquire loans to cover the costs of start-up or expansion. Loans from a municipal bank are likely to have lower interest rates, lower fees, and flexibility in lending (Reyes, E. A. 2017). A municipal bank would also give cannabis businesses the opportunity to make check or direct payments for rent. This would help cannabis businesses avoid the issue that some landlords do not accept cash payments (Reyes, E. A. 2017). However, a municipal bank is likely to only have enough funds to loan money to small businesses (Reyes, E. A. 2017). Additionally, while the City Council has expressed interest in creating a municipal bank, the City cannot establish this financial program until the State establishes a State-level institution. Thus, municipal banking is not currently a viable option.

Low interest loans or no interest loans could also be provided by the City itself rather than through establishment of a municipal bank. As discussed further below in Section 4.3, the City of Oakland plans to use tax revenue from existing cannabis businesses to provide loans for participants in its social equity program. Additionally, the City of Los Angeles Economic and Workforce Development Department (EWDD) has a Small Business Loan Program that could help reduce financial barriers that new cannabis businesses face, as well as ensure that low income individuals are employed in the cannabis industry (Los Angeles Economic and Workforce Development Department 2017a). The goal of the Small Business Loan Program is to finance small businesses that private lenders cannot accommodate and to create jobs in the City. To be eligible, businesses must not have more than $10 million in annual revenue, create one permanent full-time job for every $35,000 in financial assistance received, and have more than half of all the jobs they create to be fulfilled or made available to low and moderate-income people. The loan provided can be anywhere between $50,000 and $500,000 with a 3 to 10-year term, 2.5% + 10 year U.S. Treasury Note rate, and 2.6% loan fee that can be financed through the loan.

The EWDD also funds 18 BusinessSource Centers across the City that provide new and existing businesses with free financing assistance (Los Angeles Economic and Workforce Development Department 2017b). This includes loan qualification and requirements, credit repair, loan packaging assistance, financial restructuring, financial planning needs, and alternative financial services. The EWDD also provides information about starting a business on its website (Los Angeles Economic and Workforce Development Department 2017c). This includes searching for available real estate and finding start-up financing and incentives. Although this program is initially structured to assist applicants with starting up a legal cannabis business, for disadvantaged individuals with no prior business experience, the process of obtain a loan could appear complex and daunting.



Grand opening of the EWDD-sponsored BusinessSource Center serving the West Valley Region. The EWDD has 18 BusinessSource Centers across the City of Los Angeles where businesses can go to receive one-on-one consulting services.

The Minority Business Development Agency (MBDA) Business Center-Los Angeles (MBC-LA) may also provide access to capital. The MBC-LA is operated by the University of Southern California in partnership with the City of Los Angeles Mayor's Office of Economic Development, and offers services to businesses owned or controlled by African Americans, Hispanic Americans, Asian and Pacific Islander Americans, Native Americans (including Alaska Natives, Alaska Native Corporations and Tribal entities), Asian Indian Americans, and Hasidic Jewish Americans (MBDA Business Center Los Angeles 2017). The MBC-LA provides businesses with access to capital through developing and maintaining alliances with banking officials and other financial resources, conducting cost analyses, as well as providing financial assistance (e.g., identification, preparation and packaging of standard commercial and alternative debt, bonding, leases, and equity). Because the MBDA Business Center is affiliated with the U.S. Department of Commerce, the programs provided by the MBC-LA may not be applicable to cannabis businesses, as such businesses are illegal at the Federal level. Even if this is the case, the structure of the program and the types of opportunities it provides may provide useful insight for the City's Cannabis Social Equity Program. Although this program is structured to assist minority-owned business, for disadvantaged individuals with no prior business experience, the process of obtain a loan could appear complex and daunting. As the City continues to develop and implement the Social Equity Program, the City should continue to assess opportunities to provide social equity program applicants with equitable access to capital.

Real Estate

Disadvantaged individuals and those disproportionately affected by past cannabis law enforcement activities are unlikely to own suitable real estate that can accommodate and sustain a regulated cannabis market. Even if these individuals own a home, all cannabis-related activities under the proposed Commercial Cannabis Regulation Ordinance are restricted to properties zoned for commercial or industrial uses. To provide usable real estate for social equity applicants, City property could be offered for lease or purchase to approved Program participants. However, there are many competing priorities for use of such properties. For example, there is a shortage of affordable housing with the City, and it has been suggested that the City use this property for provision of affordable housing. In support of providing affordable housing, potentially in disproportionately impacts areas, it may be useful to limit cannabis businesses located in City-owned properties that are not in suitable zoning districts for affordable housing, such as those zoned for commercial or industrial uses suitable for cannabis businesses, these properties could be used for social equity cannabis

businesses. Several organizations support using City property for social equity applicants, including the Alameda County Cannabis Equity Coalition, The Hood Incubator, and Los Angeles Cannabis Task Force (Alameda County Cannabis Equity Coalition 2016; Los Angeles Cannabis Task Force Social Equity Committee 2017; The Hood Incubator 2017a, 2017b).

Another option is to provide real estate through an industry partner or incubator program. In an incubator program, a business that has qualifying compliant real estate provides space and appropriate building upgrades for a social equity business that needs real estate. Incubators are part of the City of Oakland's cannabis social equity program and are discussed further in section 4.3. In addition to providing real estate, incubators can provide business mentorship, technical assistance, hard capital, start-up capital loans or other support for social equity including enhanced community benefit agreements (California Minority Alliance 2017; Los Angeles Cannabis Task Force Social Equity Committee 2017; R+HEMP Network 2017a; The Hood Incubator 2017c). Incubator programs are supported by the Drug Policy Alliance, Alameda County Cannabis Equity Coalition, California Minority Alliance, The Hood Incubator, Los Angeles County Advisory Working Group, R+HEMP Network, and Los Angeles Cannabis Task Force (Alameda County Cannabis Equity Coalition 2016; California Minority Alliance 2017; Drug Policy Alliance 2017b; Los Angeles Cannabis Task Force Social Equity Committee 2017; Los Angeles County Advisory Working Group on Cannabis Regulation 2017; R+HEMP Network 2017a; The Hood Incubator 2017c).

Utilities

Under Proposition 218, the Los Angeles Department of Water and Power (LADWP) cannot give specific discount rates. However, social equity applicants could be directed to information about the programs LADWP offers to disadvantaged customers (Los Angeles Department of Water and Power 2017). The Business Promotion Bill Credit (BPBC) program is designed to encourage businesses to relocate to the City. Bill credits are provided to these businesses, and are phased out over 3 years. The program also helps businesses identify other LADWP programs and incentives that will help the business save money, water, or power, as well as determine if the business is eligible for the incentives and programs provided by the EWDD.



The Los Angeles Department of Water and Power (LADWP) has several programs and incentives that can help cannabis businesses reduce the cost of utilities, including energy savings through solar power.

The LADWP has several other programs and incentives that may be of interest to cannabis businesses. The LADWP provides subsides to pay for solar installation through the Solar Incentive Program (SIP), and provides the opportunity for businesses to be paid for excess energy generated from solar panels through the Feed-In-Tariff (FIT) program. LADWP's Utility Infrastructure Loan (UIL) program provides loans for LADWP-required equipment for electric energy or water services, energy efficiency equipment that exceeds Title 24 requirements, and/or water conservation equipment, power correction/power reliability equipment, as well as solar photovoltaic systems except for the FIT program. The LADWP also partners with the Metropolitan Water District in the So Cal Watersmart Commercial Rebate Incentive Program, which offers rebates for businesses who purchase and install water conservation equipment. These programs can help reduce the financial barriers that may prevent individuals from participating in the Program.

City Permit and Inspection Fees

Several organizations suggest waiving or significantly reduce licensing, permitting and inspection fees in order to reduce financial barriers for social equity applicants, namely the anticipated $25,000 in commercial cannabis activity fees for new commercial cannabis businesses. These organizations include the Los Angeles Cannabis Task Force, Alameda County Cannabis Equity Coalition, Drug Policy Alliance, and R+HEMP Network (Alameda County Cannabis Equity Coalition 2016; Drug Policy Alliance 2017b; Los Angeles Cannabis Task Force Social Equity Committee 2017; R+HEMP Network 2017a).

Technical

Businesses

The EWDD provides various services for businesses in the City, and as previously mentioned, provides information about starting a business on its website (Los Angeles Economic and Workforce Development Department 2017c). This includes links to creating a business plan, registering your business, obtaining permits and licenses, and posting job listings.

The EWDD also directs new business toward free technical assistance services (Los Angeles Economic and Workforce Development Department 2017c). Applicable technical assistance services are provided by the Internal Revenue Service (IRS) Small Business One-Stop Resource Center, U.S. Small Business Administration (SBA) Learning Center, Los Angeles BusinessSource Centers, MBC-LA, California Governor's Office of Economic Development, and SCORE Greater Los Angeles.



There are City, State, and Federal resources that provide technical assistance to businesses. These include the EWDD, Internal Revenue Service, U.S. Small Business Administration, and California Governor's Office of Economic Development. Through these organizations, excluding the federal level, cannabis businesses can access one-on-one consulting services, online informational services, and attend workshops and training sessions.

The IRS and SBA provide a few information services that are accessible to cannabis businesses. The IRS Small Businesses One-Stop Resource Center provides businesses with information for preparing and filing/paying taxes (Internal Revenue Service 2017). The SBA provides free online courses that cover topics such as financial planning, accounting, contracting, and marketing (U.S. Small Business Administration 2017).

As aforementioned, the EWDD funds 18 BusinessSource Centers across the City that provide new and existing businesses with free services (Los Angeles Economic and Workforce Development Department 2017b). These services include one-on-one consulting with EWDD staff who assist with needs and marketing assessments, business plan development, site location, lease negotiation, and legal considerations. The BusinessSource Centers also provide one-on-one business plan assistance, information regarding local and statewide tax incentives for qualifying small businesses and employee tax hiring credits. Additionally, employee hiring/workforce development, including outplacement services, retention strategies, and organization assessments, are provided. The BusinessSource Centers also provide business courses and workshops. Topics include entrepreneurship, fiscal management, marketing, technical training, e-commerce, green/clean-tech transitions, and accounting.

The MBC-LA provides businesses with access to domestic and global markets, access to capital, strategic business consulting, and developing and maintaining strategic alliances (MBDA Business Center Los Angeles

2017). Services related to access to capital and strategic business consulting are most applicable to this Program. Strategic business consulting involves marketing, financial management, operations and quality management, and general management. Such skills and services would help reduce the barriers to starting a legal cannabis business in the City.

The California Governor's Office of Economic Development provides in-depth online informational resources on starting a business, relocating or expanding a business, international trade and investment, and financial assistance (California Governor's Office of Economic Development 2017a). It also provides financial incentives, such as loans and tax credits, to small businesses (California Governor's Office of Economic Development 2017b). Additionally, it provides individualized services to businesses, including financial and permitting assistance (California Governor's Office of Economic Development 2017c). SCORE Greater Los Angeles provides information online, and workshops that discuss starting a business, forming a business plan, obtaining funding and loans, and obtaining licenses and permits (SCORE Los Angeles 2017).

As discussed above, due to the new nature of the legal cannabis industry, one major gap in existing technical assistance programs are those directly related to conducting cannabis activities. Cannabis cultivation, manufacturing, distribution, and retailing require a substantial set of skills, technical knowledge (e.g., electrical, irrigation, fertilization) and access to materials (e.g., seed stock, clones), market information, and other essential business knowledge. Development of a mentoring program, perhaps independently or through the incubator or industry partner program, would provide social equity applicants and their future employees with the knowledge and skills to cultivate, manufacture, or sell a quality, salable product and operate a successful business. Existing, permitted dispensary/retail operators or general, market-rate applicants for cultivation and manufacturing permits may potentially be conditioned to contribute knowledge to operator/employee training workshops or courses in lieu of contributing directly to being part of an incubator/industry partner pairing with a social equity applicant.

Commercial Cannabis Employees

The cannabis industry requires a variety of employees, including agricultural operators and managers, trimmers and packagers, retail workers, delivery drivers, and testing lab technicians. There are several City programs that provide services to potential employees. The EWDD offers free on-the-job and pre-employment training for potential employees (Los Angeles Economic and Workforce Development Department 2017c). The EWDD BusinessSource Centers provide employee training workshops (Los Angeles Economic and Workforce Development Department 2017b). The California Governor's Office of Economic Development provides funding to employers to help train their employees (California Governor's Office of Economic Development 2017b). Furthermore, the Mayor's Office of Reentry could coordinate with the Department of Cannabis Regulation to assist formerly incarcerated individuals find employment (Mayor's Office of Reentry 2017).



Mayor Garcetti's Office of Reentry will help formally incarcerated individuals find employment.

Criminal Background

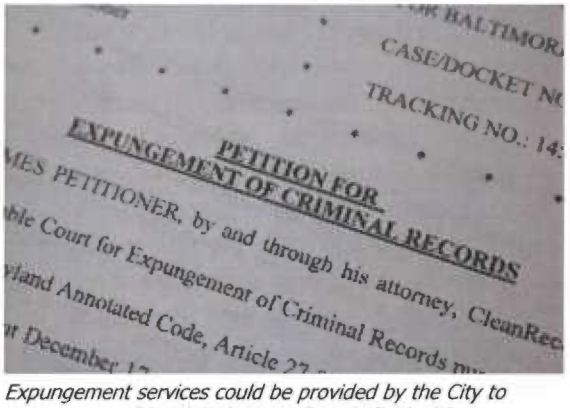
Restricted Background Checks

Currently, California law allows individuals with prior cannabis convictions to participate in the cannabis industry as business owner and employers, with some exception. For example, state regulatory and licensing agencies may deny an applicant who was convicted of fraud, embezzlement, deceit, drug trafficking with enhancements, selling an illegal substance to a minor, and other serious or violent crimes.

Given the history of past cannabis enforcement disparities, the City should move forward with a licensing scheme that is similarly inclusive, and no more restrictive than state licensing and regulatory authorities.

Expungement of Past Cannabis Convictions

Expungement of cannabis-related convictions, namely offenses that are no longer illegal under the revised penal code, lifts certain employment barriers and stigma associated with having a criminal record. The R+HEMP Network and the Los Angeles Cannabis Task Force suggest hosting several events where expungement services are provided (Los Angeles Cannabis Task Force Social Equity Committee 2017; R+HEMP Network 2017a). It is important to note that though expungement changes the finding of "guilty" to "dismissed" after conviction, it does not erase an individual's criminal record (Drug Policy Alliance and California NAACP 2010). Thus, an individual convicted of a cannabis-related crime may still face some of the challenges or stigmas of having a criminal record as described in Section 4.1. While the Cannabis Social Equity Program may be able to address the structural barriers to disproportionately impacted individuals with expungable criminal records, and despite the evolution of cannabis policy, it may take time for the newly legal cannabis industry and its participants to become recognized as socially acceptable and for entrenched stigmas related to prior convictions to no longer hinder these individuals' lives.



Expungement services could be provided by the City to remove cannabis-related crimes from individuals' backgrounds, and businesses can work to hire individuals impacted by cannabis enforcement and promote diversity in their workforce.

Employment Opportunities

Employment standards and living wages can help ensure that community members affected by cannabis enforcement have an opportunity to participate in the cannabis industry. Many organizations support standards for employment, which include hiring and training people who were previously convicted of a cannabis-related crime. These include the R+HEMP Network, Los Angeles Cannabis Task Force, California Minority Alliance, and Drug Policy Alliance (California Minority Alliance 2017; Drug Policy Alliance 2017b; Los Angeles Cannabis Task Force Social Equity Committee 2017; R+HEMP Network 2017b). Such employment could be required or businesses given a tax credit for meeting employment standards. For example, the California Minority Alliance suggests that incentives should be provided to cannabis businesses if 35% of their workforce, within 2 years of starting business, consists of individuals who are at high risk of unemployment (California Minority Alliance 2017). Some of the characteristics defined for individuals at high risk of unemployment are outside of this Program's goals, but some of the characteristics relevant to this Program include having a low income and previously being arrested and convicted of a cannabis-related crime.

The Los Angeles Cannabis Task Force suggests that 51% of a cannabis business' workforce should consist of transitional workers, which it defines as individuals that have had prior arrest and conviction for a misdemeanor or felony, among other characteristics (Los Angeles Cannabis Task Force Social Equity Committee 2017). Many of these other characteristics are outside of the goal of the Program, but some include symptoms of having a very low income, such as being homeless or being unemployed. Additionally, the Pennsylvania Department of Health and Los Angeles Cannabis Task Force support promoting diversity plans, which ensure the employment of women and veterans, as well as individuals with disabilities and individuals with diverse racial, ethnic, and cultural backgrounds (Los Angeles Cannabis Task Force Social Equity Committee 2017; Pennsylvania Department of Health 2017).

Opportunities also exist to assist individuals reentering the workforce after being convicted of a cannabis-related crime. Several advocacy groups in the City are focused on reintegrating citizens into society through employment specifically in the cannabis industry. The Los Angeles Cannabis Task Force and R+HEMP suggest that job fairs and networking events could be hosted by the City in communities that were disproportionately affected by cannabis enforcement (Los Angeles Cannabis Task Force Social Equity Committee 2017; R+HEMP Network 2017a). This would enable individuals from these impacted communities to learn about the employment opportunities that exist, determine which job positions fit best with their needs and desires, and increase their chance of being hired through networking with industry professionals in person.

Licensing Structure

Streamlining Discretionary Permits

By adopting a suite of development standards, the Cannabis Commission may reduce the cost and time required of applicants to join the commercial cannabis industry. Additionally, deferring a limited number of social equity applications from the Commission to a Director-level decision, as proposed for all non-retail commercial cannabis permits under 30,000 square feet in the draft regulations, would potentially remove time and cost of the application process by hearing only cases that would be considered exempt from CEQA and omitting the requirement for a public hearing. Specific streamlining efforts are discussed further below in Section 6.0 – Recommendations for the Cannabis Social Equity Program.

Community Reinvestment

Not every individual that was affected by cannabis law enforcement will participate in the cannabis industry. A community reinvestment program could help holistically redress and serve communities that were disproportionately affected by cannabis law enforcement through provision of funding to programs or non-profits dedicated to community improvement. Reinvestments could be made towards community beautification, youth, education, housing, employment, re-entry and other social services. For example, resources could be provided for cannabis education, treatment, intervention and prevention, as well as anti-drugged driving and anti-irresponsible consumption campaigns. The Los Angeles Cannabis Task force suggests that resources could be provided for legal services, youth extracurricular education, civic engagement, mental health services, and voter registration (Los Angeles Cannabis Task Force Social Equity Committee 2017). The California Minority Alliance suggests using funds for community beautification projects, schools, public parks, public libraries, alcoholism or drug abuse recovery or treatment facilities, and neighborhood council projects (California Minority Alliance 2017). In addition to these organizations, the Drug Policy

Alliance, The Hood Incubator, and The Institute of the Black World support community reinvestment programs (Drug Policy Alliance 2017b; Hutchinson, E.O. 2016; The Hood Incubator 2017a).

4.3 Existing Cannabis Social Equity Programs

Local governments striving to improve their communities often actively promote of social equity as an approach to ensuring community sustainability. Examples of local government social equity programs include supporting affordable housing as a policy priority, provision of access to information technology for persons without internet connection, after-school programs for children, transportation programs targeted specifically to assist low-income residents, or energy reduction programs targeted specifically to assist low-income persons. In the City, an example of a social equity program described above includes the Minority Business Development Agency. However, research revealed that only one cannabis-specific social equity program currently exists to date, in the City of Oakland (Oakland).



The City of Oakland is the only city in the nation that has created a cannabis social equity program. Recommendations provided for the City of Los Angeles' cannabis Program incorporate lessons learned from the City of Oakland.

Oakland established a cannabis social equity program in late May 2017. The goal of Oakland's program is to "promote equitable ownership and employment opportunities in the cannabis industry to decrease disparities in life outcomes for marginalized communities of color and address the disproportionate impacts of the war on drugs in those communities."

This section describes the structure of Oakland's cannabis social equity program, how the program seeks to address barriers for equity applicants, as well as identify the program's successes and areas where improvement is needed. The lessons learned from Oakland's program will help inform the policy recommendations for the City. Information for this review and analysis was gathered through review of the City's Equity Program, and City Council record, as well as interviews with Greg Minor, Special Assistant to the City Administrator.

Equity Applicant Definition and Eligibility Requirements

The first step in creating Oakland's cannabis social equity program was to determine who could apply for a cannabis permit as an equity applicant. During the program development process, identified issues included whether to focus on arrest, conviction, or incarceration data, as well as whether to include arrests that occurred outside of Oakland. Oakland decided to focus on arrest and conviction in Oakland, as the goal of its program was to help individuals who were impacted within Oakland. To ensure that marginalized communities and those impacted by the cannabis law enforcement could participate, Oakland decided to create two means by which an individual could be considered an equity applicant.

Social Equity Applicant Definition: A social equity applicant in Oakland is defined as an applicant entity whose owner meets the following criteria:

1. Earns less than 80% of Oakland's average median income AND has lived in select police beats for 10 of the last 20 years, or
2. Has been arrested in Oakland and convicted for a cannabis crime.

Additional key elements and definitions of Oakland's cannabis social equity program include:

- Cannabis Business Owner: The program defines a cannabis business "owner" as someone who is the majority of the board of directors or a person who possesses a majority ownership interest.
- Police Beats: Police beats that were subject to a disproportionate number of cannabis arrests were selected for the program. The police beats were selected using 20 years of police data.
- Residency Requirements: There is no residency requirement for general applicants.
- Employment Requirements: Half of dispensary staff must be Oakland residents. Furthermore, half of the Oakland residents hired must be from areas with high unemployment or low household incomes.

The purpose of defining cannabis business owners is to ensure that an equity program applicant receives the program's benefits. Sham equity applicants who partner with an equity member who has little ownership interest will not be able to benefit from the program.

The residency requirement has been the most contested aspect of Oakland's program. The long residency requirement was intended to prevent new cannabis business who have contributed to gentrification from receiving the benefits of the program (Senter, A., Parks, N., Lencho, T., and Zavell, A. 2016). The public raised concerns that they will not be able to participate in the program if they meet the low income requirement and have lived their entire lives in Oakland but not in one of the select police beats, have lived in the selected police beats but not long enough, and most notably, that many have been forced to move out of these police beats or the city due to gentrification (Dersham, D. 2017). However, the program was enacted with these restrictions.

A residency requirement for general applicants was considered but repealed due to legal concerns (Dersham, D. 2017). The Privileges and Immunities Clause as well as the Dormant Commerce Clause of the United States Constitution prohibit states from discriminating against residents from other states without "substantial reason." Furthermore, MAUCRSA does not require local government approval before a state license is issued and allows for local governments to enact their own regulations if they do not conflict with State law. Thus, it was uncertain how a business with a state license would obtain a license from Oakland.

Phased Licensing

Licensing under Oakland's cannabis social equity program is phased. In Phase I, the number of general permits cannot exceed the number of permits given to equity applicants. In Phase II, permitting is unrestricted. This phase will begin after Oakland's Equity Assistance Program (discussed below) is fully established and funded. Oakland is currently in Phase I of their licensing program. Their permits are ministerial to avoid the discretionary decision-making that may act as barrier for equity applicants. As a form of financial assistance, application fees are waived for equity applicants. The application fee for general applicants is about $3,000.



Oakland's cannabis social equity program includes priority licensing for equity applicants, no-interest business startup loans, and a technical assistance package.

Criminal Record

Under Oakland's cannabis social equity program, when background checks are performed, prior conviction for cannabis-related activities would not make an applicant ineligible to participate in the program. However, if an applicant is currently on probation for a cannabis-related conviction, they would not be able to participate in the program. Furthermore, applicants that have been convicted or pleaded nolo contendere or guilty to a violent offense or crime of fraud or deceit are not able to participate in the program.

Incubator Program

Oakland city staff have found that the largest barrier for equity applicants to join was the lack of capital to rent space. To address this, Oakland designed an incubator program, which is due to commence once sufficient social equity candidates have applied for inclusion in the program. The idea of creating the program came from edible manufacturers in Los Angeles who were interested in starting a business in Oakland. Under the incubator program, a general applicant provides 1,000 square feet (sf) of space for free to an equity applicant for 3 years, provides all security, and pays utilities and the costs of all permits. General applicants have an incentive as they will receive the next available general permit if they participate.

One concern Oakland had when creating the program were sham incubators. Though Oakland acknowledges that 1,000 sf may be too small for some businesses and too large for others, a minimum size had to be selected to ensure that equity applicants receive adequate space. To further ensure that the incubator partnership was legitimate, Oakland stated that a general applicant must notify the City within 30 days if the equity applicant's business fails, otherwise the general applicant's permit would be revoked.

The incubator program has a few additional benefits. The Division of Special Business Permits and Activities gives applicants a checklist of all the departments whose approval must be gained, and who to contact from those departments. Nevertheless, navigating these requirements can still be a daunting task for new business owners. One benefit of the incubator program is that equity applicants would not have to ensure their business meets City requirements themselves. Instead, the general applicant would ensure that the building is up to code and that all applicable permits have been acquired.



Oakland's cannabis social equity program includes a business incubator program. Licenses are given to 1 social equity applicant for every 1 general applicant. To receive the next available license, general applicants can provide 1,000 square feet of space for free to a social equity applicant for 3 years.

Another benefit of the incubator program is that it can be started in the absence of City funding. Currently, Oakland may have to wait up to a year before it can collect the $3.4 million it needs to start the Equity Assistance Program. Because the incubator program does not require the City to invest its funds, social equity applicants can be part of the cannabis industry from the time cannabis licensing begins.

A City Council member in Oakland is considering providing City property for the incubator program, but providing this land would prove to be difficult. Much of this public land is already needed for affordable housing and other programs. Thus, the success of an incubator program would be dependent upon incentivizing general applicants to provide space rent-free to equity applicants.

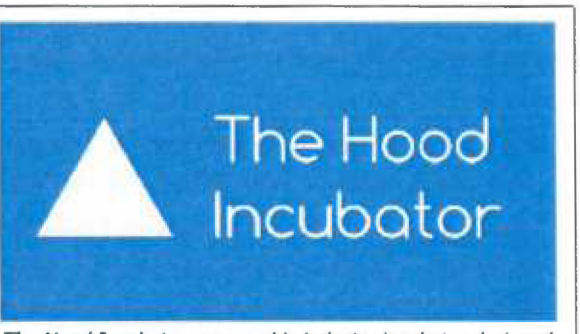
Equity Assistance Program

Implementation of Oakland's Equity Assistance Program will occur after Phase I. Under the program, equity applicants can receive no-interest startup loans and a technical assistance package. Equity applicants can receive assistance with preparing a business plan and interfacing with the City's regulatory requirements. In this way, the program addresses both technical and financial barriers (see Section 4.1, Barriers to Entry). Oakland will need to make a $3 million one-time investment to establish the loan program, and $400,000 up front for a third-party consultant to provide equity applicants with business assistance. For each subsequent year, the program will cost $200,000. To fund the program, Oakland will need a year to collect the necessary $3.4 million in taxes on the gross receipts of new cannabis businesses (taxes are 5% for medical and 10% for non-medical). Thus, the Equity Assistance Program is scheduled to begin in May 2018.

Public Outreach

Oakland's goal is to connect property-seeking equity applicants with general applicants. Oakland has a listserv of those who are interested in the cannabis industry, and sends an email when events are hosted. Thus far, Oakland has had 2 in-person networking events. About 500 people came to each event. Though interested in the incubator program, existing cannabis entrepreneurs who attended did not want to make a business decision based on one meeting. Nevertheless, Oakland's application includes a section for general applicants to state that they are willing to be an incubator, and general applicants have expressed their interest in being an incubator. Oakland is currently determining how to connect equity applicants with interested general applicants.

Additional outreach is done through grassroots organizing by other Council members and non-profit organizations. One such organization is The Hood Incubator, a cannabis industry incubator designed to help cannabis entrepreneurs of color (Abello, O.P. 2017). Oakland is also seeking third party consultants to help them expand their outreach.



The Hood Incubator, a cannabis industry incubator designed to help cannabis entrepreneurs of color, has been actively soliciting comments from individuals interested in participating in the legal cannabis industry. Public comments supplied to the Hood Incubator regarding Oakland's cannabis social equity program include:

- *Residency requirement which excludes individuals displaced by gentrification*
- *Incubator program which has not incentivized enough general applicants to participate*
- *Lack of a community reinvestment program*
- *Delayed start of the businesses loan program*
- *Lack of targeted outreach*

Analysis and Discussion of Oakland's Social Equity Program

There are several promising aspects of Oakland's program. The structure of Oakland's program ensures that equity is incorporated from the start. In Phase I of licensing, there cannot be more general permits than equity permits. Additionally, unrestricted licensing does not occur until the Equity Assistance Program has the funding it needs to be implemented. Thus, equity applicants have a chance to start their businesses before the legal market is saturated by existing businesses erecting further barriers to entry to the industry as discussed above.

The incubator program is promising as it removes the largest barrier for equity applicants—access to real estate, as well as barriers associated with permit process complexity, cost and time obtaining required permits,

and providing financial assistance to equity applicants through addressing security and utility costs. It can also be implemented before funding is acquired for the program. However, its success is dependent on the willingness of general and equity applicants to participate. Oakland incentivizes general applicants to participate by creating a bottleneck in the number of general applicants that can receive permits in Phase I. As of August 2017, approximately 60% of applications were received from general applicants and 40% equity applicants. However, approximately 93% of social equity applicants indicated that they did not have property, but not enough general applicants indicated that they were interested in incubating. Thus, more incubators are needed to assist social equity applicants. The Hood Incubator suggests that businesses are averse to the risk of partnering with a business they know little about solely to obtain a license (The Hood Incubator 2017b). They suggest offering tax breaks for general applicants for as long as they incubate an equity applicant. Expanding the definition of an incubator could also help increase general applicant participation in the program. The Hood Incubator suggests allowing incubators to provide start-up capital loans, raw materials, or provide technical and professional services for equity applicants instead (The Hood Incubator 2017c). This would assist equity applicants cover start-up costs in the absence of the Equity Assistance Program. Furthermore, the Hood Incubator suggests providing eligible City-owned property that equity applicants could lease or purchase (The Hood Incubator 2017a, 2017b).

Another promising aspect of the Oakland program is that a quarter of employees must be Oakland residents who live in census tracts that have high unemployment rates or low household income. This helps ensure that there is equitable participation in the cannabis industry.

The Equity Assistance Program and permit fee waiver help remove financial and technical barriers, and are promising aspects of the Oakland's program. However, the Equity Assistance Program cannot be implemented for a year after program implementation. Thus, many equity applicants will not have access to the technical assistance they need to start their business. The Hood Incubator notes that the City providing initial funding to jumpstart the loan program would also help avoid waiting for general applicants to willingly act as incubators (The Hood Incubator 2017b).

The residency requirement for equity applicants and their employees is another potential concern of Oakland's program; specifically, that residents of the selected police beats may have been displaced due to gentrification (Fox, H. 2017; L. Valencia, B.A. Arch, M.C. P 2017). Thus, the program may not appropriately capture a segment of the population it wishes to target. To address this issue, residency requirements would need to be shortened or removed. The Hood Incubator suggests changing the definition of an equity applicant to the following:

1. Income of 80% or less of Oakland's average median income AND convicted of a cannabis crime without regards to when or where OR;
2. Convicted outside of Oakland AND has been a resident of Oakland for a combination of 5 years over the last 10 years (The Hood Incubator 2017c).

Furthermore, Oakland's current program does not include a community reinvestment program. The Hood Incubator notes that not everyone in the communities selected for the program will want to participate in the cannabis industry (The Hood Incubator 2017a). Nonetheless, they were affected by cannabis enforcement. The Hood Incubator suggests that a portion of cannabis tax revenue be set aside for these communities to address their needs. A citizen oversight committee would determine how these funds are allocated.

Additionally, public awareness is necessary for the social equity program's success. Potential equity applicants need to be aware of the program and its benefits for it to succeed. However, Oakland is in the initial stages of outreach to potential equity applicants and has held 2 meetings attended by 500 people each. Additionally,

Oakland has not yet connected general applicants with property-seeking equity applicants for its incubator program. To ensure the program's success, public outreach would need to be expanded to target equity applicants and general applicants interested in the incubator program. The Hood Incubator notes that City Hall and downtown events are not designed for targeted communities, and suggests having City sponsored neighborhood town halls in targeted communities (The Hood Incubator 2017b). They suggest that Council members should reach out to their respective neighborhood organizations to identify a neighborhood outreach leader. They emphasize that grassroots outreach would be the best approach to public outreach for the social equity program.

5.0 PUBLIC WORKSHOP

A public workshop hosted by the City was held on Saturday September 30, 2017 from 1:00PM to 4:00PM at the Watts Labor Community Action Committee's Center at Phoenix Hall (10950 South Central Ave., Los Angeles, CA 90059). The intent of the workshop was to provide information about the City's proposed Cannabis Regulations Ordinance and draft Cannabis Social Equity Program, as well as to solicit public comment on the draft Cannabis Social Equity Program. Approximately 600 individuals attended the workshop.



The public workshop was led by Cat Packer, Executive Director of the City's Department of Cannabis Regulation. Council President Herb J. Wesson, Jr., Council Member Marqueece Harris-Dawson, Council Member Curren D. Price, Jr., and Darlene Flynn, Director of the Department of Race and Equality for the City of Oakland, spoke at the event.

Cat Packer, Executive Director of the City's Department of Cannabis Regulation, introduced the workshop and speakers. Council President Herb J. Wesson, Jr., Council Member Marqueece Harris-Dawson, and Council Member Curren D. Price, Jr. spoke at the event, indicating their united support for the formation of a Cannabis Social Equity Program. Cat Packer provided an overview of cannabis regulation and licensing. Darlene Flynn, Director of the Department of Race and Equality for the City of Oakland, provided a framework for cannabis social equity and described Oakland's cannabis social equity program. The City's draft Cannabis Social Equity Program was presented by the Amec Foster Wheeler consultant team. The public was provided with time for oral testimony, and was also given the opportunity to provide written comments on comment cards and to complete an anonymous survey to gather information about the backgrounds of those interested in the Program and to better understand their needs. These comments were incorporated into the final Program recommendations provided to the City.

5.1 Spoken Comments

Thirty individuals provided oral testimony and comments given the time constraints. Individuals who were unable to speak were encouraged to leave a written comment.

Draft Program Components

This subsection summarizes spoken comments regarding the draft Cannabis Social Equity Program components presented at the public workshop. Individuals who provided spoken comments expressed the importance of receiving technical assistance in order to be in compliance with City regulatory requirements, diversity, community reinvestment, and priority ranking in licensing. Mixed opinions were expressed regarding the ownership requirement. Many individuals discussed the impacts of cannabis enforcement. Several directly stated their support of the Program. Other individuals offered to provide various forms of support to the Social Equity Program and its applicants.

Technical Assistance

Complying with City regulatory requirements was one of the main concerns of individuals who spoke. Four individuals indicated that technical assistance is needed to help ensure compliance with City regulations. One individual noted that compliance will be ornery, and expressed concern that the cost of compliance would be a barrier to participating in the legal industry. Another individual desired access to training and partnerships that would help expand opportunities for equity businesses.

Community Reinvestment

Community reinvestment was another component community members felt was important. Four individuals described the need for community reinvestment. One individual indicated the need for responsible use education, and another indicated the need for music in schools. One individual noted that educating children is important, and asked what percentage of cannabis tax revenue would fund education.

Priority Licensing

Two individuals indicated that social equity applicants should be given priority licensing. One individual stated that social equity applicants should receive licenses at the same time as Proposition M applicants. The other individual desired that 30% of all licenses be given to social equity applicants, and that 75% of licenses given in Window 1 be issued to social equity applicants in order to ensure social equity applicants are competitive in the industry.

Financial Assistance & Access to Real Estate

Two individuals noted that access to capital and access to real estate are the largest barriers to participating in the industry. Three individuals described the challenge of finding and paying for real estate before a license is issued. One individual suggested that social equity applicants should be allowed to submit an application and obtain an interim license while they find real estate. Another applicant noted the issue of competition for real estate, and desired that the City set aside land for equity applicants at the beginning of the Program.

There were comments related to financial assistance. One individual desired tax collection to be reduced for the first 18-24 months after an equity business



Thirty members of the public provided spoken comments at the public workshop regarding the proposed program components. These individuals expressed the importance of receiving technical assistance in order achieve compliance with City regulatory requirements, diversity, community reinvestment, and priority ranking in licensing. Mixed opinions were expressed regarding the ownership requirement.

begins operating. This individual also desired application fees to be reduced.

There were also comments related to access to capital. One individual desired the creation of a City bank. Another thought access to a low (or no) interest loan program would be helpful, and that financial incentives should be provided to financial investors.

Incubator Program

Three individuals indicated their willingness to participate in the proposed incubator program. One level 1 manufacturer indicated his interest.

Ownership & Income Requirements

Several individuals commented on the ownership requirement. Two individuals, including one lawyer, desired the ownership requirement to be relaxed. It was described that the ownership requirement should be tiered with the bottom tier being 33% ownership and the top tier being 51% ownership. However, one individual emphasized the need to ensure that the ownership requirement remain at 51%.

With regards to the income requirement, one individual was concerned that individuals who were previously low income and are now just above the low-income threshold would not be able to participate in the Program.

Criminal Record Eligibility, Expungement, & Police Enforcement

Three individuals expressed a desire for expungement clinics. One individual requested that the City attorney expunge records as quickly as possible so that equity applicants can participate in the industry from the start. Another individual was concerned that many individuals have a record of cannabis trafficking with enhancements and would be excluded from the Program. One individual expressed concern about the potential of being raided by police despite compliance. This individual desired the City to train LAPD officers to ensure they are up to date with new cannabis regulations and committed to equitable enforcement moving forward.

Spoken Comments

- Many individuals shared their stories about how cannabis enforcement impacted their lives, and described the disparate cannabis enforcement practices they experienced.
- A few comments related to areas eligible for cannabis activities and licensing in the City were received.

Employment

Several individuals discussed employment. One individual stated that employees should be paid a living wage. Another desired a workforce development program. One individual expanded upon this to say that there should be apprenticeship and certification programs. This individual also wanted locals and transitional workers to be hired in the industry. Two individuals discussed employment discrimination in the industry and desired the cannabis industry to have a more diverse workforce.

Diversity

Several individuals expressed that the benefits of the Program should incorporate diversity in addition to those impacted by cannabis enforcement. Two individuals wanted women, especially women of color, to be included in the definition of a social equity applicant. One individual wanted Latinos and members of the LGBTQ+ community to be included in the definition of a social equity applicant. Another individual wanted individuals with disabilities to be included in the definition of a social equity applicant. Cat Packer addressed these comments by stating that diversity and social equity are not the same, and that the goal of the Program is to serve individuals from lower income communities who were disproportionately impacted by cannabis enforcement.

Areas of Eligibility

There were two comments related to the areas eligible for the Program. One individual wanted to know if Venice would be part of the Program. Another individual thought that equity businesses would be confined to the eligible areas under the Program. Cat Packer clarified that this was not the case. Individuals would be able to locate their businesses anywhere in the City where it is permitted under cannabis zoning regulations.

Department of Cannabis Regulation Staff

One individual stated that Cat Packer should be given an assistant.

Cannabis Regulation

There were two comments related to the proposed Cannabis Regulations Ordinance. A level 1 manufacturer wanted to know where he could locate his businesses. Another individual noted that 90% of the district where he lives is within a buffer zone. He was concerned about how to find property to start a cannabis business when travelling outside his district for work would not be feasible.

Disparities

Many individuals shared their stories about how cannabis enforcement impacted their lives, and described the disparate cannabis enforcement practices they experienced.

5.2 Written Comments

The public was given the opportunity to provide written comments. Sixty-one individuals provided written comments. Many individuals gave their thanks for the public workshop and support for the cannabis social equity program. Additionally, many individuals wished to receive updates about the Program and that requested that there be more public workshops.



Sixty members of the public provided written comments regarding the proposed Program components at the public workshop. Individuals expressed the importance of receiving technical and financial assistance, diversity, community reinvestment, and priority ranking in licensing. Mixed opinions were expressed regarding the ownership and residency requirements.

Draft Program Components

This subsection summarizes written comments regarding the draft Program components presented at the public workshop. Individuals who provided written comments expressed the importance of receiving technical and financial assistance, diversity, community reinvestment, and priority ranking in licensing. Concerns were expressed about the role of the LAPD in licensing and enforcement. Mixed opinions were expressed regarding the ownership and residency requirements. Many individuals offered to provide financial and technical assistance to social equity applicants.

Technical Assistance

Four individuals indicated a need for technical assistance. These individuals would like information on how to apply for a license,

how to open a businesses and find a suitable location, and how to ensure compliance with City regulations. Another individual desired business development and job training.

Community Reinvestment

Six individuals provided comments on community reinvestment. Two individuals inquired about how much money would be allocated to community reinvestment. Two individuals desired that the money be put toward educating the community about the medicinal, social, and economic benefits of cannabis in order to reduce social stigma surrounding the industry. Two individuals desired a responsible use program in schools that focuses on educating youth about the impact of cannabis on physical development. One individual expressed a desire to use the money to take care of the homeless, trim trees, and repair sidewalks.

Licensing & Eligibility

Several individuals desired that residents who were most affected by cannabis enforcement be given priority to ensure they were represented in the legal cannabis industry. Individuals also expressed concern about not being able to continue operating during the application process, which would hinder their ability to compete in the legal cannabis industry. One individual expressed an interest in learning more about how to be eligible under Tier 4 as Program community partner. Another individual desired consumers and patients to be included in the definition of a social equity applicant.

Financial Assistance

Two individuals indicated that access to capital is critical to ensuring that equity businesses are able participate in the legal cannabis industry. Three individuals noted that the large permitting and inspection fees would prevent equity applicants from entering the industry, and requested that these fees be waived or reduced.

Incubator Program

Ten individuals expressed interest in providing space or technical assistance to equity applicants through the incubator program.

Ownership Requirement

Two individuals expressed a desire to make the ownership requirement more flexible. However, three individuals emphasized the importance of maintaining the requirement at 51% ownership.

Residency Requirement

Two individuals expressed concern about the residency requirement due to gentrification. Their concern was that individuals who have been displaced would not be eligible for the Program, and individuals who recently moved into the area would be eligible. One individual provided support for the 5-year residency requirement. Another individual suggested an age consideration for applicants to ensure that young entrepreneurs could participate in the Program.

Police Involvement & Enforcement

Individuals desired that the LAPD's role in the licensing and enforcement process be deemphasized. Individuals also desired that LAPD officers be kept informed about current cannabis regulations to ensure that individuals in compliance are not impacted by cannabis enforcement.

Written Comments

- Individuals described the impact of cannabis enforcement on their lives and on the lives of youth.
- Concerns were expressed about the role of the LAPD in licensing and enforcement.
- Many comments related to cannabis zoning and licensing in the City were received.

Employment

An individual supported the inclusion of transitional workers as part of the workforce requirement.

Diversity

Four individuals expressed a desire to expand the definition of social equity applicant to include women, veterans, people of color and Latinos in particular.

Areas of Eligibility

One individual inquired as to why Venice is not eligible for the Program. Another individual desired population size to be accounted for in identifying police reporting districts that were subject to disproportionate cannabis enforcement.

Cannabis Regulation

Ten individuals provided comments related to the proposed Commercial Cannabis Activity Regulation Ordinance, and other local and State cannabis regulations. One individual noted that cottage-level licenses are necessary to ensure social equity in the legal cannabis industry. Another individual described the importance of issuing on-site consumption licenses. Three individuals expressed concern about the impacts of cannabis activities on sensitive uses, such as churches and schools. Two individuals expressed a desire to allow Neighborhood Councils to make changes to cannabis regulations. One individual desired leniency with property restrictions.

Three individuals had general questions regarding cannabis regulations. These included how many licenses would be given to each cannabis activity type, if an individual could obtain licenses for multiple cannabis activity types, if a workers permit would be required, and if an individual could obtain a license if they have a felony on their criminal record. Another individual inquired about what affect the State's decision to not issue medical licenses would have at a local level.

Disparities

Individuals described the impact of cannabis enforcement on their lives. A few individuals discussed the impact of cannabis enforcement on youth.

5.3 Survey

The survey was designed in order to gather background information about the individuals interested in the Program, and to better understand which types of assistance would be most helpful in reducing barriers to entry for the legal cannabis industry.

Program Components Ranked Most Helpful

1. Zero/low interest start up loan
2. Workforce requirement
3. Assistance with City/State law compliance

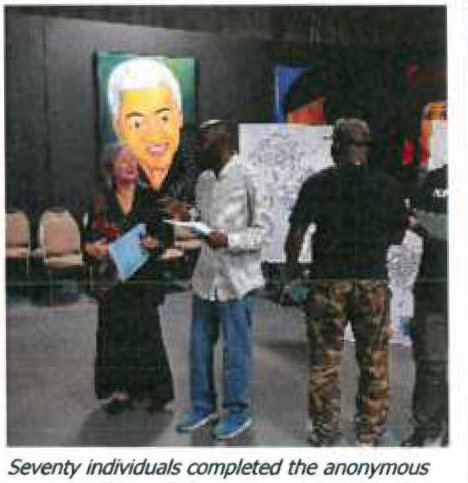
Types of Assistance Desired

Approximately 50 individual responses were gathered for this portion of the survey. The types of assistance provided by the draft Program were ranked from most helpful to least helpful, with 1 being the most helpful and 10 being the least helpful. These are as follows:

1. Zero or low interest start up loans
2. Workforce requirement having a diverse workforce & hiring individuals affected by cannabis enforcement
3. Compliance with City/State laws
4. Community reinvestment through cannabis education, treatment, intervention & prevention programs
5. Waived license & inspection fees
6. Expungement of cannabis crimes
7. Preparing license applications
8. Free rental space for 3 years provided by established cannabis businesses/incubators
9. Preparation of business plans
10. Job training for potential cannabis industry employees

Participation in Industry

Individuals were asked if they are part of the existing cannabis industry. Of the 72 respondents, approximately 49% of individuals are part of the existing industry, and 7% of individuals were part of the cannabis industry but are no longer active. These individuals were no longer active due to cannabis arrest, the potential for cannabis arrest, issues with ensuring compliance with City regulations, and inability to compete in the market due to lack of funding.



Seventy individuals completed the anonymous survey at the workshop. Approximately half were part of the existing cannabis industry. The majority of individuals were interested in participating in cultivation, followed by distribution, retail, and manufacturing.

Individuals were then asked what types of cannabis activities they engage in/want to engage in. There were 64 individuals who responded to this portion of the survey. There were a total of 117 responses as many individuals selected 2-3 types of activities they were interested in. The percentage of responses for each type of activity were similar across all activity types. However, the number of individuals interested in testing was considerably lower. The greatest number of people were interested in cultivation (23%) followed by distribution (20.5%), retail (17.9%), manufacturing (17.1%), other (14.5%), and testing (6.8%). Other activities individuals were interested in included security business, cannabis TV channel, accessories/ancillary business, and tourism.

Impact of Cannabis Enforcement

Individuals were given the opportunity to describe how cannabis enforcement has impacted them and their families. Their stories highlight the impacts of enforcement on the financial life outcomes of individuals, discriminatory enforcement practices, the inability to open a bank account to protect their profits and report

theft when it occurs, the social stigma surrounding participation in the cannabis industry, and how cannabis enforcement has divided families and led to the loss of loved ones.

Individuals were then asked whether they or an immediate family member has been arrested and/or convicted of a cannabis-related crime. Of the 72 respondents, approximately 20% have been arrested for a cannabis related crime, and approximately 15% have been convicted for a cannabis-related crime. Approximately 43% have had an immediate family member arrested for a cannabis-related crime, and approximately 35% have had an immediate family member convicted of a cannabis-related crime.

Demographics

Individuals were asked about the number of people in their household and their annual household income. Based on the 37 individuals who responded to this portion of the survey, the average annual household income was $72,378.38 and the average number of people in a household was 2.24 people.

Individuals were then asked to provide information about their race/ethnicity. There were 69 individuals who responded to this portion of the survey. Some individuals indicated multiple races/ethnicities. Thus, the total number of responses was 73. The majority of respondents indicated that they were Black/African American (45.2%), followed by Hispanic/Latino (16.4%), White not Hispanic or Latino (15.1%), other (8.2%), two or more races (5.5%), American Indian/Alaska Native (4.1%), did not wish to identify (4.1%), and Asian (1.4%). Individuals who selected other identified as Armenian, Persian, European American, and Moor.

6.0 RECOMMENDATIONS FOR THE CANNABIS SOCIAL EQUITY PROGRAM

Recommendations for the Cannabis Social Equity Program are intended to remove barriers and increase opportunities for members of disproportionately affected communities to enter the commercial cannabis industry. Selection and approval of these recommendations is subject to the discretion of the City Council. If approved, implementation and adaptation of approved Social Equity Program components would be under the direction of the Executive Director of the Department of Cannabis Regulations. All Program components must maintain consistency with the City's Commercial Cannabis Regulations Ordinance and all other applicable City and State laws.

6.1 Licensing Structure

Streamlining Development Permitting

This recommendation applies to Proposition M Priority Processing applicants, general applicants, and social equity program applicants. The current proposed Commercial Cannabis Regulation Ordinance requires that approval of a commercial cannabis permit be a discretionary action by the Department of Cannabis Regulation or the Cannabis Regulation Commission. However, public hearings for permit applications will only be required for retail licenses and non-retail licenses greater than 30,000 square feet in area. All other permit approvals would be authorized by the Director of the Cannabis Department and added to the agenda of the subsequent Cannabis Regulation Commission meeting for full approval without a public hearing. In order to simplify and streamline permitting and focus discretionary review, the complexities of conditions imposed on cannabis licenses should be simplified by adopting a set of clear and standardized development standards that can be tailored to individual licenses. These could build upon existing standard conditions of approval or mitigation measures employed by the planning department, public works and other city agencies. By adopting a suite of development standards, the Cannabis Commission may reduce the cost and time required of applicants to join the commercial cannabis industry. Department of Cannabis Regulation staff should work with staff from the Department of City Planning and relevant City agencies to create these development standards at the earliest possible time. Coordination should also occur with State agencies, such as the Regional Water Quality Control Board or other relevant State agencies to address agency concerns to the extent feasible and minimize the burden and overlap associated with State regulations and conditions. Example development standards would include:

Licensing Recommendations

- Limit discretionary review through streamlined development standards
- Limit number of licenses per business
- Issue provisional licenses to compliant businesses

- Limited square footage dependent upon proposed commercial cannabis use
- Standards for lighting and security plans
- Standards for irrigation, water usage and runoff control
- Standards for ventilation and odor control
- Clear exterior signage standards
- Standards for protection of historic structures - no allowance for exterior alterations or interior character alterations to potentially historic structures
- Compliance with standard conditions of permit approval including, but not limited to
    - Complete submittal of relevant State plan requirements including Cultivation and Manufacturing Plans
    - Limited hours of operation as specified by City ordinance when adopted
    - Limited numbers of employees permitted to be on-site at any given time

Individual Business License Limit

In order to limit monopolization, the Program should include a limit on the number a licenses a single cannabis business can have. The City should determine the appropriate license limit, though it is recommended that businesses should be allowed to obtain multiple licenses. Proposition D applicants, general applicants, and

social equity applicants should all be subject to the same license limits. Licenses should be monitored and tracked by the Department of Cannabis Regulation to ensure that businesses do not exceed license limits.

Provisional Licensing

In order to ensure equitable participation by social equity applicants, temporary/conditional approval of licenses should be provided to those equity applicants who do not yet have real estate. In addition, existing cannabis businesses that are not eligible for Proposition M Priority Processing, including cultivators and manufacturers, should be given some form of provisional license or limited immunity that provides either authorization or limited protection from local enforcement. This provisional license or limited immunity should be limited to businesses that both offer qualifying support to the Social Equity Program and demonstrate compliance with the proposed Commercial Cannabis Activity Regulation Ordinance and Commercial Cannabis Activity Location Restriction Ordinances This would reduce the risk of closure due to cannabis enforcement during the period of time these businesses are waiting for their application to be processed, inspections to be completed, and their license to be issued. As part of the permit process to convert the provisional permits to full permits issued by the Department of Cannabis Regulation, these businesses should participate in the Cannabis Social Equity Program as an incubator partner, business mentor/trainer, or financial contributor supporting the Program or an enhanced community benefit agreement. This would maintain the cannabis supply chain to Proposition M Priority Processing eligible retailers while implementing the Program as quickly as possible, and in turn, prevent widening equity gaps that would potentially result from allowing nonconforming businesses that have avoided enforcement to unimpeded continuous operations.

Equity Applicant Participation Ratio

Equity Participation Ratio
One (1) equity applicant to every
One (1) general applicant starting in
Window 2

The current revised draft requirements for commercial cannabis activity as of September 22, 2017, include two permit processing windows for applicants: Proposition M Priority Processing (Window 1) and concurrent Social Equity Program Processing and General Processing (Window 2). To ensure equitable participation in the cannabis industry, after the processing of Proposition M eligible applicants and any other processing and provisional licensing structure supporting equity, licenses should be given to one (1) social equity applicant for every one (1) general applicant. Thus, social equity applicants would comprise of half of the licenses given once the social equity program and general processing began and would continue in this manner for the life of the Program.

6.2 Social Equity Program Staffing and Support

To be effective, the City's Cannabis Social Equity Program will require a mix of "in house" City staff resources supported by consultants as needed. The exact balance between use of existing City staff, new positions created for this Program, and outside consultants is a City policy decision. Use of existing City staff or new hires has the advantage of using in house employees who are familiar with City organization, key contacts, processes, and are dedicated to Program success. However, use of City staff, particularly new hires, represents a long-term financial commitment by the City as opposed to the short-term financial commitment of hiring outside consultants. Cannabis tax revenues are the presumed source of funding for staff and consultants.

However, it is currently not clear what the long-term workload of all staff would be after an initial 1- to 3-year rush setting up the Program, what the long-term cannabis tax revenue would be for the City, and what would be the other potential demands on commercial cannabis activity tax revenue.

The City and Department of Cannabis Regulation faces a challenge in accommodating a surge in anticipated cannabis license applications. Based on available projections, more than 10,000 cannabis license applications are expected[1] and processing such applications will require substantial effort. The Department of Cannabis Regulation will require additional staffing and/or consultant support to provide discretionary review of license applications, conduct inspections, and implement the Social Equity Program. While the potential exists for the loan of staff from other City departments, such staff are already subscribed with existing workloads and such loan could adversely impact other City priorities. Therefore, efficient administration of both the overall cannabis licensing and social equity programs will require adequate staffing and/or consultant support of the Department of Cannabis Regulation to fulfill these functions.

Executive Director of the Department of Cannabis Regulation

It is recommended that the Executive Director oversee the development and implementation of the Cannabis Social Equity Program. The Executive Director should be responsible for providing regulator reporting to the City Council on the monitoring and evaluation of the Program.

Social Equity Program Coordinator

It is recommended that a Cannabis Social Equity Program Coordinator oversee Program implementation under the direction of the Executive Director. The coordinator would manage staff, interface with the public, and be responsible for managing Program funds.

Social equity applicants entering the application and licensing process will likely require assistance with this process. Such assistance could be provided by third party consultants, as was done in Oakland during the initial application rush in the first 1-3 years of the Program. Use of a consultant may minimize long term City staffing commitments until overall long-term workload can be ascertained. Alternately, a dedicated full-time equity ombudsperson could be hired within the Department of Cannabis Regulation to assist social equity applicants with application completion. The consultant or ombudsperson would provide applicants with a checklist of the City departments they must coordinate with to meet City requirements, as well as provide them with the contact person in each of those departments and provide technical support in their application process.

[1] The County of Santa Barbara expects 1,900 cannabis license applicants. Based on the population size of the City of Los Angeles, approximately 10,000 cannabis license applications are expected.

Licensing and Compliance Assistance

Additional staffing is needed to process the initial influx of licenses for general applicants and social equity applicants. Furthermore, social equity applicants will require mentoring and guidance to navigate City regulations, licensing, and compliance starting in Window 1, the beginning of the Cannabis Licensing Program, and throughout the life of the Program. These functions could be provided by senior City planner(s) and associate planner(s) and/or third party consultants.

Proposed Department of Cannabis Regulation Structure

- Executive Director: oversees creation and implementation of Cannabis Social Equity Program
- Cannabis Social Equity Program Coordinator: supplies standardized forms and assists in application completion & direction to other departments
- Licensing and Compliance Staff: license processing, licensing & compliance assistance, conduct inspections
- Education and Outreach Staff: technical assistance, outreach program, community reinvestment program
- Monitoring and Management: adapt program to ensure its success
- Third party consultants: provide support as needed to Executive Director and staff

There will also be demand for staff and/or consultant support for conducting inspections of social equity businesses to ensure compliance with City regulations and the conditions of individual licenses. Such inspections overlap between the responsibilities of the Cannabis Social Equity Program and the overall Cannabis Regulation Ordinance implementation. The City has the ability and has been considering hiring new LAPD officers to conduct these inspections. LAPD-conducted inspections are approximately twice as expensive as civilian inspections. To account for this expense, a proposal was made to begin licensing fees for cannabis businesses at approximately $25,000 per license. Furthermore, given the long history of interaction with law enforcement, it is likely that cannabis business owners and employees will feel more comfortable and willing to participate in the Program if employees of the Department of Cannabis Regulation were to conduct the inspections rather than employees from a law enforcement department. For these reasons, it would seem most beneficial for the Program to use employees of the Department of Cannabis Regulation to conduct inspections rather than the LAPD. This function could be provided by building and grading inspector(s) as well as emergency service and public utilities specialist(s) and/or third party consultants within the Department of Cannabis Regulation who are capable of conducting the inspections. If this recommendation is not selected, an alternative recommendation is that LAPD officers should be required to wear civilian clothing when conducting inspections.

Education and Outreach Assistance

Education and outreach assistance could be provided by senior City planner(s) and associate City planner(s), additional positions with the Department of Cannabis Regulation and/or third party consultants. Education and outreach staff would develop and implement an outreach program that is recommended to start in Window 1 and continue throughout the life of the Program in order to ensure prospective social equity and incubator applicants are aware of the Program and its potential benefits. One aspect of the outreach program should be to work with youth and use education and outreach to build trust between disproportionately impacted communities and law enforcement offices. Staff should host informational public workshops about the Program in the Program's eligible districts. Additionally, staff should host networking events for potential incubator applicants and property-seeking equity applicants, as well as employers and potential employees. Technical assistance should be provided in the form of educational workshops and seminars regarding how

to plan and operate a cannabis business in the City, how to comply with existing regulations, and how to apply for City and state licenses. Education and outreach staff should also help implement the educational programs described below as part of the Community Reinvestment Program.

The education and outreach staff should also direct social equity applicants to existing City resources that provide financial and technical assistance such as the EWDD's Small Business Loan Program, EWDD-funded BusinessSource Centers, and LADWP's programs and incentives (discussed in section 4.2). They should also work with the EWDD and the Mayor's Office of Reentry to host trainings and workshops for potential employees. The staff should start providing assistance in Window 2 and continue to do so through the life of the Program. Any education and outreach strategies should be multilingual.

Monitoring and Adaptive Management Assistance

In order to ensure the long-term success of the Program, Department of Cannabis Regulation staff should collect Program-specific information, including but not limited to participation ratios of general and equity applicants, the percentage of property-seeking equity applicants with incubator partners, and industry comments pertaining to the Program. Based on the information collected by staff, the staff should determine how to adjust the components of the Program to ensure that Program goals are met. Department staff should also be responsible for continuing to engage community members in the development and implementation of new cannabis policies, assessing cannabis social equity, assessing and adapting the development standards, as well as updating the low-income thresholds annually. This assistance could be provided by third party consultants and/or senior City planner(s) or associate City planner(s) within the Department of Cannabis Regulation.

Third Party Consultants

As discussed above, third party consultants may be required to assist Department of Cannabis Regulation staff with Program implementation and licensing. Consultants should be hired to provide support for staff or to perform functions that are more short term in nature when needed, thereby providing flexibility when workloads are high, such as at Program initiation, but hiring another permanent staff member is not necessary to complete the task. Use of consultants in conjunction with limited initial hiring may permit the City to more accurately gauge the long-term workload prior to committing to expensive permanent hires.

Additional Staffing Needs

The Department of Cannabis Regulation will also need to perform taxation/financial analysis to ensure that cannabis taxes are properly allocated and Program funds are properly managed. It is recommended that financial analyst(s) are hired within the Department of Cannabis Regulation to fulfill this role.

6.3 Definition of Social Equity Applicant

Eligibility Criteria

Four tiers of applicants are proposed to be eligible for the Cannabis Social Equity Program. It is recommended that individuals must meet one of the following criteria.

Eligibility Tiers

1. Low income resident of City & prior cannabis conviction in CA
2. Low income resident of City & immediate family member with prior cannabis conviction in CA
3. Low income resident of City & live in eligible police reporting districts
4. Cannabis Social Equity Supporting Applicant (e.g., Incubator program partner)

1. Are low income residents of the City of Los Angeles, with a prior cannabis conviction in the State of California. These Tier 1 applicants should have access to all Cannabis Social Equity Programs services and resources including priority processing, licensing assistance, business training, fee waivers, access to the Social Equity Industry Loan Program and access to the Social Equity Program Industry Partnership Program.
2. Are low income residents of the City of Los Angeles, with an immediate family member previously convicted of a cannabis-related crime in the State of California. In addition to any Cannabis Social Equity Program services and resources approved by the Department of Cannabis Regulation, Tier 2 applicants should have access to priority processing, licensing assistance, and business training and fee waiver.
3. Are low income residents of City of Los Angeles, who live or have previously lived in eligible disproportionately impacted districts. In addition to any Social Equity Program services and resources approved by the Department of Cannabis Regulation, Tier 3 applicants should have access to priority processing, licensing assistance, and business training and fee deferral.
4. Are a Cannabis Social Equity Supporting Applicant- By providing qualifying support to the Social Equity Program. In addition to any Social Equity Program services and resources approved by the Department of Cannabis Regulation, Tier 4 applicants should have access to priority processing, licensing assistance and business training. Tier 4 applicants would potentially include market-rate applicants that provide space, capital or other means of support to a Program participant and those who do not have sufficient floor space or eligible zoning to provide on-site support to a Program partner under the incubator partner program. In lieu of a direct incubator program partnership with a Program, potential Tier 4 applicants could provide business mentoring, training workshops, other non-financial contributions to Program applicants or make direct financial contributions to the Community Reinvestment or Industry Ownership Funds. Inclusion of Tier 4 applicants would be at the discretion of the Executive Director of the Department of Cannabis Regulation and the Cannabis Regulation Commission.

Program resources should be tiered based on which eligibility criteria are met (as described above). In order to accommodate a constantly evolving regulatory framework, Cannabis Social Equity Program Applicant Eligibility should be flexible and at the discretion of the Department of Cannabis Regulation. In addition to meeting one of the above criteria, it is recommended that individuals must also meet residency and ownership requirements (subsequently defined). The onus should be on the applicants to prove that they meet all requirements and applicable eligibility criteria. It should be noted that conviction records more than 20 years old may be difficult to prove. However, the onus should still be on the applicant to prove conviction if applying under Tier 1 or Tier 2

Definition of Low Income

Low income should be defined as having a household income at or below 80% of the County's average median income. The threshold is based on 2017 HCD criteria, which changes annually. Therefore, Program staff will need to update income thresholds each year. HCD defines the 2017 Los Angeles County low income level as a household annual income of $72,100 for a household of four, very low income as $45,050, and extremely low income as $27,050 (California Department of Housing and Community Development 2017). HCD also defines the 2017 Los Angeles County low income level for households of 1 to 8 people, which can be found in their "State Income Limits for 2017" report (California Department of Housing and Community Development 2017).

Definitions

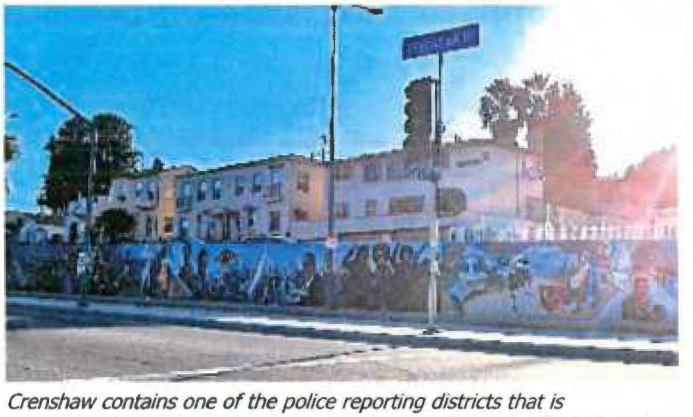
- Low income: at or less than 80% of County's average median income
- Residency: live in City for at least 5 accumulative years, some flexibility possible
- Ownership: 51% ownership or majority of board of directors
- Disproportionately impacted districts: police reporting districts with a disproportionate number of cannabis-related arrests & high percentage of low income households

Disproportionately Impacted Districts

Disproportionately impacted districts are police reporting districts that had a disproportionate number of cannabis-related arrests and high percentage of low income households as compared to the Citywide average. Police reporting districts recommended to be eligible for the Program include those described in section 3.6 Table 4 (Most Restrictive Option) and Table 5 (More Inclusive Option). Final determination of eligible police reporting districts and communities is at the discretion of the City Council. It should be noted that social equity businesses would not be limited to locating within these eligible disproportionately impacted police reporting districts. They would be able to locate their businesses in any eligible area in the City under the Commercial Cannabis Activity Location Restriction Ordinance.

Residency Requirement

The length of the residency requirement recommended was selected to enable young entrepreneurs and individuals who have been displaced by gentrification to participate in the Program. To participate in the Program, individuals should have resided in the City (or eligible districts if applying under eligibility criteria #3) for no less than 5 accumulative years. To provide the flexibility needed to ensure that young entrepreneurs and displaced individuals can participate, only 70% of applicants should have to meet the residency requirement. It should be at the discretion of the Department of Cannabis Regulation to determine which of the social equity applicants should have to meet the residency requirement. Analysis of potential legal concerns regarding a residency requirement will need to be



Crenshaw contains one of the police reporting districts that is recommended to be eligible to receive the benefits of the City's Cannabis Social Equity Program. This area had a disproportionate number of cannabis-related arrests and has a greater percentage of low income households than the Citywide average.

performed if the City determines it appropriate to exclude non-City of Los Angeles residents from Program eligibility.

Ownership Requirement

The social equity applicant should have at least 51% ownership in the business or the majority of the board of directors to participate in the Program. The equity applicant should maintain 51% ownership of the business while it is receiving Program benefits. It should be at the discretion of the Department of Cannabis Regulation to determine whether a business can still receive Program benefits after a change of ownership.

Criminal Record

Under Proposition 64, no applicant can be denied a license to own or operate a cannabis business solely because of prior drug conviction. However, Proposition 64 allows but does not require denial of licenses to applicants who have a violent felony conviction, a serious felony conviction, a felony conviction for drug trafficking with enhancements, a felony conviction involving fraud, embezzlement, and deceit. Proposition 64 also allows but does not require denial of licenses to applicants who have a felony conviction for hiring, employing, or using a minor in transporting, carrying, selling, giving away, preparing for sale, or peddling, any controlled substance to a minor; or selling, offering to sell, furnishing, offering to furnish, administering, or giving any controlled substance to a minor.

Due to Proposition 64, it is recommended that no applicants be denied a license solely because of prior cannabis or other drug conviction. Criteria for City denial of a cannabis license due to felony or other serious crimes should be no more restrictive than the criteria for State denial of a cannabis license. Individuals applying as a social equity applicant because their immediate family member has had prior cannabis conviction (Tier 2) should not be considered to meet Tier 2 eligibility if that immediate family member also has record of felony and other serious crimes that meet the criteria for City denial of a cannabis license.

6.4 Proposed Program Components

The proposed Program components are intended to promote equitable ownership and employment opportunities in the commercial cannabis industry to decrease disparities in life outcomes for marginalized communities and to address disproportionate impacts of past cannabis enforcement in those communities. Program resources and opportunities pertaining to cannabis businesses are intended to help social equity applicants establish their businesses and should be made available upon license issuance. If, over time, a social equity applicant no longer meets the eligibility criteria under the Program (e.g., is no longer considered to be low income), the Department of Cannabis Regulation should determine if the applicant is still eligible to receive Program benefits based on identified income criteria. Successful future cannabis entrepreneurs who entered the business under the social equity program should no longer receiver support when they are financially independent and successful. The Department of Cannabis Regulation should also be permitted flexibility to manage and adapt the Program as necessary within the overall adopted City Program framework in order to meet Program goals. If, based on data collected, the Department of Cannabis Regulation believes equity businesses need continued assistance it should be at the Department's discretion to provide this assistance. Such Program adjustments and actions should be reported back to the City Council as appropriate (e.g., during budget deliberations).

Waived Fees for Social Equity Applicants

Permitting and inspection fees required by various City agencies, such as the Department of Building and Safety, represent a barrier to entry for social equity applicants. Fees should be waived (Tier 1 & Tier 2) or deferred (Tier 3) for social equity applicants beginning in Window 2 and continuing through the life of the Program. The Department of Cannabis Regulation should coordinate with City agencies whose permitting and inspection fees would be deferred for social equity applicants to allocate funds to these agencies from potential commercial cannabis activity tax revenues.

Workforce Requirement

All cannabis-related businesses permitted outside of Window 1 should be required to submit a signed affidavit committing to ensure that their employees are paid a living wage and that 50% of their workforce is comprised of residents from eligible districts, individuals who have been arrested and convicted of a cannabis crime in the City and their immediate family members, and individuals who are classified as low income in the City. This workforce requirement should begin in Window 2 and continue through the life of the Program. Depending on City Council determination of compliance for Window 1 Measure M applicants (i.e., existing dispensaries), all Window 1 applicants could be required to adhere to the 50% workforce requirements for future new hires. Failure to meet this requirement within 2 years of starting their cannabis business should result in license revocation.

Workforce Recommendations

- Requirement: 50% are residents of eligible districts, individuals convicted of a cannabis-related crime & their immediate family members
- Diversity plan: promote & ensure ownership, management, employment, and contracting of women, veterans, individuals with disabilities, members of the LGBTQ+ community

In addition, all cannabis-related businesses should be required to submit a diversity plan along with its application. The diversity plan should promote and ensure the ownership, management, employment, and contracting of individuals from diverse backgrounds including women, veterans, individuals with disabilities, and individuals who are part of the LGBTQ+ community.

To protect workers' welfare, all businesses that employ 20 or more people must have a labor peace agreement. Funds will be given to the Division of Labor Standards and the California Occupational Safety and Health Act (Cal OSHA) to enforce labor laws and protect worker safety. Cannabis businesses that fail to meet these labor laws and safety provisions will risk losing their license.

Incubator/Pilot or Industry Partner Program

To increase access to real estate, an incubator program should be developed and implemented. To ensure that general applicants, such as storefront retailers or microbusinesses who by the nature of their business would have little square footage available, can participate in the Program, the incubator program should be flexible. General applicants who have a large amount of square footage available, such as cultivators or manufacturers, should provide social equity applicants with a minimum of 1,000 sf or 10% of space for free for at least 3 years, including the prorated payment of utilities, as determined appropriate by the Department of Cannabis Regulation. General applicants without sufficient 1,000 sf of space to supply a social equity applicant should provide social equity applicants with business mentoring, technical assistance, hard capital (e.g., equipment), an enhanced community benefit agreement, and sponsor Department of Cannabis Regulation workshops. The Department of Cannabis Regulation's education and outreach staff or third party consultant should host workshops and networking events to assist the general and social equity applicants create partnerships.

Incubator Type 1

- 1,000 square feet of free space provided to equity applicants OR business mentoring, technical assistance & hard capital
- Participating general & equity applicants receive tax rebate after 3 years of partnership

One incentive of this partnership is that general applicants would be able to apply for a license under Tier 4. Thus, they would be able to receive social equity priority and designated processing, and would be more likely to quickly secure their license. To incentivize the longevity of this partnership, both parties should be eligible for a tax rebate after 3 years of partnership. The tax rebate amount should be large enough to incentivize general applicants to participate in the industry partner program. If the social equity partner goes out of business, it should be required that the general applicant identify a new social equity partner in order to receive the tax rebate. Ongoing monitoring of paired industry partners should continue on an annual basis to confirm that both partners remain in business and are fulfilling their agreement. If Department of Cannabis Regulation monitoring staff determine that the tax rebate program did not incentivize enough general applicants to participate, another option would be to give general applicants an interim permit and put them on probation until they find an equity partner. This would ensure that the 1:1 ratio of general applicants to equity applicants is maintained during the life of the Social Equity Program.

Incubator Type 2

- Landlords with unlicensed cannabis businesses on their property are subject to fees for illegal operation
- City will waive fees if landlord gives equity applicant free rent for 3 years

Current landlords of cannabis businesses should also be encouraged to act as incubators. The Department of Cannabis Regulation should contact certain qualifying landlords that currently host unlicensed cannabis businesses on their property and notify them that the City will waive the fees they would incur for their illegal operation if they allow a portion of their property to be used by social equity applicants. This would ensure that the landlord has an authorized tenant, existing businesses are licensed, and social equity applicants have access to real estate.

All incubators providing real estate would be subject to the Commercial Cannabis Activity Location Restriction Ordinance. For example, a general applicant who has a retail business with onsite sales could not operate in the same space as an equity applicant who has a retail business with onsite sales because of the Ordinance's sensitive use requirement.

Applicable City Property Available For Social Equity Cannabis Businesses

Lack of access to real estate is a significant barrier for social equity applicants. The City should conduct an inventory of vacant, City-owned property that is suitable for affordable housing but is appropriately zoned for commercial cannabis. Of these properties, the City should select those that are ineligible for affordable housing and make them available for social equity cannabis businesses for free or reduced rent for the first 3 years after the social equity applicant starts their business. Before adopting this Program component, the City should consider any legal or other issues of acting as landlord to cannabis businesses when cannabis remains illegal at the federal level.

Technical Assistance Program

As aforementioned, the Department of Cannabis Regulation staff should provide technical assistance to social equity applicants. They should guide and mentor social equity applicants with completing applications, achieving compliance with City regulations, as well as partner with other City departments and programs to provide assistance with business planning, financing, and employee training. Funding for the technical assistance program should come from cannabis tax revenue.

Community Reinvestment Program

A Cannabis Social Equity Program Community Reinvestment Fund and Program should be developed and implemented to acknowledge and reinvest in communities that were disproportionately affected by cannabis enforcement. Cannabis tax revenue should be set aside for the program. Community members should be able to participate in the development of how Community Reinvestment Program funds are allocated. This program should be centered on providing resources for community beautification, youth prevention, drug treatment, education, housing, employment, re-entry and other social services. Education programs related to cannabis should be conducted in coordination with educational efforts at the State and County level. The Department of Cannabis Regulation should implement and monitor the community reinvestment program.

Community Reinvestment

- Community beautification
- Youth prevention
- Drug treatment
- Education
- Housing
- Employment
- Re-entry

Expungement of Cannabis-Related Criminal Records

Expungement events should be conducted to assist community members previously convicted of cannabis-related offenses. Events should occur in the eligible districts identified as having a disproportionate number of cannabis-related arrests and percentage of low income households in this study. One expungement event should occur per month for the first 6 months of licensure in Window 2. The events could be coordinated by the Department of Cannabis Regulation, The Mayor's Office of Reentry, Loyola Marymount Law School City Public Defenders Office, Los Angeles County Public Defender's Office, and appropriate non-governmental and community-based organizations. Expungement events should be conducted in accordance with Proposition 64 and other applicable laws. Funding for the events should be acquired from commercial cannabis activity tax revenue.

Social Equity Program Industry Ownership Investment Program and Fund

Start-up costs represent one of the principal economic barriers to social equity applicants entering the legal cannabis industry. A City-managed fund should be created to provided zero (or low) interest business loans for social equity applicants seeking to start new cannabis businesses within the City. The loan program should be funded by a 1% service fee paid by licensees beginning in 2018 or from ongoing City cannabis tax revenues.

Estimated Social Equity Program Budget

The above recommended Cannabis Social Equity Program initiatives will require funding proposed to be derived from City tax revenues from cannabis related businesses taken in by the Department of Cannabis Regulation and the Office of Finance. The City Controller estimates the City could be entitled to collect at least $50,000,000 dollars from retail sales alone in 2018, or $250,000,000 over the next 5 years. This estimate is based on City tax rates for commercial cannabis sales ($100 per $1,000 of gross receipts) and medical cannabis sales ($50 per $1,000 of gross receipts). However, this estimate does not include City tax revenue collected from cultivation and manufacturing ($20 per each $1,000 of gross receipts) and transportation, testing, or research ($10 per each $1,000 of gross receipts) that will expand as the commercial cannabis supply chain coalesces.

Costs for implementation of all initiatives of the proposed Cannabis Social Equity Program are estimated to cost $22 million per year or $110 million for the first 5 years of the Program. This reflects a front-loading of start-up costs for Program initiatives such as the Community Reinvestment and Industry Ownership Investment Fund Programs. Estimated costs of select, specific Program initiatives are listed below:

- Community Reinvestment Program: Allocate 20% of City cannabis tax revenues based on economic impacts to Social Equity Program communities
  - Estimated Cost: **$10,000,000** per year ($50,000,000 for first 5 years)
- Industry Ownership Investment Program and Fund: This fund is anticipated to include City and private investment from non-Social Equity Program cannabis businesses that are seeking to assist Program-eligible cannabis businesses
  - Estimated Cost: **$6,000,000 per year** ($30,000,000 for the first 5 years)
- Waived/Deferred Fees for Social Equity Businesses: Fee waivers for initial application processing and compliance processing overtime
  - Estimated Cost: **$5,000,000** per year ($25,000,000 for first 5 years) assuming 1,000 Social Equity Program businesses at a fee cost of $25,000 per business
- Live Scan Processing Assistance: Funds allocated to assist Social Equity Program-eligible businesses and employees with Live Scan process
  - Estimated Cost: **$300,000 per year** ($1,500,000 for first 5 years) assuming $75 per Live Scan for 20,000 individuals over 5 years
- Expungement Assistance: In order to provide legal clinics and attorneys to assist community members in expunging cannabis convictions from their records
  - Estimated Cost: **$15,000 per year** ($75,000 for first 5 years) assuming 10 legal clinics per year staffed by 10 attorneys per six-hour event
- Business and Compliance Training: Initial development of training materials and training events to potentially be supplied by a third-party consultant
  - Estimated Cost: **$500,000** for first year of development and implementation

- Social Equity Program Outreach: Develop and provide community outreach strategy to ensure sustainable involvement with and implementation of the Program to potentially be supplied by a third-party consultant
  - Estimated Cost: **$500,000** for first year of development and implementation

6.5 Diversity Program

Diversity and social equity are not the same, but both are important. The goal of the Cannabis Social Equity Program is to serve low income individuals who were disproportionately affected by cannabis enforcement, and it is outside the intent of the Program to address diversity. At the public workshop, many individuals desired the creation of a diversity program in addition to the creation of the Cannabis Social Equity Program. Due to Proposition 209, eligibility criteria for a government program cannot be based on race, sex, color, ethnicity, or national origin. Thus, a cannabis diversity program could not give priority to people of color or women as requested by numerous participants in the Public Workshop. To address public concern while abiding by Proposition 209, it is recommended that the City develop a diversity program to ensure veterans, individuals with disabilities, individuals who are part of the LGBTQ+ community, and other populations as deemed appropriate have the opportunity to participate in the commercial cannabis industry.

Diversity

- Public expressed the need to address diversity in the cannabis industry
- Development of a diversity program is recommended

An analysis should be conducted that is similar to the social equity analysis described in this report. Based on that analysis, diversity program components should be recommended. It is possible that there are components of the social equity program, which are appropriate to recommend for the diversity program. However, without formal analysis, it is unclear which, if any, social equity program components should be recommended for inclusion in the diversity program.

6.6 Summary of Recommended Social Equity Program Components

Table 7 provides a summary of the recommended Social Equity Program components, the social equity benefit associated with each of these implementation components, as well as how the recommended components could be funded and when they could be implemented. This implementation program would serve to recognize social equity and justice as a part of proposed cannabis policies, and related development, permitting, and enforcement programs. Development and monitoring of the overall cannabis regulation program could sustain this Social Equity Goal given the interrelationship with program actions and effects upon housing, education, employment, community quality of life, and life outcomes for the social equity population. The Cannabis Social Equity Program would respond to a recognition of a new direction of compliance based on newly adopted State and City regulations, supportive of reforms to enforcement that serve to denounce population disparities and form a healthier and more transparent relationship with the City's cannabis social equity population as well as the City's cannabis related industry.

Table 7. Summary of Recommended Cannabis Social Equity Program Components

Recommendation Title	Description	Social Equity Benefit	Implementation/ Timing
Licensing Structure			
Streamlining Development Standards	The Cannabis Commission should adopt development standards for commercial cannabis applicants and defer a limited number of social equity applicants from the Commission to a Director-level decision.	Limits discretionary review, which can be time consuming and expensive for social equity applicants.	Streamlining development standards should be implemented at the start of cannabis licensing.
Individual Business License Limit	City should determine the appropriate limit for the number of cannabis activity licenses per business.	Limit monopolization.	Begin in Window 1
Provisional Licensing	Temporary/conditional approval given to equity applicants that do not yet have real estate. Provisional license or limited immunity given to cannabis businesses that are not eligible for Proposition M Priority Processing that both offer qualifying support to the Program and demonstrate compliance with proposed Commercial Cannabis Activity Regulation and Commercial Cannabis Activity Location Restriction Ordinances.	Maintain cannabis supply chain to Proposition M Priority Processing retailers while implementing the Program as quickly as possible, preventing widening equity gaps.	Begin in Window 2. To be offered to businesses while they wait for their application to be processed, inspections to be completed, and their license to be issued.
Equity Applicant Participation Ratio	Once Window 2 opens, licenses should be given to 1 social equity applicant for every 1 general applicant who receives a license.	Ensure equitable participation in the cannabis industry.	When Window 2 opens through the life of the program.
Department of Cannabis Regulation Expansion			
Executive Director	Oversees creation and implementation of Cannabis Social Equity Program	Ensure Program is created to provide its planned benefit	Begin prior to Window 1
Cannabis Social Equity Program Coordinator	Oversee Program implementation, manage staff, interface with the public, and manage Program funds. Assist social equity applicants with completing applications and direct them to department staff that will help them meet City requirements.	Ensure that the Program runs smoothly. Assisting equity applicants through the permitting process of various departments will help these businesses achieve compliance when hiring permitting professionals is not financially feasible.	Begin in Window 1 and continue through the life of the Program.
Licensing and Compliance	Provide technical assistance to social equity applicants to ensure compliance with City regulations, process licensing applications, and perform inspections. If this recommendation is not selected, LAPD officers should be required to wear civilian clothing when conducting inspections.	Ensure social equity applicants are in compliance with City regulations and make applicants feel more comfortable during inspections.	Begin in Window 1 and continue through the life of the Program.

Table 7. Summary of Recommended Cannabis Social Equity Program Components (Continued)

Recommendation Title	Description	Social Equity Benefit	Implementation/ Timing
Education and Outreach	Develop and implement an outreach program, help implement the educational programs that are part of the Community Reinvestment Program, direct social equity applicants to existing City resources, host trainings and workshops for potential employees, host informational workshops about the Program, host networking events for potential incubators and property-seeking social equity applicants as well as employers and potential employees. They will also provide educational workshops regarding how to plan and operate a cannabis business in the City, how to comply with existing regulations, and how to apply for state and City licenses.	Ensure social equity applicants and potential employees have the technical assistance necessary to participate in the cannabis industry, and ensure that districts disproportionately affected by cannabis enforcement receive educational benefits from the Program.	Begin in Window 1 and continue through the life of the Program.
Monitoring and Adaptive Management	Based on program-specific information, monitoring staff should determine how to adjust Program components to ensure the Program's success. They will also be responsible for engaging community members in the development and implementation of new cannabis policies, assessing cannabis social equity, assessing and adapting development standards, and updating low-income thresholds annually.	Ensure the Program's goals are met.	Begin in Window 1 and continue through the life of the Program.
Third Party Consultants	Assist Department of Cannabis Regulation staff with Program implementation and licensure when needed.	Ensure the Department of Cannabis Regulation has adequate staff to provide support when permanent staff is not required to complete the task.	Begin in Window 1 and continue through the life of the Program.
Additional Staffing Needs	Perform taxation/financial analysis to ensure that cannabis taxes are properly allocated and Program funds are properly managed.	Ensure proper management of cannabis activity tax revenue and Program funds.	Begin in Window 1 and continue through the life of the Program.
Definition of Social Equity Applicant			
Eligibility Criteria	Four-tiered structure for social equity applicants who have experienced differing levels of impact through cannabis enforcement and would have differing levels of services available to them	Ensures that Program's goal of serving individuals and communities that were disproportionately harmed by cannabis enforcement.	Begin in Window 2 and continue through the life of the Program.
Definition of Low Income	At or below 80% of County's average median income as defined by the California Department of Housing and Community Development.	Ensures that individuals who have access to capital are excluded from receiving the financial benefits of the Program.	Begin in Window 2 and continue through the life of the Program.
Definition of Disproportionately Impacted Districts	Eligible police reporting districts that had a disproportionate number of cannabis-related arrests and high percentage of low	Ensures that communities that were disproportionately harmed by cannabis	Begin in Window 2 and continue through the life of the Program.

Table 7. Summary of Recommended Cannabis Social Equity Program Components (Continued)

Recommendation Title	Description	Social Equity Benefit	Implementation/ Timing
	income households as compared to the Citywide average.	enforcement can participate in the Program.	
Residency Requirement	Have resided in the City for no less than 5 accumulative years. Only 70% of applicants will have to meet the residency requirement. It is up to the discretion of the Department of Cannabis Regulation to determine which applicants will have to meet the residency requirement.	The Program is designed to help those who faced disproportionate cannabis enforcement in the City. This ensures that only those in the City receive the Program's benefits. The flexible requirement ensures that young entrepreneurs and those who were displaced by gentrification can participate in the Program.	Begin in Window 2 and continue through the life of the Program.
Ownership Requirement	Social equity applicants must have at least 51% ownership in the business or the majority of the board of directors.	Ensures that social equity applicants will receive the benefits of the Program and that applicants do not simply have a "token" equity member on their board of directors.	Begin in Window 2 and continue through the life of the Program.
Criminal Record	Under Proposition 64, no applicants can be denied a license solely because of prior cannabis or other drug conviction. Criteria for City denial of a cannabis license due to felony or other serious crimes should be no more restrictive than the criteria for State denial of a cannabis license.	Ensures that prior cannabis-related conviction does not exclude individuals from participating in the Program.	Begin in Window 2 and continue through the life of the Program.
Program Components			
Waived Fees for Social Equity Applicants	Permitting and inspection fees required by various City agencies to set up and begin a cannabis-related business should be waived (Tier 1 & Tier 2) or deferred (Tier 3) for social equity applicants	Permitting and inspection costs represent a significant barrier to entry for social equity applicants given the high startup costs for new businesses. Waiving fees to be paid various City agencies would reduce startup cost-related barriers to entry for social equity applicants.	Begin Window 2, continue through life of Program
Workforce Requirement	All cannabis-related businesses, permitted outside of Window 1, will be required to submit a signed affidavit committing to ensure that their employees are paid a living wage and that 50% of their workforce is composed of residents of defined social equity communities, individuals who have been arrested and convicted of a cannabis crime in the City and their immediate family members, and	Providing additional employment opportunities to social equity community members would provide incremental progress towards addressing economic barriers to community engagement in cannabis industry. The diversity plan would	Begin Window 2, continue through life of Program

Table 7. Summary of Recommended Cannabis Social Equity Program Components (Continued)

Recommendation Title	Description	Social Equity Benefit	Implementation/ Timing
	individuals who are classified as low income in the City. Failure to meet this requirement within 2 years of starting their cannabis business will result in their license being revoked. In addition, all cannabis-related businesses should be required to submit a diversity plan. All businesses that employ 20 or more people must have a labor peace agreement. The Division of Labor Standards and Cal OSHA will enforce labor laws and protect worker safety. Businesses that fail to meet these requirements will risk losing their license.	promote diversity in ownership, management, employment and contracting. Worker's welfare and safety will be protected with unionization and enforcement of labor and safety laws.	
Incubator/Pilot or Industry Partner Program	Industry partner agreement initially lasts at minimum 3 years during which the incubator (general applicant) provides, at minimum, 1,000 square feet or 10% of space to social equity applicant in which to conduct business if the incubator has enough space available OR provides business mentoring, technical assistance, hard capital (e.g., equipment), an enhanced community benefits agreement, and sponsor Department of Cannabis Regulation workshops if the incubator does not have enough space available. Incentive: both parties are eligible for tax rebate program from City at conclusion of initial partnership period (3 years). If social equity partner goes out of business, the incubator must identify new social equity partner in order to receive the tax rebate. Additionally, landlords that currently host unlicensed cannabis businesses on their property will be notified that the City will waive the fees they would incur for the illegal operation if they allow their property to be used by social equity applicants.	Access to real estate is one of the largest barriers social equity applicants face. The incubator program will help provide social equity applicants with real estate. Additionally, incubators can provide financial and technical assistance to help social equity applicants overcome these barriers. Additionally, the program will ensure that incubator employ their existing privilege to assist the less privileged social equity applicants who were disproportionately impacted by cannabis enforcement.	Begin in Window 2 and continue through the life of the Program.
Applicable City Property Available for Social Equity Cannabis Businesses	Make City-owned property within eligible cannabis activity areas, that is ineligible for affordable housing, available for social equity cannabis businesses	We acknowledge the shortage of affordable housing within the City and suggestions of usage of City-owned properties as affordable housing. However, some City-owned properties may not be in suitable zoning for affordable housing and these properties could be	City conducts inventory of vacant, City-owned property that is unsuitable for affordable housing but is appropriately zoned for commercial cannabis before the start of Window 2. Make these properties available to social equity applicants at reduced or free rent for

Table 7. Summary of Recommended Cannabis Social Equity Program Components (Continued)

Recommendation Title	Description	Social Equity Benefit	Implementation/ Timing
		put into service for social equity cannabis businesses alleviating a significant barrier to social equity applicant business development.	first 3 years.
Technical Assistance Program	Provide technical assistance to social equity applicants to help them complete applications, achieve compliance with City regulations, as well as partner with other City departments and programs to provide assistance with business planning, financing, and employee training.	This program will help social equity applicants overcome the technical barriers to participating in the cannabis industry, as well as identify potential financial resources that may help alleviate financial barriers. It will also help individuals receive the training they need to reenter the workforce.	Funded with cannabis tax revenue beginning in 2018. Implemented by Department of Cannabis Regulation staff.
Community Reinvestment Program	This program should be centered on providing resources for community beautification, youth prevention, drug treatment, education, housing, re-entry and other social services. Education programs related to cannabis should be conducted in coordination with educational efforts at the State and County level.	Individuals and communities that were disproportionately impacted by cannabis enforcement may not want to participate in the cannabis industry. The Community Reinvestment Program will address that issue by providing social services to those who were disproportionately impacted.	Funded with cannabis tax revenue beginning in 2018. Implemented by Department of Cannabis Regulation.
Expungement of Cannabis-Related Criminal Records	Assist community members previously convicted of cannabis-related offenses to expunge these records. Expungement events should be conducted in accordance with Proposition 64 and other applicable laws.	Expungement of cannabis-related convictions, namely offenses that are no longer illegal under revised legal code, lifts employment barriers and stigma.	Funded with cannabis tax revenue beginning in 2018. Conduct expungement events once a month for the first 6 months of licensure in Window 3 in eligible police districts, coordinated by Department of Cannabis Regulation, Mayor's Office of Reentry, Loyola-Marymount Law School City Public Defenders Office, Los Angeles County Public Defender's Office, and appropriate NGOs and community-based organizations. Funding

Table 7. Summary of Recommended Cannabis Social Equity Program Components (Continued)

Recommendation Title	Description	Social Equity Benefit	Implementation/ Timing
			acquired from cannabis tax revenue.
Social Equity Program Industry Ownership Investment Program and Fund	A City-managed fund to provide zero (or low) interest business loans for social equity applicants seeking to start new cannabis businesses within the City.	Will reduce startup costs, which represent one of the principal economic barriers to social equity applicants entering the cannabis industry.	A 1% service fee paid by licensees beginning in 2018

7.0 LIST OF PREPARERS

City of Los Angeles

Sharon M. Tso	Chief Legislative Analyst, Office of the Chief Legislative Analyst
Avak Keotahian	Assistant Chief Legislative Analyst, Office of the Chief Legislative Analyst
Roberto Mejia	Analyst, Office of the Chief Legislative Analyst
Cat Packer	Executive Director, Department of Cannabis Regulation

Amec Foster Wheeler, Environment & Infrastructure

Dan Gira	Project Principal
Rita Bright	Project Manager
Erika Leachman	Deputy Project Manager
Aaron Goldschmidt	Quality Assurance/Quality Control
Matt Sauter	Lead Policy Analyst
Melaina Wright	Policy Analyst
Aaron Johnson	GIS Analyst
Juliana Prosperi	Policy Analyst
Deirdre Stites	Graphics Specialist

8.0 REFERENCES

Abello, O.P. 2017. *Oakland Incubator Is Keeping Tabs on City's Promises About Equity and Legal Cannabis. Next City.*

Ballotpedia. 1996. *California Affirmative Action, Proposition 209.* Accessed: Retrieved from: https://ballotpedia.org/California_Affirmative_Action,_Proposition_209_(1996)

California Department of Food and Agriculture. 2017. *Economic Impact Analysis of Medical Cannabis Program Regulations: Standarized Regulatory Impact Assessment (SRIA).* Accessed: 7 September 2017. Retrieved from: http://www.dof.ca.gov/Forecasting/Economics/Major_Regulations/Major_Regulations_Table/documents/20170203FinalMCCPSRIA.pdf

California Department of Housing and Community Development. 2017. 'California State Income Limits for 2017'.

California Senate Office of Research. 2011. *State survey of California prisoners: What percentage of the state's polled prison inmates were once foster care children?* Accessed: 6 October 2017. Retrieved from: http://www.sor.govoffice3.com/vertical/Sites/%7B3BDD1595-792B-4D20-8D44-626EF05648C7%7D/uploads/Foster_Care_PDF_12-8-11.pdf

Council on Environmental Quality. 1997. *Guidance under the National Environmental Policy Act.* Accessed: 7 September 2017. Retrieved from: https://www.epa.gov/sites/production/files/2015-02/documents/ej_guidance_nepa_ceq1297.pdf

Dersham, D. 2017. *Oakland's Marijuana Equity Permit Program: An On the Ground Update. Canna Law Group: Canna Law Blog.* Accessed: 7 September 2017. Retrieved from: http://www.cannalawblog.com/oaklands-marijuana-equity-permit-program-an-on-the-ground-update/

Harrison, Backenheimer, and Inciardi. 1995. *Cannabis use in the United States: Implications for policy. In: Peter Cohen & Arjan Sas (Eds) (1996), Cannabisbeleid in Duitsland, Frankrijk en de Verenigde Staten. Amsterdam, Centrum voor Drugsonderzoek, Universiteit van Amsterdam. pp. 237-247.* Accessed: 14 August 2017. Retrieved from: http://www.cedro-uva.org/lib/harrison.cannabis.html

Herb J. Wesson Jr., Bob Blumenfield, Paul Koretz, and Nury Martinez. 2017. *Draft Commercial Cannabis Activity Requirements.*

Institute of Medicine (US) Committee for the Substance Abuse Coverage Study. 1992. *Gerstein DR, Harwood HJ, editors. Treating Drug Problems: Volume 2: Commissioned Papers on Historical, Institutional, and Economic Contexts of Drug Treatment. Washington (DC): National Academies Press (US).* Accessed: 14 August 2017. Retrieved from: https://www.ncbi.nlm.nih.gov/books/NBK234755/

Internal Revenue Service. 2017. *Small Business and Self-Employed Tax Center.* Accessed: 12 September 2017. Retrieved from: https://www.irs.gov/businesses/small-businesses-self-employed

Kim, E. 2016. *As Downtown's retail scene booms, some worry about the future. Los Angeles Downtown News.*

Koren, J. R. 2017. *Why some pot businesses hide their cash – and others truck it straight to a federal vault. Los Angeles Times.*

Los Angeles County Sheriff's Department. 2014. *Our history.* Accessed: 14 August 2017. Retrieved from: http://shq.lasdnews.net/pages/PageDetail.aspx?id=203

Los Angeles Department of Water and Power. 2017. *Small Business.* Accessed: 7 September 2017. Retrieved from: http://www.myladwp.com/small_business

Los Angeles Economic and Workforce Development Department. 2017a. *Financing and Development Incentive Programs.* Accessed: 12 September 2017. Retrieved from: http://ewddlacity.com/index.php/development/business-financing

———. 2017b. *BusinessSource Centers.* Accessed: 12 September 2017. Retrieved from: http://ewddlacity.com/index.php/local-business/businesssource-centers

———. 2017c. *Business Development.* Accessed: 11 September 2017. Retrieved from: http://ewddlacity.com/index.php/development/business-development

MBDA Business Center Los Angeles. 2017. *Eligibility and Client Engagement.* Accessed: 11 September 2017. Retrieved from: http://mbcla.lacity.org/BECOMEACLIENT/EligibilityClientEngagement/index.html

Murch. 2015. *Crack in Los Angeles: Crisis, militarization, and black response to the late twentieth-century war on drugs. Journal of American History, Volume 102, Issue 1, pp. 162–173.* Accessed: 14 August 2017. Retrieved from: https://academic.oup.com/jah/article/102/1/162/686732/Crack-in-Los-Angeles-Crisis-Militarization-and

National Gang Center. 2017. *Hardcore Gang Investigations Unit - Los Angeles County District Attorney's Office: Description.* Accessed: 14 August 2017. Retrieved from: https://www.nationalgangcenter.gov/SPT/Programs/76

PBS. 2014. *Thirty years of America's drug war: A chronology.* Accessed: 14 August 2017. Retrieved from: http://www.pbs.org/wgbh/pages/frontline/shows/drugs/cron/

Reyes, E. A. 2017. *Housing, battling racism and a municipal bank top agenda for L.A. council president. Los Angeles Times.*

Senter, A., Parks, N., Lencho, T., and Zavell, A. 2016. *May 3rd City Council Meeting Agenda Item 9.1 – Medical Cannabis Ordinances. Supernova Women.* Accessed: 7 September 2017. Retrieved from: https://drive.google.com/file/d/0By2kEEEIjfk-YTc0VzB3VmZ6Mm5FQ0VhcVJsdDRHUnpla3Q4/view

U. S. Census Bureau. 2017a. *How the Census Bureau measures poverty.* Accessed: 7 September 2017. Retrieved from: https://www.census.gov/topics/income-poverty/poverty/guidance/poverty-measures.html

——. 2017b. *Quick Facts: Los Angeles City, Los Angeles County, California.* Accessed: 7 September 2017. Retrieved from: https://www.census.gov/quickfacts/fact/table/CA,losangelescountycalifornia,losangelescitycalifornia/AGE135216

——. 2017c. *American FactFinder: 2010 Decennial Census.* Accessed: 7 September 2017. Retrieved from: https://factfinder.census.gov/faces/nav/jsf/pages/searchresults.xhtml?refresh=t#

——. 2017d. *American FactFinder: 2015 American Community Survey.* Accessed: 7 September 2017. Retrieved from: https://factfinder.census.gov/faces/nav/jsf/pages/searchresults.xhtml?refresh=t#

U.S. Environmental Protection Agency. 1998. *Final Guidance for Incorporating Environmental Justice Concerns in EPA's NEPA Compliance Analyses.* Accessed: 7 September 2017. Retrieved from: https://www.epa.gov/sites/production/files/2015-04/documents/ej-guidance-nepa-compliance-analyses.pdf

U.S. Small Business Administration. 2017. *SBA Learning Center.* Accessed: 12 September 2017. Retrieved from: https://www.sba.gov/tools/sba-learning-center/search/training

Abello, O.P. 2017. Oakland Incubator Is Keeping Tabs on City's Promises About Equity and Legal Cannabis. Next City.

Ballotpedia. 1996. California Affirmative Action, Proposition 209. Accessed: Retrieved from: https://ballotpedia.org/California_Affirmative_Action,_Proposition_209_(1996)

California Department of Food and Agriculture. 2017. Economic Impact Analysis of Medical Cannabis Program Regulations: Standarized Regulatory Impact Assessment (SRIA). Accessed: 7 September 2017. Retrieved from: http://www.dof.ca.gov/Forecasting/Economics/Major_Regulations/Major_Regulations_Table/documents/20170203FinalMCCPSRIA.pdf

California Department of Housing and Community Development. 2017. 'California State Income Limits for 2017'.

Council on Environmental Quality. 1997. Guidance under the National Environmental Policy Act. Accessed: 7 September 2017. Retrieved from: https://www.epa.gov/sites/production/files/2015-02/documents/ej_guidance_nepa_ceq1297.pdf

Dersham, D. 2017. Oakland's Marijuana Equity Permit Program: An On the Ground Update. Canna Law

Group: Canna Law Blog. Accessed: 7 September 2017. Retrieved from: http://www.cannalawblog.com/oaklands-marijuana-equity-permit-program-an-on-the-ground-update/

Harrison, Backenheimer, and Inciardi. 1995. Cannabis use in the United States: Implications for policy. In: Peter Cohen & Arjan Sas (Eds) (1996), Cannabisbeleid in Duitsland, Frankrijk en de Verenigde Staten. Amsterdam, Centrum voor Drugsonderzoek, Universiteit van Amsterdam. pp. 237-247. Accessed: 14 August 2017. Retrieved from: http://www.cedro-uva.org/lib/harrison.cannabis.html

Institute of Medicine (US) Committee for the Substance Abuse Coverage Study. 1992. Gerstein DR, Harwood HJ, editors. Treating Drug Problems: Volume 2: Commissioned Papers on Historical, Institutional, and Economic Contexts of Drug Treatment. Washington (DC): National Academies Press (US). Accessed: 14 August 2017. Retrieved from: https://www.ncbi.nlm.nih.gov/books/NBK234755/

Internal Revenue Service. 2017. Small Business and Self-Employed Tax Center. Accessed: 12 September 2017. Retrieved from: https://www.irs.gov/businesses/small-businesses-self-employed

Kim, E. 2016. As Downtown's retail scene booms, some worry about the future. Los Angeles Downtown News.

Koren, J. R. 2017. Why some pot businesses hide their cash – and others truck it straight to a federal vault. Los Angeles Times.

Los Angeles County Sheriff's Department. 2014. Our history. Accessed: 14 August 2017. Retrieved from: http://shq.lasdnews.net/pages/PageDetail.aspx?id=203

Los Angeles Department of Water and Power. 2017. Small Business. Accessed: 7 September 2017. Retrieved from: http://www.myladwp.com/small_business

Los Angeles Economic and Workforce Development Department. 2017a. Financing and Development Incentive Programs. Accessed: 12 September 2017. Retrieved from: http://ewddlacity.com/index.php/development/business-financing

——. 2017b. BusinessSource Centers. Accessed: 12 September 2017. Retrieved from: http://ewddlacity.com/index.php/local-business/businesssource-centers

——. 2017c. Business Development. Accessed: 11 September 2017. Retrieved from: http://ewddlacity.com/index.php/development/business-development

MBDA Business Center Los Angeles. 2017. Eligibility and Client Engagement. Accessed: 11 September 2017. Retrieved from: http://mbcla.lacity.org/BECOMEACLIENT/EligibilityClientEngagement/index.html

Murch. 2015. Crack in Los Angeles: Crisis, militarization, and black response to the late twentieth-century war on drugs. Journal of American History, Volume 102, Issue 1, pp. 162–173. Accessed: 14 August 2017. Retrieved from: https://academic.oup.com/jah/article/102/1/162/686732/Crack-in-Los-Angeles-Crisis-Militarization-and

National Gang Center. 2017. Hardcore Gang Investigations Unit - Los Angeles County District Attorney's Office: Description. Accessed: 14 August 2017. Retrieved from: https://www.nationalgangcenter.gov/SPT/Programs/76

PBS. 2014. Thirty years of America's drug war: A chronology. Accessed: 14 August 2017. Retrieved from: http://www.pbs.org/wgbh/pages/frontline/shows/drugs/cron/

Reyes, E. A. 2017. Housing, battling racism and a municipal bank top agenda for L.A. council president. Los Angeles Times.

Senter, A., Parks, N., Lencho, T., and Zavell, A. 2016. May 3rd City Council Meeting Agenda Item 9.1 – Medical Cannabis Ordinances. Supernova Women. Accessed: 7 September 2017. Retrieved from: https://drive.google.com/file/d/0By2kEEEIjfk-YTc0VzB3VmZ6Mm5FQ0VhcVJsdDRHUnpla3Q4/view

U. S. Census Bureau. 2017a. How the Census Bureau measures poverty. Accessed: 7 September 2017. Retrieved from: https://www.census.gov/topics/income-poverty/poverty/guidance/poverty-

measures.html
——. 2017b. Quick Facts: Los Angeles City, Los Angeles County, California. Accessed: 7 September 2017. Retrieved from: https://www.census.gov/quickfacts/fact/table/CA,losangelescountycalifornia,losangelescitycalifornia/AGE135216
——. 2017c. American FactFinder: 2010 Decennial Census. Accessed: 7 September 2017. Retrieved from: https://factfinder.census.gov/faces/nav/jsf/pages/searchresults.xhtml?refresh=t#
——. 2017d. American FactFinder: 2015 American Community Survey. Accessed: 7 September 2017. Retrieved from: https://factfinder.census.gov/faces/nav/jsf/pages/searchresults.xhtml?refresh=t#
U.S. Department of Health and Human Resources. 2015. *The AFCARS Report.* Accessed: 6 October 2017. Retrieved from: https://www.acf.hhs.gov/sites/default/files/cb/afcarsreport23.pdf
U.S. Environmental Protection Agency. 1998. Final Guidance for Incorporating Environmental Justice Concerns in EPA's NEPA Compliance Analyses. Accessed: 7 September 2017. Retrieved from: https://www.epa.gov/sites/production/files/2015-04/documents/ej-guidance-nepa-compliance-analyses.pdf
U.S. Small Business Administration. 2017. SBA Learning Center. Accessed: 12 September 2017. Retrieved from: https://www.sba.gov/tools/sba-learning-center/search/training

ATTACHMENT 1
DRAFT REQUIREMENTS FOR COMMERCIAL CANNABIS ACTIVITY IN THE CITY OF LOS ANGELES

REVISED DRAFT REQUIREMENTS

FOR

COMMERCIAL CANNABIS ACTIVITY

IN THE

CITY OF LOS ANGELES

REVISED DRAFT

TABLE OF CONTENTS

Definitions 3
Commercial Cannabis Activity Application Processing 4
General 4
Retailer 4
Non-Retailer 5
Appeals Process 6
Proposition M Priority Processing 9
Social Equity Program Processing 10
General Public Processing 10
Licenses Available for Application 11
Retailer 11
Delivery 11
Microbusiness 11
Indoor Cultivation 11
Manufacture 11
Testing 12
Distributor 12
Commercial Cannabis Activity Application Requirements 13
General 13
Automatic Rejection 17
Retailer 17
Delivery 18
Microbusiness 18
Indoor Cultivation 18
Manufacture 18
Testing 19
Distributor 19
Commercial Cannabis Activity Operational Requirements 20
General 20
Records Retention 25
Track-and-Trace 26
Retailer 26
Delivery 29
Microbusiness 31
Indoor Cultivation 31
Manufacture 33
Testing 34
Distributor 35
Inspections 36
Enforcement 38
Renewals 41
Cancellations 42

REVISED DRAFT

DEFINITIONS

1. "BTRC" means a Business Tax Registration Certificate issued by the City of Los Angeles Office of Finance.

2. "Business" means any business applying for, or conducting and engaging in Commercial Cannabis Activity.

3. "Commercial Cannabis Activity" includes Commercial Cannabis Activity and Commercial Marijuana Activity as defined by the State of California.

4. "Commission" means the City of Los Angeles Cannabis Regulation Commission.

5. "License" means the official document issued by the Department to the Business for the purposes of conducting and engaging in Commercial Cannabis Activity.

6. "Department" means the City of Los Angeles Department of Cannabis Regulation.

7. "EMMD" means an Existing Medical Marijuana Dispensary, as defined by Proposition M, for the purposes of Proposition M Priority processing.

8. "Notice of Determination" means the official determination of the Commission, Department, or City Council at any time during the Application Processing process.

9. "Premises" means the identified location of a Business applying for, or conducting and engaging in Commercial Cannabis Activity.

10. "Proper Notice" means providing notice to the applicant, occupants and property owners who reside or own property within 500 feet of the proposed Commercial Cannabis Activity, the local Neighborhood Council, and Council office.

11. "Provisional License" means the official document issued by the Department to those Businesses deemed eligible for Proposition M Priority or approved by the Department or Commission for the purposes of conducting and engaging in Commercial Cannabis Activity prior to receiving a state license.

12. "Transitional Worker" means an individual who, at the time of commencing work at the Business, resides in an Economically Disadvantaged Area or Extremely Economically Disadvantaged Area 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; or (8) being a veteran.

13. "UID" means the Track-and-Trace system Unique Identifiers as established by the State of California.

COMMERCIAL CANNABIS ACTIVITY APPLICATION PROCESSING

GENERAL

1. Applications for Commercial Cannabis Activity Licenses must be completed online or by delivering a printed copy to the Department office. Every application shall, at minimum, meet all application requirements, pay all outstanding taxes, and pay the appropriate application, pre-inspection, and audit (if applicable) fees as outlined prior to further processing, unless otherwise indicated in the Social Equity Program. Every applicant will be provided a date and time stamp of receipt of each application or the electronic equivalent. The Department shall provide a master Commercial Cannabis Activity application form to the public. The Department will begin accepting applications at the Department's discretion.

2. If the Department determines that the application is incomplete, the Department shall provide notice to the applicant. An applicant has six months from the date of the notice to correct all deficiencies. The Department may request additional information and documents from the applicant not listed in the application requirements to determine if an application is complete. If the applicant fails to correct the deficiencies within the six-month period, the application shall be considered abandoned. An applicant may reapply at any time following an abandoned application and must pay all fees associated with the new application. The Department will not refund application fees for an incomplete or abandoned application, unless otherwise indicated in the Social Equity Program.

3. In determining the issuance of Licenses, the Department will consider the equitable dispersion of Businesses throughout the City of Los Angeles prior to the issuance of a License to the extent practicable.

4. If the Department determines that the application is complete, the Department shall provide Proper Notice at least 45 days in advance of scheduling a public hearing or making a determination as indicated below. Once an application is deemed complete by the Department, a pre-inspection has been completed, and environmental review has been conducted, the Department will make the following determination for:

    a. RETAILER COMMERCIAL CANNABIS ACTIVITY
    (Type 10 and Type 12)

        i. RECOMMENDED APPROVAL: Commission public hearing after 45 days from the date of Proper Noticing. The Commission will hold public hearings within the regional geographic area as the proposed Business as defined by the Department. Applications will be batched for the public hearing process by regional geographic area. At a regularly scheduled public meeting, the Commission will consider the Department recommendation, written or verbal correspondence from other City Departments, the Council office, Neighborhood Council, the State of California, and written or verbal testimony from the public prior to making

a determination. The Commission may add conditions or require changes to the project subject to the licensure for the purpose of avoiding or minimizing significant environmental impacts identified in any environmental review prepared pursuant to CEQA. Once the Commission makes a decision, the Department will issue a Notice of Determination and Proper Notice will be given, including but not limited to, a copy of the Notice of Determination and an explanation of the appeals process.

ii. DEPARTMENT DENIAL: Once the Department issues a Notice of Determination for denying an application, Proper Notice will be given, including but not limited to a copy of the Notice of Determination and an explanation of the appeals process. An application may be denied for any of the following reasons which include: The applicant does not fully comply with application requirements; the applicant's premises is substantially different from the diagram of the premises submitted by the applicant, in that the size, layout, location of a common entryways, doorways, or passage ways, means of public entry or exit, or limited-access areas within the premises are not the same; the applicant denied Department employees or agents access to the premises; the applicant made a material misrepresentation on the application; the decision maker finds that the significant and unavoidable environmental impacts from issuing the license are not outweighed by the project benefits pursuant to CEQA Guidelines; the applicant failed to correct the deficiencies within the application in accordance with Department requirements and procedures, or the applicant has been denied a license, permit, or other authorization to engage in Commercial Cannabis Activity by a state or local licensing authority. Every applicant shall notify the Commission in writing within 5 business days of any change to any item listed in the application. The notification shall be signed by an owner as defined. Approval of a state license does not allow a business to conduct Commercial Cannabis Activity in the City of Los Angeles without a Department issued License or Provisional License. BTRCs will be revoked for any applicant denied a license.

b. NON-RETAILER COMMERCIAL CANNABIS ACTIVITY
(Type 1A, 1B, 2A, 2B, 3A, 3B, 4, 5A, 6, 7, 8, or 11 Licenses)

i. DEPARTMENT APPROVAL: The Department shall have authority to approve an application for non-retail Commercial Cannabis Activity, subject to the appeals process, unless an applicant for non-retail Commercial Cannabis Activity's premises is larger than 30,000 square feet. Applicants for non-retail Commercial Cannabis Activity with a premises larger than 30,000 square feet must go through the public hearing process as outlined in the retailer Commercial Cannabis Activity application processing. The Department may add conditions or require changes to the project subject to the licensure for the purpose of avoiding

or minimizing significant environmental impacts identified in any environmental review prepared pursuant to CEQA. Once the Department issues a Notice of Determination, Proper Notice will be given, including but not limited to, a copy of the determination, an explanation of the appeals process, and list the approved application on the next agenda of a regularly scheduled public meeting of the Commission.

ii. DEPARTMENT DENIAL: Once the Department issues a Notice of Determination denying an application, Proper Notice will be given, including but not limited to, a copy of the Notice of Determination and an explanation of the appeals process. An application may be denied for any of the following reasons which include: The applicant does not fully comply with application requirements; the applicant's premises is substantially different from the diagram of the premises submitted by the applicant, in that the size, layout, location of a common entryways, doorways, or passage ways, means of public entry or exit, or limited-access areas within the premises are not the same; the applicant denied Department employees or agents access to the premises; the applicant made a material misrepresentation on the application; the decision maker finds that the significant and unavoidable environmental impacts from issuing the license are not outweighed by the project benefits pursuant to CEQA Guidelines; the applicant failed to correct the deficiencies within the application in accordance with Department requirements and procedures, or the applicant has been denied a license, permit, or other authorization to engage in Commercial Cannabis Activity by a state or local licensing authority. Every applicant shall notify the Department in writing within 5 business days of any change to any item listed in the application. The notification shall be signed by an owner as defined. Approval of a state license does not allow Commercial Cannabis Activity in the City of Los Angeles without a Department issued License or Provisional License. BTRCs will be revoked for any applicant that is denied a license.

c. APPEALS PROCESS

i. Appeals may only be based on the rules, regulations, and procedures of the Commission and Department. The Department will provide a master Appeals application form for use in processing all appeals. Acceptance by the Department of an appeal requires the Commission to hold a public hearing within 60 days, or by the City Council within 15 Council days, with Proper Notice.

ii. APPEALS BEFORE THE COMMISSION

1. DENIED APPLICATION: If an application has been denied by the Department, the Department will issue a Notice of Determination,

Proper Notice will be given, including but not limited to, a copy of the Notice of Determination and an explanation of the appeals process. The applicant and occupants, stakeholders, or property owners who reside or own property within 500 feet of the proposed Commercial Cannabis Activity will have 15 business days from the date of the Notice of Determination to file an appeal.

If the Department accepts an appeal, at a regularly scheduled public meeting within the same regional geographic area as the proposed Business as determined by the Department, the Commission will consider the Department recommendation, written or verbal correspondence from other City Departments, the Council office, the Neighborhood Council, the State of California, and written or verbal testimony from the public prior to making a determination. The Commission may add conditions or require changes to the project subject to the licensure for the purpose of avoiding or minimizing significant environmental impacts identified in any environmental review prepared pursuant to CEQA. Once the Commission makes a decision, the Department will issue a Notice of Determination and Proper Notice will be given, including but not limited to, a copy of the Notice of Determination and an explanation of the City Council appeals process.

iii. APPEALS BEFORE THE CITY COUNCIL

1. APPROVED APPLICATION: If an application has been approved by the Commission, the Department will issue a Notice of Determination, Proper Notice will be given, including but not limited to, a copy of the Notice of Determination and an explanation of the appeals process. The applicant and occupants, stakeholders, or property owners who reside or own property within 500 feet of the proposed Commercial Cannabis Activity will have 15 business days from the date of the Notice of Determination to file an appeal.

   If an appeal is filed with the Department within the allotted time, the appeal will be transmitted to the City Council. The City Council must act within 15 Council days on the appeal, or the Commission's decision shall be final. If the City Council acts on the appeal, the decision of the City Council shall be final. The City Council shall have all the same rights and privileges as the Commission in making a determination on the appeal or application.

2. DENIED APPLICATION: If an application has been denied by the Commission, the Department will issue a Notice of Determination, Proper Notice will be given, including but not limited to, a copy of the Notice of Determination and an explanation of the appeals process. The applicant and occupants or property owners who reside or own property within 500 feet of the proposed Commercial Cannabis Activity will have 15 business days from the date of the Notice of Determination to file an appeal.

   If an appeal is filed with the Department within the allotted time, the appeal will be transmitted to the City Council. The City Council must act within 15 Council days on the appeal, or the Commission or Department's decision shall be final. If the City Council acts on the appeal, the decision of the City Council shall be final. The City Council shall have all the same rights and privileges as the Department in making a determination on the appeal or application.

5. Only applicants who have been issued a Provisional License or permanent License may conduct Commercial Cannabis Activity in the City of Los Angeles. The applicant and property owner will be subject to Police Department and City Attorney enforcement for beginning operations before an application for licensure has been approved or continuing operations after an application for licensure has been denied or revoked. Furthermore, only Proposition M Priority applicants who have been approved for eligibility as defined may conduct Commercial Cannabis Activity while their application is pending in accordance with the Provisional License, and until such time as the appeals process has been exhausted.

6. Once an applicant who has been issued and maintains a valid Provisional License by the Department has been approved for a license by the State of California, the Department shall issue a permanent License to the applicant. Department issued Licenses shall be valid for 12 months from the date of issuance and shall be renewed annually.

7. If an applicant for Commercial Cannabis Activity has been approved for a Provisional License by the Department, but is denied a license by the State of California, the applicant shall cease all Commercial Cannabis Activity at the location and premises as identified in the application until such time that a license by the State of California has been issued. The applicant and property owner will be subject to Police Department and City Attorney enforcement for continuing operations after an application for licensure has been denied by the State of California. BTRCs will be revoked for any applicant that is denied a state license.

8. An applicant may withdraw an application at any time prior to the Commission or Department's approval or denial of a License for Commercial Cannabis Activity. Requests to withdraw an application must be submitted to the Department in writing, dated, and signed by the applicant. The Department will not refund application fees for a

withdrawn application, unless otherwise indicated in the Social Equity Program. An applicant may reapply at any time following the withdrawal of an application and must pay all fees for the new application.

9. The Department will develop and implement an Early Notification System, similar to the Department of City Planning, and shall provide a report to Council offices and Neighborhood Councils on a monthly basis to allow the tracking of applications from the initial filing through the approval process.

PROPOSITION M PRIORITY PROCESSING

1. Applications will be accepted by the Department for the first 60 days from when applications are first made available to the public. After 5 p.m. Pacific Time on the 60th day, the Department will close the Proposition M Priority Processing window permanently. Applications under the Proposition M Priority Processing will only be allowed to apply for Retailer Commercial Cannabis Activity (including delivery), which may include on-site cultivation as allowable under Proposition D. The size of the canopy for on-site cultivation may not exceed the size of the EMMD's existing canopy or square footage of building space as documented by a lease or Certificate of Occupancy prior to January 1, 2017. All on-site cultivation will be required to end operations by Dec. 31, 2020 if the EMMD's premises is within a land use designation that does not allow for Indoor Cultivation Commercial Cannabis Activity as defined by the City of Los Angeles. Any applications received after 60 days will be deemed new applications and require separate processing, subject to all land use requirements for new Commercial Cannabis Activity.

2. An EMMD that received a BTRC after 2014 that is operating in compliance with the limited immunity and tax provisions of Proposition D, may continue to operate within the City at the one location identified in its original or amended BTRC at the time of the beginning of the application processing window until such time that the EMMD applies for and receives a final response to its application for a License for Commercial Cannabis Activity being conducted at that location. No changes shall be made to the BTRC once application processing begins. The Department shall give priority in processing applications of EMMDs that can demonstrate to the Department that the EMMD has operated in compliance with the provisions of the limited immunity and tax provisions of Proposition D. Any mitigating circumstances due to gaps in operations, location change or involuntary closure, ownership, tax payments, etc. must be described in detail for the Department to consider eligibility. Changes in ownership status from non-profit status to for-profit status are allowable. A maximum of three Licenses per BTRC will be allowed (One Type 10 (retailer), One Type 10 (retailer with delivery) AND one Type 2A OR Type 3A (on-site cultivation if applicable)).

3. The Department will determine eligibility for Proposition M Priority Processing and its determination will be final. If an application is denied eligibility for Proposition M Priority Processing, the applicant shall cease all Commercial Cannabis Activity at the location or premises identified until a Provisional License is approved under separate

processing. If the application is determined to be eligible for Proposition M Priority Processing, the Department shall issue a Provisional License until such time as the application is approved or denied by the Commission, Department, or the City Council. The applicant and property owner will be subject to enforcement by the Police Department and City Attorney for continuing operations after an application for Proposition M Priority Processing eligibility has been denied by the Department. BTRCs will be revoked for any applicant denied eligibility or denied a license.

.

4. All applicants that are approved for eligibility under Proposition M Priority processing are subject to a public hearing as outlined for Retailer Commercial Cannabis Activity prior to issuance of a permanent License.

5. Proposition M Priority applicants will submit to a financial audit by the Office of Finance prior to the issuance of a permanent License, pay the associated audit fee, and clear any and all City of Los Angeles tax obligations.

SOCIAL EQUITY PROGRAM PROCESSING

1. Criteria for applicants under the Social Equity Program (Council File Nos. 17-0653 and 14-0366-S15) based on the Social Equity analysis are currently being developed by the Department and will be transmitted to the REIG Committee in October. The REIG Committee will incorporate the Social Equity Program in its entirety into the draft ordinance of these regulations prior to final Council approval. No applications will be accepted until the Social Equity Program is approved (including Prop M Priority and General Processing) and the final ordinances are adopted by the City Council. Applications will be accepted and processed at the discretion of the Department.

2. The Department shall provide regularly reporting to the City Council on the monitoring and evaluation of the Social Equity Program.

GENERAL PROCESSING

1. Applications will be accepted at the same time as applications for the Social Equity Program.

REVISED DRAFT

LICENSE TYPES AVAILABLE FOR APPLICATION

1. RETAILER COMMERCIAL CANNABIS ACTIVITY

    a. Type 10 – Retailer as defined by the State of California.

    b. Only three Licenses per owner as defined or individual shall be issued for Retailer Commercial Cannabis Activity, including Delivery for Retailer Commercial Cannabis Activity and Microbusiness Commercial Cannabis Activity.

2. DELIVERY FOR RETAILER COMMERCIAL CANNABIS ACTIVITY

    a. Type 10 – Retailer as defined by the State of California.

    b. Only three Licenses per owner as defined or individual shall be issued for Retailer Commercial Cannabis Activity, including Delivery for Retailer Commercial Cannabis Activity and Microbusiness Commercial Cannabis Activity.

3. MICROBUSINESS COMMERCIAL CANNABIS ACTIVITY

    a. Type 12 – Microbusiness as defined by the State of California.

    b. Only three Licenses per owner as defined or individual shall be issued for Retailer Commercial Cannabis Activity, including Delivery for Retailer Commercial Cannabis Activity and Microbusiness Commercial Cannabis Activity.

4. CULTIVATION COMMERCIAL CANNABIS ACTIVITY

    a. Type 1A – Cultivation, Specialty Indoor, Small; Type 1B – Cultivation, Specialty Mixed Light, Small; Type 2A – Cultivation, Indoor Small; Type 2B – Cultivation, Mixed-light Small; Type 3A – Cultivation; Indoor, Medium; Type 3B – Cultivation, Mixed-light Medium; Type 4 – Cultivation, Nursery; and Type 5A – Cultivation, Indoor, Large as defined by the State of California.

    b. The Department shall not restrict the total number of Cultivation Commercial Cannabis Activity Licenses an owner or individual is authorized to hold at any point in time, provided the applicant's total authorized canopy, as indicated in the Licenses, does not exceed 1.5 acres within the City of Los Angeles and meets all State of California and Department requirements.

5. MANUFACTURE COMMERCIAL CANNABIS ACTIVITY

    a. Type 6 – Manufacturer 1 as defined by the State of California.

    b. Type 7 – Manufacturer 2 as defined by the State of California.

6. TESTING COMMERCIAL CANNABIS ACTIVITY

    a. Type 8 – Testing Laboratory as defined by the State of California.

7. DISTRIBUTOR COMMERCIAL CANNABIS ACTIVITY

    a. Type 11- Distributor as defined by the State of California.

REVISED DRAFT

COMMERCIAL CANNABIS ACTIVITY APPLICATION REQUIREMENTS

GENERAL

1. The name of the applicant. For applicants who are individuals, the applicant shall provide both the first and last name of the individual. For applicants who are business entities, the applicant shall provide the legal Business name of the applicant. If applicable, the business trade name ("DBA") of the applicant.

2. The Commercial Cannabis Activity and License type the applicant is applying for, including if the proposed Business will involve medical (M-Type-) and/or adult use (A-Type-) Commercial Cannabis Activity.

3. Whether the applicant is applying under the Proposition M Priority, Social Equity Program, or General processing.

4. The date the applicant began operations if filing under the Proposition M Priority processing. Social Equity Program and General applicants shall not conduct any Commercial Cannabis Activity until a Department issued Provisional License or permanent License has been issued.

5. A list of the license types and the license numbers issued from the State of California and all other out-of-state or local licensing authorities that the applicant holds, including the date the license was issued and the licensing authority that issued the license, permit or other authorization.

6. Whether the applicant has been denied the right to conduct Commercial Cannabis Activity by the Department or any other cannabis licensing authority. The applicant shall provide the type of license applied for, the name of the licensing authority that denied the application, and the date of denial.

7. The physical address of the premises. The address of record for the applicant. The telephone number for the premises. The website address of the applicant's Business if applicable. The email address for the applicant's Business if applicable. Contact information for the applicant's designated primary contact person including the name, title, address, phone number, and email address of the individual. Contact information for the designated agent for service of process including the name, title, address, phone number, and email address of this individual. The Council District in which the proposed Business is located.

8. The Business organizational structure of the applicant, for example partnership or corporation. The business-formation documents, which may include but are not limited to articles of incorporation, operating agreements, partnership agreements, and fictitious business name statements. The applicant shall also provide all documents filed with the State of California, which may include but are not limited to articles of incorporation,

certificates of stock, articles of organization, certificates of limited partnership, and statements of partnership authority.

9. A list of every fictitious business name the applicant is operating under including the address where the business is located.

10. The applicant shall provide all financial information as required by the State of California for an application to be considered.

11. All individual personal information, other than the name of the individual, will be redacted unless otherwise required by law. All application information will not be provided to the federal government unless required by a Court order.

12. Evidence that the applicant has the legal right to occupy and use the proposed location that complies with the requirements of the Department and the State of California, unless otherwise indicated in the Social Equity Program. If the applicant is not the landowner of the property upon which the premises is located, the applicant shall provide to the Department a document from the landowner that states that the applicant has the right to occupy the property and acknowledging the applicant may use the property for the Commercial Cannabis Activity for which the applicant is applying for. If the landowner of the property is incapacitated, the applicant may provide this document by a duly-notarized agent of the landowner. Only one document per premises will be accepted for any pending applications. An applicant shall also provide a copy of the rental agreement, if applicable. If the applicant is the landowner of the property on which the premises is located, the applicant shall provide to the Department a copy of the title or deed to the property. The applicant shall provide evidence that the proposed location meets all State of California and City of Los Angeles land use and sensitive use requirements.

13. An applicant shall submit to the Department with his or her application a complete and detailed diagram of the proposed premises as required by the State of California and Department. Premises mean the designated structures and land specified in the application that are in the possession of and used by the applicant or Business. The premises must be a contiguous area and may only be occupied by one Business. The diagram must be to scale. If the proposed premises consist of only a portion of a property, the diagram must be labeled indicating which part of the property is the proposed premises and what the remaining property is used for. Multiple Businesses may be located on the same property, as established by an assessor's parcel number, if each premises has a unique entrance and immovable physical barriers between unique premises. Multiple Businesses on the same property must meet all applicable land use and sensitive use requirements of the City of Los Angeles.

14. Applicants will submit to a pre-inspection of the premises during regular business hours prior to the issuance of a Provisional License. Pre-inspection is not required for a Provisional License issued to Proposition M Priority processing applicants, but will be required prior to the issuance of a permanent License. Pre-inspections may include, but is not limited to, employees or agents of the following City Departments: Department of

Cannabis Regulation, Department of Building and Safety, Police Commission, and Fire Department. A pre-inspection consists of approval of the premises diagram, on-site inspection of all applicable building code and fire code requirements, approval of the security plan, fingerprinting, and approval of the fire safety plan (if applicable). An applicant shall satisfy all requirements of a pre-inspection prior to further application processing. An applicant shall upgrade all applicable electrical and water systems to Building and Fire Code standards prior to further application processing.

15. Applicants must provide a detailed description and plan for hiring local residents, including making an ongoing good-faith effort to ensure that at least 30 percent of hours of their respective workforce be performed by residents of the City of Los Angeles, of which at least 10 percent of their respective workforce shall be performed by Transitional Workers whose primary place of residence is within a 3-mile radius of the proposed Business. This shall also include a description of how the applicant will meet all City of Los Angeles wage and labor ordinances and requirements.

16. Applicants must submit a staffing plan and organizational chart that outlines the position and responsibilities of each employee, as well as the reporting or supervisory structure for each employee. This plan shall also include a diversity plan and employee safety plan for staffing.

17. For an applicant with 10 or more full-time equivalent employees, the applicant shall attest that the applicant has entered into a labor peace agreement. Such agreement shall ensure full access for labor representatives to the premises during regular business hours as allowed by the State of California.

18. The applicant shall provide a valid seller's permit number issued by the California State Board of Equalization (if applicable) as required by the State of California. If the applicant has not yet received a seller's permit, the applicant shall attest that the applicant is currently applying for a seller's permit and provide adequate documentation to the Department.

19. Proof of a bond and/or insurance, including product liability insurance, as required by the State of California and the Department.

20. A description of the applicant's practices for allowing individuals access to the limited-access areas of the premises.

21. Applicants must submit a security plan for review and approval by the Department and Police Commission. The approved plan will be maintained by the Department and be made available to other City departments for the purposes of verification and inspections. At minimum, the security plan will include: a description of the applicant's video surveillance system including camera placement and practices for the maintenance of video surveillance equipment; how the applicant will ensure that all access points to the premises will be secured, including the use of security personnel; a description of the applicant's security alarm system; and a description of the applicant's fire-proof safe if

applicable. Security plans are considered confidential, and will not be made available to the public unless required by a Court order.

22. A detailed description of how the applicant will meet the State of California and Department's track-and-trace, inventory, returns, destruction of products, waste management, environmental sustainability, records retention, and operational requirements.

23. Any applicant required to apply for, and maintain a Certified Uniform Program Agency (CUPA) permit issued by the Fire Department must do so prior to the issuance of a Provisional License, and prominently display the CUPA permit on the premises where it can be viewed by state and local agencies.

24. Businesses are not transferable once a License or Provisional License is issued without written approval by the Department. A change to the Business organizational structure or ownership as defined by the State of California requires a change of ownership application, applicable fees, and approval of the change of ownership by the Department.

25. Applicants must provide the Department with a signed copy of the Indemnification agreement as provided to the applicant by the Department and approved by the City Attorney.

26. Applicants will provide a proposed Community Benefits Agreement for consideration that must, at minimum, include all elements as required by the Department. The proposed Community Benefits Agreement must be provided to the local Neighborhood Council for their consideration as indicated below.

27. Applicants will identify and assign an employee as the official Neighborhood Liaison for each Business. Such employee will have a phone number and email to receive and address complaints 24 hours a day.

28. Applicants will provide proof that the local Neighborhood Council in which the Business is proposed has been provided the initial application deemed complete and considered discussing the pending application at a duly-noticed and agenized public meeting of the Board of the Neighborhood Council, with notice to the public and applicant.

29. Evidence that the applicant is registered with the State Board of Equalization for tax purposes.

30. The applicant shall attest that no owner is a licensed retailer of alcoholic beverages or tobacco products.

31. Provide a radius map and list of all addresses for parties subject to the Public Notice and appeals provisions.

AUTOMATIC REJECTION OF APPLICATION

1. No business conducting, or proposing to conduct, Commercial Cannabis Activity shall be held by any person holding office in, or employed by, any agency of the State of California and any of its political subdivisions including the City of Los Angeles when the duties of such person have to do with the enforcement and regulation of Commercial Cannabis Activity or any other penal provisions of law of the State of California prohibiting or regulating the sale, use, possession, transportation, distribution, testing, manufacturing, or cultivation of cannabis goods. This section applies to, but is not limited to, any persons employed in the State of California Department of Justice, in any district attorney's office, in any city attorney's office, in any sheriff's office, in any local police department, the City of Los Angeles City Attorney's office, the Los Angeles Police Department, the City of Los Angeles Cannabis Regulation Commission, or the City of Los Angeles Department of Cannabis Regulation. This section applies to any person mentioned herein who has any ownership interest, directly or indirectly, in any Business. This section does not apply to any person who holds a Business in the capacity of executor, administrator, or guardian.

2. Any owner, business entity, or individual convicted for illegal volatile cannabis manufacturing will be banned from Commercial Cannabis Activity within the City of Los Angeles for a period of 5 years from the date of conviction.

3. Any owner, business entity, or individual convicted for violating any law involving wages or labor laws will be banned from Commercial Cannabis Activity within the City of Los Angeles for a period of 5 years from the date of conviction.

4. An applicant that is a corporation outside of the United States shall not be allowed to apply to conduct Commercial Cannabis Activity in the City of Angeles. This provision does not preclude out-of-state investment in a Business proposing to conduct Commercial Cannabis Activity.

5. Any owner, business entity, or individual convicted for violating any law involving distribution of cannabis to minors will be banned from Commercial Cannabis Activity within the City of Los Angeles for a period of 5 years from the date of conviction.

6. Any owner, business entity, or individual cited for conducting illegal Commercial Cannabis Activity after April 1, 2018 will be banned from Commercial Cannabis Activity within the City of Los Angeles for a period of 5 years from the date of conviction.

RETAILER COMMERICAL CANNABIS ACTIVITY REQUIREMENTS

1. In addition to the application requirements as described above, an applicant shall provide a proposed Retailer Plan as required by the Department, which shall include how the applicant intends to meet all the operational requirements as described.

DELIVERY FOR RETAILER COMMERCIAL CANNABIS ACTIVITY REQUIREMENTS

1. In addition to the application requirements as described above, an applicant shall provide a proposed Retailer Delivery Plan as required by the Department, which shall include how the applicant intends to meet all the operational requirements as described.

2. On-site retail sale to the public is not required unless required by the State of California.

3. Contractors and vendors are allowed to apply for Delivery for Retailer Commercial Cannabis Activity as third-party delivery services if allowed by the State of California.

MICROBUSINESS COMMERICAL CANNABIS ACTIVITY REQUIREMENTS

1. In addition to the application requirements as described above, an applicant shall provide a proposed Microbusiness Plan as required by the Department, which shall include how the applicant intends to meet all the operational requirements for Retailer, Indoor Cultivation, and/or Manufacture Commercial Cannabis Activity as described.

CULTIVATION COMMERCIAL CANNABIS ACTIVITY REQUIREMENTS

1. In addition to the applications requirements as described above, applicants shall provide a proposed Cultivation Plan as required by the Department, which shall include how the applicant intends to meet all the operational requirements as described.

2. Applicants shall provide all water source information as required by the State of California.

3. Applicants shall submit an energy efficiency plan and provide all power source information as required by the State of California, including but not limited to, illumination, heating, cooling, and ventilation.

4. The applicant shall attest that it is an "agricultural employer" as defined by the State of California.

5. The applicant shall attest and provide evidence that the Fire Department's Bureau of Fire Prevention and Public Safety has been notified of the proposed premises for Cultivation Commercial Cannabis Activity.

MANUFACTURE COMMERCIAL CANNABIS ACTIVITY REQUIREMENTS

1. In addition to the applications requirements as described above, applicants shall provide a proposed Manufacture Plan as required by the Department, which shall include how the applicant intends to meet all the operational requirements as described.

2. An applicant shall provide a detailed description of the Manufacture Commercial Cannabis Activity to be conducted on the premises which shall include, but not be limited to: the type

of activity conducted (extraction, infusion, packaging, labeling) including a description of extraction and infusion methods; and the types of products that will be manufactured, packaged, or labeled. In lieu of a description of the methods, processes and procedures to be used by the applicant, the applicant may submit a copy of every such procedure with the application.

3. Any applicant submitting manufacture operating procedures and protocols to the Department pursuant to the State of California and the Department may claim such information as a trade secret or confidential by clearly identifying such information as "confidential" on the document at the time of submission. Any claim of confidentiality by a manufacturer must be based on the manufacturer's good faith belief that the information marked as confidential constitutes a trade secret as defined by the State of California or otherwise exempt from public disclosure under the California Public Records Act.

4. The applicant shall attest and provide evidence that the Fire Department's Bureau of Fire Prevention and Public Safety has been notified of the proposed premises for Manufacture Commercial Cannabis Activity.

TESTING COMMERCIAL CANNABIS ACTIVITY APPLICATION REQUIREMENTS

1. In addition to the applications requirements as described above, applicants shall provide a proposed Testing Plan as required by the Department, which shall include how the applicant intends to meet all the operational requirements as described.

2. An applicant shall provide proof of ISO 17025 accreditation or proof that the applicant is in the process of applying or is preparing to apply for ISO 17025 accreditation, as well as laboratory-employee qualifications as required by the State of California.

DISTRIBUTOR COMMERCIAL CANNABIS ACTIVITY REQUIREMENTS

1. In addition to the applications requirements as described above, applicants shall provide a proposed Distributor Plan as required by the Department, which shall include how the applicant intends to meet all the operational requirements as described.

COMMERCIAL CANNABIS ACTIVITY OPERATIONAL REQUIREMENTS

GENERAL

1. A Business shall be required to follow all operational requirements, as well as any other Business-specific operational requirements, as outlined below or associated with the Business' License. (Violation Type – Minor)

2. A Business shall not make a physical change, alteration, or modification of the premises that materially or substantially alters the premises or the use of the premises from the premises diagram originally filed with the application without the prior written approval of the Department. A Business whose premises is to be materially or substantially changed, modified, or altered is responsible for filing a premises modification application with the Department and paying the associated fees. Material or substantial changes, alterations, or modifications requiring approval include, but are not limited to, the removal, creation, or relocation of a common entryway, doorway, passage, or a means of public entry or exit, when such common entryway, doorway, or passage alters or changes limited-access areas within the premises. (Violation Type – Moderate)

3. A Business shall only use the Business name as identified on the License for the submission of other permits, certificates, or documents issued by the City of Los Angeles. The identified Business name shall be the only name used for communications, advertising, and all documents required by the State of California. (Violation Type – Serious)

4. A Business, its employees, agents, and officers must obey all applicable laws of the City of Los Angeles and State of California. (Violation Type – Minor)

5. All agents, officers, or other persons acting for or employed by a Business shall display a laminated identification badge issued by the Business. The identification badge shall, at a minimum, include the Business' "doing business as" name and authorization number, the employee's first and last name, and a color photograph of the employee that shows the full front of the employee's face and that is at least 2 inches by 2 inches in size. (Violation Type – Minor)

6. Businesses shall ensure that any person on the premises, except for employees and contractors of the Business, are escorted at all times by the owner or at least one employee of the Business when in the limited-access areas of the premises. (Violation Type – Minor)

7. At a minimum, the Business premises shall have a complete digital video surveillance system in accordance with the approved security plan with a minimum camera resolution of 1280 × 1024 pixels. The surveillance-system storage device or the cameras shall be transmission control protocol/ TCP/capable of being accessed through the internet. All areas recorded by the video surveillance system shall at all times have adequate lighting to allow the surveillance cameras to effectively record images. Cameras must be

immobile and in a permanent location. Cameras shall be placed in a location that allows the camera to clearly record activity occurring within 20 feet of all points of entry and exit on the premises, and allows for the clear and certain identification of any person and activities in all areas required to be filmed. Areas that shall be recorded on the video surveillance system include, but are not limited to, the following: areas where cannabis goods are weighed, packed, stored, quarantined, loaded and unloaded for transportation, prepared, or moved within the premises; areas where cannabis is destroyed; limited-access areas; security rooms; areas storing a surveillance-system storage device with at least one camera recording the access points to the secured surveillance recording area; and entrances and exits to the premises, which shall be recorded from both indoor and outdoor vantage points. Businesses conducting Retailer Commercial Cannabis Activity shall also record on the video surveillance system point-of-sale areas and areas where cannabis goods are displayed for sale. At each point of sale location, camera placement must allow for the recording of the facial features of any person purchasing or selling cannabis goods, or any person in the retail area, with sufficient clarity to determine identity. Cameras shall record continuously 24 hours per day and at a minimum of 20 frames per second. The physical media or storage device on which surveillance recordings are stored must be secured in a manner to protect the recording from tampering or theft. Surveillance recordings shall be kept for a minimum of 30 days. Videos are subject to inspection by the Department and Office of Finance and shall be copied and sent to or otherwise provided to the Department or Office of Finance, upon request. Recorded images shall clearly and accurately display the time and date. Time is to be measured in accordance with the United States National Institute Standards and Technology standards. Videos shall be furnished to the Police Department upon request. (Violation Type – Moderate)

8. A Business shall hire or contract for security personnel to provide security services for the premises. All security personnel hired or contracted for by the Business shall comply with the requirements of the State of California and City of Los Angeles and maintain an active American Red Cross first-aid card. A Business shall ensure that the limited-access areas can be securely locked using commercial-grade, nonresidential door locks in accordance with the approved security plan. A Business shall also use commercial-grade, nonresidential locks on all points of entry and exit to the premises in accordance with the approved security plan. (Violation Type – Moderate)

9. A Business shall maintain an alarm system in accordance with the approved security plan as required by the State of California and the Department. A Business shall ensure a licensed alarm company operator or one or more of its registered alarm agents installs, maintains, monitors, and responds to the alarm system. Upon request, a Business shall make available to the Department or the Police Department all information related to the alarm system, monitoring, and alarm activity. A Business must apply for, and maintain in good standing, a Police Alarm Permit issued by the City of Los Angeles. (Violation Type – Moderate)

10. A Business is not required to have his or her cannabis goods tested or to follow the labeling provisions as required by the State of California or Department until 120 days after City licensure, or April 1, 2018, whichever is sooner. (Violation Type – Serious)

11. A Business shall be properly ventilated and the exhaust air filtered to neutralize the odor from cannabis so that the odor cannot be detected by a person with a normal sense of smell at the exterior of the Business or on any adjoining property. No operable windows or exhaust vents shall be located on the building façade that abuts a residential use or zone. Exhaust vents on rooftops shall direct exhaust away from residential uses or zones. (Violation Type – Moderate)

12. A Business is required to meet all on-site and off-site sign requirements and advertising requirements of the City of Los Angeles. Signs shall be limited to on-site wall and projecting signs and only one sign per façade is allowed. No monument, illuminated, architectural canopy, pole, marquee, roof, temporary, digital, window, moving signs or signs with moving parts, super graphics, or off-site signs are permitted. No portable or sandwich signs are permitted in the public right-of-way. (Violation Type – Minor)

13. Agents or employees of the Department requesting admission to the Business for the purpose of determining compliance shall be given unrestricted access during regular business hours and must maintain and provide their City of Los Angeles issued identification badge upon request. (Violation Type – Serious)

14. The Business' License, State of California license, BTRC, operating conditions, and emergency contact information shall be prominently displayed on the premises where it can be viewed by state or local agencies. (Violation Type – Minor)

15. Every applicant shall obtain a License for each premises where it engages in Commercial Cannabis Activity. Licenses are not transferrable or assignable to any other person, entity, or property without written approval from the Department. (Violation Type – Serious)

16. A Business shall not sublet any portion of the premises identified with the License without written approval from the Department. (Violation Type – Serious)

17. No recommendations or approvals by a physician to use medical cannabis or medical cannabis products shall be issued at any Business. (Violation Type – Moderate)

18. A Business shall not allow the consumption of cannabis or the sale or consumption of alcohol on the premises. No employee or agent of the Business shall solicit or accept any cannabis or alcohol products from any customer or vendor while on the premises. (Violation Type – Moderate)

19. A Business shall only permit authorized individuals to enter the limited-access areas. Authorized individuals include individuals employed by the Business as well as any outside vendors, contractors, labor representatives, or other individuals who have a bona

fide business reason for entering the limited-access area. An individual who is not an authorized individual for purposes of entering the limited-access areas shall not enter the limited-access area at any time for any reason. An individual in the limited-access area who is not employed by the Business shall be escorted by individuals employed by the Business at all times within the limited-access area. An individual who enters the limited-access areas shall be at least 21 years of age. The Business shall maintain a log of all authorized individuals who are not employees that enter the limited-access area. These logs shall be made available to the Department upon request. A Business shall not receive consideration or compensation for permitting an individual to enter the limited-access area. (Violation Type – Moderate)

20. The Business shall be responsible for monitoring both patron and employee conduct on the premises and within the parking areas under their control to assure behavior does not adversely affect or detract from the quality of life for adjoining residents, property owners, and businesses. The Business shall properly manage the premises to discourage illegal, criminal, or nuisance activity on the premises and any parking areas which have been made available or are commonly utilized for patron or employee parking. Loitering is prohibited on or around the premises or the area under control of the Business. "No Loitering, Public Drinking, or Public Smoking/ Consumption of Cannabis" signs shall be posted in and outside of the Business. The property and all associated parking, including the adjacent area under the control of the Business and any sidewalk or alley, shall be maintained in an attractive condition and shall be kept free of obstruction, trash, litter, and debris at all times. (Violation Type – Moderate)

21. Parking shall be subject to the determination of the City of Los Angeles. Any off-site parking shall be provided pursuant to the requirements of the City of Los Angeles. (Violation Type – Minor)

22. Businesses are required to comply with Section 12.37 of the Los Angeles Municipal Code (Highway Dedication Procedures) to repair or replace broken and off-grade sidewalks, close unused driveways, and plant street trees, including parking areas controlled or used by the Business and driveways fronting a public right-of-way. This requirement shall apply to the entire property if the Business premises is larger than fifty percent of the subject property. (Violation Type – Minor)

23. Businesses shall comply, to the fullest extent practicable, with the Commercial Citywide Design Guidelines or Industrial Citywide Design Guidelines as applicable. (Violation Type – Minor)

24. All graffiti on the site shall be removed or painted over to match the color of the surface to which it is applied within 24 hours of its occurrence. (Violation Type – Minor)

25. Trash pick-up, compacting, loading, and unloading and receiving activities shall be limited to 7 a.m. to 6 p.m. Monday through Friday and 10 a.m. to 4 p.m. of Saturday. No deliveries or trash pick-up shall occur on Sunday. Waste receptacles shall be kept secure and accessible only to authorized personnel. (Violation Type – Minor)

26. No special events or parties of any type shall be held on the premises, including but not limited to events for which a Temporary Special Event Permit has been issued by the Department of Building and Safety. (Violation Type – Moderate)

27. Outdoor lighting shall be shielded and directed onto the site, such that the light source cannot be seen by persons on adjacent properties or from the public right-of-way. In cases where the premises immediately adjoins a public sidewalk or alley, a light source that is visible from the portion of the sidewalk or alley immediately adjoining the premises shall not be deemed in violation of this provision. (Violation Type – Minor)

28. All exterior portions of the premises shall be adequately illuminated in the evening as to make discernible the faces and clothing of persons utilizing the space. (Violation Type – Minor)

29. All rooftop equipment is required to be screened from view of the public, including air conditioning units, ventilation equipment, and mechanical equipment. (Violation Type – Minor)

30. Exterior mounted devices are prohibited, including security bars, grates, grills, barricades, and similar devices. The use of wrought iron spears and barbed wire (cyclone) on the property are also prohibited. (Violation Type – Minor)

31. An assigned neighborhood liaison shall be identified with a phone number and email address posted prominently for each premises and Business to address and receive complaints. (Violation Type – Minor)

32. A Business shall ensure that the Department is notified in writing of a criminal conviction rendered against the Business, either by mail or electronic mail, within 48 hours of the conviction. A Business shall ensure that the Department is notified in writing of a civil penalty or judgment rendered against the Business, either by mail or electronic mail, within 48 hours of delivery of the verdict or entry of judgment, whichever is sooner. A Business shall ensure that the Department is notified in writing of the revocation of a state license, permit, or other local authorization, either by mail or electronic mail within 48 hours of receiving notice of the revocation. (Violation Type – Minor)

33. A Business shall notify the Police Department and the Department within 24 hours of discovery of any of the following situations: the Business discovers a significant discrepancy as defined in its inventory; the Business becomes aware of or has reason to suspect diversion, theft, loss, or any other criminal activity pertaining to the operation of the Business; the Business becomes aware of or has reason to suspect diversion, theft, loss, or any other criminal activity by an agent or employee pertaining to the operation of the Business; the Business becomes aware of or has reason to suspect the loss or unauthorized alteration of records related to cannabis goods, registered medical cannabis patients or primary caregivers, or dispensary employees or agents; or the Business

becomes aware of or has reason to suspect any other breach of security. (Violation Type – Moderate)

RECORDS RETENTION

1. Each Business shall keep and maintain the following records for at least seven years: financial records including, but not limited to, bank statements, sales invoices, receipts, tax records, and all records required by the California State Board of Equalization, other State of California agencies, the Office of Finance, or the Department; personnel records, including each employee's full name, social security, or individual tax payer identification number, date of beginning employment, and date of termination of employment if applicable; training records, including but not limited to the content of the training provided and the names of the employees that received the training; contracts with other Businesses; Permits, licenses, and other local or state authorizations to conduct the Business' Commercial Cannabis Activity. (Violation Type – Serious)

2. The Department or Office of Finance may make any examination of the books and records of any Business as it deems necessary to perform its duties under the rules, regulations, and procedures of the City of Los Angeles and the State of California. Records shall be kept in a manner that allows the records to be produced for the Department at the Business premises in either hard copy or electronic form, whichever the Department requests. A Business may contract with a third party to provide custodial or management services of the records. Such a contract shall not relieve the Business of his or her responsibilities under these regulations. (Violation Type – Serious)

3. A Business must maintain adequate records of all activities and transactions that involve financial implications for seven years. Such businesses are required to utilize electronic track and trace systems and point of sale terminals (if applicable). The equipment must be capable of recording and monitoring business activities, inventories, transportation, sales transactions, and generating reports on demand. The equipment must be fully integrated to process and maintain data that includes information about the Business from whom the goods were received, the type and amount of goods received, the party who holds title to the goods, and the UIDs or lot number of the goods. Electronic equipment may include, but is not limited to: Radio-Frequency Identification Devices, bar code identifiers, scanning equipment and software, cash registers, desktop computers, mobile devices, and cloud-based technologies that can manage all aspects of the cannabis life cycle from "seed to sale". Data storage and reporting features must incorporate all aspects of revenue transactions inclusive of accurate inventory levels, transactional history, sales receipts and entry of all point of sales data inclusive of wholesale and retail sales. The data must also allow for the Department or its authorized agents to clearly distinguish the activities of medical cannabis from retail cannabis. For Businesses engaging in Retailer Commercial Cannabis Activity, information required to be tracked includes the sale of the cannabis goods, such as the date of sale, type of goods purchased and quantity of each good, and related sale prices. For Businesses engaging in Distributor Commercial Cannabis Activity, the Business must disclose when it uses its own Distributor License to transport the cannabis goods to one or more Businesses conducting

Retailer Commercial Cannabis Activity and enter that transport event into the track and trace database. This information includes the distributor state license number, amount of goods transported, vehicle information, and date of transport. (Violation Type – Serious)

TRACK AND TRACE

1. The Department shall utilize the State of California track-and-trace system for UIDs of cannabis and cannabis products, which all Businesses conducting Commercial Cannabis Activity shall use. Businesses shall meet all Track and Trace requirements of the State of California at all times. (Violation Type – Serious)

RETAILER COMMERCIAL CANNABIS ACTIVITY

1. Except as otherwise provided by state law, access to the premises shall be limited to individuals who are at least 21 years old and have a bona fide business reason for entering the premises. An individual younger than 21 years of age may enter the premises to purchase medical cannabis goods only if the individual is a medical cannabis patient. Any medical cannabis patient younger than 18 years old shall be accompanied by his or her parent, legal guardian, or primary caregiver. (Violation Type – Serious)

2. Individuals shall only be granted access to the area to purchase medical cannabis goods after the Business has identified the individual as a medical cannabis patient or a primary caregiver. Prior to identifying an individual as a medical cannabis patient or a primary caregiver, a Business shall verify that the individual has valid proof of identification as required by the State of California. In the case of a primary caregiver, valid written documentation containing the signature and the printed name of the medical cannabis patient designating the individual as a primary caregiver for a medical cannabis patient. A Business shall only sell medical cannabis goods to medical cannabis patients or the primary caregivers of medical cannabis patients once identification is verified. (Violation Type – Serious)

3. The Business owner or its employees shall be physically present in the retail area at all times when there are individuals who are not employees of the Business in the retail area. (Violation Type – Moderate)

4. A Business conducting Retailer Commercial Cannabis Activity may only sell cannabis goods during the hours of 6:00 a.m. Pacific Time to 9:00 p.m. Pacific Time. At any time the Business is not open for retail sales, the Business shall ensure the following: the premises shall be securely locked with commercial-grade, non-residential door locks; the premises shall be equipped with an active alarm system; when closed for retail business, all cannabis goods shall be stored in a locked safe or vault on the premises; and only authorized employees and contractors of the Business shall be allowed to enter the premises after hours. All patrons must exit the premises by 9:15 p.m. Pacific Time. (Violation Type – Moderate)

5. The display of cannabis goods for sale shall only occur in the retail area during the operating hours of the Business. The Business shall not display any cannabis goods in areas outside of the retail area. The Business shall not display cannabis goods in a place where it is visible from outside the premises. Cannabis goods on display shall not be readily accessible to the customers. The amount of cannabis goods that are displayed shall not exceed the average amount of cannabis goods the Business sells during an average one day period. The remainder of the Business' inventory of cannabis goods shall be stored in accordance with the requirements of the State of California and the Department. (Violation Type – Moderate)

6. A Business shall not make any cannabis goods available for sale or delivery unless the cannabis goods were received and delivered to the Business as required by the State of California, and the Business has verified that the cannabis goods have not exceeded their expiration or sell-by date if one is provided. (Violation Type – Moderate)

7. A Business shall not sell more than the maximum daily limit established for medical cannabis goods including edibles, or adult use cannabis goods including edibles per individual, as required by the State of California. (Violation Type – Moderate)

8. A Business may accept returns of cannabis goods that were previously sold at the same premises. A Business shall not resell cannabis goods that have been returned. A Business shall treat any cannabis goods abandoned on the premises as a return. A Business shall destroy all cannabis goods that have been returned to a Business as required by the State of California and the Department. (Violation Type – Moderate)

9. A Business shall not provide free samples of any type, including cannabis goods, to any person. A Business shall not allow representatives of other companies or organizations to provide free samples of any type, including cannabis goods, to individuals on the Business premises. (Violation Type – Moderate)

10. A Business shall not accept cannabis goods that are not packaged as they will be sold at final sale, in compliance with the requirements of the State of California. A Business shall not purchase dried flower that is not already packaged for final sale, in compliance with the requirements of the State of California. A retailer shall not package or label cannabis goods, unless otherwise allowed by the State of California. (Violation Type – Moderate)

11. Cannabis goods purchased by a customer shall not leave the Business premises unless they are placed in an exit package as required by the State of California. (Violation Type – Moderate)

12. A Business shall store cannabis goods in a building designed to permit control of temperature and humidity and shall prevent the entry of environmental contaminants such as smoke and dust. The area in which cannabis goods are stored shall not be exposed to direct sunlight. A Business may not store cannabis goods outdoors. Employee break rooms, changing facilities, and bathrooms shall be completely separated from the storage

areas. A Business shall meet all temperature and humidity requirements of the State of California. (Violation Type – Moderate)

13. A Business shall maintain an accurate record of its inventory as required by the State of California. A Business shall provide the Department with a record of its current inventory upon request.(Violation Type – Moderate)

14. A Business shall maintain an accurate record of every sale as required by the State of California. (Violation Type – Minor)

15. Up to 120 days after the date of City licensure or April 1, 2018, whichever is sooner, a Business may sell its inventory of untested cannabis goods if the Business places a label on each package it sells with the date of purchase and the following statement: "This product has not been tested under the Medicinal and Adult-Use Cannabis Regulation and Safety Act (MAUCRSA)." During the time period allowed by this section, a Business will meet all applicable packaging requirements required by the State of California. (Violation Type – Serious)

16. Within the first three months of the establishment of the training program, all employees of a Business conducting Retailer Commercial Cannabis Activity shall enroll in the Department and Police Department's standardized training for cannabis retailers. Upon completion of such training, the Business shall request the Department to issue a letter identifying which employees completed the training. In the event there is a change in the ownership of a Business, within six months of the change, this training program shall be required for all new staff. The training shall be conducted for all new hires within two months of their employment. A refresher course is required of all employees every 24 months after the initial training is completed. Online or in-person training is at the discretion of the Department and Police Department. (Violation Type – Minor)

17. An electronic age verification device shall be purchased and retained on the premises to determine the age of any individual attempting to purchase cannabis goods and shall be installed on at each point-of-sales location. The device shall be maintained in operational condition and all employees shall be instructed in its use. Cannabis products shall not be sold to the public without a functioning electronic age verification device. (Violation Type – Moderate)

18. Only one door, as identified in the premises diagram, shall be used for patron access. Two doors, as identified in the premises diagram, may be used for patron access to allow for separation of medical and adult use sales. All other doors shall be equipped on the inside with an automatic locking device and shall be kept closed at all times, other than to permit access for deliveries and trash removal. Exterior doors shall not consist of a screen or ventilated security door but shall be solid. (Violation Type – Moderate)

19. There shall be no sales through exterior openings, such as drive through or walk-up windows. (Violation Type – Serious)

20. All windows that front adjacent streets shall consist of at least 50 percent transparent windows, and provide a clear and unobstructed view free of reflective coatings (Violation Type – Moderate)

21. There shall be no adult entertainment of any type pursuant to Section 12.70 of the Los Angeles Municipal Code or alcohol and tobacco sales of any type. (Violation Type – Moderate)

22. No entertainment of any type shall be allowed to take place, except for ambient music. No disc jockey, karaoke, dancing or performing activity or any kind shall be allowed. Any music, sound, or noise emitted from the Business shall comply with the noise regulations of the Los Angeles Municipal Code and shall not extend beyond the Business. (Violation Type – Moderate)

23. There shall be no pool/billiard tables, dart games, video games, coin-operated game machines or similar game devices maintained upon the premises at any time. (Violation Type – Minor)

24. There shall be no outdoor speakers, address, or paging system on the exterior portions of the Business premises or attached to the façade of the building. (Violation Type – Moderate)

25. A Business shall maintain a fire-proof safe on-site. (Violation Type – Moderate)

DELIVERY FOR RETAILER COMMERCIAL CANNABIS ACTIVITY

1. A Business conducting Delivery for Retailer Commercial Cannabis Activity shall meet all applicable operational requirements for Retailer Commercial Cannabis Activity. (Violation Type – Minor)

2. All deliveries of cannabis goods must be performed by a delivery employee of a Business conducting Delivery for Retailer Commercial Cannabis Activity. Each delivery employee of a Business shall be at least 21 years of age. A Business shall only use the services of an independent contractor or courier service to deliver cannabis goods as allowable by the State of California. Only authorized employees of the Business can be in the delivery vehicle during the time of delivery. (Violation Type – Moderate)

3. All deliveries of cannabis goods shall be made in person, pre-ordered, packaged for sale, labeled, and placed in exit packaging prior to being dispatched for delivery. A delivery of cannabis goods shall not be made through the use of an unmanned vehicle. A Business may only deliver cannabis goods to a physical address within the boundaries of the City of Los Angeles. A Business shall not deliver cannabis goods to an address located on publicly owned land or any address on land or in a building leased by a public agency. (Violation Type – Moderate)

4. An electronic age verification device shall be purchased and retained on the premises to determine the age of any individual attempting to purchase cannabis goods for delivery and shall be required at each point-of-sales location. The device shall be maintained in operational condition and all employees shall be instructed in its use. Cannabis products shall not be sold to the public without a functioning electronic age verification device. (Violation Type – Moderate)

5. A delivery employee begins the process of delivering when the delivery employee leaves the Business premises with the cannabis goods for delivery. The process of delivering ends when the delivery employee returns to the Business premises after delivering the cannabis goods. (Violation Type – Minor)

6. A delivery employee of a Business shall, during deliveries, carry a copy of the Business' License, the employee's government-issued identification, and an employer provided badge containing a picture and the name of the delivery employee. A Business shall maintain an accurate list of its delivery employees. (Violation Type – Minor)

7. A delivery employee of a Business, carrying cannabis goods for delivery, shall only travel in an enclosed motor vehicle operated by the delivery employee or another delivery employee of the Business. While carrying cannabis goods for delivery, a delivery employee of a Business shall ensure the cannabis goods are not visible to the public. A delivery employee of a Business shall not leave cannabis goods in an unattended motor vehicle unless the motor vehicle is equipped with an active vehicle alarm system. A vehicle used for the delivery of cannabis goods shall be outfitted with a dedicated Global Positioning System (GPS) device for identifying the geographic location of the delivery vehicle. A dedicated GPS device does not include a phone or tablet. The device shall be either permanently or temporarily affixed to the delivery vehicle and shall remain active and inside of the delivery vehicle at all times during delivery. At all times, the Business shall be able to identify the geographic location of all delivery vehicles that are making deliveries for the Business and shall provide that information to the Department upon request. (Violation Type – Serious)

8. A Business shall only deliver cannabis goods during the hours allowable by the State of California. (Violation Type – Serious)

9. While making deliveries, a delivery employee of a Business shall not carry cannabis goods in excess of $3,000 at any time. This value shall be determined using the retail price of all cannabis goods carried by the delivery employee. (Violation Type – Moderate)

10. Delivery employees of a Business shall not consume cannabis goods or be under the influence of any substance that impairs the ability of the employee while delivering cannabis goods. (Violation Type – Serious)

11. A Business shall prepare a delivery request receipt for each delivery of cannabis goods as required by the State of California. (Violation Type – Minor)

12. While making deliveries of cannabis goods, a delivery employee of a Business shall only travel from the Business premises to the delivery address; from one delivery address to another delivery address; or from a delivery address back to the Business premises. A delivery employee of a Business shall not deviate from the delivery path, except for necessary rest, fuel, or vehicle repair stops, or because road conditions make continued use of the route unsafe, impossible, or impracticable. (Violation Type – Minor)

13. No Business conducting Retailer Commercial Cannabis Activity may conduct any deliveries within the boundaries of the City of Los Angeles without first obtaining a License from the Department, including licensed or permitted Businesses located outside of the City of Los Angeles. Furthermore, no business is authorized to provide delivery services outside of the City of Los Angeles under a License issued by the Department. (Violation Type – Serious)

14. A Business shall ensure that the Department is notified in writing of an arrest or criminal conviction involving a vehicle of an employee and the employee or employees involved, either by mail or electronic mail, within 48 hours of the conviction or arrest. (Violation Type – Minor)

15. A Business shall maintain a fire-proof safe on-site. (Violation Type – Moderate)

16. On the first of every month and upon request, a Business shall provide the Department and the Police Department with information regarding any motor vehicles used for the delivery of cannabis goods, including the vehicle's make, model, color, Vehicle Identification Number, and license plate number. Any motor vehicle used by the Business to deliver cannabis goods may be inspected by the Department at any premises or during delivery. (Violation Type – Moderate)

MICROBUSINESS COMMERICAL CANNABIS ACTIVITY REQUIREMENTS

1. A Business conducting Microbusiness Commercial Cannabis Activity shall meet all applicable operational requirements for Retailer Commercial Cannabis Activity, Cultivation Commercial Cannabis Activity, and/or Manufacture Commercial Cannabis Activity. (Violation Type – Minor)

2. All windows that front adjacent streets shall consist of at least 50 percent transparent windows, and provide a clear and unobstructed view free of reflective coatings (Violation Type – Moderate)

CULTIVATION COMMERICAL CANNABIS ACTIVITY

1. The Cultivation Plan for a Business shall meet all the requirements of the State of California, including hazardous waste management requirements of the CUPA program. (Violation Type – Minor)

2. Businesses are prohibited from transferring or receiving any cannabis or non-manufactured cannabis products from other Businesses conducting Cultivation Commercial Cannabis Activity, except as otherwise allowed by the State of California. Businesses are allowed to receive immature plants or seeds from nurseries and to transfer cannabis and non-manufactured cannabis products under the requirements of the State of California. (Violation Type – Moderate)

3. Businesses are prohibited from accepting returns of cannabis plants or non-manufactured cannabis products after transferring actual possession of cannabis plants or non-manufactured cannabis to another Business. (Violation Type – Moderate)

4. Cannabis plant material scheduled for destruction shall be held in a holding area identified in the Cultivation Plan and shall be managed and disposed of in accordance with the requirements of the State of California. (Violation Type – Moderate)

5. All cannabis shall be kept commercially clean in respect to established pests of general distribution as required by the State of California. (Violation Type – Moderate)

6. A package used to contain a non-manufactured cannabis product shall adhere to the requirements of the State of California. (Violation Type – Moderate)

7. All labeling shall meet the requirements of the State of California. (Violation Type – Serious)

8. Businesses shall only propagate immature plants for planting at their premises in designated propagation area(s) according to the requirements of the State of California. Businesses propagating immature plants for distribution or seed for distribution to another Business shall obtain a Type 4 License. (Violation Type – Moderate)

9. Businesses shall process their cannabis as required by the State of California. (Violation Type – Moderate)

10. Nurseries producing immature plants for distribution may maintain a research and development area for the cultivation of mature plants as required by the State of California. Nurseries shall only conduct research and development on the premises in designated areas identified in their Cultivation Plan and premises diagram approved by the Department. Non-manufactured cannabis products derived from the plants described above are prohibited from entering the commercial distribution chain without the appropriate Department issued License. (Violation Type – Moderate)

11. Processors shall comply with all of the requirements of the State of California. (Violation Type – Moderate)

12. All Businesses shall comply with the environmental protection measures of the State of California. (Violation Type – Moderate)

13. Indoor license types of all sizes shall ensure that electrical power used for commercial cannabis activity shall meet the requirements of the State of California. (Violation Type – Moderate)

14. A Business shall comply with all requirements of a fire safety plan approved by the Fire Department. (Violation Type – Moderate)

MANUFACTURE COMMERCIAL CANNABIS ACTIVITY REQUIREMENTS

1. Cannabis extraction shall only be conducted using the methods in accordance with all requirements and procedures of the State of California. (Violation Type – Serious)

2. The Business shall establish and implement written procedures with respect to disease control, cleanliness, contamination prevention, sanitary operations, quality control, the quality of raw materials and ingredients, manufacturing operations, master manufacturing protocol, hazard analysis, standard operating procedures, and inventory control plan as required by the State of California. (Violation Type – Moderate)

3. A Business shall comply with all requirements of a fire safety plan approved by the Fire Department. (Violation Type – Moderate)

4. Within the first three months of the establishment of the training program, all employees of a Business conducting Manufacturer Commercial Cannabis Activity (Type 7-Manufacturer 2) shall enroll in the Department and Police Department's standardized training for cannabis manufacturers. Upon completion of such training, the Business shall request the Department to issue a letter identifying which employees completed the training. In the event there is a change in the ownership of a Business, within six months of the change, this training program shall be required for all new staff. The training shall be conducted for all new hires within two months of their employment. A refresher course is required of all employees every 24 months after the initial training is completed. Online or in-person training is at the discretion of the Department and Police Department. (Violation Type – Moderate)

5. At minimum, a Business will meet all facility suitability standards and be equipped with adequate sanitary accommodations as required by the State of California. (Violation Type – Moderate)

6. The Business shall establish and implement written procedures to ensure that all product complaints are handled in accordance with the requirements of the State of California. (Violation Type – Moderate)

7. A Business shall establish and implement written procedures in the Cannabis Waste Management Plan for recalling cannabis products manufactured by the Business that are determined to be misbranded or adulterated in accordance with the requirements of the State of California. (Violation Type – Serious)

8. The Business shall be subject and meet all manufacturer requirements of the State of California. (Violation Type – Moderate)

9. No cannabis product shall exceed the level of contaminants as required by the State of California. (Violation Type – Serious)

10. Prior to release of a product, a Business shall ensure that the product is in finished form and is labeled and packaged in its final form for sale at a Business conducting Retailer Commercial Cannabis Activity. A Business must comply with, and follow all labeling and packaging requirements of the State of California. (Violation Type – Moderate)

TESTING COMMERCIAL CANNABIS ACTIVITY REQUIREMENTS

1. A Business shall develop and implement sampling plans, procedures, and protocols that meet the requirements of the State of California for obtaining samples of cannabis goods. (Violation Type – Moderate)

2. A Business shall develop, implement, and maintain written standard operating procedures and scientifically valid testing methodologies as required by the State of California. (Violation Type – Moderate)

3. A Business shall only use metals, butane, propane, or any other flammable solvent or inflammable product for the purposes of testing as required by the State of California. (Violation Type – Serious)

4. A Business shall test for and report measurements for the cannabinoids as required by the State of California. (Violation Type – Serious)

5. A Business shall analyze samples of manufactured cannabis batches for residual solvents and processing chemicals as required by the State of California. (Violation Type – Serious)

6. A Business shall test all samples for residual pesticides, microbiological impurities, mycotoxins, filth and foreign material present, and concentrations of heavy metals as required by the State of California. (Violation Type – Serious)

7. The Business shall generate a certificate of analysis as required by the State of California. (Violation Type – Serious)

8. A Business shall destroy nonhazardous used or unused cannabis test samples as required by the State of California. (Violation Type – Moderate)

9. A Business shall conduct an internal audit at least once per year or according to the ISO accrediting body's requirement and State of California requirements, whichever is more frequent. (Violation Type – Moderate)

10. A Business shall maintain analytical testing laboratory records as required by the State of California. (Violation Type – Moderate)

11. Laboratory employees shall meet the experience, education, and training requirements specified and required by the State of California. A Business shall verify and maintain documentation of qualifications of its employees. (Violation Type – Serious)

12. A Business shall deter the unauthorized entrance into areas within the laboratory where cannabis is present by controlling access to those areas through doing all of the following: limiting access to only certain personnel and for the sole purpose of executing their specific job function and duties; implementing an access-control-card system capable of preventing unauthorized access through access control points. The system must record the transaction history of all entrants; using a security alarm system as required; and maintaining a visitor arrival and departure log, which must contain, at minimum, the name of the visitor, date and time of arrival and departure, and the purpose of the visit. (Violation Type – Moderate)

13. A Business shall store cannabis secured with a commercial-grade lock in a room or cabinet capable of preventing diversion, theft, and loss. Secured areas must be locked at all times except when managing or retrieving a secured item or items. A Business shall store medical cannabis samples and items apart and away from non-medical-cannabis samples and items. The testing laboratory shall designate secured areas for storage as required by the State of California. (Violation Type – Moderate)

14. Businesses shall store all raw unprocessed instrument output data files and processed quantitation output files at the laboratory on some form of electronic, magnetic, or optical media. A Business shall allow access to these records for inspection and audit by the Department. Businesses shall install, manage, and maintain password-protection for electronically stored data, including the data listed. (Violation Type – Serious)

15. Businesses shall notify the Department within 24 hours of discovering any of the following: An unexplained loss of 5% or more of the inventory of unpackaged and unused harvest-batch samples held at the laboratory; an unexplained loss of 1 or more units of packaged cannabis batch samples held at the laboratory; or diversion or theft of medical cannabis or any other criminal activity pertaining to the operation of the laboratory. (Violation Type – Minor)

16. No owner or employee of a Business may be employed by, or have any ownership or financial interest, in any other category of Commercial Cannabis Activity. (Violation Type – Serious)

DISTRIBUTOR COMMERCIAL CANNABIS ACTIVITY REQUIREMENTS

1. A Business conducting Distributor Commercial Cannabis Activity must meet all operational requirements of the State of California. (Violation Type – Minor)

INSPECTIONS

1. Applicants will submit to a pre-inspection of the premises during regular business hours prior to the issuance of a Provisional License. Pre-inspection is not required for a Provisional License issued to Proposition M Priority processing applicants, but will be required prior to the issuance of a permanent License. Pre-inspections may include, but is not limited to, employees or agents of the following City Departments: Department of Cannabis Regulation, Department of Building and Safety, Police Commission, and Fire Department. A pre-inspection consists of approval of the premises diagram, on-site inspection of all applicable building code and fire code requirements, approval of the security plan, fingerprinting, and approval of the fire safety plan (if applicable). An applicant shall satisfy all requirements of a pre-inspection prior to further application processing. An applicant shall upgrade all applicable electrical and water systems to Building and Fire Code standards prior to further application processing.

2. All Businesses and applicants shall be subject to inspection, investigation, or audit by the Department or its agents to determine compliance. An inspection, investigation or audit is a review of any books, records, accounts, inventory, or on-site operations specific to the Business. Inspections, investigations, or audits may include, but is not limited to employees or agents of the following City Departments: the Department of Cannabis Regulation, Department of Building and Safety, Police Commission, Fire Department, and the Office of Finance.

3. The Department and its agents may conduct an on-site inspection prior to issuing a renewal License in accordance with the requirements of the State of California and the Department.

4. The Department may record the inspection, investigation, or audit.

5. The applicant or Business shall allow the Department access to the proposed or authorized premises for any of the following purposes: onsite inspection of the premises prior to issuing a renewal to determine accuracy and completeness of the application; review or inspect the premises to determine compliance with requirements; audit or inspect records; conduct an inspection or investigation in response to a complaint(s) received by the Department regarding the Business; 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; all pertinent equipment, raw material, finished and unfinished materials, containers, packaging, and labeling that has a bearing on whether the cannabis or cannabis product is compliant; investigations concerning the adulteration, misbranding or unlicensed production of any cannabis product including the ability to enter and inspect any place where any cannabis product is suspected of being manufactured or held in violation of requirements; and, conduct an investigation of the Business, the operations, and other activities associated with Commercial Cannabis Activity engaged in by the Business, as deemed necessary by the Department. Failure to fully cooperate with inspections, investigations or audits is a Serious Violation subject to enforcement. All inspections, investigations, or audits and related fees

shall be charged to Businesses at full cost recovery. Prior notice of inspection, investigation or audit is not required.

6. All inspections, investigations and audits of the premises shall be conducted during regular business hours, during times of apparent or alleged activity, or as otherwise agreed to by the Department and the Business.

7. No applicant, Business, its agent or employees shall interfere with, obstruct or impede the Department's inspection, investigation or audit. This includes, but is not limited to the following actions: denying the Department access to the premises; providing false or misleading statements; providing false, falsified, fraudulent or misleading documents and records; and failing to provide records, reports, and other supporting documents. Upon completion of an inspection, investigation or audit, the Department shall notify the applicant or Business of any violation(s) and/or action(s) the Department is taking.

8. The Department may perform an audit of the physical inventory of any Commercial Cannabis Business at the Department's discretion. Variances between the physical audit and the inventory reflected in the track-and-trace system at the time of the audit, which cannot be attributed to normal moisture variations in harvested cannabis may be subject to enforcement action.

9. In construing and enforcing the provisions and regulations of the Commission and Department, the act, omission, or failure of an agent, officer, or other person acting for or employed by a Business, within the scope of his or her employment or office, shall in every case be deemed the act, omission, or failure of the Business.

REVISED DRAFT

ENFORCEMENT

1. The Department shall be the lead agency for any enforcement investigations and actions with respect to these regulations for licensed Businesses. The City Attorney and the Police Department shall be the lead agencies with respect to any enforcement investigations and actions of unlicensed Commercial Cannabis Activity.

2. Notwithstanding any other provision of law, the Department may take an administrative action at any time within five years after the Department discovers, or with reasonable diligence should have discovered any violation of the License requirements of the Department. Any action of the Department does not preclude the State of California, the Department of Building and Safety, and the Fire Department from taking their own enforcement action.

3. The Department shall use the violation classes and applicable amounts as follows: For the purpose of this section, violation classes are designated as "Serious," "Moderate," and "Minor".

    a. "Serious". Violations which preclude or significantly interfere with enforcement, or those which cause significant false, misleading or deceptive business practices, potential for significant level of public or environmental harm, intentional or knowing sale of cannabis products to a person under the age of 21 (unless a medical cannabis patient), intentional or knowing sale of medical cannabis to a person who is not a medical cannabis patient; packaging or labeling any cannabis product in a manner that violates the requirements of the State of California or Department, advertising or marketing cannabis products that violates the requirements of the State of California or Department, issued violations of any law involving wages or labor as a violation of the California Labor Code or Los Angeles Municipal Code, or for any violation which is a repeat of a Moderate violation that occurred within a two-year period and which resulted in an administrative civil penalty.

    b. "Moderate". Violations which undermine enforcement or those where it is likely there will be public or environmental harm; or for any violation which is a repeat of a Minor violation that occurred within a two-year period and which resulted in an administrative civil penalty.

    c. "Minor". Violations that are not likely to have an adverse effect on public safety or environmental health. Repeat violations may result in an escalation of violation class. Any Minor violations of the License and conditions of licensure shall be corrected within 30 days of notification, with one 30-day extension by request.

4. The Department shall issue a Notice of Violation to Businesses in violation of the applicable requirements of the Department or the State of California. A copy of the Notice of Violation shall be served upon the Business and legal owner of the property. The Notice of Violation shall contain all of the following: A brief statement of the

violation(s) alleged; a statement of whether the violation is correctable, and a timeframe in which the violation shall be corrected; and appeal rights and procedures as follows: respondent's right to an administrative hearing will be deemed waived if respondent fails to respond in writing within 10 business days from the date the Notice of Violation was received by the respondent, or respondent's agent for service.

5. To prevent destruction of evidence, illegal diversion of cannabis or cannabis products, or to address potential threats to the environment or public safety, while allowing a Business to retain its inventory pending further inspection, or enforcement action, the Department may order an administrative hold of cannabis or cannabis products pursuant to the following procedure: The notice of administrative hold shall provide a documented description of the cannabis or cannabis products to be subject to the administrative hold and a concise statement, regarding the basis for issuing the administrative hold. Within 24 hours of receipt of the notice of administrative hold, the Business shall physically segregate all designated cannabis or cannabis products subject to the hold and shall safeguard and preserve the subject property as noticed. Following the issuance of a notice of administrative hold to the Business, the Department shall identify the cannabis or cannabis products subject to the administrative hold in the track-and-trace system. While the administrative hold is in effect, the Business is restricted from selling, donating, transferring, transporting, or destroying the subject property noticed. Nothing herein shall prevent a Business from the continued possession, cultivation, or harvesting of the cannabis subject to the administrative hold. During the hold period, all cannabis or cannabis products subject to an administrative hold shall be put into separate batches. Nothing herein shall prevent a Business from voluntarily surrendering cannabis or cannabis products that are subject to an administrative hold. The Business shall identify the cannabis or cannabis products being voluntarily surrendered in the track-and-trace system. Voluntary surrender does not waive the right to a hearing and any associated rights. The Business shall have the right to appeal an administrative hold ordered by the Department.

6. The Business may appeal a Notice of Violation or an administrative hold by requesting an administrative hearing by written correspondence to the Department. The request shall be received within 10 business days from the date the Notice of Violation was received.

    a. The request shall include the following: The respondent's name, mailing address, and daytime phone number; if applicable, the License number issued by the Department; copy of the Notice of Violation; a clear and concise statement for the basis of the appeal or counts within the Notice of Violation. Failure to submit a written request constitutes a waiver of the respondent's right to contest the Notice of Violation. Untimely requests for an administrative hearing will not be considered. If the Notice of Violation places an administrative hold on cannabis or cannabis products, the hold shall remain in effect pending the outcome of the administrative hearing.

    b. The Department shall schedule an administrative hearing within 30 calendar days from receipt of the request for a hearing. The Department shall provide a notice of

the administrative hearing to the respondent containing the following information: date, location, and time of the administrative hearing; summary of the violations; any other information or documentation necessary for the hearing; and standard of proof.

c. Administrative hearings shall be conducted as follows: The standard of proof to be applied by the hearing officer shall be preponderance of the evidence; The decision of the hearing officer shall be in writing and shall include a statement of the factual legal basis of the decision; The written decision shall be issued within 30 days after the conclusion of the hearing and may be issued orally at the conclusion of the hearing subject to written confirmation; The decision shall be served on the respondent either by personal service, mail, email or via facsimile per respondent's request/direction; and the respondent may appeal the hearing officer's decision by filing a petition for appeal to the Commission.

7. The Department may take an interim action for any violations noted as "Serious" at the discretion of the Department prior to an administrative hearing. If the Business holds multiple Licenses, the Department may simultaneously suspend or impose conditions upon some or all of the Licenses held by the Business based on violations noted as "Serious, by taking any one of, or combination of, the following actions: suspension of the license for a specified period of time; more restrictive conditions of compliance with terms and conditions determined by the Department; or order an administrative hold of cannabis or cannabis products.

8. If a License is revoked at an administrative hearing or after the appeals process has been exhausted, the owner or individual shall not be allowed to apply to open a Business conducting Commercial Cannabis Activity for a period of 5 years after the date of revocation. Hearings concerning these proceedings shall be held in accordance with the rules, policies, and procedures of the Commission and Department.

9. Administrative Fines will be issued as follows: "Minor" Violation – Amount equal to fifty percent of the Cannabis Application Fee for each and every violation; "Moderate" Violation – Amount equal to one-hundred and fifty percent of the amount of the Cannabis Application Fee for each and every violation; "Serious" Violation – Amount equal to three times the amount of the Cannabis Application Fee for each and every violation.

10. BTRCs will be revoked for any Business that has a license revoked.

RENEWALS

1. To renew a License, a completed License renewal form and renewal License fee shall be received by the Department from the Business no earlier than 120 calendar days before the expiration of the License, and no later than 5:00 p.m. Pacific Time 60 calendar days before the expiration of the License. Failure to receive a notice for License renewal does not relieve a Business of the obligation to renew all Licenses as required. In the event the License is not renewed prior to the expiration date, the Business must cease all Commercial Cannabis Activity until such time that the Business is issued a new Provisional License from the Department. The applicant and property owner will be subject to enforcement by the Police Department and City Attorney for continuing operations after an application for renewal has been denied or expired.

2. The License renewal form shall contain, at minimum, the following: The name of the Business. For Businesses who are individuals, the applicant shall provide both the first and last name of the individual. For Businesses who are business entities, the Business shall provide the legal business name of the applicant. The License number and expiration date; the Business' address of record and premises address; an attestation that all information provided to the Department in the original application is accurate and current or a detailed explanation of any changes or discrepancies.

3. The Department and its agents may conduct an on-site inspection prior to issuing a renewal License in accordance with the requirements of the State of California and the Department.

4. A Business' security plan must be reviewed every year during the renewal process. The purpose of the review is to assess the effectiveness of the security plan, and the Police Commission may modify any of the measures within the security plan with the approval of the Department.

5. A renewal applicant must be current on all City of Los Angeles taxes, fees, and free of any violations before a renewal will be considered by the Department.

6. BTRCs will be revoked for any Business who is not approved for renewal.

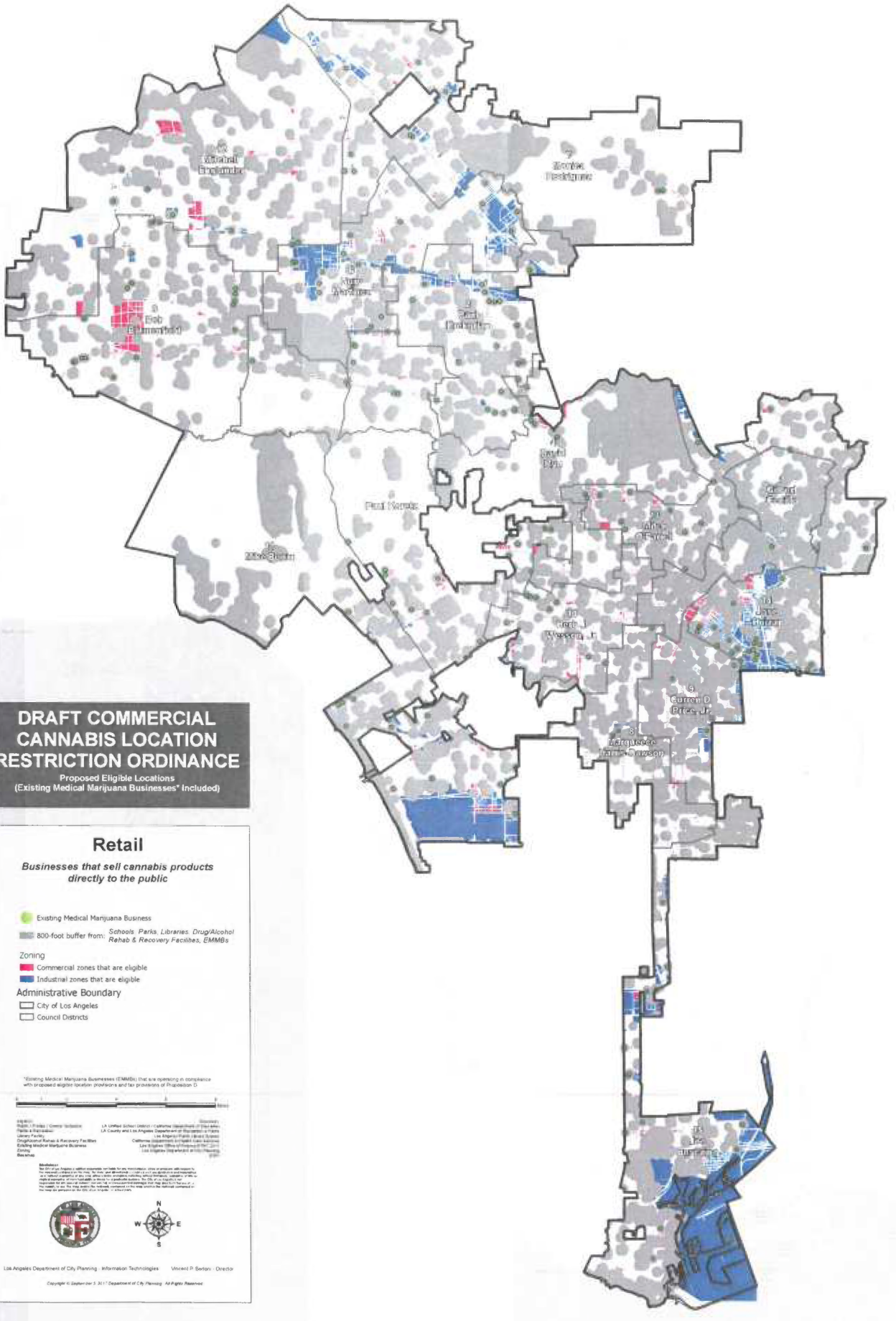
CANCELLATIONS

1. Every Business who surrenders, abandons, or quits the premises as identified in the License, or who closes the premises for a period exceeding 30 consecutive calendar days, shall, within 30 calendar days after closing, surrendering, quitting, or abandoning the premises, surrender the Licenses to the Department. Exceptions may be made to those Businesses who close due to involuntary relocation. The Department may seize the Licenses of a Business who fails to comply with the surrender provisions and may proceed to revoke the Licenses.

2. The Department may cancel the Licenses of a Business upon request by the Business. Any Business that cancels their licenses will have their BTRC revoked.

REVISED DRAFT

ATTACHMENT 2
PROPOSED CITY CANNABIS ZONING MAPS



DRAFT COMMERCIAL CANNABIS LOCATION RESTRICTION ORDINANCE

Proposed Eligible Locations
(Existing Medical Marijuana Businesses* Included)

Retail

Businesses that sell cannabis products directly to the public

Existing Medical Marijuana Business

800-foot buffer from: *Schools, Parks, Libraries, Drug/Alcohol Rehab & Recovery Facilities, EMMBs*

Zoning

Commercial zones that are eligible

Industrial zones that are eligible

Administrative Boundary

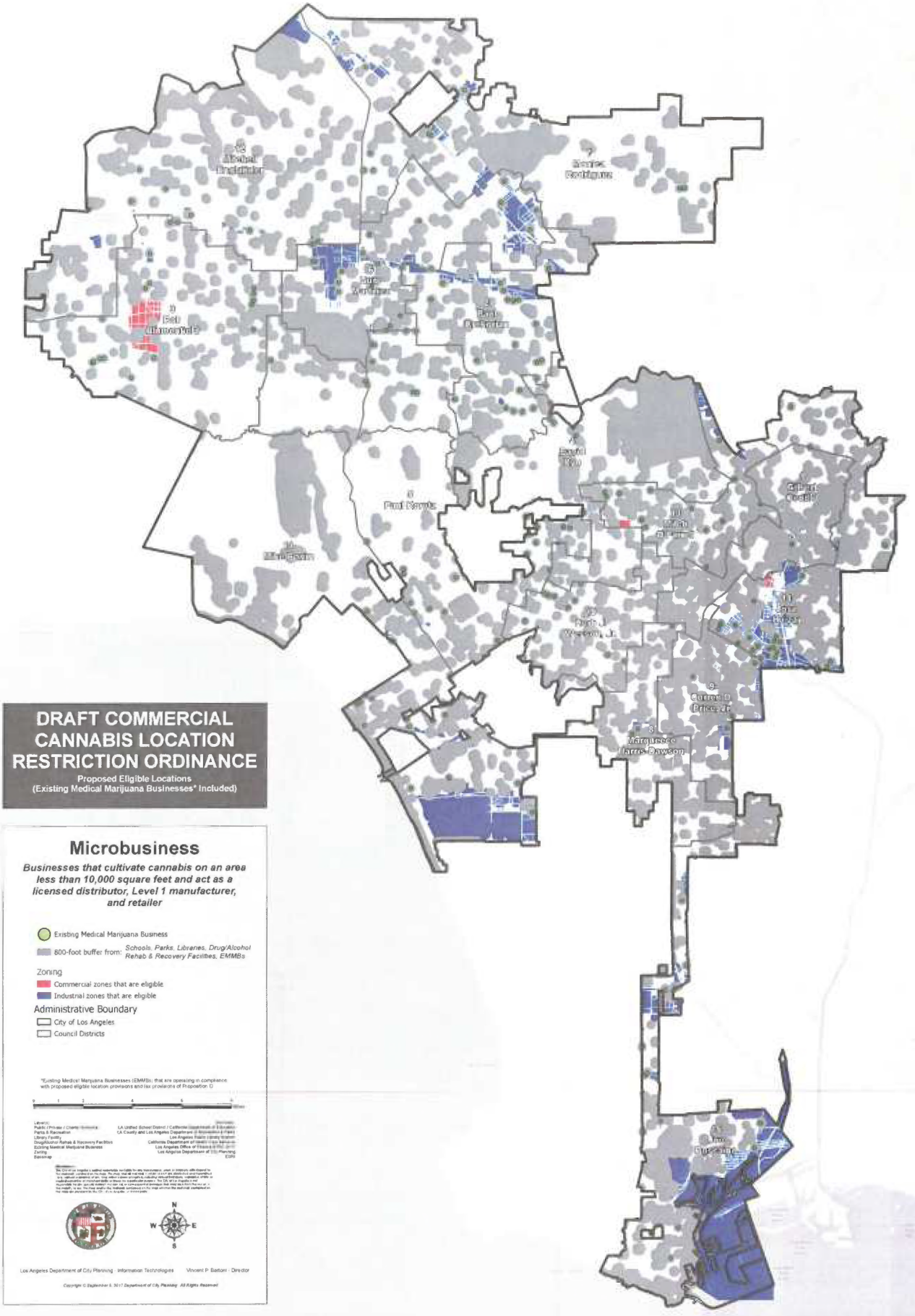
City of Los Angeles

Council Districts

*Existing Medical Marijuana Businesses (EMMBs) that are operating in compliance with proposed eligible location provisions and tax provisions of Proposition D

Los Angeles Department of City Planning · Information Technologies Vincent P. Bertoni · Director

Copyright © September 5, 2017 Department of City Planning. All Rights Reserved.



DRAFT COMMERCIAL CANNABIS LOCATION RESTRICTION ORDINANCE

Proposed Eligible Locations
(Existing Medical Marijuana Businesses* Included)

Microbusiness

Businesses that cultivate cannabis on an area less than 10,000 square feet and act as a licensed distributor, Level 1 manufacturer, and retailer

Existing Medical Marijuana Business

800-foot buffer from: *Schools, Parks, Libraries, Drug/Alcohol Rehab & Recovery Facilities, EMMBs*

Zoning

Commercial zones that are eligible

Industrial zones that are eligible

Administrative Boundary

City of Los Angeles

Council Districts

*Existing Medical Marijuana Businesses (EMMBs) that are operating in compliance with proposed eligible location provisions and tax provisions of Proposition D

0 1 2 4 6 8 Miles

Labels:
Public / Private / Charter Schools
Parks & Recreation
Library Facility
Drug/Alcohol Rehab & Recovery Facilities
Existing Medical Marijuana Business
Zoning
Basemap

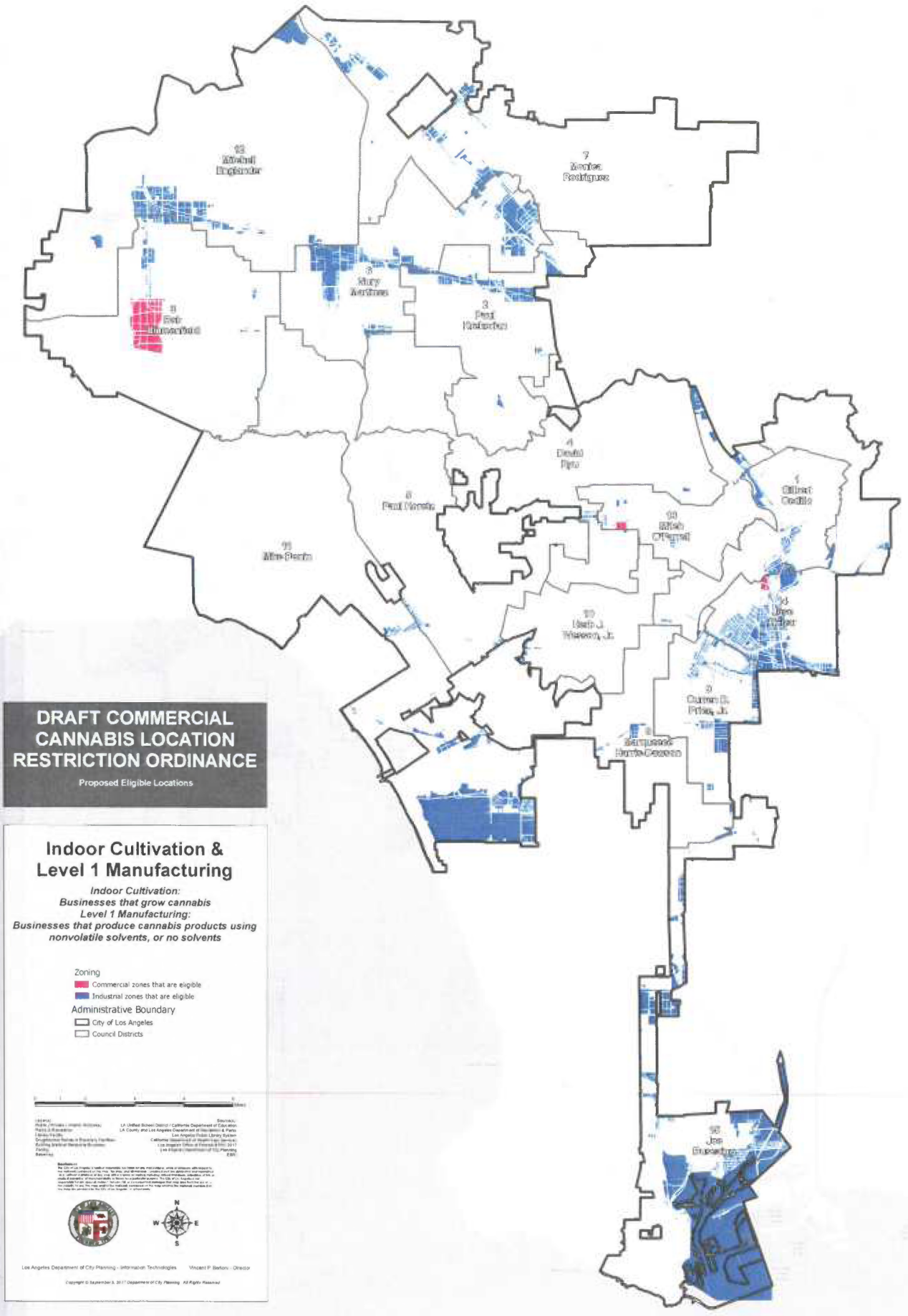
LA Unified School District / California Department of Education
CA County and Los Angeles Department of Recreation & Parks
Los Angeles Public Library System
California Department of Health Care Services
Los Angeles Office of Finance & ITA, ESRI
Los Angeles Department of City Planning, ESRI

Disclaimer:
The City of Los Angeles is neither responsible nor liable for any inaccuracy, error or omission with respect to the medium, content or the map. The map, data and information is provided "as is" without warranty of any kind, either expressed or implied, including any warranties of merchantability, suitability or fitness for a particular purpose. The City of Los Angeles shall not be liable for any special, indirect or consequential damages that may result from the use of, or the inability to use, the map and/or the data contained on the map and/or the data that is compiled on the map and presented by the City of Los Angeles, or third parties.

N W E S

Los Angeles Department of City Planning - Information Technologies — Vincent P. Bertoni - Director

Copyright © [September 5, 2017] Department of City Planning. All Rights Reserved.



DRAFT COMMERCIAL CANNABIS LOCATION RESTRICTION ORDINANCE

Proposed Eligible Locations

Indoor Cultivation & Level 1 Manufacturing

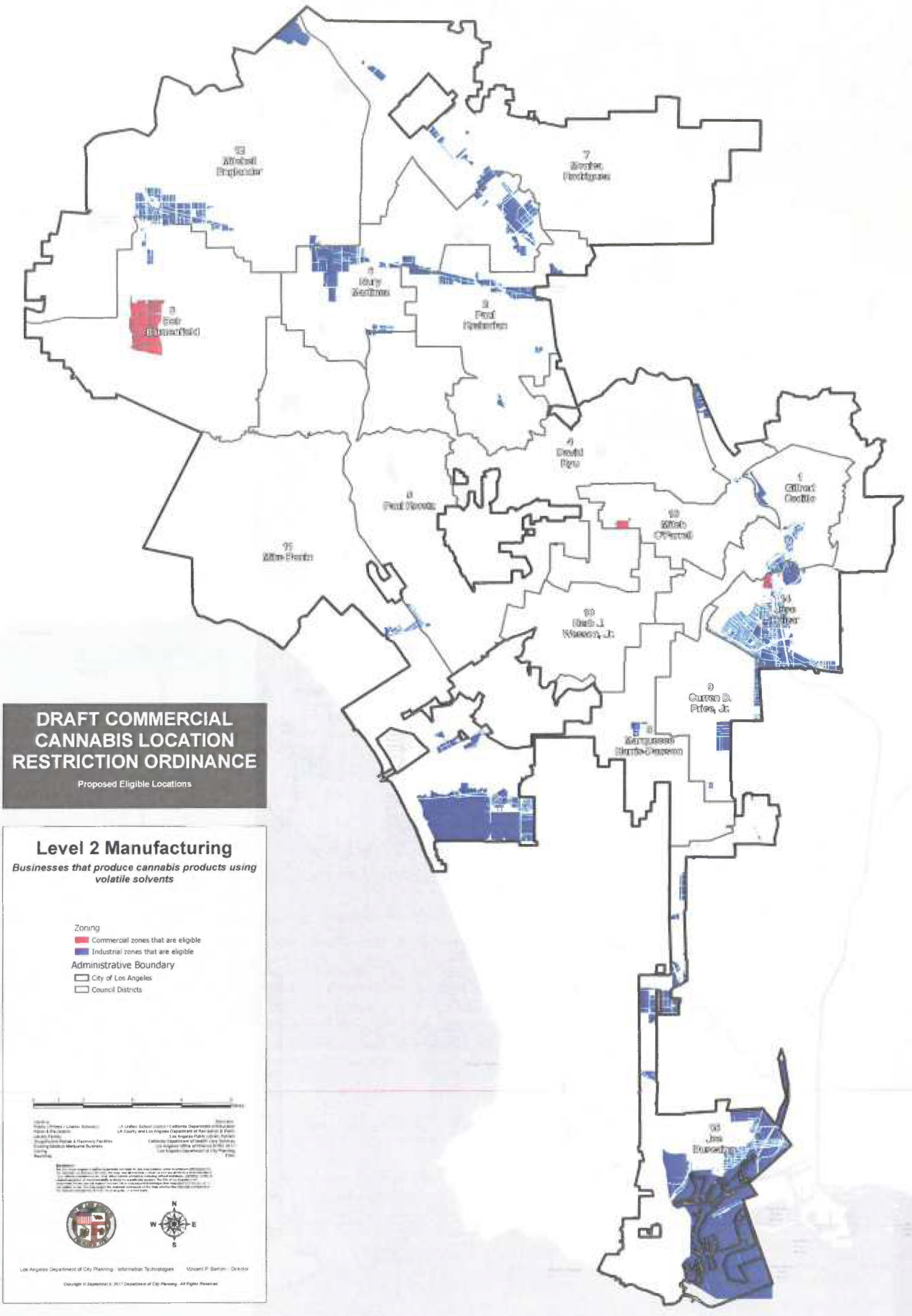
Indoor Cultivation:
Businesses that grow cannabis
Level 1 Manufacturing:
Businesses that produce cannabis products using nonvolatile solvents, or no solvents

Zoning
- Commercial zones that are eligible
- Industrial zones that are eligible

Administrative Boundary
- City of Los Angeles
- Council Districts

Los Angeles Department of City Planning - Information Technologies Vincent P. Bertoni - Director

Copyright © September 3, 2017 Department of City Planning. All Rights Reserved



DRAFT COMMERCIAL CANNABIS LOCATION RESTRICTION ORDINANCE

Proposed Eligible Locations

Level 2 Manufacturing

Businesses that produce cannabis products using volatile solvents

Zoning

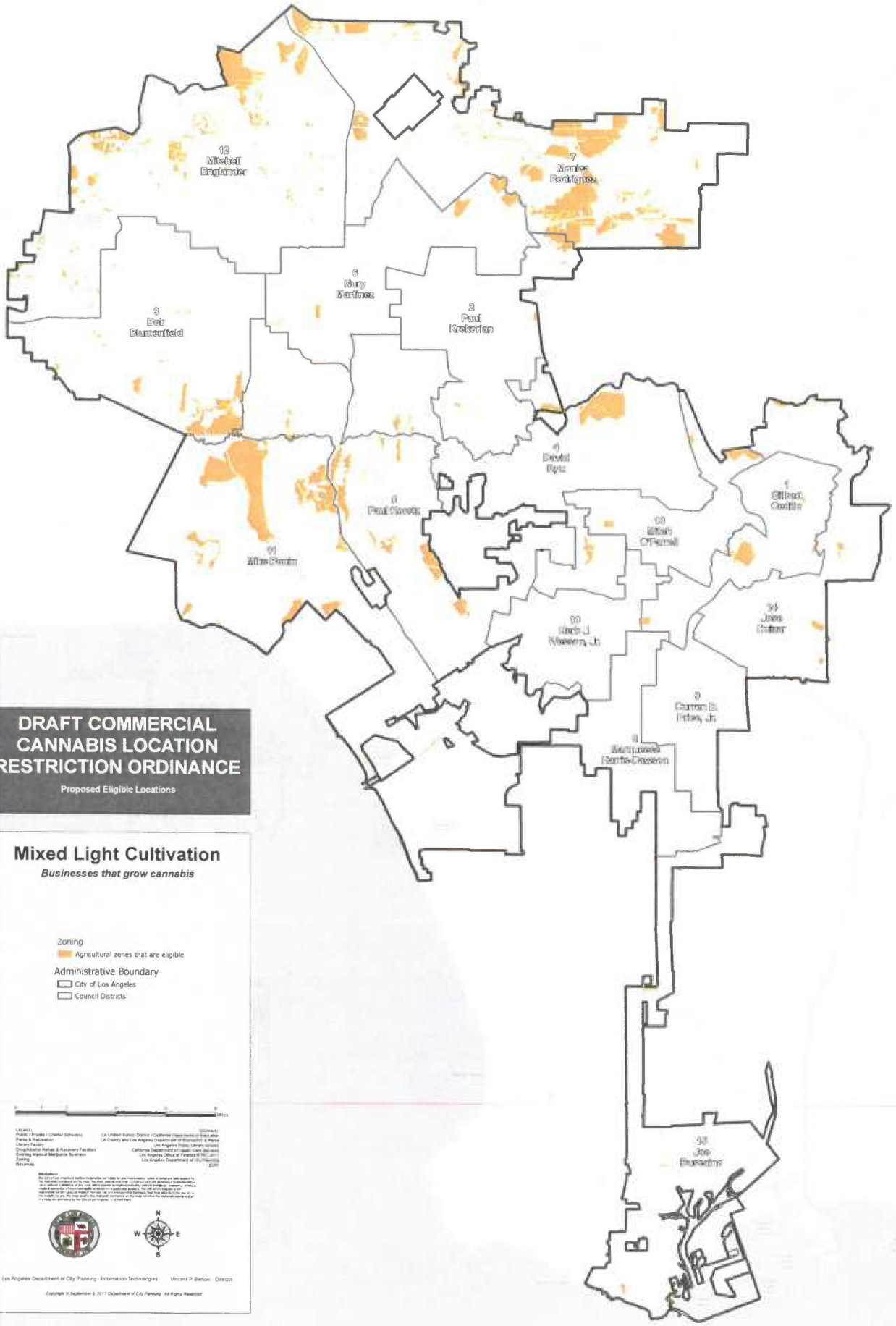
- Commercial zones that are eligible
- Industrial zones that are eligible

Administrative Boundary

- City of Los Angeles
- Council Districts

Los Angeles Department of City Planning - Information Technologies Vincent P. Bertoni - Director

Copyright © September 5, 2017 Department of City Planning. All Rights Reserved.



DRAFT COMMERCIAL CANNABIS LOCATION RESTRICTION ORDINANCE

Proposed Eligible Locations

Mixed Light Cultivation

Businesses that grow cannabis

Zoning

Agricultural zones that are eligible

Administrative Boundary

City of Los Angeles

Council Districts

Miles

Layers:
Public / Private / Charter Schools
Parks & Recreation
Library Facility
Drug/Alcohol Rehab & Recovery Facilities
Existing Medical Marijuana Business
Zoning
Basemap

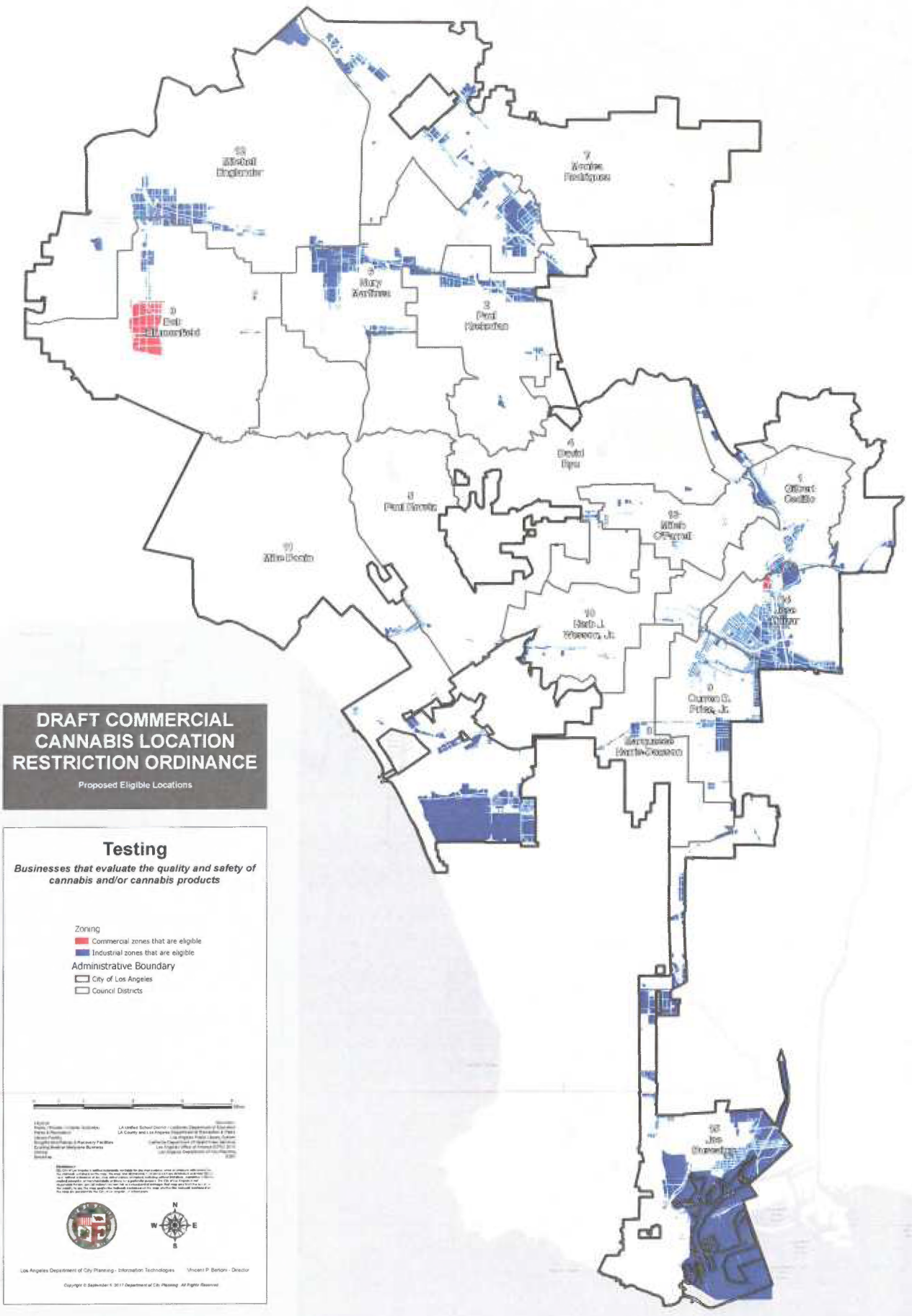
Sources:
LA Unified School District / California Department of Education
LA County and Los Angeles Department of Recreation & Parks
Los Angeles Public Library
California Department of Health Care Services
Los Angeles Office of Finance
Los Angeles Department of City Planning

Disclaimer:
The City of Los Angeles is neither responsible nor liable for any inaccuracies, errors or omissions with respect to the materials contained on this map. The user shall indemnify, defend and hold harmless the City of Los Angeles and its officers, boards, commissions, employees and agents from any and all claims, actions, suits, proceedings, costs, damages, demands, judgments, and liabilities of any nature arising out of the use of the materials contained on this map. The City of Los Angeles is not responsible for any special, indirect, incidental, or consequential damages that may arise from the use of, or the reliance on, any map produced from the materials contained on this map whether the materials contained on this map are in the possession of the City of Los Angeles or otherwise.

N
W
E
S

Los Angeles Department of City Planning - Information Technologies Vincent P. Bertoni, Director

Copyright © September 5, 2017 Department of City Planning. All Rights Reserved.



DRAFT COMMERCIAL CANNABIS LOCATION RESTRICTION ORDINANCE

Proposed Eligible Locations

Testing

Businesses that evaluate the quality and safety of cannabis and/or cannabis products

Zoning

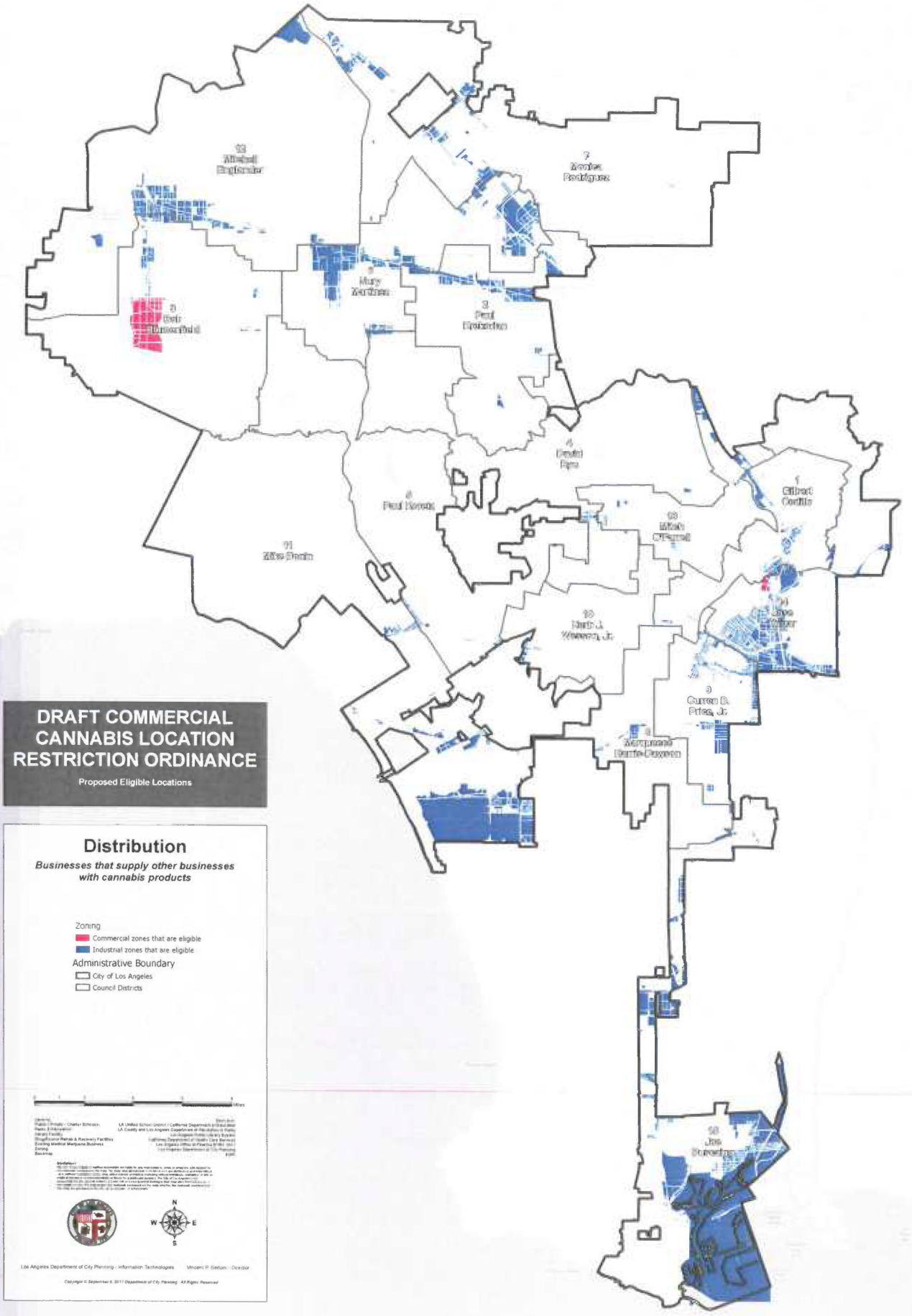
- Commercial zones that are eligible
- Industrial zones that are eligible

Administrative Boundary

- City of Los Angeles
- Council Districts

Los Angeles Department of City Planning - Information Technologies Vincent P. Bertoni - Director

Copyright © September 6, 2017 Department of City Planning. All Rights Reserved.


DRAFT COMMERCIAL CANNABIS LOCATION RESTRICTION ORDINANCE
Proposed Eligible Locations
Distribution
Businesses that supply other businesses with cannabis products
Zoning
Commercial zones that are eligible
Industrial zones that are eligible
Administrative Boundary
City of Los Angeles
Council Districts
Los Angeles Department of City Planning - Information Technologies
Vincent P. Bertoni - Director