

RULES, ELECTIONS, AND INTERGOVERNMENTAL RELATIONS COMMITTEE
REPORT relative to the performance audit and review of the Department's Phase III Round
One Licensing Process.

Recommendations for Council action:

1. INSTRUCT the Department of Cannabis Regulation (DCR) to report to Council on recommended legislative amendments to the definition of Equity Share based on best practices and input from Social Equity Program stakeholders.
2. REQUEST the City Attorney, with the assistance of the DCR, to prepare and present an ordinance, no later than June 26, 2020, to amend Article 4 to Chapter X of the Los Angeles Municipal Code (LAMC) to:
 - a. Allow Phase 3 Retail Round 1 Applicants who are eligible for further processing to receive Temporary Approval provided that the Applicant submits an Equity Plan, resubmits documents to demonstrate compliance with Equity Share (as to be amended), passes a pre-licensing inspection, receives authorization from the State, submits required attestations and indemnification agreements, and clears a background check through Live Scan for all Owners.
 - b. Allow Social Equity Individual Applicants who submitted an application during the 14-day Phase 3 Retail Round 1 Application Window and were deemed ineligible for further processing, to receive priority processing for a new application for one commercial cannabis activity not subject to Undue Concentration findings (i.e., non-volatile manufacturing, distribution, or delivery) and provide them up to one year to submit a complete annual license application.
 - c. Establish new eligibility criteria for the Social Equity Program for Phase 3 Retail Round 2 and all future Social Equity Program application processing, as follows:
 - i. Amend the definition of Low Income to mean low income as referenced in the annual United States Department of Housing and Urban Development income limits based upon the Area Median Income for Los Angeles County, and which considers household size and assets.
 - ii. Amend the definition of Disproportionately Impacted Area from Zip Codes to Police Reporting Districts as established in the Revised Social Equity Analysis with 10-years of residency to qualify.
 - iii. Amend the definition for Social Equity Individual Applicant to mean a natural person who meets any two out of the three following criteria, as amended: Low Income; Disproportionately Impacted Area; and, Cannabis Arrest or Convictions.
 - d. Require Social Equity Individual Applicants seeking to participate in Phase 3 Retail Round 2 and all future Social Equity Program applications processing to:

- i. Own at least 51 percent Equity Share (as to be amended) in the Social Equity Applicant seeking a License.
 - ii. Qualify under the newly defined eligibility criteria.
 - iii. Exempt from this provision the following Social Equity Individual Applicants seeking to participate in LAMC Sec. 104.06.1(f): Delivery Pilot Program, Phase 3 Retail Round 1 Social Equity Individual Applicants that received an ineligibility letter for further processing because its Business Premises was in a geographic area of Undue Concentration limits or within a 700-foot radius of another Type 10 application, and Phase 2 Applicants eligible for processing pursuant to Section 104.08.
- e. Amend the Phase 3 Retail Round 2 process to determine Social Equity Individual Applicants eligible for further processing by lottery. The determination of eligibility to participate in the lottery will require applicants to be verified under the new definition of Social Equity Individual Applicant and clear a background check through Live Scan. Social Equity Individual Applicants who are deemed eligible will then be entered into a lottery to determine who is eligible to apply for the available retail commercial cannabis activity licenses.
 - f. Allow Social Equity Individual Applicants who have been determined to be eligible for further processing by lottery up to one year to submit a complete annual license application.
 - g. Allow Applicants who are eligible for further processing to receive Temporary Approval provided that the Applicant submits an Equity Plan (if applicable), submits documents to demonstrate compliance with Equity Share (if applicable), passes a pre-licensing inspection, receives authorization from the State, submits required attestations and indemnification agreements, and clears a background check through Live Scan for all Owners.
 - h. Amend the definition of Equity Share based on best practices and input from Social Equity Program stakeholders.
 - i. Require all Applicants and Licensees to submit an Equity Plan as established by the DCR.

Fiscal Impact Statement: None submitted by the DCR. Neither the Chief Legislative Analyst nor the City Administrative Officer has completed a financial analysis of this report.

Community Impact Statement: None submitted.

SUMMARY

At the meeting held on June 23, 2020, your Rules, Elections, and Intergovernmental Relations Committee considered a DCR report relative to the performance audit and review of the Department's Phase III Round One Licensing Process. After an opportunity for public comment

was held, the Committee moved to approve the DCR's recommendations, as detailed above. This matter is now forwarded to the Council for its consideration.

Respectfully Submitted,

RULES, ELECTIONS, AND INTERGOVERNMENTAL RELATIONS COMMITTEE

<u>MEMBER</u>	<u>VOTE</u>
MARTINEZ:	ABSENT
HARRIS-DAWSON:	YES
WESSON:	YES

ME 6/23/20

-NOT OFFICIAL UNTIL COUNCIL ACTS-