ORDINANCE NO. 186703

An ordinance amending Article 4 of Chapter X of the Los Angeles Municipal Code regulating Commercial Cannabis Activity.

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

Section 1. Section 104.01, Article 4, Chapter X of the Los Angeles Municipal Code is amended in its entirety to read as follows:

SEC. 104.01. DEFINITIONS.

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

1. **"Act"** means the Medicinal and Adult-Use Cannabis Regulation and Safety Act (MAUCRSA).

2. "**Applicant**" means a Person applying for a City License pursuant to this article.

3. **"Application"** means all records submitted to the Department by an Applicant requesting Temporary Approval or a License to conduct Commercial Cannabis Activity.

4. "**Branded Merchandise**" means clothing, hats, pencils, pens, keychains, mugs, water bottles, beverage glasses, notepads, lanyards, cannabis accessories, or other types of merchandise approved by the DCR with the name or logo of a commercial cannabis business licensed pursuant to the Act. Branded Merchandise does not include items containing cannabis or any items that are considered food as defined by California Health and Safety Code Section 109935.

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

6. "**Business Day**" is a day Monday through Friday from 9:00 a.m. to 4:00 p.m. Pacific Time, excluding City holidays.

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

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

9. **"Cannabis Accessories**" has the same meaning as in California Health and Safety Code Section 11018.2.

10. "**Canopy**" means the designated area(s) at a Business Premises that will contain mature plants at any point in time.

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

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

13. "**Commercial Cannabis Activity**" includes the cultivation, possession, manufacture, distribution, processing, storing, laboratory testing, packaging, labeling, transportation, delivery or sale of Cannabis or Cannabis products in the City as provided for in Division 10 of the California Business and Professions Code and the California Code of Regulations, as currently defined or as may be amended"

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

15. "**Community Plan Area**" shall have the same meaning as within Article 1.5, Chapter 1 of the Los Angeles Municipal Code.

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

17. "**Day**" means calendar day unless another meaning is provided.

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

19. "**Delivery Employee**" means an individual employed by a licensed retailer or licensed microbusiness authorized to engage in retail sales who delivers cannabis goods from the licensed retailer or licensed microbusiness premises to a customer at a physical address.

20. **"Disproportionately Impacted Area"** is defined in Section 104.20 and incorporated herein by reference.

21. "**EMMD**" means an existing medical marijuana dispensary that is in compliance with all restrictions of Proposition D, notwithstanding those restrictions are or would have been repealed, including, but not limited to, either possessing a 2017 L050 BTRC and current with all City-owed business taxes, or received a BTRC in 2007, registered with the City Clerk by November 13, 2007 (in accordance with the requirements under Interim Control Ordinance 179027), received a L050 BTRC in 2015 or 2016 and submits payment for all City-owed business taxes before the License application is deemed complete. For purposes of this subsection only, an EMMD that has entered into a payment plan with the City's Office of Finance pursuant to LAMC Section 21.18 to pay all outstanding City-owed business taxes is deemed current on all City-owed business taxes and is deemed to have submitted payment for all City-owed business taxes.

22. "**Employee**" means a person who works for the Licensee or the Licensee's Management Company regardless of compensation and is under the control of an employer. Employee as defined herein includes seasonal and contract employees.

23. **"Equity Share"** is defined in Section 104.20 and incorporated herein by reference.

24. **"Final Inspection"** is a required inspection of the Business Premises conducted by DCR prior to the issuance of an annual License.

25. "**Immature Cannabis Plant**" or "**Immature Plant**" means a plant that is nonflowering and is shorter and narrower than 18 inches. This definition is applicable to retail activities.

26. "**Individual"** means a natural person. The terms "individual" and "natural person" are used interchangeably throughout this article.

27. **"Initial Inspection"** is a required inspection of the Business Premises conducted by DCR prior to the issuance of a Temporary Approval.

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

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

30. "**Limited-Access Area**" means an area in which cannabis goods are stored or held and is only accessible to a licensee and its employees and authorized individuals.

31. **"License Renewal Inspection"** is a required inspection of the Business Premises conducted by DCR prior to the renewal of a License.

32. **"Low Income"** is defined in Section 104.20 and incorporated herein by reference.

33. "**Management Company**" means a Person who manages Commercial Cannabis Activity on a Licensee's behalf, or a Person who directs or controls another Person who manages Commercial Cannabis Activity on a Licensee's behalf. A Management Company does not include an Employee of a Licensee or an Owner of a Licensee.

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

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

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

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

38. **"Primary Personnel"** means any of the following: (i) a natural person with an aggregate ownership interest of 20 percent or more in the Person applying for a License or a Licensee, unless the interest is solely a security, lien, or encumbrance; (ii) the chief executive officer, managing member(s), or a general partner of a nonprofit or other entity seeking licensure; or (iii) the chief executive officer, managing member(s), or a general partner of any Person with an aggregate ownership interest of 20 percent or more in the Person seeking licensure.

39. "**Program**" means the Social Equity Program.

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

41. "**Proposition M Priority Processing Application**" or "Proposition M Priority Processing" means an application filed by an EMMD pursuant to the

priority processing for EMMD dispensaries as provided by Measure M, adopted by the voters of the City of Los Angeles on March 7, 2017.

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

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

44. **"Social Equity Applicant"** means the Person applying for a City License subject to Section 104.20.

45. **"Social Equity Individual Applicant"** is defined in Section 104.20 and incorporated herein by reference.

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

47. "**Temporary Approval"** means a DCR-issued temporary license that authorizes an Applicant to engage for a limited period of time in Commercial Cannabis Activity as would be permitted under the privileges of a non-temporary license of the same type. An Applicant with Temporary Approval shall follow all applicable Rules and Regulations as would be required if the Applicant held a non-temporary License of the same type.

48. "**Undue Concentration"** means the Applicant's Business Premises is located within a higher cannabis license/population ratio within the community plan based on the American Community Survey, updated annually, than the following: ratio of one license per 10,000 residents for Retailer (Type 10); ratio of one license per 7,500 residents for Microbusiness (Type 12); a maximum aggregate number of 15 Licenses at a ratio of one License for every 2,500 square feet of allowable cultivated area for Cultivation (Types 1A, 1C, 2A, 3A, and 5A); and ratio of one license per 7,500 residents for Manufacture (Type 7). An EMMD is not subject to a finding of Undue Concentration. An Applicant eligible for processing under Section 104.08 is not subject to a finding of Undue Concentration. A Microbusiness involved in on-site retail counts towards the Undue Concentration License limits applied to Retailer (Type 10) Licenses, and a Microbusiness involved in Cultivation counts towards the Undue Concentration limits applied to Cultivation Licenses (Types 1A, 1C, 2A, 3A, and 5A).

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

Sec. 2. Subdivision 2 of Subsection (a) of Section 104.02, Article 4, Chapter X of the Los Angeles Municipal Code is amended to read as follows:

2. A Person may not hold more than three Type 10 Licenses. A Person with an aggregate ownership or profit-sharing interest of 20 percent or more in the Person applying for a License may not hold more than three Type 10 Licenses, unless the interest is solely a security, lien, or encumbrance.

Sec. 3. Subdivision 5 of Subsection (a) of Section 104.02, Article 4, Chapter X of the Los Angeles Municipal Code is amended to read as follows:

5. A Person shall not hold more than three Type 3A Medium - Indoor Cultivation Licenses or any combination of cultivation license types where the aggregate allowable cultivation area would exceed 1.5 acres. A Person with an aggregate ownership or profit sharing interest of 20 percent or more in the Person applying for a License may not hold more than three Type 3A Medium - Indoor Cultivation Licenses or any combination of cultivation license types where the aggregate allowable cultivation area would exceed 1.5 acres. This provision does not apply to applications submitted prior to the effective date of this ordinance provided that any changes or modifications to the license do not exceed the total allowable aggregate cultivation area or the number of allowable cultivation licenses held by a Person.

Sec. 4. Section 104.03, Article 4, Chapter X of the Los Angeles Municipal Code is amended in its entirety to read:

SEC. 104.03. APPLICATION PROCEDURE.

(a) **Application – Pre-Application Review.** Prior to filing an application pursuant to Subsection (b), an applicant shall pay a Pre-Application Review Fee pursuant to Section 104.19 for DCR to conduct a preliminary review of the application, and verify eligibility of Primary Personnel subject to a background review pursuant to Subdivisions 1 and 2 and compliance of the Business Premises location pursuant to Subdivision 3. If the application is deemed eligible for further processing, the Applicant shall pay a Temporary Approval Application Fee pursuant to Section 104.19 within 10 days of receiving an eligibility determination for further processing. An EMMD seeking a License under Section 104.07 shall pay the EMMD Temporary Approval Application Fee pursuant to Section 104.19(a). An Applicant seeking a License under Section 104.08 shall pay the Section 104.08 Temporary Approval Application Fee pursuant to Section 104.19(a). DCR may request additional information or documents from the Applicant at any time during the pre-application review, subject to payment of any fees under Section 104.19(h). If the Applicant fails to provide the additional information or documents in the time allotted by DCR, the application shall be deemed abandoned. Except for a Social Equity Individual Applicant who is an Owner on an application subject to processing under Section 104.06.1, an individual Applicant, Owner or Primary Personnel who is disqualified under Subdivision 1 or 2 may be permitted to amend the

application to cure those defects, subject to the payment of any applicable modification fee in Section 104.19. An Applicant whose Business Premises location is deemed ineligible under Subdivision 3 shall not be permitted to amend their application but may submit a new application subject to the payment of any applicable fee in Section 104.19.

1. Primary Personnel convicted of any of the following offenses within the time specified shall be disqualified in any of the following circumstances and are prohibited from applying for or holding a Temporary Approval or License:

(i) Illegal volatile Cannabis manufacturing under Health and Safety Code Section 11379.6 for a period of five years from the date of conviction.

(ii) A violation of any State or local law involving wage or labor for a period of five years from the date of conviction.

(iii) A violation of any law involving distribution of Cannabis to minors for a period of five years from the date of conviction.

(iv) Illegal Commercial Cannabis Activity after April 1, 2018, for a period of five years from the date of conviction.

(v) A violation of any State or local law involving distribution or sales of tobacco or alcohol to minors for a period of five years from the date of conviction.

(vi) A violent felony as defined in California Penal Code Section 667.5, a serious felony conviction as defined in California Penal Code Section 1192.7, or a felony conviction for violating any law involving violent crimes, sex trafficking, rape, crimes against children, gun crimes or hate crimes for a period of 20 years from the date of conviction or completion of a term of imprisonment, supervised release or probation imposed as a sentence for the conviction, whichever is later.

(vii) A felony conviction for a crime involving fraud, deceit, or embezzlement for a period of 20 years from the date of conviction. In addition, an individual with a felony conviction under this paragraph shall be prohibited from serving as an authorized agent or agent for service of process on any Application.

2. Persons are prohibited from being Owners of Persons applying for or holding a Temporary Approval or License and shall be disqualified in any of the following circumstances:

(i) An individual who holds office in, is employed by, or is appointed to, any agency of the State of California and any of its political subdivisions, including the City and any of its agencies, departments, commissions or boards, when the individual's duties include the enforcement or regulation of Commercial Cannabis Activity or any other penal provisions of law of the State of California prohibiting or regulating Commercial Cannabis Activity.

(ii) Any entity that is incorporated outside of the United States.

3. In the following circumstances a Business Premises location is ineligible for Licensure:

(i) The Business Premises is owned or managed by a Person who holds office in any agency of the State of California and any of its political subdivisions, including the City and any of its agencies, departments, commissions or boards of the State of California or its political subdivisions when the individual's duties include the enforcement or regulation of Commercial Cannabis Activity or any other penal provisions of law of the State of California prohibiting or regulating Commercial Cannabis Activity.

(ii) The Business Premises was the site of illegal volatile Cannabis manufacturing under Health and Safety Code Section 11379.6 as evidenced by a conviction, for a period of five years from the date of conviction.

(iii) The Business Premises was the site of distribution of Cannabis to minors as evidenced by a conviction, for a period of five years from the date of conviction.

(iv) The Business Premises was the site of any illegal Commercial Cannabis Activity after April 1, 2018, as evidenced by a conviction, for a period of five years from the date of conviction.

(v) The Business Premises was the site of a disconnection of utilities under Section 104.15(e) for a period of five years from the date of the disconnection.

4. If the Applicant's Business Premises is located in a Community Plan Area of Undue Concentration, DCR shall not conduct a preliminary review of the application pursuant to Subsection (a) and, instead, the Applicant shall file a request, on a form provided by DCR, that the City Council find that approval of the License application would serve the public convenience or necessity, supported by evidence in the record. The Applicant shall also pay a Public Convenience or Necessity Application Fee pursuant to Section 104.19(g) within

10 days from the date of invoice issuance. DCR shall transmit the request to the City Clerk within 30 days of the Applicant's payment of the Public Convenience or Necessity Application Fee. The Applicant shall engage with and seek written input from the following key stakeholders for the area in which the proposed Business Premises will be located, which at a minimum should include: area Neighborhood Council; Los Angeles Police Department (LAPD) Division; local chamber of commerce; and at least one substance abuse intervention, prevention and treatment organization with the Community Plan Area. LAPD shall provide the City Council with crime data for the area, and a letter stating their position on the application request. DCR shall promulgate standards subject to City Council approval by resolution, which may be amended from time to time. DCR shall provide written notice of the Applicant's request pursuant to Section 104.05(b). If the City Council does not act on the Applicant's request within 90 calendar days of the City Clerk's date of receipt, then the City Council shall be deemed to have not made the necessary findings to support the public convenience and necessity, the request shall be denied by operation of law, and the License application shall not be processed by DCR.

(b) **Application – Filing and Fees.** DCR shall consider the application filed following a determination of eligibility pursuant to Subsection (a) and the payment of the applicable Temporary Approval Application Fee for each Commercial Cannabis Activity pursuant to Section 104.19(a). The Temporary Approval Application Fee shall be due within 10 days from the date of invoice issuance. If the fees are not paid within the allotted time, the application shall be deemed abandoned. An Applicant shall submit all required information and documents pursuant to the Rules and Regulations. All Applicants are required to pay the Annual License Application Fee for each activity requested in the application pursuant to Section 104.19(a).

(c) **Application – Determination of Completeness.** DCR shall determine if the Application is complete as provided in the Rules and Regulations. A determination of completeness includes an Initial Inspection and environmental clearance as required by Section 104.06(e). The applicant shall pay the applicable environmental assessment fee pursuant to Section 104.19(c). DCR may request additional information and documents from the Applicant at any time during application processing, subject to payment of any fees under Section 104.19(h). If the Applicant fails to provide the additional information, documents or payment in the time allotted by DCR, the Application shall be deemed abandoned. An Annual License Application Fee for each Commercial Cannabis Activity pursuant to Section 104.19 shall be paid within 10 days of DCR's determination that the Application is complete. If the fees are not paid within the allotted time, the application shall be deemed abandoned. DCR will conduct a Final Inspection and, when applicable, schedule a community meeting pursuant to Section 104.04.

(d) **Application – Withdrawal**. An Applicant may withdraw an Application prior to the City's approval or denial of the License. An Application shall not be considered withdrawn until DCR has consented to its withdrawal in writing. An

Applicant may re-apply at any time if an Application is withdrawn or abandoned, but the Applicant must file a new application. DCR shall not refund any fee for a withdrawn or abandoned application. A request to withdraw an application must be submitted in writing, dated and signed by the Owner(s) representing a majority ownership share. Withdrawal of an application shall not, unless consented by DCR, deprive DCR of its authority to institute or continue a proceeding against the Applicant for the denial of the License upon any ground provided by law or to enter an order denying the license upon any such ground.

(e) **Application – Modification**. An Applicant or Licensee shall not make amendments to an Application or License without prior written approval by DCR in accordance with this subsection. An Applicant or Licensee shall submit an amendment request on a form provided by DCR and pay a modification request fee pursuant to Section 104.19(h). Upon payment, DCR, in its sole discretion, will review and determine if the amendment request is eligible for further consideration. DCR's determination is final and not appealable. If the requested amendment(s) can be further considered, the Applicant or Licensee shall submit any additional documents or information DCR deems necessary to process the request and pay any additional modification fees pursuant to Section 104.19. Amendment requests shall not be processed until all required documents, information, and fees have been submitted to DCR. DCR may require Licensees to obtain approval for the proposed amendment(s) from the applicable State licensing or regulatory agency or agencies. DCR may also require business entities formed as corporations, limited partnerships or limited liability companies to update their filings with the California Secretary of State. DCR shall provide written notification when the requested amendment has been fully processed. Persons shall not be permitted to sell, lease, lend, or otherwise transfer an Application, Temporary Approval, or License separate and apart from a transfer of the Person who owns the Application, Temporary Approval, or License. DCR may adopt guidelines, rules or regulations in accordance with this section.

1. **Business Premises Relocation.** An Applicant or Licensee shall not relocate Commercial Cannabis Activity without prior written approval by DCR. The Applicant or Licensee shall submit an amendment request form and pay the required modification fee pursuant to Section 104.19. Upon payment of the modification fee, DCR shall review the new location request and notify the Applicant or Licensee if the new location complies with Article 5, Chapter X of the Los Angeles Municipal Code. Upon notification, the Applicant or Licensee shall provide at a minimum: (1) a copy of an executed lease with proof of a deposit or property deed for the new location; (2) a landowner acknowledgement that the Licensee has the right to occupy the property for Commercial Cannabis Activity for which the Licensee is seeking a license; (3) a site plan; (4) a Business Premises diagram; and (5) copies of the licenses from the applicable State agency or agencies.

(i) An Applicant or Licensee applying for or authorized to conduct non-volatile manufacturing (Type 6), Non-Storefront Retailer

(Type 9) and distribution (Type 11) may relocate to another location within the City subject to Subdivision 1 of this section.

(ii) An Applicant or Licensee applying for or authorized to conduct cultivation (Types 1A, 1C, 2A, 3A, 5A), volatile manufacturing (Type 7), and retail store-front (Types 10, 12) activities may relocate within the same Community Plan Area provided the Community Plan Area has not reached Undue Concentration and subject to Subsection (e)(1). A relocation request within the same Community Plan Area which has reached Undue Concentration may be permitted provided the application was submitted prior to the Community Plan Area reaching Undue Concentration.

(iii) If the application was submitted pursuant to a finding by the City Council that approval of the license would serve the public convenience or necessity, the relocation request shall comply with the following requirements:

(1) **Businesses without a License**. If the City Council found that approval of the Application would serve the public convenience or necessity for the original Business Premises location and DCR has not issued a License at the location, the Applicant shall request that the City Council find that approval of the License application at the new Business Premises location within the community plan area would serve the public convenience or necessity pursuant to Section 104.03(a)(4) and subject to Subsection (e)(1).

(2) **Businesses with a License**. If the City Council found that approval of the Application would serve the public convenience or necessity for the original Business Premises location and DCR has issued a License at that location, the Licensee may be permitted to relocate within the same Community Plan Area which has reached Undue Concentration subject to Subsection (e)(1).

2. **Ownership Structure.** Except for the Social Equity Individual Applicant who is an Owner in an application subject to processing under Section 104.06.1, DCR shall review and approve amendments to ownership for an Applicant's or Licensee's Applications, Temporary Approvals or Licenses. After submitting an application under Section 104.06.1, an Applicant shall not be permitted to amend its application to remove or replace the individual Owner who is the Social Equity Individual Applicant, as defined Section 104.20(a) or (b). Applications, Temporary Approvals, and Licenses are not transferable or assignable to another Person unless a request is submitted and approved by DCR. Business entities formed as corporations, limited partnerships, or limited

liability companies must update their filings with the California Secretary of State. The Applicant or Licensee shall pay the applicable modification fees pursuant to Section 104.19, as determined by DCR, and submit the following: (1) a copy of Statement of Information filed with the Secretary of State, if applicable; (2) a copy of the Amended Articles of Organization or Incorporation, if applicable; (3) Ownership and Financial Interest Holder Disclosure Form for all Persons associated with the Application, Temporary Approval, or License; (4) organizational chart showing all owners and entities in any multi-layer business structure; and (5) any additional information or documents DCR deems necessary to consider the request. Applicants and Licensees subject to Section 104.20 shall also provide all business records and agreements necessary to demonstrate that the Social Equity Individual Applicant owns the minimum Equity Share required under Section 104.20(a)(2). Amendments to the ownership structure shall be made in accordance with the following:

(i) All entities and individuals with a financial interest shall be disclosed to DCR. This includes all entities in a multi-layer business structure, as well as the chief financial officer, members of the board of directors, partners, trustees, and all Persons who have control of a trust, and managing members or non-members managers of the entity. Each entity disclosed as having a financial interest must disclose the identities of Persons until only individuals remain.

(ii) If at least one existing Owner is not transferring his or her ownership interest and will remain as an Owner under the new structure, the business may continue to operate if a Temporary Approval or License has been issued while DCR reviews the eligibility of the new Owner(s) pursuant to Section 104.03(a)(1) and (2).

(iii) If all Owners will be transferring their ownership interest, the Applicant or Licensee shall resubmit all application documents and pay all required application fees. The business shall not operate under the new ownership structure until a new License has been issued by DCR.

(iv) A change of ownership does not occur when one or more Owners leave the business by transferring their ownership interest to the other existing Owner(s).

(v) In cases when an Owner leaves the business by transferring their ownership interest to other existing Owner(s), written approval shall be required from the Owner that is transferring the ownership interest.

3. **Legal Entity Name Change.** Business entities formed as corporations, limited partnerships or limited liability companies must register with the California Secretary of State and provide the Entity (File) Number to DCR upon application submission. Applications, Temporary Approvals, or Licenses

may change the legal entity name under which the Application, Temporary Approval, or License was submitted or issued, provided that the Entity (File) Number registered with the Secretary of State remains the same. The Applicant shall submit an amendment request form and pay the required modification fee pursuant to Section 104.19 within 10 days of the date the invoice is issued. DCR may require that the Applicant or Licensee submit the documents to demonstrate that the changes have been filed with the Secretary of State or approved by the State agency or agencies. DCR may require that a new Application be submitted if it determines that the Application, Temporary Approval, or License has been sold, leased, lent, or otherwise transferred to another Person and shall deem the existing Application abandoned. Any new Application will be considered in the order received with respect to sensitive uses and, if applicable, to activities subject to Undue Concentration.

4. **Physical Modification of Business Premises**. An Applicant or Licensee shall not perform interior physical modifications, alterations, additions, or expansions of the Business Premises without written approval from DCR. The Applicant or Licensee shall submit an amendment request form and pay the required modification fees pursuant to Section 104.19. Requests to modify the Business Premises shall comply with the following:

(i) Expansion of the Business Premises shall be limited to 500 square feet or 20 percent of the existing Business Premises floor area, whichever is less, and shall comply with Article 5, Chapter X of the Los Angeles Municipal Code.

(ii) The Applicant or Licensee shall submit a proposed Business Premises diagram which clearly indicates the proposed construction, alterations, addition, or expansion of the Business Premises. The diagram shall be drawn to scale (1/8" = 1' – 0" minimum scale) with dimensions and indicate the existing floor area, the added floor area, and clearly label each Commercial Cannabis Activity on the Business Premises and all ancillary uses.

(iii) An Applicant or Licensee may increase the cultivation area within the existing Business Premises, or may expand the existing Building Premises floor area in accordance with Paragraph (i), provided that the resulting cultivation area does not exceed the maximum cultivation area allowed for the license type under which the Application was submitted.

(iv) Additional Requirements. If applicable, DCR may require: (1) a copy of an executed lease with proof of a deposit or property deed if the expansion includes additional adjacent units; (2) landowner acknowledgement that the Applicant or Licensee has the right to occupy the Business Premises; (3) a site plan if the Business Premises diagram

has been expanded; and (4) any additional documents or information DCR deems necessary to consider the request.

5. **Fictitious Business Name Change.** Applicants who register a Fictitious Business Name (FBN) with the Los Angeles County Registrar must provide the FBN to DCR upon application submission. A new FBN, or a change to the existing FBN after the Application is submitted, must be requested by submitting an amendment request form and paying the required modification fees pursuant to Section 104.19. The Applicant or Licensee shall submit the necessary documents to demonstrate that the changes have been registered with the Los Angeles County Registrar and approved by the State.

6. **Other Amendments.** DCR may consider other application amendments on a case-by-case basis. The Applicant or Licensee shall submit an amendment request form and pay the required modification fees to Section 104.19.

(f) **Calculation of Time.** Unless otherwise specified, when the final day for the filing of an application or appeal, or the payment of fees, falls on a Saturday, Sunday or City holiday, the time for filing shall be extended to the close of the next Business Day, and the effective or final date of any action, decision or determination shall be extended by the same amount of time.

Sec. 5. Section 104.04, Article 4, Chapter X of the Los Angeles Municipal Code is amended in its entirety to read as follows:

SEC. 104.04. FINAL INSPECTION AND COMMUNITY MEETING.

(a) DCR shall conduct Final Inspections in the manner as provided in the Rules and Regulations. A completed application shall be referred by DCR for Final Inspection as provided in the Rules and Regulations. All applicants must pass a Final Inspection prior to the issuance of a License.

(b) DCR shall conduct a community meeting via video or telephone conferencing or within the defined geographic area of the Area Planning Commission within which the Business Premises is situated. At the meeting, DCR shall accept written and oral testimony regarding the application and then prepare a written report to the Cannabis Regulation Commission summarizing the testimony in favor and against the application. Notice of the community meeting shall be provided as specified in Section 104.05(b). This subsection shall not apply to an application for Non-Retailer Activity in a Business Premises less than 30,000 square feet or Non-Storefront Retailer Activity. The Applicant shall pay the required Community Meeting Fee pursuant to Section 104.19(e).

(c) Within 10 days of receipt of the Notice of Complete application, the Applicant or a designated representative shall contact the Neighborhood Council and

offer to appear before the Neighborhood Council to address questions about the application. Written evidence shall be provided to DCR such as an email to the Neighborhood Council or a copy of their meeting minutes.

Sec. 6. Section 104.05 of Article 4, Chapter X of the Los Angeles Municipal Code is amended in its entirety to read as follows:

SEC. 104.05. NOTICE.

(a) **General.** Whenever notice is required under this article, the Applicant shall bear the cost of mailing and posting of the notice in accordance with the mailing procedures in the Rules and Regulations and the applicable notice fees pursuant to Section 104.19(d). The Department or Executive Director may adopt Rules and Regulations consistent with this section for the posting of notices.

(b) **Types of Notice.**

1. **Written Notice.** Written notices shall contain the following information: purpose of the notice, name of the Applicant, application number, Business Premises address, Commercial Cannabis Activities requested, and the Council District and Community Plan Area in which the Business Premises is located. The notice shall also inform interested parties on how to provide DCR with information about the application. DCR shall post written notices on its website and shall send via electronic mail to: (1) the closest neighborhood council; (2) the business improvement district, if applicable; and (3) the City Council Office within which the Business Premises is situated.

2. **Mailed Notice.** Mailed notices shall contain the following information: date, time and place where the community meeting or public hearing will be held, or if the community meeting will be held online, a link to the webinar or virtual meeting. The notice shall also include: the purpose of the meeting, name of the Applicant, application number, Business Premises address, Commercial Cannabis Activities requested, and the Council District and Community Plan Area in which the Business Premises is located. The notice shall inform interested parties how to provide DCR with information about the application. DCR shall post the mailed notice on its website and shall send the notice by U.S. mail to: (1) the Applicant; (2) Applicant's authorized agents or representatives; (3) Owner or owners listed on the Application; and (4) the owners and occupants of all property within 500 feet of the property line of the lot on which the subject Business Premises is located. For the purpose of notification of property owners, the last known name and address of owners as shown on the records of the City Engineer or the records of the County Assessor shall be used. For occupants, the notice shall be addressed to "occupant" and mailed to all property addresses within the 500-foot radius. Where all property within the 500-foot radius is under the same ownership as the Business Premises, the owners of all property that adjoins that ownership, or is separated

from it only by a street, alley, public right-of-way or other easement, shall also be notified as set forth above. In addition, DCR shall post the notice on its website and shall send the notice by electronic mail to: (1) the closest neighborhood council; (2) the business improvement district, if applicable; and (3) the City Council Office within which the Business Premises is situated.

3. **Posted Notice**. Posted notices shall contain the following information: date, time and place where the meeting or public hearing will be held, or if the meeting will be held online, a link to the webinar or virtual meeting. The notice shall also include: the purpose of the meeting, name of the Applicant, application number, Business Premises address, Commercial Cannabis Activities requested, and the Council District and Community Plan Area in which the Business Premises is located. The notice shall also inform interested parties how to provide DCR with information about the application. The notice shall be posted in a conspicuous place on the property where the Business Premises is located. The notice shall be provided by DCR electronically and printed by the Applicant on a minimum of 11" x 17" paper size with a minimum 20 font size. The notice shall be posted immediately upon receipt from DCR.

(c) **Required Notices.**

1. **Notice of Complete Application.** Within 10 days of DCR's determination that an application is complete, DCR shall provide written notice as described in Subsection (b)(1). The Applicant shall provide written evidence to DCR that the Applicant offered to appear before the relevant neighborhood council to address questions about the application.

2. **Notice of Community Meeting.** No less than 20 days prior to the date of any community meeting required under this article, DCR shall provide Mailed and Posted Notice of the meeting as described in Subsections (b)(2) and (3).

3. **Notice of Cannabis Regulation Commission Public Hearing.** No less than 20 days prior to the date of any Commission h Cannabis Regulation Commission hearing required under this article, DCR shall provide mailed and posted notice of the hearing as described in Subsection (b)(2) and (3).

4. **Notice of Public Convenience or Necessity (PCN) Pubiic Hearing.** Within 10 days of DCR transmitting an applicant's request to the City Clerk that the City Council find that approval of the license application would serve the public convenience or necessity, DCR shall provide written notice under Section 104.05(b)(1).

5. **Notice to Interested Parties.** Upon written request to DCR, any Person shall be placed on DCR's interested party notification list to receive notices required under this section by email.

Sec. 7. Subsection (a) of Section 104.06, Article 4, Chapter X of the Los Angeles Municipal Code is amended in its entirety to read as follows:

(a) **Storefront Retailer Commercial Cannabis Activity.** With respect to an application for a License for Storefront Retailer Commercial Cannabis Activity or for Microbusiness Commercial Cannabis Activity that includes Storefront Retailer Commercial Cannabis Activity, DCR shall either deny the issuance of the License with no hearing at any time during application processing, or, within 90 calendar days of the date DCR deems the application complete, make a recommendation to the Commission to issue the License. The date of the recommendation shall be the date when DCR transmits its report to the Commission for consideration to be scheduled at a future Commission meeting. DCR shall process applications specified in this subsection consistent with the Social Equity Program processing specified in Section 104.20(c)(4)(i). Except as otherwise permitted under Section 104.07, Type 10 Licenses shall be limited to only Social Equity Applicants, as defined in Section 104.20(a) and (b), until January 1, 2025.

1. DCR may deny, with no hearing and based upon written findings and evidence in the record, the issuance of a License where the Applicant fails to meet any of the requirements of Article 5 of Chapter X of this Code, or for any of the following reasons:

(i) The Applicant's Business Premises is substantially different from the diagram of the Business Premises submitted by the Applicant, in that the size, layout, location of common entryways, doorways, or passage ways, means of public entry or exit, or limited-access areas within the Business Premises are not the same;

(ii) The Applicant denied DCR employees or agents access to the Business Premises;

(iii) The Applicant made a material misrepresentation or false statement on the application, or knowingly failed to disclose a material fact or any documentation required by the Department;

(iv) The Applicant failed timely to provide DCR with additional requested information, including documentation;

(v) The Applicant was denied a license, permit or other authorization to engage in Commercial Cannabis Activity by any state or other local licensing authority due to any illegal act or omission of the Applicant;

(vi) Issuance of a License would create a significant public safety problem as documented by a law enforcement agency;

(vii) The Applicant's Business Premises is located in a Community Plan Area which has reached Undue Concentration, unless the City Council has adopted written findings that approval of the License application would serve public convenience or necessity, supported by evidence in the record;

(viii) The Applicant failed to adhere to the requirements of this article or the Rules and Regulations;

(ix) The Applicant engaged in unlicensed Commercial Cannabis Activity in violation of Section 104.15;

(x) The Applicant's Business Premises was the site of Unlicensed Commercial Cannabis Activity, in violation of Section 104.15, on or after January 1, 2018.

(xi) Temporary Approval has been revoked; or

(xii) The Applicant is ineligible for a License under Section 104.03.

2. DCR's decision to deny the issuance of the License is final and effective upon the close of the 15-day appeal period if not timely appealed to the Commission by the Applicant as provided in Section 104.10. There is no further appeal to the City Council. A final denial of a License or exhaustion of all administrative appeals shall terminate any active Temporary Approval

3. If the decision by DCR is to recommend approval of the application, then the Commission shall make the determination whether to issue the License after it conducts a public hearing. Notice of the public hearing shall be made pursuant to Section 104.05(b). Prior to making its decision, the Commission shall accept and consider written information submitted and oral testimony. The Commission shall consider the decision by DCR to recommend approval of the application, the written summary of the community meeting prepared by DCR, the record before DCR and any written information and oral testimony timely provided to the Commission.

(i) The Commission may deny the issuance of the License for any of the reasons stated in Section 104.06(a)(1) of this article, based upon written findings and evidence in the record. The Commission's decision to deny the issuance of the License is final and effective upon the

close of the 15-calendar day appeal period if not timely appealed to the City Council by the Applicant as provided in Section 104.10.

(ii) The Commission may approve the issuance of the License with written findings and evidence in the record to support that the Applicant and Business Premises meet the restrictions of Article 5 of Chapter X of this Code. The Commission may impose conditions to address public safety concerns based on findings and evidence in the record. The Commission shall not approve the issuance of a License for an Applicant with a Business Premises located in a Community Plan Area of Undue Concentration unless the City Council has found that approval of the application would serve public convenience or necessity.

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

Sec. 8. Subsection (b) of Section 104.06, Article 4, Chapter X of the Los Angeles Municipal Code is amended to read as follows:

(b) **Non-Retailer Commercial Cannabis Activity in a Business Premises Less than 30,000 Square Feet or Non- Storefront Retailer Commercial Cannabis Activity.** With respect to an application for a License for Non-Retailer Commercial Cannabis Activity where the Business Premises is less than 30,000 square feet or Non-Storefront Retailer Commercial Cannabis Activity, DCR shall either deny the issuance of the License with no hearing at any time during application processing or, within 90 calendar days of the date DCR deems the application complete, approve the issuance of the License with no hearing. Prior to making its decision, DCR shall consider written information submitted by the public and other interested parties. DCR's decision shall be based on written findings and evidence in the record to support that the Applicant and Business Premises meet the restrictions of Article 5 of Chapter X of this Code. DCR may approve the issuance of the License with the imposition of conditions to address public safety concerns. DCR shall process applications specified in this subsection consistent with the Social Equity Program processing specified in Section 104.20(c)(4)(i). Except as otherwise permitted under Section 104.07, Type 9 Licenses shall be limited to only Social Equity Applicants, as defined in Section 104.20(a) and (b), until January 1, 2025.

Sec. 9. A new Subdivision 1 is added to Subsection (b) of Section 104.06, Article 4, Chapter X of the Los Angeles Municipal Code to read as follows:

1. DCR's decision to approve or deny the issuance of the License is final and effective upon the close of the 15 calendar-day appeal period if not timely appealed to the Commission by the Applicant or any other person aggrieved by the decision, as provided in Section 104.10. A final denial of a

License or exhaustion of all administrative appeals shall terminate any active Temporary Approval.

Sec. 10. Subsection (c) of Section 104.06, Article 4, Chapter X of the Los Angeles Municipal Code is amended to read as follows:

(c) **Non-Retailer Commercial Cannabis Activity in a Business Premises 30,000 Square Feet or Larger.** With respect to an application for a License for a Non-Retailer Commercial Cannabis Activity in a Business Premises 30,000 square feet or larger, DCR shall either deny the issuance of the License with no hearing at any time during application processing or, within 90 calendar days of the date DCR deems the application complete, make a recommendation to the Commission to issue the License. The date of the recommendation shall be the date when DCR transmits its report to the Commission for consideration to be scheduled at a future Commission meeting. DCR shall process applications specified in this subsection consistent with the Social Equity Program processing specified in Section 104.20(c)(4)(i). Except as otherwise permitted under Section 104.07, Type 9 Licenses shall be limited to only Social Equity Individual Applicants, as defined in Section 104.20(a) and (b), until January 1, 2025.

Sec. 11. Subdivision 1 of Subsection (c) of Section 104.06, Article 4, Chapter X of the Los Angeles Municipal Code is amended to read as follows:

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

Sec. 12. Subdivision 2 of Subsection (c) of Section 104.06, Article 4, Chapter X of the Los Angeles Municipal Code is amended to read as follows:

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

safety concerns. The Commission may deny the issuance of the License based on written findings, evidence in the record and for any of the reasons stated in Section 104.06(a)(1) of this article.

Sec. 13. A new Subdivision 3 is added to Subsection (c) of Section 104.06, Article 4, Chapter X of the Los Angeles Municipal Code to read as follows:

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

Sec. 14. A new Subsection (d) is added to 104.06, Article 4, Chapter X of the Los Angeles Municipal Code to read as follows:

(d) **Temporary Approval**. DCR may, at its discretion, issue a Temporary Approval to engage in Commercial Cannabis Activity at a Business Premises location provided that the Applicant pays the Temporary Approval Application Fee for each Commercial Cannabis Activity, pursuant to Section 104.19, and the following requirements are met: (1) the Applicant receives authorization from the State; (2) the Business Premises location passes an Initial Inspection; (3) there are no fire or life safety violations at the Business Premises; (4) the Applicant submits the required attestations, as determined by DCR; and (5) the Applicant indemnifies the City on a form provided by DCR. These requirements do not apply to Temporary Approvals issued under the authority of Sections 104.07 and 104.08. Applicants and Licensees subject to Section 104.20 shall also provide all business records and agreements necessary to demonstrate that the Social Equity Individual Applicant owns the minimum Equity Share required under Section 104.20(a)(2). Issuance of a Temporary Approval does not create a vested right in the holder to either an extension of the Temporary Approval, or to the issuance of a subsequent non-temporary License. Temporary Approval authorizes the Applicant to conduct Commercial Cannabis Activities, but does not waive or otherwise circumvent other City requirements or necessary permits from the City or other public agencies, including, but not limited, to a Certificate of Occupancy, health permit from the County of Los Angeles, or authorization from the State. If at any time during the processing of an Application it is discovered that an Application has been improperly prepared or required information has not been submitted in accordance with the Rules and Regulations, upon notification to the Applicant, processing shall be suspended and shall not continue until the Application has been corrected or the required information provided.

1. DCR may immediately suspend a Temporary Approval without a hearing based upon written findings that an Applicant's use of or conduct at the Business Premises poses an imminent threat to life or public safety. DCR's

written findings shall conform with Section 104.13(c). After suspension, the Applicant may request an administrative hearing pursuant to Section 104.14.

Sec. 15. A new Subsection (e) is added to Section 104.06, Article 4, Chapter X of the Los Angeles Municipal Code to read as follows:

(e) **CEQA**. Compliance with the California Environmental Quality Act (CEQA).

1. **CEQA Definitions.** The following definitions shall apply in this subsection:

(i) "**CEQA**" means the California Environmental Quality Act, California Public Resources Code Sections 21000 et seq. (CEQA Guidelines, Section 15353.)

(ii) **"Environment"** means the physical conditions which exist within the area which will be affected by a proposed project including land, air, water, minerals, flora, fauna, ambient noise, and objects of historical or aesthetic significance. The area involved shall be the area in which significant effects would occur either directly or indirectly as a result of the project. The "environment" includes both natural and man-made conditions. (CEQA Guidelines, Section 15360.)

(iii) **"Lead Agency"** means the public agency which has the principal responsibility for carrying out or approving a project. The Lead Agency will decide whether an EIR or Negative Declaration will be required for the project and will cause the document to be prepared. Criteria for determining which agency will be the Lead Agency for a project are contained in Section 15051. (CEQA Guidelines, Section 15367.)

(iv) **"Project"** means the whole of an action, which has a potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment as defined by CEQA Guidelines Section 15378.

(v) **"Responsible Agency"** means a public agency which proposes to carry out or approve a project, for which a Lead Agency is preparing or has prepared an EIR or Negative Declaration. For the purposes of CEQA, the term "Responsible Agency" includes all public agencies other than the Lead Agency which have discretionary approval power over the project. (CEQA Guidelines, Section 15381.)

(vi) **"Significant Effect on the Environment"** means a substantial, or potentially substantial, adverse change in any of the physical conditions within the area affected by the project, including land, air, water, minerals, flora, fauna, ambient noise, and objects of historic or aesthetic significance. An economic or social change by itself shall not

be considered a significant effect on the environment. A social or economic change related to a physical change may be considered in determining whether the physical change is significant. (CEQA Guidelines, Section 15382.)

2. Upon submission of an Application containing a complete project description for a License, and payment of all applicable fees, DCR shall consider whether the Project has been subject to prior environmental review under CEQA and, if not, what form of environmental review for the License is appropriate. If DCR proposes to act as the local Lead Agency under CEQA, DCR shall prepare, or oversee the preparation of, the appropriate CEQA document which may include: reliance on one or more categorical or statutory exemptions, a negative declaration or mitigated negative declaration, an environmental impact report, a sustainable communities environmental assessment, an addendum or other document provided by CEQA. The Commission or its designee shall consider and adopt the CEQA document prior to issuance of the License. If a Significant Effect on the Environment is identified, the Commission or its designee shall adopt one or more findings, supported by substantial evidence in the record, consistent with Public Resources Code Sections 21081 and 21081.6, and CEQA Guidelines Section 15091. Alternatively, if DCR acts as a Responsible Agency under CEQA, the Commission or its designee, prior to approval of a License, shall consider the Lead Agency's environmental document and make the findings required by Public Resources Code Section 21081, and CEQA Guidelines sections 15096(g)-(h), 15050(b).

Sec. 16. The title of Section 104.06.1, Article 4, Chapter X of the Los Angeles Municipal Code is amended to read as follows:

SEC. 104.06.1. SOCIAL EQUITY PROGRAM COMMERCIAL CANNABIS ACTIVITY APPLICATION PROCESSING.

Sec. 17. Subsection (a) of Section 104.06.1, Article 4, Chapter X of the Los Angeles Municipal Code is amended to read as follows:

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

Sec. 18. Subsections (b) and (g) of Section 104.06.1, Article 4, Chapter X of the Los Angeles Municipal Code are deleted; Subsections (c), (d),(e) and (f) are renumbered as Subsections (b), (c), (d) and (e); Subsection (b) is amended to read as follows:

(b) **Type 10 Application Processing - Round 1.**

1. **Social Equity Applicant Verification.** For a period of 60 calendar days, beginning on a date at DCR's sole discretion, an individual may apply to be verified as a Tier 1 or Tier 2 Social Equity Individual Applicant as defined in Section 104.20(a). DCR's determination of whether an individual is a Social Equity Individual Applicant shall be made with no hearing, is final and not appealable.

2. **Application Period.** DCR shall, on a date starting at its sole discretion, accept Type 10 applications for processing under this subsection for a period of 14 calendar days, provided that DCR posts written notice of the processing period on its website at least 15 calendar days before the start date of the processing period. DCR shall not accept or process applications under this subsection before it has made technical assistance available for a period of at least 45 calendar days to prospective or verified Social Equity Applicants, as defined in Section 104.20.

3. To be eligible to apply in Round 1, an Applicant shall have an individual Owner that is a Tier 1 or Tier 2 Social Equity Individual Applicant verified pursuant to this subsection and who owns an Equity Share in the Applicant that meets the requirements of Section 104.20(a). An individual may not be the Tier 1 or Tier 2 Social Equity Individual Applicant for more than one Applicant in Round 1. An individual who is an Owner of an EMMD shall not be eligible to be the Tier 1 or Tier 2 Social Equity Individual Applicant for an Applicant, but may be an Owner of an Applicant if otherwise allowed under this article.

4. During the 14-calendar-day application period, an Applicant shall submit, in a form and manner determined by DCR, an application that includes the following: (1) a copy of an executed lease agreement with proof of a deposit or property deed for its Business Premises; (2) an ownership and financial interest holder form; (3) a financial information form; (4) a Business Premises diagram; (5) proposed staffing and security plans; (6) a dated radius map including horizontal lines and labeling of any sensitive uses relative to a Type 10 License; (7) a labor peace agreement attestation form; (8) an indemnification agreement provided by DCR; and (9) all business records and agreements necessary to demonstrate that a Tier 1 or Tier 2 Social Equity Applicant owns the minimum Equity Share in the Applicant required under Section 104.20.

5. An Applicant's Business Premises shall meet the following requirements:

(i) The Business Premises meets all applicable requirements of Article 5 of Chapter X of this Code;

(ii) The Business Premises is outside of a 700-foot radius of another Type 10 Applicant's Business Premises, as measured in the

manner specified in Section 105.02(b) of this Code. If two or more Round 1 Applicants' Business Premises are within a 700-foot radius of one another, the Applicant who first submitted an application that meets the requirements of this subsection shall be eligible for further processing and all other Round 1 Applicants within a 700-foot radius of the first Applicant shall be ineligible for further processing in Round 1.

(iii) The Business Premises is not subject to a finding of Undue Concentration. For purposes of this subsection only, DCR shall determine whether the Business Premises is subject to a finding of Undue Concentration based upon the time and date an Applicant submitted an application that meets the requirements of this subsection.

6. The first 75 Tier 1 Applicants and the first 25 Tier 2 Applicants who meet the requirements of this subsection shall be eligible for further processing pursuant to Section 104.06. If less than 75 Tier 1 Applicants meet the requirements of this subsection, DCR may process additional Tier 2 applications, based upon the time and date of application submission, until DCR has identified 100 Tier 1 and Tier 2 Applicants who meet the requirements of this subsection. All Applicants who submitted an application that are not eligible for further processing may apply for Type 10 Application Processing - Round 2.

7. DCR shall, subject to review of any applications previously deemed ineligible as described below, process the next 100 Applicants from the list published by DCR titled "Phase 3 Retail Round 1 Submissions (09/03/19 10am to 09/17/2019 10am)," dated September 26, 2019. Applicants that were deemed ineligible for further processing due to a Community Plan Area having reached Undue Concentration on or after September 3, 2019 or due to sensitive use created by a Phase 3 Retail Round 1 Type 10 Retailer application shall be included in the next 100 Applicants. Applications eligible for further processing under Section 104.06.1(b)(6) as of January 1, 2020 shall not be included in the calculation of Undue Concentration, as defined in Section 104.01(a)(48).

8. An Applicant shall pay all required application fees pursuant to Section 104.19 within 10 days of being issued an invoice by DCR or its application shall be deemed abandoned.

Sec. 19. Subsection (c) of Section 104.06.1, Article 4, Chapter X of the Los Angeles Municipal Code is amended in its entirety read as follows:

(c) **Type 10 Application Processing - Round 2.**

1. **Applicant Eligibility Verification.** DCR shall establish a 60 calendar day eligibility verification period for individuals to apply to be verified under the revised eligibility criteria in Section 104.20(b). An Applicant shall pay the SEIA Eligibility Verification Fee pursuant to Section 104.19(a) within 10 days

of being issued an invoice by DCR. DCR shall have at least 90 calendar days to determine Social Equity Applicant eligibility which shall not run concurrently with the 60-calendar day eligibility verification period. DCR's determination of whether an individual is a Social Equity Individual Applicant shall be made with no hearing, is final and not appealable.

2. **Application Period.** DCR shall, on a date beginning at its sole discretion, accept Type 10 applications for processing under this subsection for a period of 30 calendar days. DCR shall not accept or process applications under this subsection before it has made technical assistance available for a period of at least 45 calendar days to prospective or verified Social Equity Applicants, as defined in Section 104.20(b).

3. **Social Equity Individual Applicant.** To be eligible to participate in the Application lottery pursuant to Subsection (c)(4), the Applicant shall have an individual Owner that is a Social Equity Individual Applicant verified pursuant to Subsection (c)(1). The Social Equity Individual Applicant must have a prior California Cannabis Arrest or Conviction and must also meet one of the following two criteria, as defined in Section 104.20(b)(1)(i): (1) Low-Income; or (2) ten years' cumulative residency in Disproportionately Impacted Area. A Social Equity Individual Applicant shall be disqualified from participating in the Application lottery for any of the offenses specified in Section 104.03(a)(1) or for any of the circumstances in Section 104.03(a)(2).

4. **Application Lottery.** Verified Social Equity Applicants shall be entered into an Application lottery. Social Equity Applicants shall be randomly selected during the lottery, which shall take place at a location, date and time determined by DCR, until Undue Concentration is reached citywide. DCR shall post a notice at least 15 calendar days prior to the lottery which shall include the procedures and protocol to conduct the lottery and information regarding how the public can view or live stream the event. Applications drawn at the lottery shall be processed pursuant to Subsection (c)(5).

5. **Business Premises**. Social Equity Applicants selected during the Application lottery shall be afforded one year to find a compliant property in any Community Plan Area that has not reached Undue Concentration. A Social Equity Individual Applicant's Business Premises location is subject to Chapter 5, Article X of this Code and shall comply with Section 104.03(a)(3). Business Premises locations shall be reviewed and approved in the order received by DCR. An Applicant whose Business Premises location is deemed ineligible under Section 104.03(a)(3) shall be permitted to amend their Application subject to the payment of any applicable fee in Section 104.19, and provided that the new Business Premises location is submitted to DCR within the one year time limitation. Social Equity Applicants shall comply with the Equity Share requirements in effect at the time DCR deems the location eligible under Section 104.03(a)(3).

6. **Additional Application Lottery.** If additional capacity is available in any Community Plan Area after a lottery ends, DCR will hold another lottery pursuant to Subsection (c)(4).

7. **Application Fees.** An Applicant shall pay all required application fees pursuant to Section 104.19 within 10 days of being issued an invoice by DCR, or the application shall be deemed abandoned.

Sec. 20. Subsection (d) of Section 104.06.1, Article 4, Chapter X of the Los Angeles Municipal Code is amended in its entirety to read as follows:

(d) **Public Convenience or Necessity Application Processing.** In addition to Type 10 applications processed in Round 1 and Round 2 under this section, on or after September 3, 2019, DCR shall process any Type 10 application with a Business Premises located in a Community Plan Area of Undue Concentration if the Applicant meets the following requirements:

Sec. 21. Subdivisions 1 and 2 of Subsection (d) of Section 104.06.1, Article 4, Chapter X of the Los Angeles Municipal Code are amended to read as follows:

1. The Applicant has an individual Owner who is a Social Equity Individual Applicant who has been verified pursuant to Section 104.20;

2. The Applicant submits, in a form and manner determined by DCR, all documents and information required under Subsection (b)(4);

Sec. 22. Subdivision 4 of Subsection (d) of Section 104.06.1, Article 4, Chapter X of the Los Angeles Municipal Code is amended to read as follows:

4. The City Council, pursuant to Section 104.03(a)(4), has found that approval of the application would serve public convenience or necessity.

Sec. 23. Subsection (e) of Section 104.06.1, Article 4, Chapter X of the Los Angeles Municipal Code is amended in its entirety to read as follows:

(e) **Type 9 Application Processing.**

1. **Applicant Eligibility Verification.** Social Equity Individual Applicants verified pursuant to Section 104.20(a) or (b) may participate in application processing under this subsection. DCR's determination of whether an individual is a Social Equity Individual Applicant shall be made with no hearing, is final and not appealable.

2. **Application Period.** DCR shall, on a date beginning at its sole discretion, accept applications for processing under this subsection, provided that it posts written notice on its website at least 15 calendar days before the start

date of the processing period. To be eligible for processing under this subsection, a Type 9 Applicant shall submit the following application documents: (1) a copy of an executed lease agreement with proof of a deposit or property deed for its Business Premises; (2) a Business Premises diagram; and (3) a dated radius map including horizontal lines and labeling of any sensitive uses relative to a Type 9 License.

3. An Applicant who submitted a complete application pursuant to Subsection (b) of this section, but was ineligible for further processing because its Business Premises was in a Community Plan Area that reached Undue Concentration or was within a 700-foot radius of another Type 10 application, shall receive priority processing for a Type 9 License relative to all other Social Equity Applicants applying for Type 9 License.

4. **Application Fees.** An Applicant shall pay all required application fees pursuant to Section 104.19 within 10 days of being issued an invoice by DCR, or its application shall be deemed abandoned.

Sec. 24. A new Subsection (f) is added to 104.06.1, Article 4, Chapter X of the Los Angeles Municipal Code to read as follows:

(f) **Non-Retail Application Processing.**

1. **Applicant Eligibility Verification.** Social Equity Applicants verified pursuant to Section 104.20(a) or (b) may participate in application processing under this subsection. DCR's determination of whether an individual is a Social Equity Individual Applicant shall be made with no hearing, is final and not appealable.

2. **Application Period.** DCR shall, on a date beginning at its sole discretion, accept applications for processing under this subsection, provided that it posts written notice on its website at least 15 calendar days before the start date of the processing period. To be eligible for processing under this subsection, a Type 9 Applicant shall submit the following application documents: (1) letter from the landlord or other evidence of a legal right to occupy the Business Premises; (2) a Business Premises diagram; and (3) a dated radius map including horizontal lines and labeling of any sensitive uses relative to a Type 10 License.

3. **Application Fees.** An Applicant shall pay all required application fees pursuant to Section 104.19 within 10 days of being issued an invoice by DCR, or its application shall be deemed abandoned.

Sec. 25. Subsections (c) through (h) of Section 104.07 of Article 4, Chapter X of the Los Angeles Municipal Code are amended to read as follows:

(c) DCR's determination of whether an EMMD Applicant is eligible for Proposition M Priority Processing shall be made with no hearing and shall be final and effective upon the close of the 15-day appeal period if the EMMD Applicant does not timely request an administrative hearing, as provided in Section 104.10. In making its determination, DCR may request additional information from the EMMD Applicant. DCR shall make written findings when the EMMD Applicant does not meet the requirements for priority processing for EMMDs. In determining whether an EMMD Applicant meets the requirements for priority processing, DCR shall consider whether the EMMD Applicant cured any non-substantive administrative violations in C. through F., and M. under LAMC Section 45.19.6.3. Once DCR deems a Proposition M Priority Processing Application is complete and eligible for a Proposition M Priority Processing, DCR shall issue the EMMD a Temporary Approval. EMMDs issued a Temporary Approval shall have their License(s) processed and reviewed pursuant to Section 104.06.

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

(e) An EMMD otherwise eligible for Proposition M Priority Processing shall not be denied a Temporary Approval or a License based upon the EMMD's Business Premises location initially or amended prior to the enacted date of Section 45.19.7.2, or subsequent location approved pursuant to Section 45.19.7.2, if located in a Community Plan Area of Undue Concentration. An EMMD otherwise eligible for Proposition M Priority Processing shall not be denied a Temporary Approval or a License based upon the location of: (1) the EMMD's original Business Premises; (2) Business Premises amended prior to the enactment of Section 45.19.7.2; or (3) subsequent Business Premises approved pursuant to Section 45.19.7.2, if located in a Community Plan Area of Undue Concentration.

(f) An EMMD shall submit to a financial audit by the City's Office of Finance and clear all City tax obligations prior to the issuance of a Temporary Approval or a License, and the renewal of a Temporary Approval or a License. For purposes of this subsection only, an EMMD that has entered into a payment plan with the City's Office of Finance pursuant to LAMC Section 21.18 to pay all outstanding City-owed business taxes is deemed current on all City-owed business taxes and is deemed to have submitted payment for all City-owed business taxes.

(g) An Initial Inspection for a Temporary Approval is not required for an EMMD whose Proposition M Priority Processing Application is accepted by DCR.

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

Sec. 26. Subsections (a), (b) and (c) of Section 104.08 of Article 4, Chapter X of the Los Angeles Municipal Code are amended to read as follows:

(a) An Applicant who applies for a License for Non-Retailer Commercial Cannabis Activity and who meets the following criteria, as determined by DCR, shall receive Temporary Approval to operate pending the review of its application: (1) the Applicant was engaged prior to January 1, 2016 in the same Non-Retailer Commercial Cannabis Activity that it now seeks a License for; (2) the Applicant provides evidence and attests under penalty of perjury that it was a supplier to an EMMD prior to January 1, 2017; (3) the Business Premises meets all of the land use and sensitive use requirements of Article 5 of Chapter X of this Code; (4) the Applicant passes a pre-license inspection; (5) there are no fire or life safety violations on the Business Premises; (6) the Applicant paid all outstanding City business tax obligations; (7) the Applicant indemnifies the City from any potential liability on a form approved by DCR; (8) the Applicant provides a written attestation that it will enter into an agreement with a testing laboratory for testing of all Cannabis and Cannabis products and attests to testing all of its Cannabis and Cannabis products in accordance with state standards; (9) the Applicant is not engaged in Retailer Commercial Cannabis Activity at the Business Premises; (10) the Applicant attests that it will cease all operations if denied a State license or City License; (11) the Applicant qualifies under the Social Equity Program as it existed as of January 1, 2020; and (12) the Applicant attests that it will comply with all operating requirements imposed by DCR and understands that DCR may immediately suspend or revoke the Temporary Approval if the Applicant fails to abide by any City operating requirement. For purposes of this subsection only, an Applicant who has entered into a payment plan with the City's Office of Finance pursuant to LAMC Section 21.18 to pay all outstanding City-owed business taxes is deemed current on all City-owed business taxes and is deemed to have submitted

payment for all City-owed business taxes. Prior to determining that an Applicant is eligible for processing under this section, DCR, at its discretion, may provide an Applicant with local authorization to apply for a temporary license from the Bureau of Cannabis Control, the California Department of Food and Agriculture or the California Department of Public Health. This local authorization shall not permit an Applicant to engage in Commercial Cannabis Activities unless DCR grants the Applicant a Temporary Approval. This local authorization must be renewed pursuant to Section 104.12.

(b) A completed application accepted by DCR as eligible for processing under this section shall be processed and reviewed pursuant to Section 104.06. DCR may request additional information from the Applicant. DCR shall make written findings when the Applicant does not meet the requirements for processing under this section. DCR's determination of whether an Applicant is eligible for processing under this section shall be made with no hearing and shall be final and effective 15 days after the date of its mailing if the Applicant does not timely request an administrative hearing, as provided in Section 104.10.

(c) An Applicant that submitted an application pursuant to this section by September 13, 2018, paid all fees required under Section 104.19, and received from DCR local authorization under this section shall not be subject to the remedies set forth in Los Angeles Municipal Code Sections 11.00 or 12.27.1 solely on the basis of Non-Retailer Commercial Cannabis Activity; provided, however, that, as authorized by California Health and Safety Code Section 11362.83, this limited immunity is available and may be asserted as an affirmative defense only so long as the requirements of this section are adhered to by the Applicant and only by an Applicant at the one Business Premises identified in its application. This limited immunity shall terminate upon the close of the 15-day appeal period if the Applicant does not timely request an administrative hearing, as provided in Section 104.10. This limited immunity shall not be available to and shall not be asserted as an affirmative defense to any violation of law except as expressly set forth in this section. Further, nothing contained in this limited immunity is intended to provide or shall be asserted as a defense to a claim for violation of law brought by any county, state or federal governmental authority.

Sec. 27. Subsection (e) of Section 104.08 of Article 4, Chapter X of the Los Angeles Municipal Code is deleted; Subsection (f) is renumbered as Subsection (e) and amended to read as follows:

(e) An Applicant under this section that has not received Temporary Approval shall report to DCR by July 1, 2019, whether it has made substantial progress, as determined by DCR, towards preparing its Business Premises to pass an Initial Inspection. An Applicant who cannot report substantial progress by July 1, 2019, shall have its application deemed abandoned. An Applicant who reports substantial progress by July 1, 2019, shall be required to pass an Initial Inspection by December 31, 2019, or its application shall be deemed abandoned unless DCR grants the Applicant an

extension due to extenuating circumstances as determined by DCR in its sole discretion.

Sec. 28. Subsections (a), (b), (c), and (d) of Section 104.12, Article 4, Chapter X of the Los Angeles Municipal Code are amended to read as follows:

(a) Every License, including Temporary Approvals, shall be renewed annually. If a License is not timely renewed, it shall expire after 11:59 p.m. on December 31 for the year issued. Applicants shall pay the applicable renewal fee pursuant to Section 104.19(b). To renew a License, a License renewal application and applicable renewal fee shall be paid by the Licensee no earlier than 120 calendar days before the expiration of the License, and no later than 60 calendar days before the expiration of the License. Failure to receive a notice for License renewal from DCR does not relieve a Licensee of the obligation to renew a License. In the event the License is not renewed prior to the expiration date, the Licensee shall cease all Commercial Cannabis Activity until such time that the Licensee is issued a new License from DCR and a license from the State of California.

(b) At the time a License renewal application is submitted to DCR, a Licensee must include updated annual licensing documents required by Rule and Regulation No. 3. As part of the License renewal process, DCR may require modification to the Licensee's security plan. Except for Tier 3 Licensees, Licensees subject to Section 104.20 shall also submit Equity Share documents in compliance with Section 104.20(a)(2).

(c) To renew a license, a Licensee shall be in good standing with the requirements in this article and shall not be delinquent on any City tax or fee. For purposes of this subsection only, a Licensee who has entered into a payment plan with the City's Office of Finance pursuant to LAMC Section 21.18 to pay all outstanding City-owed business taxes shall not be deemed delinquent on any City tax.

(d) Any Licensee who has ceased a Commercial Cannabis Activity at a Business Premises for a continuous period of 180 days shall not be authorized to renew its license unless authorized by DCR in accordance with the Rules and Regulations.

Sec. 29. A new Subdivision (f) is added to Section 104.12, Article 4, Chapter X of the Los Angeles Municipal Code to read as follows:

(f) The Licensee may file an administrative appeal of the decision to deny License renewal pursuant to Section 104.14 within 15 days of the date of DCR mailing the denial letter. Failure to file an administrative appeal shall constitute a failure to exhaust administrative remedies.

Sec. 30. Section 104.20, Article 4, Chapter X of the Los Angeles Municipal Code is amended in its entirety to read as follows:

SEC. 104.20. SOCIAL EQUITY PROGRAM.

(a) **Program – Original Eligibility Verification.** Except for Tier 3 Applicants, as defined in Section 104.20(a)(1)(iv), an Applicant that submitted an Application subject to Section 104.08 by September 13, 2018, or submitted an application for program eligibility verification during the verification period between May 28, 2019, and July 29, 2019, and met the criteria in this subsection for a Commercial Cannabis Activity License pursuant to Section 104.06.1(b), shall comply with Section 104.20(a)(2) when a License is issued or renewed.

1. **Social Equity Individual Applicant – Individual Eligibility Verification.** An individual subject to this subsection shall be verified as Social Equity Individual Applicant. A Social Equity Individual Applicant may be further verified as a Tier 1 Social Equity Individual Applicant, Tier 2 Social Equity Individual Applicant, or a Tier 3 Applicant in accordance with the definitions and criteria in this subsection.

(i) The following definitions shall apply in this subsection:

(1) "**California Cannabis Arrest or Conviction**" means an arrest or conviction in California for any crime under the laws of the State of California or the United States relating to the sale, possession, use, manufacture, or cultivation of Cannabis that occurred prior to November 8, 2016. An arrest, prosecution or conviction for a violation of Proposition D, as codified in former Article 5.1 of Chapter IV of the Los Angeles Municipal Code, notwithstanding that Proposition D has been repealed, is not a California Arrest or Cannabis Conviction. A Social Equity Applicant with a California Cannabis Arrest or Conviction shall be ineligible to apply for a License in any of the circumstances specified in Section 104.03(a), subject to the time restrictions therein.

(2) "**Disproportionately Impacted Area**" means eligible zip codes based on the "More Inclusive Option" as described on page 23 of the "Cannabis Social Equity Analysis Report" commissioned by the City in 2017, and referenced in Regulation No. 13 of the Rules and Regulations, or as established using the same methodology and criteria in a similar analysis provided by an Applicant for an area outside of the City.

(3) "**Low-Income**" means 80 percent or below of Area Median Income for the City based on the 2016 American Community Survey and updated with each decennial census.

(4) **"Tier 1 Social Equity Individual Applicant"** is an individual who meets the following criteria at the time of applying for

a license: (1) Low-Income and prior California Cannabis Arrest or Conviction; or (2) Low-Income and a minimum of five years' cumulative residency in a Disproportionately Impacted Area.

(5) **"Tier 2 Social Equity Individual Applicant"** is an individual who meets the following criteria at time of applying for a license: (1) Low-Income and a minimum of five years' cumulative residency in a Disproportionately Impacted Area; or (2) a minimum of 10 years' cumulative residency in a Disproportionately Impacted Area.

(6) **"Tier 3 Applicant"** is a Person who applied for a Commercial Cannabis Activity License under Section 104.08 and does not meet the criteria of a Tier 1 Social Equity Individual Applicant or Tier 2 Social Equity Individual Applicant.

2. **Social Equity Individual Applicant – Entity Eligibility Verification.** A Social Equity Individual Applicant shall comply with the Equity Share criteria in this subdivision before a License is issued or renewed.

(i) **Ownership Percentage.** A Tier 1 Social Equity Individual Applicant shall own no less than a 51 percent Equity Share in the Person to whom the License is issued. A Tier 2 Social Equity Individual Applicant shall own no less than a 33 1/3 percent Equity Share in the Person to whom the License issued.

(ii) **"Equity Share**" means all of the following:

(1) Unconditional ownership of the Equity Share. The Equity Share shall not be subject to conditions precedent, conditions subsequent, executory agreements, voting trusts, restrictions on or assignments of voting rights, or other arrangements causing or potentially causing ownership benefits in the Social Equity Applicant or Licensee to go to another in any circumstance other than after death or incapacity. In the case of death or incapacity, a Social Equity Individual Applicant shall identify his or her own successor in interest or assignee of their Equity Share. Community property laws shall have no effect on unconditional ownership.

(2) Profits, dividends, and distributions. Social Equity Individual Applicants shall receive all of the following:

(A) At least their Equity Share percent of the distribution of profits paid to the owners of the Social Equity Applicant or Licensee;

(B) 100 percent of the value of each share of stock, member interest, partnership interest, or other equivalent owned by them in the event that the stock, member interest, or partnership interest is sold; and

(C) At least their Equity Share percent of the retained earnings of the Social Equity Applicant or Licensee and 100 percent of the unencumbered value of each share of stock, member interest, or partnership interest owned in the event of dissolution of the corporation, limited liability company, or partnership.

(3) Voting rights and control. Social Equity Individual Applicants shall receive the following at all times:

(A) At least their Equity Share percent of the voting rights on all business decisions, including, but not limited to, long-term decisions, daily business operations, retention and supervision of the executive team, managers, and management companies, and the implementation of policies.

(B) The highest officer position in the Social Equity Applicant or Licensee, such as the position of chief executive officer, unless a natural person who otherwise meets the requirements of a Social Equity Individual Applicant, but who is not an Owner, is appointed to that position by mutual agreement of the parties or another natural person is appointed to that position by mutual agreement of the parties.

(4) Surviving spouse. If a Social Equity Individual Applicant dies, the Social Equity Applicant or Licensee will continue to qualify under this section with the requisite Equity Shares so long as the surviving spouse of the deceased Social Equity Individual Applicant inherits or otherwise acquires all of such individual's ownership interest in the Social Equity Applicant or Licensee. The continued qualification by the surviving spouse shall begin on the date of the Social Equity Individual Applicant's death and terminate on the earlier of: (1) the date in which the surviving spouse remarries; (2) the date in which the surviving spouse relinquishes his or her ownership interest in the Social Equity Applicant or Licensee; or (3) the date that is ten (10) years after the date of the death of the Social Equity Individual Applicant.

(iii) **Additional Equity Share Requirements.**

(1) All Owners shall: (1) comply in all respects with the Equity Share criteria and requirements in this section ("Equity Share Requirements") in dealings with one another; (2) keep records evidencing their compliance; and (3) on the other party's reasonable request, provide these records of compliance to the other party.

(2) Any action or inaction taken by a party in violation of the Equity Share Requirements shall entitle the other party to initiate a legal action in the Superior Court of Los Angeles, including, but not limited to, an action for specific performance, declaratory relief, and/or injunctive relief, to enforce the Equity Share Requirements against the other party.

(3) Any annual License(s) issued to a Social Equity Applicant may be suspended or revoked if it can be shown, by a preponderance of the evidence, that any provision in an operating agreement, contract, business formation document, or any other agreement between Owners of the Social Equity Applicant violates any of the Equity Share Requirements and is not cured within the time allowed by DCR.

(4) All Owners are required to incorporate the following addendum into operating agreement documents to evidence compliance with Equity Share Requirements: *"To the extent that any provision of this agreement, or part thereof, is or may be construed to be inconsistent with or in violation of the "Equity Share" requirements set forth in Los Angeles Municipal Code section 104.20, such provision(s) shall be ineffective, unenforceable, and null and void."*

(b) **Program – Expanded Eligibility Verification.** An individual seeking to participate in the Social Equity Program shall meet the criteria and requirements in this subsection.

1. **Social Equity Individual Applicant – Individual Eligibility Verification.** An Applicant subject to this subsection shall be verified as a Social Equity Individual Applicant in accordance with the definitions and criteria in this subsection.

(i) **"Social Equity Individual Applicant"** means an individual who meets two of the following three criteria: (1) Low-Income; (2) a prior California Cannabis Arrest or Conviction; (3) ten years' cumulative residency in a Disproportionately Impacted Area. For the purposes of Section 104.06.1(c), "Social Equity Individual Applicant" means an individual with a prior California Cannabis Arrest or Conviction and who

also meets one of the following two criteria: (1) Low-Income; or (2) ten years' cumulative residency in a Disproportionately Impacted Area.

(ii) The following definitions shall apply in this subsection:

(1) **"Asset"** means net assets at, or below, four times the Low-Income thresholds based on Household Size. Examples of liquid accounts that shall be disclosed include but are not limited to, saving accounts, checking accounts, certificates of deposit, money market accounts, stocks, trusts, and gifts. Qualified retirement accounts and an applicant's primary residence shall be excluded for purposes of the calculation, but other forms of real estate shall be included. Such retirement accounts are limited to accounts that are intended for retirement and that would incur a penalty if withdrawn before a specified retirement age per each account.

(2) **"Household Size"** means the number of individuals that meet any of the following criteria:

(A) All spouses or domestic partners must be included in the household and must appear in the submission content.

(B) All household members who are under 18 years of age must be the legal dependent of an adult household member, except in the case of emancipated minors, as claimed on the most recent income tax return, or legal minor children of title holders.

(C) Pregnant applicants will only be counted as two household members with verifiable medical documentation.

(D) Temporarily absent household members who intend to live in the residence upon return may be considered, if verifiable documentation supporting their absence is provided. Such household members include, but are not limited to, household members serving temporarily in the armed forces, or who are temporarily institutionalized.

(E) Live-in assistants, foster children will not be counted toward household size. Individuals not listed on the Social Equity Individual Applicant's most recent tax return, such as elderly relatives, live-in assistants, and foster children will not be counted toward household size.

(3) **"California Cannabis Arrest or Conviction"** means an arrest or conviction in California for any crime under the laws of the State of California or the United States relating to the sale, possession, use, manufacture, or cultivation of Cannabis that occurred prior to November 8, 2016. An arrest, prosecution or conviction for a violation of Proposition D, as codified in former Article 5.1 of Chapter IV of the Los Angeles Municipal Code, notwithstanding that Proposition D has been repealed, is not a California Arrest or Cannabis Conviction. A Social Equity Applicant with a California Cannabis Arrest or Conviction shall be ineligible to apply for a License in any of the circumstances specified in Section 104.03(a), subject to the time restrictions therein.

(4) **"Disproportionately Impacted Area"** means Police Reporting Districts as established in the Expanded Social Equity Analysis, or as established using the same methodology and criteria in a similar analysis provided by an Applicant for an area outside of the City.

(5) **"Low-Income"** means both of the following definitions are met: (1) the Social Equity Individual Applicant meets the low-income thresholds established in the annual U.S. Department of Housing and Urban Development (HUD) income limits based upon the Area Median Income (AMI) for Los Angeles County based on household size; and (2) the Social Equity Individual Applicant does not have Assets in excess of the amount as defined in this subsection. For the purpose of assessing whether the low-income threshold has been met, DCR shall calculate the Household Size based the criteria in Subsection (b)(1)(ii)(2)(A) through (E).

2. **Social Equity Individual Applicant – Entity Eligibility Verification.** An Applicant must comply with the Equity Share requirements in this subsection before a License is issued or renewed.

(i) **Ownership Percentage.** The Social Equity Individual Applicant shall own no less than a 51 percent Equity Share in the Person to whom the License is issued.

(ii) **"Equity Share**" is defined in Subsection (a)(2) and incorporated herein by reference.

(c) **Programming – Benefits and Requirements.**

1. **Programming - Ownership and Disclosure Requirements.** Social Equity Applicants shall comply with the requirements in this subsection and in the Rules and Regulations.

(i) Social Equity Applicants may only transfer control or ownership to Persons who meet the same Equity Share requirements, and only upon the prior written approval of DCR. DCR shall promulgate Rules and Regulations for the transfer of control or ownership.

(ii) Social Equity Applicants shall provide to DCR bylaws or operating agreements which specify the percentage of ownership and control by each Person;

(iii) Social Equity Applicants shall disclose to DCR any management or employee staffing agreements it has or will enter into during the period of the License

(iv) Social Equity Applicants shall disclose any options to purchase equity or control in the Social Equity Applicant.

(v) At the time of requesting an annual license renewal pursuant to Section 104.12, Social Equity Applicants shall provide to DCR a financial statement for its most recently completed fiscal year.

2. **Programming - Workforce Requirements.** Social Equity Applicants and Tier 3 Applicants shall comply with the workforce requirements in this subdivision.

(i) **Definitions.**

(1) **"Social Equity Worker"** means an individual who meets the criteria in Section 104.20(a), except for Tier 3 Applicants, or who meet the criteria in Section 104.20(b).

(2) **"Transitional Worker"** means an individual who, at the time of starting employment at the Business Premises, resides in an Economically Disadvantaged Area or Extremely Economically Disadvantaged Area, as those terms are defined in Section 11.5.6 of this Code, and faces at least two of the following barriers to employment: (1) being homeless; (2) being a custodial single parent; (3) receiving public assistance; (4) lacking a GED or high school diploma; (5) having a criminal record or other involvement with the criminal justice system; (6) suffering from chronic unemployment; (7) emancipated from the foster care system; (8) being a veteran; or (9) over the age of 65 and financially compromised.

(ii) **Social Equity Applicants.** A Social Equity Individual Applicant shall make a good faith effort to have no less than 50 percent of the weekly hours of the Licensee's workforce performed by Employees whose primary place of residence is within a 3-mile radius of the Business Premises location. Of those Employees, 20 percent shall be Social Equity Workers and 10 percent shall be Transitional Workers.

(iii) **Tier 3 Applicants.** A Tier 3 Applicant shall make a good faith effort to have no less than 50 percent of the weekly hours of the Licensee's workforce performed by Employees whose primary place of residence is within a five-mile radius of the Business Premises. Of those employees, 30 percent shall be Social Equity Workers and 10 percent Transitional Workers. At a minimum, a Licensee is required to contact local community-based organizations, City of Los Angeles Work Source Centers, and other similar organizations to facilitate job outreach, development, and placement services. A Licensee is required to provide a detailed semiannual report on the first business day of January and the first business day of July every year that provides evidence of its outreach efforts, including the number of persons interviewed, and details on who was hired to satisfy the good faith requirement.

3. **Programming - Social Equity Agreement Requirements.** Tier 3 Applicants shall comply with the requirements in this subsection.

(i) Prior to the issuance of a License, a Tier 3 Applicant shall enter into a Social Equity Agreement with the City to provide to a Social Equity Individual Applicant for a period of three years: (1) Ancillary Business Costs; (2) Property; and (3) Education and Training. Social Equity Agreements shall be processed and approved by DCR.

(1) **Ancillary Business Costs.** Tier 3 Applicants shall provide security, management, equipment and other ancillary business costs to a Social Equity Individual Applicant.

(2) **Education and Training.** Tier 3 Applicants shall provide a minimum of 50 hours per year in business development education and training to a Social Equity Individual Applicant. Education and Training provided by Tier 3 Applicants may include: accounting, inventory management, payroll practices, tax preparation, employee recruitment, retention and workforce outreach, or reporting requirements training.

(3) **Property - Onsite**. Tier 3 Applicants shall provide floor area, at no cost and inclusive of utilities, within their Business Premises location, or at an off-site location, pursuant to Subsection

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

(4) **Property - Off-site.** A Tier 3 Applicant shall provide floor area meeting the minimum requirements under Subsection 104.20(c)(3)(i)(3), at no cost and inclusive of utilities, to a Social Equity Individual Applicant at a different off-site Business Premises location in the City, unless property is provided on-site as specified in this section, subject to the following conditions:

(A) The Social Equity Individual Applicant can conduct the Commercial Cannabis Activity for its License type at the off-site location without violating any of the land use or sensitive use requirements in Article 5, Chapter X of this Code.

(B) A Tier 3 Applicant shall be responsible for all costs to bring the off-site location into compliance with all site specific and property related regulations, including, but not limited to, Building Code and Fire Code regulations.

(C) The Social Equity Individual Applicant has the legal right to occupy and use the new location for Commercial Cannabis Activity.

(D) DCR finds that the facilities at the off-site location are substantially similar to the facilities at the Tier 3 Applicant's Business Premises.

(5) **Property Support.** In lieu of providing the minimum property requirements in Subsections (c)(3)(i)(3) and (4), a Tier 3 Applicant may provide property support directly to the Social Equity Individual Applicant equal to the greater of the following:

(A) The actual monthly cost per square foot of leased space at the Tier 3 Applicant's Business Premises multiplied by the amount of space required by this subsection multiplied by 36 months; or

(B) The arithmetic mean of the cost per square foot of leased space for a total of 10 commercial cannabis businesses within a one mile radius, and authorized by DCR for the same Commercial Cannabis Activity, of the Tier 3 Social Equity Applicant's Business Premises multiplied by the amount of space required by this subsection multiplied by 36 months. If there are less than 10 commercial cannabis businesses within the one mile radius, the radius shall be increased in 100-foot increments until a total of 10 businesses are included.

(6) A Tier 3 Applicant shall provide property support directly to the Social Equity Individual Applicant in one of the following manners: (1) in full upon the first effective day of the Social Equity Agreement; (2) in three equal payments on dates determined by DCR within the first 24 months of the term of the Social Equity Agreement; (3) in 36 equal monthly payments during the term of the Social Equity Agreement; or (4) as agreed upon by the Social Equity Individual Applicant and the Tier 3 Applicant, and approved by DCR.

4. **Programming – Benefits.** Social Equity Applicants verified in accordance with Subsections (a) and (b) may receive benefits outlined in this subsection. Tier 3 Applicants shall not be processed under this subsection but shall be afforded priority processing as described in Section 104.08.

(i) **Processing.**

(1) DCR shall process Applications for Social Equity Applicants in accordance with Section 104.06.1.

(2) DCR shall provide priority processing to Social Equity Applicants applying for a Non-Retailer License on a 1:1 ratio with all non-Social Equity Individual Applicants.

(3) DCR shall process Applications or renewals from Social Equity Applicants in accordance with Subsections (a) or (b)

before processing an Application or renewal from non-Social Equity Applicants.

(ii) **Fee Deferral Program.** DCR shall administer the Fee Deferral Program based on requirements and restrictions established in the Rules and Regulations. Participation in the Fee Deferral Program may be subject to the availability of resources.

(iii) **Business, Licensing and Compliance Assistance.** DCR shall provide Business, Licensing and Compliance Assistance through programming and curriculum development and training in the areas of state and local licensing requirements, commercial cannabis regulations, general business development, cannabis-specific business development and workforce development.

(iv) **Financial Grant Program.** DCR shall administer the Financial Grant Program based on requirements and restrictions established in the Rules and Regulations. Participation in this Financial Grant Program may be subject to the availability of resources.

(v) **Ancillary Business Costs.** Social Equity Applicants may receive security, management, equipment and other ancillary business costs provided by a Tier 3 Applicant pursuant to a Social Equity Agreement as defined in Section 104.20 (c)(3). Participation may be subject to the availability of resources.

(vi) **Education and Training.** Social Equity Applicants may receive a minimum of 50 hours per year in business development, education and training provided by a Tier 3 Applicant pursuant to a Social Equity Agreement as defined in Section 104.20 (c)(3). Education and training provided by Tier 3 Applicants may include: accounting, inventory management, payroll practices, tax preparation, employee recruitment, retention and workforce outreach, and reporting requirements training. Participation may be subject to the availability of resources.

(vii) **Property.** Social Equity Applicants may receive Property as specified in Section 104.20 (c)(3) provided by a Tier 3 Applicant. Participation may be subject to the availability of resources.

Sec. 31. Subsection (b) of Section 104.21, Article 4, Chapter X of the Los Angeles Municipal Code is deleted; Subsections (c), (d), (e), (f) and (g) are renumbered as Subsection (b), (c), (d), and (f) and amended to read as follows:

(b) DCR may prohibit a Licensee from permitting a Management Company to manage Commercial Cannabis Activity on the Licensee's behalf if:

1. Any Owner of the Management Company would be ineligible to apply for a License pursuant to Section 104.03(a) or to receive a License pursuant to Section 104.06(a)(1);

2. DCR or another Cannabis licensing authority has determined that the Management Company has failed to comply with State or City operating requirements while managing Commercial Cannabis Activity; or

3. The Management Company cannot manage Commercial Cannabis Activity on behalf of any additional Licensees pursuant to the restrictions set forth in Section 104.21(f).

(c) Every Management Company shall register with DCR pursuant to procedures established by DCR and provide DCR all requested information and documents regarding its participation in Commercial Cannabis Activity in the City.

(d) A Management Company shall not hold an equity interest in a Licensee on whose behalf it manages Commercial Cannabis Activity. Notwithstanding the foregoing restriction, a Management Company may receive a share of a Licensee's revenues or profits in exchange for management services rendered, subject to limitations established by DCR.

(e) A Management Company shall manage Commercial Cannabis Activity on a Licensee's behalf in adherence to the operational requirements in this article and the Rules and Regulations that apply to the License type. In construing and enforcing this article and the Rules and Regulations, any act, omission, or failure of a Management Company, including its officers, Employees and agents, shall in every case be deemed the act, omission, or failure of the Licensee.

(f) Every Management Company shall be subject to the following restrictions:

1. Through June 30, 2019, a Management Company shall not manage Commercial Cannabis Activity on behalf of more than three percent of the Licensees in the City engaged in the same type of Commercial Cannabis Activity;

2. From July 1, 2019, through June 30, 2020, a Management Company shall not manage Commercial Cannabis Activity on behalf of more than four percent of the Licensees in the City engaged in the same type of Commercial Cannabis Activity;

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

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

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

Sec. 31. Subsections (c) and (d) of Section 104.22, Article 4, Chapter X of the Los Angeles Municipal Code are deleted; Subsections (a) and (b) are renumbered as Subsections (b) and (c); new Subsection (a) is added; Subsections (a), (b) and (c) are amended to read as follows:

(a) DCR shall develop criteria and guidelines for Cannabis Corporate Responsibility Reports (Report). DCR shall post the criteria, guidelines and any amendments on its website.

(b) Prior to the issuance of a License or renewal pursuant to Section 104.12, a Licensee shall submit to DCR a Report that describes the Licensee's community engagement, corporate philanthropy, relationship with the neighborhood surrounding the Licensee's Business Premises, and compliance with applicable City and State Cannabis laws and regulations within the previous calendar year. If a Licensee fails to timely submit a Report, DCR may impose administrative penalties or order corrective action as provided in Section 104.13(b). Reports may be publicly disclosed, including but not limited to posting on DCR's website.

(c) If a Licensee holds Licenses for multiple Business Premises, the Licensee shall submit a separate Report for each Business Premises.

Sec. 32. **URGENCY CLAUSE.** The City finds and declares that this ordinance is required for the immediate protection of the public peace, health and safety for the following reasons: As documented by, among other City departments, the City Attorney and the Los Angeles Police Department, unauthorized cannabis activity in the City continues to proliferate, with the attendant crime and negative secondary impacts that pose a current and immediate threat to the public welfare. In addition, most unauthorized cannabis businesses cultivate, manufacture, and sell cannabis that has not been tested in accordance with State standards, which also creates a current and immediate threat to the public welfare. The Department of Cannabis Regulation plays a key role in reducing the threats posed by unauthorized cannabis activity by, in part, issuing licenses to cannabis business that require those businesses to operate under strict regulations that are primarily intended to protect the public welfare. Although the Department of Cannabis Regulation continues its extensive efforts to license cannabis business activity, recent amendments to State cannabis regulations and frequent changes in practices in the cannabis industry require that the amendments to the

implementing Rules and Regulations for the Cannabis Procedures ordinance as reflected in this ordinance must become effective as soon as possible. In particular, the Department of Cannabis Regulation immediately requires greater authority to regulate cannabis businesses during the licensing process to protect the customers who patronize those businesses. These amendments clarify, reorganize and add necessary procedures to the licensing process that will facilitate the issuance of additional licenses, including the issuance of Temporary Approval after the satisfaction of certain requirements and an initial inspection. These amendments also provide for an immediate suspension of Temporary Approval in the event of an imminent threat to life or public safety at the business, and establish a detailed framework to consider the environmental impacts of the regulation of commercial cannabis activity under the California Environmental Quality Act. For all of these reasons, this ordinance shall become effective upon publication pursuant to Section 253 of the Los Angeles City Charter.

Sec. 33. The City Clerk shall certify to the passage of this ordinance and have it published in accordance with Council policy, either in a daily newspaper circulated in the City of Los Angeles or by posting for ten days in three public places in the City of Los Angeles: one copy on the bulletin board located at the Main Street entrance to the Los Angeles City Hall; one copy on the bulletin board located at the Main Street entrance to the Los Angeles City Hall East; and one copy on the bulletin board located at the Temple Street entrance to the Los Angeles County Hall of Records.

Approved as to Form and Legality

MICHAEL N. FEUER, City Attorney

By _____
for TAYLOR C. WAGNIERE
Deputy City Attorney

Date June 26, 2020

File No. _____

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

CITY CLERK

MAYOR

Ordinance Passed 07/01/2020

Approved 07/07/2020

Published Date: 07/10/2020
Ordinance Effective Date: 07/10/2020
Council File No.: 20-0420, 20-0446-S1, 17-0653, 20-0446, 20-0782, 20-0785