

ORDINANCE NO. _____

An ordinance amending Sections 104.01, 104.03, 104.06, 104.06.1, and 104.20 of Article 4 of Chapter X of the Los Angeles Municipal Code to regulate Commercial Cannabis Activity.

**THE PEOPLE OF THE CITY OF LOS ANGELES
DO ORDAIN AS FOLLOWS:**

Section 1. Subdivision 37 of Subsection (a) of Section 104.01 of Article 4, Chapter X of the Los Angeles Municipal Code is amended to read as follows:

37. **"Owner"** means a Person with at least a 20% aggregate ownership stake or equity interest in the Applicant or Licensee, unless the interest is solely a security, lien, profit sharing, or encumbrance. Aggregate means the total ownership interest held individually or through an entity. For example, an individual owning 50% of an entity that owns 50% of a cannabis business would have a 25% aggregate ownership interest in the cannabis business.

Sec. 2. Subdivision 39 of Subsection (a) of Section 104.01 of Article 4, Chapter X of the Los Angeles Municipal Code is amended to read as follows:

39. **"Primary Personnel"** means any of the following: (i) a natural person with at least a 20% aggregate ownership stake or equity interest in the the Person applying for a License or a Licensee, unless the interest is solely a security, lien, profit sharing, or encumbrance; (ii) a natural person who manages, directs, or controls the operations of the commercial cannabis business, including but not limited to: a chief executive officer, president, vice president, officer, general manager, a member of the board of directors, a general partner, a managing member or a non-member manager, and/or a trustee(s) or persons who have control of the trust; (iii) if the Applicant or Licensee is owned in whole or in part by an entity and the entity includes natural persons who manage, direct, or control the operations of the Applicant or Licensee, those natural persons shall also be disclosed as Primary Personnel; and (iii) DCR may determine, in its sole discretion on a case-by-case basis, that additional natural persons have the ability to manage, direct, or control the commercial cannabis business and meet the criteria of Primary Personnel. Upon notification by DCR, the Applicant or Licensee must disclose the natural person(s) as a Primary Personnel.

Sec. 3. Subsection (a) of Section 104.03 of Article 4, Chapter X of the Los Angeles Municipal Code is amended to read as follows:

(a) **Application – Pre-Application Review.** Prior to filing an Application pursuant to Subsection (b), an Applicant shall submit a Pre-Application Review record through the DCR Licensing Portal, including all information, forms and documents as determined by DCR, and pay a Pre-Application Review Fee pursuant to Section 104.19 for DCR to determine the eligibility of a proposed Business Premises location pursuant

to Section 104.03(a)(3) and Article 5 of Chapter X of this Code. Pre-Application Review records that are incomplete or missing required information, forms or documents shall not be eligible for further processing. If the Pre-Application Review record is deemed eligible for further processing, the Applicant shall submit a Temporary Approval Application or annual License Application through the DCR Licensing Portal, including all required information, forms, and documents, within one (1) calendar year of the date DCR notifies the Applicant by electronic mail that the Pre-Application Review record is eligible for further processing. A Pre-Application Review record shall be deemed abandoned pursuant to Section 104.03(h) if a complete Temporary Approval Application or annual License Application is not timely submitted within one (1) calendar year. DCR may request additional information, forms, or documents from the Applicant at any time during the Pre-Application Review, subject to payment of any additional fees under Section 104.19(h). If the Applicant fails to provide the additional information, forms or documents in the time allotted by DCR, the Application shall be deemed abandoned. An Applicant whose Business Premises location is deemed ineligible under Section 104.03(a)(3) or Article 5 of Chapter X of this Code shall not be permitted to amend their Pre-Application Review record, but may submit a new Pre-Application Review record subject to the payment of applicable fee(s) in Section 104.19.

Sec. 4. Subsection (b) of Section 104.03 of Article 4, Chapter X of the Los Angeles Municipal Code is amended to read as follows:

(b) **Application – Filing and Fees.** DCR shall consider a Temporary Approval Application or annual License Application filed following: (i) a determination of eligibility pursuant to Subsection (a); (ii) the submission of all required and completed Temporary Approval or annual License information, forms, and documents to DCR's Licensing Portal; and (iii) and the payment of the applicable application fee(s) for each Commercial Cannabis Activity pursuant to Section 104.19. An Applicant shall submit all required information, forms, and documents pursuant to the Rules and Regulations. The applicable Temporary Approval Application Fee(s) or Annual License Application Fee(s) are due within 30 days from the date of the invoice. If the fees are not paid within the allotted time, the Application shall be deemed abandoned pursuant to Section 104.03(h).

Sec. 5. Subsection (e) of Section 104.03 of Article 4, Chapter X of the Los Angeles Municipal Code is amended to read as follows:

(e) **Application – Modification.** An Applicant or Licensee shall not make modifications to an Application or License without prior written approval by DCR in accordance with this subsection. An Applicant or Licensee shall submit a modification request on a form provided by DCR through the DCR Licensing Portal and pay the applicable modification request fee pursuant to Section 104.19(h). Upon payment, DCR, in its sole discretion, will review the modification request and determine if it is eligible for further processing. DCR's determination is final and not appealable. If the requested modification(s) can be further considered, the Applicant or Licensee shall submit any additional information, forms or documents that DCR deems necessary to process the request and pay any additional modification fee(s) pursuant to Section

104.19. Modification requests shall not be processed until all required information, forms, documents, and fees have been submitted and received. DCR may require Licensees to obtain approval for the proposed modification(s) from the State licensing agency or other applicable agency(ies). 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. Applicants may submit a modification request(s) through the DCR Licensing Portal a period of 60 days after the submission of a Temporary Approval Application, subject to the payment of any required modification fee(s) pursuant to Section 104.19. Once DCR completes its review of the Temporary Approval Application, an Applicant may submit only the modification request types permitted in the Rules and Regulation until a License or Temporary Approval is issued. DCR shall notify the Applicant or Licensee by electronic mail when the requested modification 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.

Sec. 6. Paragraph (v) of Subdivision 1 of Subsection (e) of Section 104.03 of Article 4, Chapter X of the Los Angeles Municipal Code is amended to read as follows:

(v) Relocations After the Issuance of Temporary Approval.

If a Licensee has been issued Temporary Approval or a License for the location from which it seeks to relocate, the Licensee shall request cancellation of its Temporary Approval or License at that location before Temporary Approval or a License at the new Business Premises location may be issued. The Applicant or Licensee shall meet the Temporary Approval and/or License requirements at the new location.

Sec. 7. A new Subdivision 7 is added to Subsection (e) of Section 104.03 of Article 4, Chapter X of the Los Angeles Municipal Code to read as follows:

7. Modification Review. DCR shall require the modification information, documents or forms that are described in the Rules and Regulations for each type of modification request.

Sec. 8. Subsection (h) of Section 104.03 of Article 4, Chapter X of the Los Angeles Municipal Code is amended to read as follows:

(h) Abandonment. An Application or modification request may be deemed abandoned if DCR determines, at any time and in its sole discretion, that an Application or modification request is incomplete, fee payments required under Section 104.19 are not timely paid, or information, forms or documents have not been provided within the time allotted by DCR. Unless another period of time is specified, all required information, forms and/or documents shall be submitted through the DCR Licensing Portal within 30 days, and all fees shall be paid within 30 days of the date of the invoice issuance. DCR shall not refund fees for an abandoned Application or modification request.

Sec. 9. A new Subsection (i) is added to Section 104.03 of Article 4, Chapter X of the Los Angeles Municipal Code to read as follows:

(i) **Refiling - Social Equity Applications.** The Social Equity Individual Applicant associated with a Social Equity Applicant that has a Temporary Approval Application deemed abandoned under Section 104.03(h) after January 1, 2022, may refile an Application subject to the requirements of this subsection. If more than one Social Equity Individual Applicant is listed on the initial Temporary Approval Application, the refiled Application shall be submitted by the original Social Equity Applicant entity. The refiling process shall be initiated through the DCR Licensing Portal within one (1) calendar year of the date DCR notifies the Social Equity Applicant by electronic mail that the original Temporary Approval Application is deemed abandoned.

1. To refile, the Applicant shall submit a new Pre-Application Review record under Section 104.03(a). If DCR determines the proposed Business Premises location complies with Section 104.03(a)(3) and Article 5 of Chapter X of this Code, the Applicant shall submit a Temporary Approval Application with all required information, forms and documents, including all business records and agreements necessary to demonstrate that the Social Equity Individual Applicant(s) owns the minimum Equity Share required under Section 104.20(a)(2), within one (1) calendar year of the date DCR notifies the Applicant by electronic mail that the Pre-Application Review record is eligible for further processing. The Applicant shall submit payment of all required fees, pursuant to Section 104.19, by the dates listed on the invoice(s). If a Pre-Application Review record filed pursuant to this subsection is ineligible for further processing, the Applicant shall be permitted to submit new a Pre-Application Review record(s) identifying new Business Premises location(s), subject to the payment of any applicable fee in Section 104.19, and provided that the new Business Premises location(s) is submitted within the original one (1) calendar year time limitation.

2. The refiled Temporary Approval Application may not seek authorization to conduct any Commercial Cannabis Activities not listed in the original Temporary Approval Application or outside the Community Plan Area listed in the original Temporary Approval Application. A refiled Temporary Approval Application is not subject to a finding of Undue Concentration. Applications originally subject to a finding of public convenience or necessity under Section 104.04(a)(4) shall be refiled at the same proposed Business Premises, otherwise the procedures for refiled Applications are unavailable.

3. A refiled Temporary Approval Application that is later deemed abandoned for any reason may not be refiled.

4. Temporary Approval Applications abandoned, for any reason, prior to January 1, 2022, may not be refiled.

5. Temporary Approval Applications previously denied, denied by operation of law, or deemed ineligible for further processing may not be refiled.

Sec. 10. A new Subsection (j) is added to Section 104.03 of Article 4, Chapter X of the Los Angeles Municipal Code to read as follows:

(j) **Refiling - General Applications.** An Applicant not subject to the provisions of Section 104.20 with a Temporary Approval Application deemed abandoned under Section 104.03(h) after January 1, 2022, may refile an Application subject to the requirements of this subsection. The refiling process shall be initiated through the DCR Licensing Portal within one (1) calendar year of the date DCR notifies the Applicant by electronic mail that the original Temporary Approval Application is deemed abandoned.

1. To refile, the Applicant entity shall submit a new Pre-Application Review record under Section 104.03(a). If DCR determines the proposed Business Premises location complies with Section 104.03(a)(3) and Article 5 of Chapter X of this Code, the Applicant shall submit a Temporary Approval Application with all required information, forms and documents within one (1) calendar year of the date DCR notifies the Applicant by electronic mail that the Pre-Application Review record is eligible for further processing. The Applicant shall submit payment of all required fees, pursuant to Section 104.19, by the dates listed on the invoice(s). If a Pre-Application Review record filed pursuant to this subsection is ineligible for further processing, the Applicant shall be permitted to submit a new Pre-Application Review record(s) identifying new Business Premises location(s), subject to the payment of any applicable fee in Section 104.19, and provided that the new Business Premises location(s) is submitted within the original one (1) calendar year time limitation.

2. The refiled Temporary Approval Application may not seek authorization to conduct any Commercial Cannabis Activities not listed in the original Temporary Approval Application or outside the Community Plan Area listed in the original Temporary Approval Application. A refiled Temporary Approval Application is not subject to a finding of Undue Concentration. Applications originally subject to a finding of public convenience or necessity under Section 104.04(a)(4) shall be refiled at the same proposed Business Premises, otherwise the procedures for refiled Applications are unavailable.

3. A refiled Temporary Approval Application that is later deemed abandoned for any reason may not be refiled.

4. Temporary Approval Applications abandoned, for any reason, prior to January 1, 2022, may not be refiled.

5. Temporary Approval Applications previously denied, denied by operation of law, or deemed ineligible for further processing may not be refiled.

Sec. 11. A new Subsection (k) is added to Section 104.03 of Article 4, Chapter X of the Los Angeles Municipal Code to read as follows:

(k) **Processing Timeframes.** Application and modification processing pursuant to Sections 104.03 or 104.06 shall be conducted within the following timeframes. Processing timeframes begin upon the filing of the relevant Application or modification record, i.e., the submission of all required and completed information, forms, and documents through the DCR Licensing Portal for that particular Application or modification process, and the payment of all relevant fee(s) under Section 104.19 for that Application or modification process. Processing timeframes shall be automatically suspended when DCR's personnel vacancy rate is 20% or higher.

1. Pre-Application Review Processing.

(i) Within 10 days of the submission of a Pre-Application Review record through the DCR Licensing Portal, DCR shall issue the Applicant a Pre-Application Review Fee invoice. Pre-Application Review records shall comply with the requirements in the Rules and Regulations.

(ii) Within 30 days of the filing of a Pre-Application Review record, DCR shall determine whether the Applicant's proposed Business Premises complies with Section 104.03(a)(3) and Article 5 of Chapter X of this Code and notify the Applicant of DCR's determination by electronic mail.

(iii) Upon DCR's determination that an Applicant's Business Premises complies with Section 104.03(a)(3) and Article 5 of Chapter X of this Code, the Applicant shall submit a Temporary Approval Application or annual License Application through the DCR Licensing Portal in accordance with subdivision 2. The Pre-Application Review record will be deemed abandoned if a Temporary Approval Application or annual License Application is not timely submitted.

2. Temporary Approval Processing.

(i) The Applicant shall submit a Temporary Approval Application or annual License Application through the DCR Licensing Portal, including all required information, forms, and documents, within one (1) calendar year of the date DCR notifies the Applicant by electronic mail that the Pre-Application Review record is eligible for further processing. Temporary Approval Application records shall comply with the requirements in the Rules and Regulations. The Applicant shall submit payment of the Temporary Approval Fee(s), pursuant to Section 104.19, by the date listed on the invoice.

(ii) Within 60 days of the filing of a Temporary Approval Application through the DCR Licensing Portal, DCR shall conduct its initial review of the Temporary Approval Application for completeness.

(A) If the Applicant files a modification request through the DCR Licensing Portal within 60 days of the submission of a Temporary Approval Application, DCR shall review the modification request within 30 days of the filing of the modification request, and, if approved, complete its review of the Temporary Approval Application within 60 days of the approval of the modification request.

(B) Once DCR completes its review of the Temporary Approval Application, an Applicant may submit only the modification request types permitted in the Rules and Regulation until a License or Temporary Approval is issued.

(iii) If DCR determines that the Application is complete, DCR shall update the Application status to "Local Compliance Underway" within seven (7) days of its determination. If DCR determines there are any deficiencies in the Temporary Approval Application, DCR shall notify the Applicant by electronic mail of the specific information, forms or documents required by DCR, and the Applicant shall provide the required information, forms or documents through the DCR Licensing Portal within 30 days of that notification. Within 30 days of an Applicant's submission of the required additional information, forms or documents through the DCR Licensing Portal, DCR shall complete its follow-up review.

(iv) Within 45 days of a request for an Initial Inspection through the DCR Licensing Portal, DCR shall conduct the Initial Inspection.

(v) Within 15 days of an Applicant passing the Initial Inspection or DCR determining that all Temporary Approval information, forms and documents have been submitted and are complete, whichever occurs last, DCR shall issue Temporary Approval.

3. Relocation Modification Processing.

(i) Within 15 days of the submission of a relocation request through the DCR Licensing Portal, DCR shall issue the Applicant or Licensee an invoice for the Business Premises Relocation Fee.

(ii) Within 30 days of the filing of a relocation request, DCR shall determine whether the proposed Business Premises complies with Section 104.03(a)(3) and Article 5 of Chapter X of this Code and notify the Applicant or Licensee of DCR's determination by electronic mail. Once DCR determines that the proposed Business Premises complies with Section 104.03(a)(3) and Article 5 of Chapter X of this Code, the Applicant or Licensee may submit a new Temporary Approval Application for the new Business Premises.

4. Ownership Modification Processing.

(i) Within 15 days of the submission of an ownership modification request through the DCR Licensing Portal, DCR shall issue the Applicant or Licensee an invoice for the applicable modification fee(s) pursuant to Section 104.19.

(ii) Within 30 days of the filing of an ownership modification request, DCR shall make a determination on the modification request and notify the Applicant or Licensee of DCR's determination by electronic mail. If DCR determines that the proposed ownership modification violates any provision of Article 4 of Chapter X of this Code or the Rules and Regulations, upon notice from DCR, the Applicant or Licensee shall be permitted to further amend its request as necessary within 30 days to correct any deficiencies, subject to the restrictions on removing or replacing the individual Owner who is the Social Equity Individual Applicant, as specified in Section 104.03(e)(2).

(iii) If all Owners are transferring their ownership interest pursuant to Section 104.03(e)(2)(iii), the Applicant or Licensee shall resubmit all Application information, forms and documents, and pay all required fees, within 30 days of the date DCR notifies the Applicant by electronic mail that the modification request is eligible for further processing.

5. Entity Substitution Processing.

(i) Within 15 days of the submission of a modification request to substitute the Applicant or Licensee listed on an Application, Temporary Approval, or License through the DCR Licensing Portal, DCR shall issue the Applicant or Licensee an invoice for the applicable modification fee(s) pursuant to Section 104.19.

(ii) Within 30 days of the filing of a modification request to substitute the Applicant or Licensee on an Application, Temporary Approval, or License, DCR shall make a determination on the modification request. If DCR determines the modification request is eligible for further processing, the Applicant or Licensee shall submit a new Temporary Approval Application and all required information, forms and documents for the new Applicant entity within 30 days of the date DCR notifies the Applicant by electronic mail that the modification request is eligible for further processing. Once a new Temporary Approval Application is filed, upon request from the State, DCR shall confirm the Applicant's Temporary Approval Application status is "Local Compliance Underway."

(iii) DCR shall not issue a Temporary Approval or License to the new Applicant until it meets the requirements for Temporary Approval or a License. If the original Licensee has been issued Temporary Approval or a License, it shall request cancellation of that Temporary Approval or License before Temporary Approval or a License may be issued to the new Applicant entity. The original Licensee may continue to conduct Commercial Cannabis Activity until the License or Temporary Approval expires or the original Licensee requests cancellation of the Temporary Approval or License issued to it, whichever is earlier.

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

(d) **Temporary Approval.** DCR may, at its discretion, issue 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 Business Premises location passes an Initial Inspection; (2) the Applicant submits the required information, forms and documents; (3) the Applicant agrees to indemnify the City on a form provided by DCR; and (4) if applicable, Applicants subject to Section 104.20 provide all business records and agreements necessary to demonstrate that the Social Equity Individual Applicant owns at least the minimum Equity Share required under Section 104.20(a)(2). Applicants seeking Temporary Approval shall submit all required information, forms, and documents through the DCR Licensing Portal within one (1) calendar year of the date DCR notifies the Applicant by electronic mail that the Pre-Application Review record is eligible for further processing. A Temporary Approval Application shall be deemed abandoned pursuant to Section 104.03(h) if not timely submitted within one (1) calendar year. Issuance of a Temporary Approval does not create a vested right in the holder to either a renewal of the Temporary Approval, or to the issuance of a subsequent non-temporary License. Temporary Approval authorizes the Applicant to conduct Commercial Cannabis Activity(ies), subject to the Applicant obtaining all necessary permits, licenses, or other authorizations required by law from the City, State or other public agencies. Temporary Approval does not waive or otherwise circumvent other City or State requirements or necessary permits from the City, State, or other public agencies, including, but not limited, to, a Certificate of Occupancy, permit or authorization of the Los Angeles Fire Department, health permit from the County of Los Angeles, or authorization from the State. If at any time during the processing of an Application or after the issuance of Temporary Approval it is discovered that an Application has been improperly prepared or required information, forms or documents have not been submitted in accordance with this Code or the Rules and Regulations, upon notification to the Applicant, processing of that Application shall be suspended until the Application has been corrected or the required information, forms or documents are provided. Material misrepresentations, false statements, or the failure to disclose a

material fact in a Temporary Approval Application or modification request may result in the denial of Temporary Approval.

Sec. 13. Subdivision 2 of Subsection (c) of Section 104.06.1 of Article 4, Chapter X of the Los Angeles Municipal Code is amended to read as follows:

2. **Registration Period.** DCR shall, on a date beginning at its sole discretion, accept registrations for an Application lottery under this subsection for a period of 30 calendar days from verified Social Equity Individual Applicants, as defined in Section 104.20(b). DCR shall not accept registrations 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 Individual Applicants.

Sec. 14. Subdivisions 4 and 5 of Subsection (c) of Section 104.06.1 of Article 4, Chapter X of the Los Angeles Municipal Code is amended to read as follows:

4. **Application Lottery.** Verified Social Equity Individual Applicants who have registered pursuant to subdivision 2 shall be entered into an Application lottery. DCR may identify as many Social Equity Individual Applicants eligible for further processing through an Application lottery as there are total available Licenses in Community Plan Areas that have not reached Undue Concentration. Social Equity Individual Applicants shall be randomly selected during the lottery, which shall take place at a location, date and time determined by DCR in its sole discretion. 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 Section 104.06.1(c)(5).

5. **Business Premises.** Social Equity Individual Applicants selected during the Application lottery shall be afforded a maximum of one (1) calendar year from the date of the Application lottery to complete the Pre-Application Review process using a compliant property in any Community Plan Area that has not reached Undue Concentration on a first come, first served basis until each Community Plan Area has reached Undue Concentration. Social Equity Individual Applicants shall submit a Pre-Application Review record through the DCR Licensing Portal, including all documents as determined by DCR, and pay a Pre-Application Review Fee pursuant to Section 104.19 for DCR to determine the eligibility of a proposed Business Premises location pursuant to Section 104.03(a)(3) and Article 5 of Chapter X of this Code. Pre-Application Review records shall be processed by DCR in the order filed. A Social Equity Individual Applicant whose Business Premises location is deemed ineligible under Section 104.03(a)(3) and/or Article 5 of Chapter X of this Code shall be permitted to submit new Pre-Application Review record(s) identifying new Business Premises location(s), subject to the payment of any applicable fee in Section 104.19, and provided that the new Business Premises location(s) is submitted within the

original one (1) calendar year time limitation. If the Pre-Application Review record is deemed eligible for further processing, the Social Equity Individual Applicant shall submit a Temporary Approval Application or annual License Application through the DCR Licensing Portal, including all required information, forms, and documents, within one (1) calendar year of the date DCR notifies the Applicant by electronic mail that the Pre-Application Review record is deemed eligible for further processing.

Sec. 15. Subdivision 2 of Subsection (a) of Section 104.20 of Article 4, Chapter X of the Los Angeles Municipal Code is amended to read as follows:

2. Social Equity Applicant – Entity Eligibility Verification. A Social Equity Applicant shall comply with the Equity Share criteria in this subdivision before a License is issued or renewed. Upon a Social Equity Applicant's request, DCR may conduct an Equity Share review under this subsection for the Applicant entity prior to the filing of a complete Temporary Approval Application, subject to the payment of the Equity Share Documents / Social Equity Agreement Review Fee pursuant to Section 104.19. This Equity Share review may replace the required Equity Share review during the Temporary Approval Application process, provided that the Social Equity Applicant attests that there are no changes to ownership since the original Equity Share review was conducted and that there are no additional or new agreements that were not previously disclosed to DCR during the original Equity Share review. DCR may conduct a new Equity Share review if there are changes to ownership, operating agreements, bylaws, and/or other agreements or material facts related to compliance with this subsection that were not disclosed during the original review.

Sec. 16. Paragraph 2 of Subsection (b) of Section 104.20 of Article 4, Chapter X of the Los Angeles Municipal Code is amended to read as follows:

2. Social Equity Applicant – Entity Eligibility Verification. An Applicant must comply with the Equity Share requirements in this subsection before a License is issued or renewed. Upon a Social Equity Applicant's request, DCR may conduct an Equity Share review under this subsection for a the Applicant entity prior to the filing of a complete Temporary Approval Application, subject to the payment of the Equity Share Documents / Social Equity Agreement Review Fee pursuant to Section 104.19. This Equity Share review may replace the required Equity Share review during the Temporary Approval Application process, provided that the Social Equity Applicant attests that there are no changes to ownership since the original Equity Share review was conducted and that there are no additional or new agreements that were not previously disclosed to DCR during the original Equity Share review. DCR may conduct a new Equity Share review if there are changes to ownership, operating agreements, bylaws, and/or other agreements or material facts related to compliance with this subsection that were not disclosed during the original review.

Sec. 17. Subparagraph (4) of Section 104.20(a)(2)(ii) of Article 4, Chapter X of the Los Angeles Municipal Code is amended to read as follows:

(4) **Successors.** The Equity Share shall not be subject to 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. 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 or successor in interest 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.

Sec. 18. A new Paragraph (vi) is added to Section 104.20(c)(1) of Article 4, Chapter X of the Los Angeles Municipal Code to read as follows:

(vi) On or before March 1 of each year, Licensees subject to Section 104.20 shall submit to DCR an annual "Equity Report" signed by all Owners that describes the business plan guidance, services, consulting, training, and/or other technical assistance that encourages and supports the establishment and growth of the Social Equity Licensee, and the estimated dollar value of those services, that were provided by the Owners to the Social Equity Individual Applicant Owner during the past calendar year. As part of the Equity Report, all Owners must execute an affidavit under penalty of perjury confirming compliance with all requirements set forth in Section 104.20, and acknowledging the requirements to disclose agreements about the management, control or direction of the licensed entity, profits, and/or loans.

Sec. 19. **SEVERABILITY.** If any provision of this ordinance is found to be unconstitutional or otherwise invalid by any court of competent jurisdiction, that invalidity shall not affect the remaining provisions of this ordinance, which can be implemented without the invalid provisions and, to this end, the provisions of this ordinance are declared to be severable. The City Council hereby declares that it would have adopted each and every provision and portion thereof not declared invalid or unconstitutional, without regard to whether any portion of the ordinance would be subsequently declared invalid or unconstitutional.


Sec. 20. **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 governmental standards, which also creates a current and immediate threat to the public welfare. The Department of Cannabis Regulation (DCR) plays a key role in reducing the threats posed by unauthorized cannabis activity by, in part, issuing licenses to cannabis businesses that require those businesses to operate under strict regulations that are primarily intended to protect the public welfare. Although DCR 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 reflected in this ordinance must become effective as soon as possible. These amendments clarify, reorganize and add necessary procedures to the licensing process that will facilitate the issuance of additional licenses by creating a definite one-year period during which an application must reach Temporary Approval, setting clear application processing timelines that will facilitate progress towards licensure, and providing a second chance to “re-file” an application that may be stalled in the licensing process. Additionally, these amendments clarify when certain application modification requests may be submitted, therefore ensuring the City maintains correct, up-to-date information concerning the ownership and location of its cannabis licensees for both public safety and law enforcement purposes. For all of these reasons, this ordinance shall become effective upon publication pursuant to Section 253 of the Los Angeles City Charter.

Sec. 21. 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 
TAYLOR C. WAGNIERE
Deputy City Attorney

Date 8-15-2022

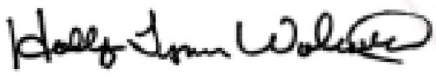
File No. 21-1083

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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 April 5, 2022

Approved 04/12/2022

Publication Date: 04/15/2022
Ordinance Effective Date: 04/15/2022