

DEPARTMENT OF  
**CANNABIS REGULATION**

CANNABIS REGULATION  
COMMISSION

ROBERT AHN  
PRESIDENT

THRYERIS MASON  
VICE-PRESIDENT

PHILIP D. MERCADO  
VICTOR NARRO  
RITA VILLA

JOSIE TREVIJO  
COMMISSION EXECUTIVE ASSISTANT  
(213) 320-7815

# City of Los Angeles

CALIFORNIA



ERIC GARCETTI  
MAYOR

**EXECUTIVE OFFICES**  
221 N. FIGUEROA STREET, SUITE 1245  
LOS ANGELES, CA 90012  
(213) 978-0738

CAT PACKER  
EXECUTIVE DIRECTOR

MICHELLE GARAKIAN  
ASSISTANT EXECUTIVE DIRECTOR

JASON KILLEEN  
ASSISTANT EXECUTIVE DIRECTOR

<http://cannabis.lacity.org>

October 29, 2021

The Honorable City Council  
City of Los Angeles  
City Hall, Room 395  
Los Angeles, California 90012

[Council File No. 21-1083](#)

Attention: Planning and Land Use Committee; Immigrant Affairs, Civil Rights, and Equity Committee; and Budget and Finance Committee, Information, Technology, and General Services Committee

## **PROPOSED ORDINANCE AMENDMENTS TO LOS ANGELES MUNICIPAL CODE SECTION 104.00, *ET SEQ.*, CONCERNING CANNABIS LICENSING PROCESSES**

Dear Honorable Members:

### **I. EXECUTIVE SUMMARY:**

The Department of Cannabis Regulation (DCR or Department) remains committed to ensuring cannabis business licensing in Los Angeles is as fast, efficient, and equitable as possible. DCR recognizes the many hardships facing cannabis Social Equity Applicants and the industry at large, and hopes to continue to provide support and prompt service in the face of the extreme challenges the City has faced with the COVID-19 pandemic. DCR looks forward to working with City leadership and stakeholders as we continue to build upon the nation's largest local cannabis market and Social Equity Program (SEP).

On September 29, 2021, a [motion](#) was introduced to the City Council (Motion) that will require various code amendments to the Cannabis Procedures Ordinance, codified in Los Angeles Municipal Code (LAMC) Section 104.00, *et seq.*, make other changes to DCR's application processes and procedures, and instruct DCR to take several actions regarding the administration of the cannabis license application process and report back on related information.

**Although the Department agrees that certain instructions and proposals within the motion would increase transparency and the effectiveness of the application process, DCR has concerns about certain alarming provisions in the Motion that would negatively impact the City's Cannabis licensing processes and Social Equity Program, both of which are critical to the City's efforts to ensure equity, public health, public safety, and economic output regarding commercial cannabis activity.** Rather than effectuate common sense changes to DCR's licensing practices, certain proposed provisions will cause more harm than good for Social Equity Applicants and would thwart existing efforts to responsibly and equitably license and regulate commercial cannabis activity. Furthermore, certain provisions in the Motion will have significant impacts on the \$157.7 million in expected cannabis tax revenue from the City's legal cannabis industry this fiscal year. This report details the issues raised by the Motion, and points out challenges that will arise if certain proposed ordinance amendments are adopted as written.

First, DCR has already completed various instructions listed in the Motion. For example, Instruction No. 3 was accomplished by the updated July 2021 Cannabis Procedures Ordinance amendments (July Amendments) which allowed Applicants and Licensees to continue to operate pending an ownership modification if at least one existing Owner with an equity interest remains as an Owner. Similarly, DCR has already completed Instruction No. 6 by accepting new applications for testing, distribution, manufacturing, and delivery beginning on October 1, 2021.

Most recently, DCR also addressed Instruction Nos. 2, 4, and 8. DCR completed re-review of all Phase 3 applications, pending relocations and entity modification requests deemed filed before July 1, 2021, and communicated to all Applicants about specific deficiencies per Instruction No. 2. DCR continues to update its Licensing Map on a weekly basis per Instruction No. 4; and DCR rescinded the December 31, 2021 deadline to submit relocation and entity substitution modifications for Phase 3 Retail Round 1 Applicants per Instruction No. 8.

DCR would like to propose alternative ordinance language and new recommendations, some of which will alleviate the challenges faced by Applicants, including, but not limited to, adopting amendments, respectively, that would:

- allow Applicants with Temporary Approval Applications that have been deemed abandoned to submit a new application within one year for one or more activities listed on the initial Application even if the activity is not currently available.
- modify LAMC 104.03 to establish concrete processing timelines in which certain licensing processes will take place if the Expedited Fees are paid.
- permit an Applicant or Licensee to submit a relocation request within their existing Community Plan Area or for another Community Plan Area.
- authorize DCR to review their Equity Share documents outside of the Temporary Approval Application process.

**In summary, DCR is fully supportive of efforts to increase transparency and accountability in the licensing process, including establishing reliable timelines for the**

**licensing process. However, in order to be able to provide these services the Department needs to have the resources to fund said services. Furthermore, DCR has concerns that deadlines, if implemented as proposed, would have negative impacts on applicants who need additional time to submit information. DCR's primary is concern are the proposed ordinances amendments included as an attachment to the motion which would collectively eliminate DCR's ability to collect and review necessary application information and monitor requirements associated with ownership that are critical to public health and safety interests, and the interests of Social Equity Applicants who, without the oversight that some of the existing procedures provide, are more likely to fall victim to the predatory practices non-equity owners, investors, and management companies.**

As such, DCR requests and advises the City Council: (1) not to amend the LAMC as recommended by the proposed Motion; (2) consider the Department's responses to the proposed instructions included in the Motion, many of which have already been completed or are in progress; and (3) amend the LAMC as recommended by the Department below.

DCR continues to welcome further engagement with City Council on its cannabis laws and programs, and appreciates the opportunity afforded by this Motion to advise City Council as it considers the various issues raised therein.

## **II. BACKGROUND**

Established in 2017, DCR advises and administers the City's commercial cannabis procedures following state and local approval of medical and adult use cannabis activity. Since then, state and local cannabis laws have continued to evolve as efforts are made to establish a more responsible and equitable market. The implementation of these reforms at the local level have required the ongoing support of the City Council, the Mayor, and various state and local agencies.

The City enacted the Cannabis Procedures Ordinance to license and regulate commercial cannabis activity. Over the last four years, DCR made significant progress in the administration of the Licensing and Social Equity Program according to the goals and priorities set by the City Council and Mayor. Resources to support the Department have not significantly changed since Fiscal Year 2018-19 nor have they been expanded over the years to offset the increased demand for commercial cannabis licenses. DCR submitted requests to gradually increase its personnel and other resources to better manage the growing responsibilities associated with the licensure and regulation of commercial cannabis activity. However, due to the pandemic, ensuing fiscal crisis, hiring freeze, and general economic uncertainty of the overall City budget, the requests were not approved.

Today, due to efforts led by DCR, the City is responsible for the issuance of more than 1,100 temporary licenses for various commercial cannabis activities, and licensed commercial cannabis businesses have paid more than \$300 million dollars in gross receipts taxes to the

City's General Fund since January 2018. In addition, DCR implemented key components of the City's Social Equity Program which have included priority application processing and exclusive access to retail, delivery, and cultivation licenses that resulted in the issuance of approximately 167 licenses issued to Social Equity Applicants, a \$6 million financial assistance program, pro bono legal services, and the Business, Licensing and Compliance (BLC) Assistance Program. Launched in August 2021, the BLC Assistance Program has established, and already provided program participants access to a cannabis career fair, job board, cannabis tech week, over a dozen webinars with subject-matter experts, and on demand educational resources through the Social Equity Program's new Learning Management System (LMS).

Despite this progress, the City has experienced substantial delays in administering parts of the City's cannabis procedures, including a lack of necessary staff and resources, a steady flow of administrative and legal challenges, continuous but often necessary amendments to cannabis laws at the state and local level, and inefficiencies that are the result of the policy itself. For example, despite steady and increasing support from the City, DCR continues to lack sufficient resources. DCR has experienced personnel challenges that have hindered its ability to administer some processes and prevented DCR from administering other processes in a reasonable amount of time. For example, the Department had a total of three personnel when it began accepting applications for commercial cannabis activity from approximately 200 Phase 1 Applicants. Similarly, the Department only had 12 licensing staff at the time the City Council instructed it to open P3RR1 by September 2019. Although DCR has expanded its personnel to a total of 30 staff, 11 of whom are dedicated to the licensing section, critical vacancies remain and existing personnel challenges have only worsened by the COVID-19 Pandemic and related City mandated hiring and contract freezes. Since the City's hiring freeze was lifted in July, DCR has been aggressively seeking to fill all its vacancies to address licensing delays. Furthermore, DCR is in the process of preparing an application to request \$22 million from the California Department of Cannabis Control's (DCC) Local Jurisdiction Assistance Grant Program which will allow the DCR to expand personnel and services dedicated to the City's cannabis licensing and SEP in an effort to transition provisional licenses to annual licenses, facilitate the completion of California Environmental Quality Act (CEQA) requirements, and assist Social Equity Applicants on the road to licensure.

Administrative and legal challenges have also caused delays to certain Department processes. For example, P3RR1 application processing, which began with eligibility determinations in September 2019, experienced delays that were the result of a third party audit. When DCR made the initial eligibility determinations, P3RR1 were not eligible for Temporary Approval under the then-existing provision of the LAMC. DCR recommended expanding the Temporary Approval Application process to all Applicants, which City Council adopted in mid-2020. DCR thereafter notified all P3RR1 Applicants that they may submit a Temporary Approval Application. Although more than a year has passed, approximately 60% of P3RR1 businesses still have not initiated the Temporary Approval Application process.

Other delays have been a result of continuous, but often necessary, amendments to the City's Cannabis Procedures Ordinance and Rules and Regulations which expand the scope of

DCR's responsibilities. For example, learning from the implementation of Phase 1, Phase 2 and P3RR1 application processing, in late 2019, DCR began the arduous task of amending, clarifying and reorganizing the Cannabis Procedures Ordinance. In June 2020, DCR submitted five reports to the City Council containing a multitude of recommended changes to streamline and clarify application processing and SEP requirements. Although the City Council adopted all of DCR's recommendations, including many important policy changes that were both requested by stakeholders and necessary for the administration of the City's Licensing and SEP, both the development and implementation of these policies have required considerable time and effort. Furthermore, these amendments doubled the Department's application processing workload by requiring the Department to review hundreds of applications to identify 200 social equity Applicants, as opposed to the original 100, eligible to apply for a temporary license.

Despite these challenges, the Department recognizes the need for a licensing and regulatory program that is efficient, effective, economic, and equitable.

### III. DISCUSSION OF THE JULY 2021 AMENDMENTS AND CURRENT DCR PROCESS

#### A. July 2021 Amendments

Though important policy changes were addressed through City Council's aforementioned adoption of changes to LAMC 104 in June 2020, there still remained procedures that were overly burdensome and prevented DCR from being able to effectively establish or communicate application processing timelines. To address these issues and related stakeholder feedback, DCR proposed significant changes to the City's cannabis procedures in May 2020. These amendments were specifically designed to increase speed and equity in the licensing process.

In July 2021, the City Council adopted DCR's proposed amendments to LAMC 104 and 105 *et seq.* These amendments collectively constituted the most significant updates to local commercial cannabis regulations since the original regulations were first adopted. As a result of the July 2021 ordinance changes, the City simplified and streamlined the Pre-Application Review process, Temporary Approval process, and license modification process by reducing requirements for each and reorganizing how requirements for each are collected and reviewed. Key amendments to Article 4 and Article 5 of Chapter X of the LAMC are described in the table below.

|        |   |
|--------|---|
| 104.03 | <ul style="list-style-type: none"><li>● Added a <u>civil judgment concerning illegal commercial cannabis activity</u> as a reason to disqualify Primary Personnel from applying for, or holding a License.</li><li>● Added <u>padlocking at a site</u> as a reason to make a Business Premises ineligible for Licensure.</li><li>● PCN process requires that the Applicant submit a Pre-Application to determine compliance of the location.</li><li>● Relocation modification language was clarified to allow P3RR1 Applicants to submit one request to relocate prior to December 31, 2021 and not be subject</li></ul> |
|--------|---|

|          |  |
|----------|--|
|          | <p>to the relocation fee and establishes the Application Date.</p> <ul style="list-style-type: none"> <li>• Applicants with TA are required to cancel their current TA before DCR may issue a new one when relocating.</li> <li>• Allowable physical modification to a Business Premises increased to 50% of the existing floor area or 2,500 sf.</li> </ul> |
| 104.06   | <ul style="list-style-type: none"> <li>• Changes to the Temporary Approval requirements.</li> <li>• Penalties added if an Applicant is in violation of operational or permitting requirements.</li> </ul>  |
| 104.06.1 | Minor clarification to the procedure related to Phase 3 Retail Round 2 provided.   |
| 104.20   | Reorganized portions of the Equity Share requirements.   |

|        |   |
|--------|---|
| 105.01 | Clarified the definitions for the various sensitive uses and established how to identify a sensitive use.   |
| 105.02 | <ul style="list-style-type: none"> <li>• Clarified <b>when</b> another retailer or microbusiness commercial cannabis activity has “planted its flag” at a location which would impact a new retailer or microbusiness commercial cannabis activity business seeking a license within 700 feet.</li> <li>• Clarified how to measure the distance between a commercial cannabis activity business and a sensitive use or between two commercial cannabis activity businesses.</li> <li>• It establishes that a proposed location is deemed compliant with the required distances in Sec 105.02 from a Sensitive Use when that Sensitive Use is “Publicly Available” to DCR on the “Verification Date”.</li> </ul> |
| 105.03 | <ul style="list-style-type: none"> <li>• Extended the date for EMMDs with a City License for commercial cannabis activity to comply with zone, distance and Sensitive Use restrictions until <b><u>December 31, 2025</u></b>, provided they remain at the same location and in compliance with Proposition D distance and Sensitive Use restrictions.</li> <li>• After December 31, 2025, these EMMDs must comply with current zoning requirements and Prop D distancing to Sensitive Uses unless the business is relocated. If the business relocates it must comply with zoning and sensitive use restrictions per LAMC 105.</li> </ul>   |

Furthermore, the July Amendments separated the City’s licensing process from the State’s licensing process, and added additional certainty and transparency concerning the source data and timing of DCR’s review of location eligibility relative to Sensitive Uses. Over the last several months, in order to effectuate these ordinance amendments, DCR has implemented necessary changes to the software and licensing system, updated internal procedures, and published new resources designed to assist Applicants through the updated application processes. Following July 1, 2021 DCR began to process *pending* applications and license modifications requests according to updated procedures. On October 1, 2021, DCR began to

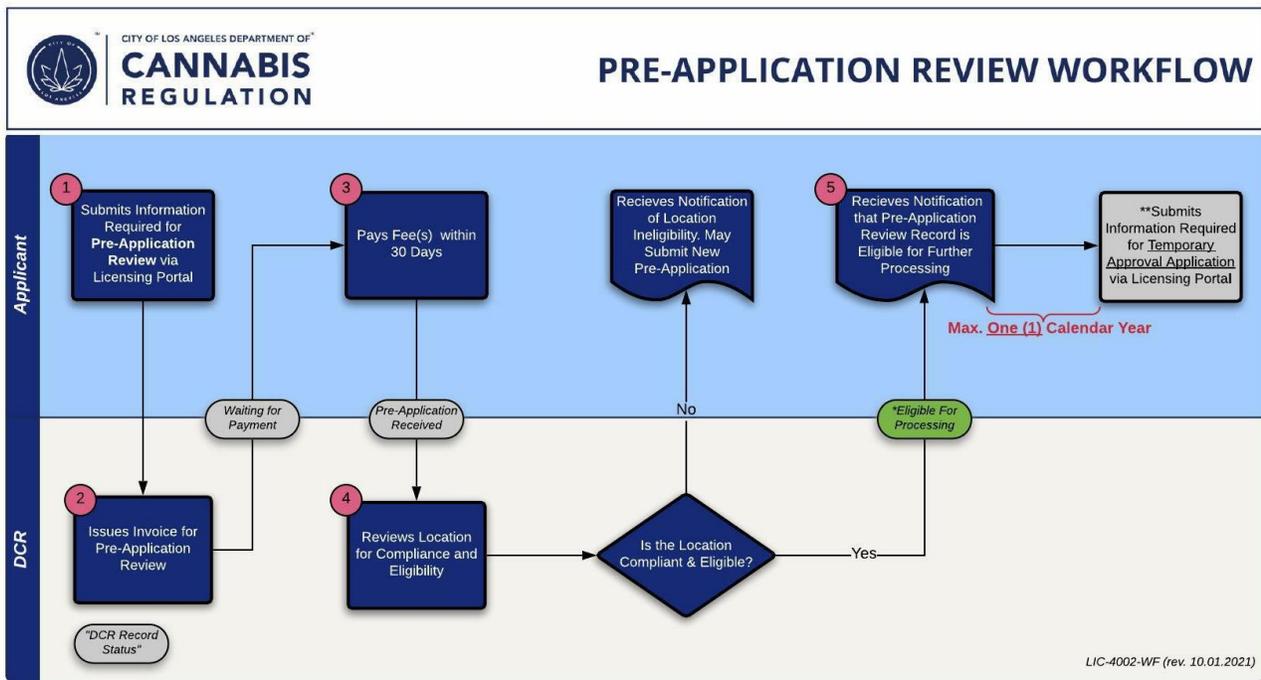
accept *new* applications, according to updated procedures, through the DCR Licensing Portal and published revised resources.

**B. Pre-Application Review Process**

As recently amended in July 2021, LAMC 104.03(a) requires that an Applicant undergo a Pre-Application Review process prior to filing a Temporary Approval Application. During the Pre-Application Review process, DCR determines whether the proposed Business Premises location is eligible under LAMC 104.03(a)(3) and compliant under LAMC 105 *et seq.*

As a direct result of the July Amendments, DCR can now determine if an Applicant’s proposed Business Premises complies with Article 5 of Chapter X of the LAMC within 30 days of the filing of a Pre-Application Review record. Upon receipt of written confirmation of “eligible for processing,” the Applicant is permitted to submit a Temporary Approval Application. Until a Temporary Approval Application is submitted, the only information known to the City is the proposed business premises location, whether or not the proposed location is compliant, and the proposed commercial cannabis activities that could be pursued at the proposed location.

The Department has developed several resources, including the [Pre-Application Review Workflow](#), live webinars, [Pre-Application Review Information and Procedure Bulletin](#) that provide a step-by-step overview of the Pre-Application Review process.

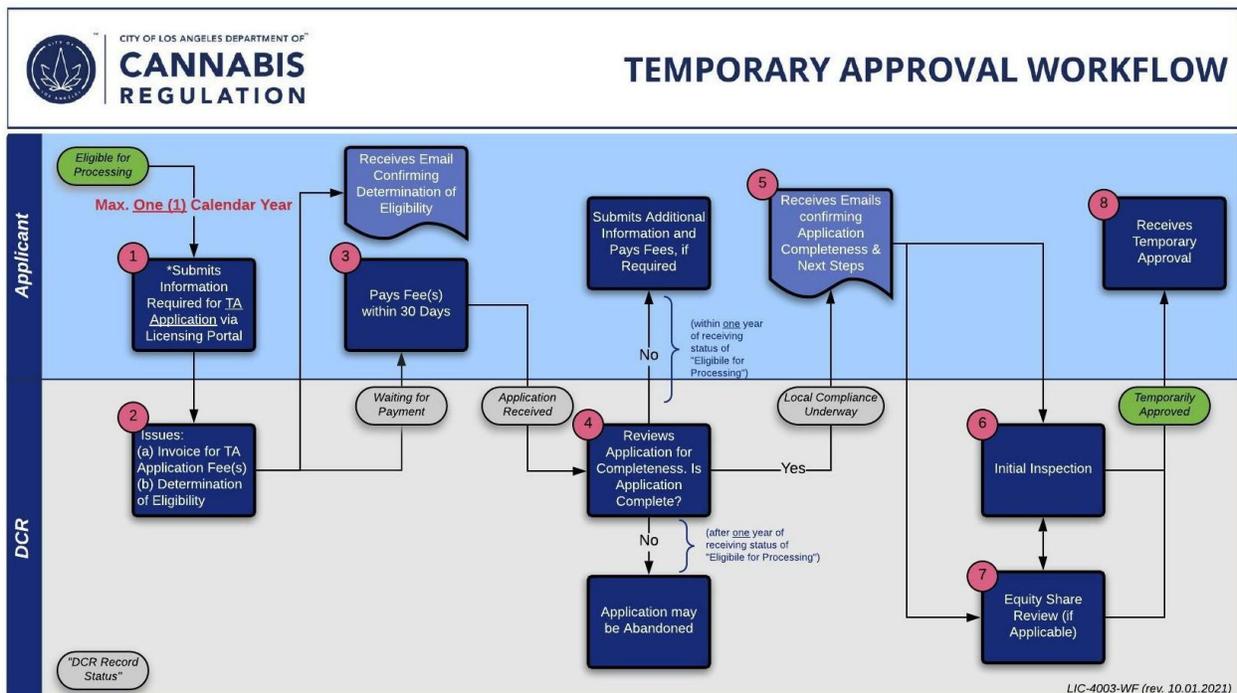


**C. Temporary Approval Application Process**

LAMC 104.01(a)(47) defines Temporary Approval as a DCR issued temporary license that authorizes an Applicant to engage in commercial cannabis activity as would be permitted under a non-temporary license. After a Pre-Application is deemed eligible for further processing, as described above, Applicants must submit all required Temporary Approval application information, forms, and documents through the DCR Licensing Portal.

The July 2021 amendments reduced requirements associated with the Temporary Approval process and streamlined the application process. Furthermore, as a direct result of the July 2021 amendments, the issuance of Temporary Approval is no longer contingent on an Applicant's ability to complete other agencies' requirements. DCR can therefore now determine within 30 to 60 days of the filing of a Temporary Approval Application record whether the Applicant's record is complete. Once the Temporary Approval Application record is complete, the Applicant needs to pass an Initial Inspection and, if applicable, undergo review of Equity Share documents to receive Temporary Approval.

As with the Pre-Application Review process, the Department has also developed resources to guide Applications through the Temporary Approval process, such as the [Temporary Approval Workflow](#) and the [Temporary Approval Information and Procedure Bulletin](#).



**D. Modification Request Process**

Based on the July Amendments, Applicants and Licensees are now able to submit applicable modification requests directly through the DCR Licensing Portal based on their individual record milestone status. Applicants and Licensees are no longer required to register an intent to submit a modification request prior to the submission of a modification request.

Certain modifications are limited to Licensees based on the revised workflows. For example, processes such as Pre-Application Review are location-specific and the findings for location compliance and eligibility cannot be applied to a different Business Premises location. Therefore, a modification to a business premises location must result in a new record. Generally, modification requests fall into two categories: changes that are applied to an existing record and changes that require a new record. A breakdown of which records may be made to an existing vs. new record can be found in Attachment E.

**IV. DISCUSSION OF MOTION INSTRUCTIONS**

**Instruction #1. DCR Licensing Portal (Accela)**

The Motion restricts the DCR Licensing Portal from being taken offline, even for necessary system updates which are often a technological requirement that DCR cannot control. DCR opposes this proposal because it completely eliminates DCR's ability to conduct routine maintenance and/or critical system updates that are necessary to effectuate the licensing process. All City websites and technology systems must be offline for some period of time for updates and maintenance. DCR is not aware of any similar restrictions on any other City department prohibiting it from performing updates that may take its system offline. DCR notifies the public of shut-downs as early as possible and conducts routine maintenance during overnight periods to reduce inconvenience to Applicants.

The July 2021 Amendments, however, required a total system overhaul. Even with DCR staff and Accela staff diligently working overtime, the system required deactivation for several weeks to implement City Council's new policy goals codified in the July amendments. Notably, during the system overhaul: (1) the system was updated to collect the required documents, forms and information at the appropriate stage in the licensing process based on the amended ordinances approved by Council; (2) the system was updated to create a uniform record to effectuate updated application requirements across the various phases of licensing to simplify the application process for both DCR and Applicants; (3) many processes were automated, such as the creation of invoices and generation of certain communications; (4) record statuses were created to clearly convey an Applicant's relative position in the overall licensing process; (5) prior records were migrated to the new system with the appropriate assigned status; (6) environment testing to ensure the system was functioning properly before public release; and (7) staff training relative to the new system functionality.

Eliminating DCR's ability to update the Licensing Portal will hamper any subsequent efforts by City Council's to streamline the licensing process, even updating any amendments adopted from this motion, by removing DCR's ability to update the system accordingly.

**Instruction #2. Immediately Imposed Actions or Deadlines**

The Motion instructs DCR to undertake several actions immediately. Specifically, it instructs DCR to, within 15 days, complete a review of: (i) all pending Phase 3 applications whose premises comply with the provisions of Article 5 of Chapter X of the LAMC; (ii) all pending relocation requests whose new premises comply with the provisions of Article 5 of Chapter X of the LAMC; and, (iii) all pending modification requests to change the business entity on an application. The Motion also instructs DCR to confirm Local Compliance Underway in response to an inquiry from the state licensing agencies for these Applicants.

DCR opposes these three instructions for two reasons: (1) DCR has **already** conducted a land use review for these Applicants in the last four months; and (2), requiring DCR to confirm "Local Compliance Underway" for these individuals is inconsistent with state requirements. Although these Applicants have completed land use review, until an Applicant has submitted a complete Temporary Approval application, DCR does have the information required by the State to provide this status.

DCR currently has 11 licensing staff, which includes one supervisor, six analysts, and four support personnel. This small team manages over 1,100 records and 2,000 commercial cannabis activities. Despite these staffing levels, between July 1, 2021 and September 30, 2021, DCR reviewed over 400 records to afford pending Applicants a land-use compliance determination consistent with the amended provisions of LAMC 105.02, effective July 1, 2021. Between July 1, 2021 and early October 2021, DCR communicated to these Applicants whether or not their proposed business premises complied with the land-use provisions of the licensing process. Applicants whose proposed business premises address complied with LAMC 105.02 were notified via email, and Applicants whose proposed business premises address did not comply with LAMC 105.02 were notified via email that they would need to identify a compliant location and submit a relocation modification request. In summary, the review requested by this instruction has already been performed, and any instruction to repeat this review is unnecessary and overly burdensome.

Requiring DCR to confirm "Local Compliance Underway" for individuals referenced in the Motion is inconsistent with state requirements. Moreover, the instruction regarding "Local Compliance Underway" is misguided. Confirmation of "Local Compliance Underway" is not required for Applicants to begin the application process for a State license; Applicants may apply to the State at any time.

In order for an Applicant to submit an application to the State and for DCR to confirm "Local Compliance Underway," the following information is necessary: (1) the individual or business entity applying for licensure; (2) the commercial cannabis activit(ies) sought for

licensure; and (3) the address of the Business Premises. At the conclusion of Pre-Application Review, the only information that DCR possesses is the proposed location of the Business Premises. Therefore, at this point in the overall application process, DCR does not have the information necessary to confirm the State's request with regard to local compliance.

Alternatively, if the Motion suggests that only location and land use compliance should be necessary to confirm Local Compliance Underway, this may result in the issuance of a state license without express local confirmation or authority. This exact situation occurred when DCR issued non-operational Local Authorization Letters to Phase 2 Applicants in late 2018. Many Applicants used the letters to secure State provisional licenses, but failed to obtain Temporary Approval licenses, instead opting to engage in unlicensed commercial cannabis activity under the guise of "Limited Immunity" to avoid paying business taxes. "Limited Immunity" is an affirmative defense from criminal prosecution intended to "grandfather" Phase 1 and 2 Applicants into the licensing process if they have complied with all applicable regulations and fees. The Office of Finance, however, cannot collect commercial cannabis business taxes from unlicensed businesses, including those with only Limited Immunity status. Phase 1 and Phase 2 businesses have exploited this Limited Immunity loophole to avoid criminal prosecution while depriving the City's General Fund of millions of dollars in tax revenue. This policy ultimately encourages people to engage in unlicensed commercial cannabis activity.

By confirming a status of "Local Compliance Underway" before a Temporary Approval Application is deemed complete, this instruction allows Applicants to complete the State's licensing process before the City had an opportunity to review any aspects of the ownership or business entity applying for licensure and the commercial cannabis activit(ies) sought for licensure. This means that the City may not be able to effectively communicate to the State which Applicants are seeking local licensure, and it may result in an increase in Applicants who engage in unlicensed commercial cannabis activity claiming they have local authority to do so. **This policy therefore has direct implications for public health, public safety, Citywide unlicensed commercial cannabis business enforcement, and City tax revenue.**

**Instruction #3.            Ownership Modifications**

The Motion immediately requires DCR to allow Applicants or Licensees to continue to operate while an ownership modification is pending if at least one existing Owner, as defined under applicable State law, remains as an Owner in any capacity.

DCR opposes this instruction because it does not comply with current City law. While the LAMC refers to the State's definition of "Owner," LAMC 104.03(e)(2)(ii) modifies its meaning for ownership modifications. LAMC 104.03(e)(2)(ii) states: "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" while DCR reviews the request. DCR has consistently interpreted the language "his or her ownership interest" to require that at least one bonafide owner with an ownership interest to remain on the application. It may be, however, an owner with a *de minimis* share in the entity. When, on the other hand, 100% of the equity changes, a

new Temporary Approval Application is created and the requester must upload new Temporary Approval documents, forms and information to the new record.

DCR's existing procedures are intended to protect Applicants. DCR must carefully review each modification request and verify it against the application and ownership records. Competitors, landlords, and unhappy investors have regularly attempted to withdraw, cancel, relocate, and otherwise change pending records without the consent of the owners or authorized contacts listed on the record. Sometimes conflict between an Applicant's owners, investors, or property owners stalls the Applicant's ability to move forward in the application process as they work to resolve their respective issues. In general, DCR's documents and forms only require the signatures from a simple majority of owners and DCR does not get involved in private business disputes.

This recommendation revives the old Proposition D "trick" of concealing the true Owners of the business entity to shield them from liability for unlicensed commercial cannabis activity. The City agencies responsible for unlicensed commercial cannabis enforcement spend thousands of hours and millions of dollars annually to address unlicensed businesses; this policy works in direct contravention of those efforts. The LAPD, LAFD, LADBS, LADWP, and City Attorney's Cannabis Abatement and Prosecution section need to know who the authorized Owners of commercial cannabis businesses are to investigate claims of unlicensed commercial cannabis activity. Allowing businesses to avoid identifying the true Owners by submitting a constant stream of ownership modifications, after the fact, or ignoring the modification process all-together, encourages businesses being prosecuted for unlicensed commercial cannabis activity to engage in unlicensed business until the matter is before a judge and then quickly submit a modification request to include a new individual on the application record, thereby wasting City resources and thousands of hours of personnel time. It may be advisable to include an amendment to clarify the LAMC that businesses engaging or previously engaged in unlicensed commercial cannabis activity may be held accountable even after Temporary Approval is issued.

The Motion's instructions violate the current ordinance language and may result in situations where the only tether between applications undergoing ownership modifications is a lower level employee without any ownership stake in the business but who qualifies as an "Owner" under the State's definition. In Section IV of this report, DCR recommends the addition of a new definition of "Owner" in the LAMC that does not hinge on the State's definition. Such an amendment would avoid the above example and empower the Department to provide critical oversight.

**Instruction # 4.      DCR Licensing Map**

The Motion instructs DCR to update the department website's Licensing Map within 15 days of passage and "no less frequently than on a weekly basis" thereafter.

As a general matter, DCR's Licensing Map is for informational purposes only, as much of the information and data displayed on the map is not maintained by DCR. The Department does not manage the entire map itself but instead relies on and coordinates with the Department of City Planning (DCP) to push new data to the map. DCR updates the licensed retail-storefront layer on a weekly basis and is currently working with DCP to create a new layer for retail-storefront relocation modification requests deemed eligible for further processing. Retail storefront information on the Licensing Map moves between three different layers: Pre-Application Review and relocation modification requests deemed eligible for further processing in one layer, filed Temporary Approval Application records on the pending applications layer, and Temporarily Approved businesses on the licensed businesses layer.

To the extent the Motion language seeks to require DCR to update the Sensitive Uses on Licensing Map on a weekly basis, this instruction would be inconsistent with LAMC 105 *et seq.* The amendments to LAMC 105 *et seq.* that took effect July 1, 2021 made major changes to DCR's land use review process in an effort to provide additional transparency and objectivity. These amendments require DCR to obtain updated data from specified government-maintained, publicly available sources on a quarterly basis, and to use that data in its review Pre-Application or relocations requests submitted in the subsequent quarter. As a result, the Licensing Map's Sensitive Use layers are updated *quarterly* when DCR obtains the updated lists in compliance with LAMC 105 *et seq.* The Motion would change this interval in a manner that departs significantly from LAMC 105, and would therefore undoubtedly cause mass confusion as Applicants review information displayed on the Licensing Map that does not reflect the data DCR is required to use in its land use review under LAMC 105.

**Instruction #5.      Report Backs to PLUM**

The Motion requires DCR to report back to PLUM within 45 days with a comprehensive overview of the process by which DCR intends to meet its obligations under the California Environmental Quality Act (CEQA).

DCR welcomes the additional opportunity to share information with the City Council about the City's cannabis licensing program and is prepared to regularly report the information requested in the Motion.

CEQA review administered as part of the 2022 license record cycle will be a prerequisite for the annual application process. DCR may need additional position funding or a bench of vendors to efficiently conduct complex CEQA reviews given the size of the Applicant pool.

**Instruction #6.      Application Window for Testing, Distribution, Manufacturing, Delivery**

The Motion instructs DCR to open a licensing period by October 1, 2021 to allow Applicants to submit applications for testing, distribution, manufacturing, delivery.

DCR has already executed this instruction. Consistent with DCR's communications in July 2021, and as announced at several Cannabis Regulation Commission meetings, DCR began to accept applications for the following commercial cannabis activities on October 1, 2021: delivery only (limited to Social Equity Applicants), delivery only (microbusiness) (limited to Social Equity Applicants), Distribution, Distribution - transport, manufacturing - Type 6, manufacturing - N, manufacturing - P, manufacturing - S, cultivation - processor, nursery (limited to Social Equity Applicants), and testing.

**Instruction #7.      Report Backs to PLUM**

The Motion also seeks to instruct DCR to report back to PLUM, beginning on November 1, 2021 and continuing on the first of every month thereafter, with the following information:

- The number of pending applications that have not received a Local Compliance Underway status in Accela
- The number of pending relocation requests that have not received a Local Compliance Underway status in Accela
- The number of pending applications that have not received Temporary Approval.
- The number of modification requests that are pending in any status and broken down by time since submission in increments of 3, 6, 9, and 12 months.

DCR welcomes the additional opportunity to share information with the City Council about the City's cannabis licensing program and is prepared to regularly report the information requested in the Motion.

**Instruction #8.      Recession of Certain Recent Deadlines**

The Motion instructs DCR to rescind several licensing deadlines, including August 31, 2021, for applicants without Temporary Approval to make certain modification requests, and December 31, 2021, for Phase 3 Retail Round 1 applicants to request relocation. **Notably, DCR has already rescinded the December 31, 2021 modification request deadline for Phase 3 Retail Round 1 Applicants to request a relocation or entity substitution.**

DCR, however, opposes the rescission of the August 31, 2021 deadline for Applicants without Temporary Approval to make relocation requests, ownership modification, and entity changes. This deadline was implemented to effectuate responsible data management protocol necessary to the Licensing and Social Equity Program. The August 31, 2021 deadline is important because different phases of Applicants have entered the Temporary Approval Application process through different "doors" and provided different information, documents, and forms to prove their eligibility to submit an Application. The underlying records, data fields, and workflows associated with each record varies by Phase. However, now based on the July Amendments, the Temporary Approval Application requirements are the same regardless of Phase.

In order to administer a process that is consistent across all Applicants, is streamlined for all Applicants, and provides the same system functionality to all Applicants, the Applicants need to be in the same record and workflow format. Historically, DCR has transitioned Licensees to the newest record and workflow format through the Temporary Approval Application renewal process. However, businesses that have never received Temporary Approval have not transitioned to the current record and workflow formats, so hundreds of Applicants have “legacy” records from 2018, 2019, and 2020 which do not have the same data fields, record statuses, and system functionality as 2021 or 2022 records. The simplest, most efficient, and most cost effective way for Applicants to transition to the new record format when they are not prepared to navigate through the Temporary Approval Application process for any reason is for the Applicant to submit a new record.

**Therefore, in lieu of rescinding the August 31, 2021 deadline -- which passed two months ago -- DCR proposes an amendment to LAMC 104 to allow applicants to “refile” within one year of their application being abandoned. For both DCR and Applicants, the proposed “refiling” process is simpler than submitting a modification request. Refiling would enable an Applicant who is still interested in pursuing Temporary Approval to file a clean, new application when they are prepared to navigate the Temporary Approval process, while allowing DCR to collect necessary information in a manner consistent with the City’s procedures and system capabilities.**

## **V. DISCUSSION OF PROPOSED ORDINANCE AMENDMENTS IN THE MOTION**

DCR has concerns about certain alarming provisions in the Motion that, if adopted as written, would negatively impact the City’s cannabis licensing and Social Equity Program, both of which are critical to the City’s efforts to ensure equity, economic output and public safety regarding commercial cannabis activity. In particular, certain provisions would mandate timelines with significant consequences to existing Applicants, eliminate necessary oversight that the City needs to ensure public health and safety and compliance with the requirements of the Social Equity Program, and result in requirements that are inconsistent with State law.

As a preliminary matter, there appears to be missing pages or phrases in the proposed ordinance language which render some of the language indecipherable. Additionally, the Motion incorrectly state that the City has been granted \$22 million from the State of California to expedite licensing. This is inaccurate; DCR is currently preparing its Local Jurisdiction Assistance Grant Program application to submit to the California Department of Cannabis Control, but grant awards will not be announced until December 2021 and not distributed until 2022. The Motion incorrectly and misleadingly claims these funds are the reason why changes are necessary, urgent and possible.

Overall, certain draft proposals reflect a misunderstanding of the law and would unwind the existing regulatory structure of checks and balances. For example, there is not a comprehensive list of documents, forms, or information requirements within the Cannabis Procedure Ordinance, codified in LAMC 104 *et seq.* Those requirements are instead contained

within the Rules and Regulations, as well as Information and Procedures Bulletins maintained by DCR. By requiring Applicants and licensees to submit “only” the documents and forms listed in the LAMC, the instruction authorizes Applicants and licensees to submit nothing in support of their request. Attached hereto as Attachment A is a list of the forms and documents generally required for Temporary Approval Application which impacts the documents and forms required for each modification type. These documents are not listed in the ordinance.

Similarly, certain provisions in the Motion ignore the unforeseen consequences of imposing mandatory processing timelines. Imposing deadlines on DCR also imposes deadlines on Applicants to provide certain documentation, forms, or complete inspections in a timely manner so that DCR can comply with the required time periods. Mandating that the Department adhere to unforgiving application processing timelines will impact hundreds of current Applicants (including many social equity Applicants) who may be denied or abandoned if their application is in some way deficient and/or if they are unable to provide DCR the required records to meet DCR’s deadline.

In effect, certain provisions in the Motion are pernicious: they would threaten public health and safety, undermine DCR’s regulatory authority and ability to gather critical information, and impede DCR’s ability to effectively work with City and State agencies on behalf of Applicants.

**A. Pre-Application Review and Temporary Approval Procedures and Timelines**

The Motion proposes mandating timelines for DCR to take certain licensing actions with respect to the Pre-Application Review and Temporary Approval Process with the intent to ensure timely processing of applications and modification requests. Following the July Amendments, DCR established several application processing timeline goals associated with implementing cannabis licensing changes to increase speed and equity in the process. The Department’s ability to meet these processing timeline goals is heavily dependent on staffing and resources which are not always under the Department’s control. Therefore, if mandated timelines are codified, DCR requests that the City Council also codify language which would suspend the requirements under the following conditions which are each outside of DCR’s control: (1) the Department’s vacancy rate is 10% or more; (2) a fiscal or other emergency is declared; (3) the Department is subject to a managed hiring process; (4) the Department is subject to furloughs; and/or (5) the Department is not fully funded to meet the adopted timelines.

DCR opposes the proposal to mandate processing timelines because it will have unintended consequences. For example, the Motion will: (1) immediately cause a high number of current applications and/or modification requests to be denied or abandoned where Applicants have not submitted all required documents or are not yet prepared to move forward; (2) adversely impact DCR’s ability to manage many non-application processing responsibilities; and (3) require the City to compromise other priorities that have major industry and fiscal impacts.

When deadlines are imposed on DCR, they are also imposed on Applicants. Deadlines mean that applicants must provide certain documentation, forms, or complete inspections with the time DCR has to act or they will be denied or abandoned. **Currently, DCR allows Applicants to supplement or amend their submissions; the flexibility afforded under LAMC 104.03(h) will be eliminated with mandated timelines.** Over one hundred Phase 2 Applicants did not receive Temporary Approval by December 31, 2019 (City Council's deadline) and more than half of the 200 Phase 3 Retail Round 1 Social Equity Applicants have not submitted the required Temporary Approval Application documents for their application to be deemed completed. If DCR was required to process a Temporary Approval application within 90 days, over 250 applications would be at risk of being deemed abandoned immediately. In other words, these constraints will result in DCR losing its discretion to allow Applicants who fail to meet various application requirements the opportunity to cure deficiencies associated with their application and DCR will be forced to abandon or deny hundreds of applications which do not meet requirements within the proposed timeline.

In addition, abandoning or denying applications currently in the licensing process will be detrimental to the City's bottom line. Commercial cannabis business activity provides three direct sources of revenue to the City: license fees and fines, business taxes, and sales taxes. Since the beginning of the City's medical and adult-use commercial cannabis licensing and regulatory program on January 1, 2018, commercial cannabis business tax and sales tax revenue has increased significantly. As stated in DCR's letter to the Budget and Finance Committee in April 2021, commercial cannabis businesses are projected to remit \$157.7 million in business taxes next year which represents a 25% increase. These amounts will continue to expand provided the Department is allowed to move forward in its efforts to license new cannabis businesses. **The timelines proposed will hinder the Department's ability to issue the maximum number of licenses and therefore have a negative effect on the City's projected revenue from cannabis businesses.**

Moreover, by establishing a duty for DCR to act within certain prescribed timelines, the City is establishing a law that may give rise to litigation. When staffing levels are low or application volume is high, as it is now, it will become a physical impossibility for DCR to comply with these timelines. Establishing additional obligations without appropriately funding DCR to meet those obligations may create unnecessary exposure for the City and may undermine DCR's ability to remain full cost recovery for all services. Unless additional resources are identified, DCR may require a General Fund allocation to perform the required work within the mandated timelines, or to cover litigation costs. As such, the Department requests that the City Council consider opportunities to sufficiently fund DCR to meet those obligations before imposing timelines.

Finally, the imposition of deadlines will force DCR to prioritize between competing deadlines set by the State. For example, the State of California has recently imposed deadlines for Applicants related to Provisional and Annual licenses issued by the State. The motion's strict processing timelines will force DCR to prioritize the review of Applicants seeking Pre-Application Review or Temporary Approval rather than administering other processes to meet the State's

provisional license or CEQA requirements for Applicants who are farther along in the licensing process. The City will need to balance both priorities delicately as both will impact the ability for the City's existing and new legal cannabis businesses to operate in compliance with state and local law.

DCR suggests a compromise concerning the proposed deadlines. DCR will make every effort to adhere to the stated timelines and will provide regular updates to City Council regarding its actions taken to meet timeline processing goals and outcome. However, DCR also requests that the City Council codify language that suspends timelines under the following conditions that are outside of DCR's control: (1) the Department's vacancy rate is 10% or more; (2) a fiscal or other emergency is declared; (3) the Department is subject to a managed hiring process; (4) the Department is subject to furloughs; and/or (5) the Department is not fully funded to meet the adopted timelines. Furthermore, as mentioned earlier, DCR will implement the Expedited Services Fees process already contained in LAMC 104.19 that will allow DCR to cover costs associated with completing certain services associated with the application process in a specified timelines without the discussed detrimental impacts. DCR will begin accepting Expedited Services requests on Monday, December 27, 2021.

#### **B. Modification Request Procedures**

The Motion amends LAMC 104.03(e) to establish rigid application and license modification timelines and procedures for relocation requests, entity substitutions, and ownership modifications. It also eliminates the requirement for Applicants and licensees to provide DCR any of the forms, documents and information necessary to effectuate the requested modification or review the modification request to determine if it is compliant. The Motion would also permit Applicants and licensees to effectuate changes without first obtaining approval from DCR.

DCR opposes this proposal for several reasons: (1) the imposition of mandatory deadlines will result in the denial or abandonment of many modification requests; (2) the City will not have up-to-date information concerning the business legal entity, entity ownership, contact information, or location specific information which may compromise public health and safety; (3) it is likely to create Applicant ownership disputes by allowing one owner to remove other owners from an application without their consent or knowledge; and (4) it may force Applicants to unwind complex business transactions if a newly-added owner is ineligible.

The City has a strong public health and safety interest in maintaining correct, up-to-date information concerning the ownership of its cannabis licensees. LAPD, LAFD, or DBS may need to communicate with an owner or gain access to a business premises for safety or law enforcement purposes. For this reason, existing provisions of the LAMC require Applicants to obtain DCR approval for ownership modifications prior to the actual sale or transfer of ownership within the business. If owners are permitted to effectuate changes first, as proposed, there will be, at a minimum, a gap in time where the City does not have current information concerning its licensees. Moreover, it is quite possible the City never receives updated information since the

Motion, instead of allowing the Department to collect the information needed to effectuate modification requests, refers to a non-existent list of forms and documents as the only requirements that may be imposed. Similarly, if the City does not have complete or up-to-date information on ownership, Applicants may face enforcement action for unlicensed commercial cannabis activity, which may be grounds to deny or temporarily ban future applications.

Additionally, as discussed above, imposing deadlines on DCR concerning modification requests imposes these same deadlines on Applicants. DCR cannot meet its mandated deadline if Applicants have not provided all required documentation, forms, or complete inspections by that deadline. As with the Pre-Application Review or Temporary Approval, mandatory modification deadlines will detrimentally impact current Applicants (including many Social Equity Applicants) whose modification requests may be denied or abandoned if deficient in any way and/or if they are unable to provide DCR the required information or documents to meet the deadline. DCR will no longer have flexibility to allow applications to supplement or amend requests.

DCR currently allows certain modifications only at certain stages of the licensing process. This is because **each modification type has differing requirements depending on the records, documents, forms, or information needed to process the request**. DCR currently has forms regarding the following license modifications: relocation, entity substitutions, and ownership changes. For example, for an ownership modification, DCR currently requests 8 categories of documents or forms, including updated attestations, indemnification agreements, financial disclosure forms, and any new or updated agreements between the new owners and/or the licensee and a management company or property owner related to the business, among others. Certain provisions in the Motion would eliminate this carefully designated process in favor of an arbitrary, cursory submission process that may not provide all of the necessary information or records needed for DCR to verify compliance with existing ownership restrictions for the Person seeking licensure or Persons owning the Person seeking licensure. For example, if the proposed language was enacted, Applicants would no longer be required to provide DCR agreements with a management company or property owner; this means that businesses subject to the Social Equity Program in LAMC 104.20 may be able to violate, or at least circumvent, core provisions of the Equity Share requirements without DCR's knowledge through a modification request.

Moreover, pursuant to local law, one business entity may not utilize another business entity's Application, Temporary Approval, or License to engage in commercial cannabis activity. Therefore, an entity substitution modification cannot be considered without the new entity obtaining its own Temporary Approval, or License. Changes to this modification process may result in multiple business entities operating under the same Temporary Approval in violation of City law.

Under Proposition D, business ownership changes and relocations were effectuated constantly and without notification to the City. Although Proposition D was repealed more than 3 years ago, many businesses are still in ongoing ownership litigation stemming from the City's

lack of oversight concerning business operations and ownership under Proposition D. Certain provisions in the proposed Motion language will create situations, similar to the Proposition D years, in which multiple owners submit competing modifications simultaneously and the City does not have sufficient instruction on how to proceed. Ultimately, certain provisions in the Motion would undo progress made to date to gather critical information and may create similar ownership litigation for Applicants.

**C. Social Equity Program Annual Reporting Requirements**

The Motion amends LAMC 104 to require Social Equity Applicants to submit an annual report covering the prior calendar year, on or before March 1 of each year, that: (1) is signed by both the Social Equity Individual Applicant (SEIA) and Non-SEIA owners; and (2) describes the services provided by the Non-SEIA Owner(s), including an affidavit confirming compliance with the ownership interest requirements set forth in LAMC 104.20.

DCR supports amending LAMC 104 to require annual reports as proposed in the Motion. DCR further recommends that the affidavit confirming compliance be expanded to all requirements set forth in LAMC 104.20, not just to ownership interest requirements as currently proposed, and to eliminate the use of supermajority voting requirements to circumvent LAMC 104.20. Many Applicants use supermajority provisions to prevent a simple majority of owners from making business decisions. For instance, several Phase 3 Retail Round 1 Applicants have submitted provisions for equity share review which allow an owner with 19% or less of the total equity to block all material business decisions. At its core, supermajority provisions enable Persons to circumvent LAMC 104.20 and LAMC 104.02(a)(2). DCR also recommends an amendment to require that this affidavit be signed under penalty of perjury by all Owners and any management companies, if applicable. DCR suggests that the affidavit require individuals to state, under penalty of perjury, that they do not have agreements about the management, control or direction of the entity, profits, or loans beyond the agreements that are disclosed to DCR in the application process; and the individual understands the Equity Share provisions in LAMC 104.20 and will not violate those provisions, either directly or indirectly. An affidavit to this effect may assist Social Equity Applicants in their negotiations and have a deterrent effect on predatory business practices.

**VI. DCR'S PROPOSED AMENDMENTS**

DCR has engaged with various Council offices as well as industry and social equity stakeholder organizations, all of whom have expressed both encouragement and concern for the proposals in the Motion. During these engagements, DCR has listened to and collaborated with many offices and stakeholder organizations in order to effectively advise the City Council as it considers the Motion. As a result of this feedback, DCR proposes the ordinance language and new recommendations below, some of which will alleviate the challenges that the Motion intends to address.

These proposed collaborative recommendations include:

- Adopting an ordinance provision that would allow Social Equity Individual Applicants with applications previously deemed abandoned to submit a new Application within one calendar year for one or more activities listed on the original Application even if the activity is not currently available.
- Adopting an amendment to LAMC 104.03 to implement fees and establish concrete processing timelines in which certain licensing processes will take place if the Expedited Fees are paid.
- Adopting an amendment that would permit an Applicant or licensee to submit a relocation request within their existing Community Plan Area or for another Community Plan.
- DCR will offer a Social Equity Applicant the opportunity to review their equity share documents outside of the Temporary Approval process.

In addition or in lieu of the Motion language, DCR proposes several amendments to LAMC 104 *et seq.* that would streamline the licensing process, adjust the LAMC to the newly enacted State regulations, and address common obstacles or questions in the existing licensing process.

**A. Expedited Services**

LAMC 104.19(h) currently contains Expedited Services (Time and a Half Rate), at 142.04% of the regular fee, and Expedited Services (Double Time Rate), at 189.38% of the regular fee. DCR proposes an amendment to LAMC 104.03 to link these fees with concrete processing timelines in which certain licensing processes will take place if the Expedited Fees are paid. The provision of Expedited Services enables Applicants or Licensees that need peace of mind a determination will be made within a specific time period. Applicants and Licensees that have not made all of the required business decisions to navigate through DCR's processes should not request Expedited Services. Failure to submit all required information, forms, and documents in the correct form and manner by the established processing timeline shall result in the abandonment of the associated record. The tables below illustrate the additional costs associated with Expedited Services provided on an overtime basis.

Standard and Expedited Services (Time and a Half Rate) Fees for Commonly Requested Services

| Service Type                                 | Fee      | Fee plus Expedited Services Fee | Additional Cost for Expedited Services |
|--|----------|---------------------------------|--|
| Pre-Application Review                       | \$ 597   | \$ 848                          | \$ 251                                 |
| Temporary Approval Application               | \$ 5,720 | \$ 8,125                        | \$ 2,405                               |
| Social Equity Temporary Approval Application | \$ 6,969 | \$ 9,899                        | \$ 2,930                               |
| Modification Request Form Review             | \$ 542   | \$ 770                          | \$ 228                                 |
| Business Premises Relocation                 | \$ 3,554 | \$ 5,048                        | \$ 1,494                               |
| Standalone Social Equity Agreement Review    | \$ 1,248 | \$ 1,773                        | \$ 525                                 |

Standard and Expedited Services (Double Time Rate) Fees for Commonly Requested Services

| Service Type                                 | Fee      | Fee plus Expedited Services Fee (Double Time) | Additional Cost for Expedited Services |
|--|----------|---|--|
| Pre-Application Review                       | \$ 597   | \$ 1,131                                      | \$ 534                                 |
| Temporary Approval Application               | \$ 5,720 | \$ 10,833                                     | \$ 5,113                               |
| Social Equity Temporary Approval Application | \$ 6,969 | \$ 13,198                                     | \$ 6,229                               |
| Modification Request Form Review             | \$ 542   | \$ 1,026                                      | \$ 484                                 |
| Business Premises Relocation                 | \$ 3,554 | \$ 6,731                                      | \$ 3,177                               |
| Standalone Social Equity Agreement Review    | \$ 1,248 | \$ 2,363                                      | \$ 1,115                               |

**B. Amendments to the Definitions of “Owner” and “Primary Personnel”**

The State Department of Cannabis Control recently passed new regulations which directly impact the City’s administration of its licensing process. For example, LAMC 104.01(a) does not have a standalone definition of “Owner,” but instead refers directly to Business and Professions Code Section 26200. DCR proposes adding an independent definition of “Owner” to avoid further adjustments to DCR’s licensing process when the State amends their regulations.

DCR suggests that the meaning of “Owner” should be amended to clarify that “Owners” are individuals with a bona fide ownership stake in the business. Currently, the State’s definition of “Owner” also includes individuals with decision-making authority within the business, such as a manager, which more closely aligns with the City’s definition of “Primary Personnel.” Therefore, DCR also proposes an amendment to “Primary Personnel” so it works in tandem with the proposed definition of “Owner.”

LAMC 104.01(a)(37) would be amended to read:

*“Owner” means a Person with at least a five percent aggregate ownership interest in the commercial cannabis business, unless the interest is solely a security, lien, 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 the cannabis business would have a 25% Aggregate ownership interest in the cannabis business.*

LAMC 104.01(a)(39) would be amended to read:

*"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) an individual who manages, directs, or controls the operations of the commercial cannabis business, including but not limited to: (a) a chief executive officer, a member of the board of directors, a general partner, a managing member or a non-member manager, and/or a trustee(s) and persons who have control of the trust, whichever is applicable; or (b) an individual with the authority to execute contracts on behalf of the commercial cannabis business; (iii) if the Applicant or Licensee is owned in whole or in part by an entity and the entity includes individuals who manage, direct, or control the operations of the Applicant or Licensee those individuals shall also be disclosed as Primary Personnel; and (iv) DCR may determine, on a case-by-case basis, that additional individuals 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 individual as a Primary Personnel.*

DCR also suggests an amendment to permit foreign entities that properly register with the California Secretary of State to be Owners of an Applicant or Licensee. Currently, LAMC 104.03(a)(2)(ii) prohibits Persons from being Owners of Person applying for a license if it is an entity that is incorporated outside of the United States.

LAMC 104.03(a)(2)(ii) would be amended to read:

*(ii) Any entity that is incorporated outside of the United States if not properly registered to do business in California.*

### **C. Refiling**

DCR proposes an ordinance provision that would allow Applicants with initial applications deemed abandoned to submit a new Application, within one year of the date DCR notifies the Applicant that the initial Application is deemed abandoned, for one or more activities listed on the initial Application even if the activity is not currently available. Under DCR's proposal, refiled applications would be subject to: (1) the same commercial cannabis activities; (2) any limitations or requirements of the original application process; and (3) compliance with current land-use regulations in LAMC 105 *et seq.* An Application may be refiled one-time by the Applicant entity seeking licensure or the qualifying Social Equity Individual Applicant. This would allow DCR to maintain its existing review process while providing a second chance to Applicants who did not

meet the City's requirements to move their initial Application forward. A second chance for these Applicants furthers the goals of the Social Equity Program by allowing Applicants who may have already invested in the application process, a business entity or business location to re-start the process. Applicants with applications previously denied would not be permitted to re-file.

LAMC 104.03(i) would be added to read:

*(i) **Refiling - Social Equity Applications.** The qualifying Social Equity Individual Applicant associated with a Social Equity Applicant with a Temporary Approval Application deemed abandoned under Section 104.03(h) after the effective date of this ordinance may refile an Application subject to the requirements of this Section. If more than one Social Equity Individual Applicant is listed on the initial Application to meet the 51 percent Equity Share, the refiled Application shall be submitted by the original Applicant entity. The refiling process shall be initiated within one (1) calendar year of the date DCR notifies the Social Equity Applicant that the original Temporary Approval Application is deemed abandoned.*

*a. To refile, the Social Equity Individual 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 Social Equity Individual Applicant shall submit a Temporary Approval Application with all required documents, forms and information, including 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), within one (1) calendar year of DCR determining the Pre-Application Review record is eligible for further processing. The Applicant shall submit payment of all required Application fees by the dates listed on the invoice. If a Pre-Application filed pursuant to this Subsection is ineligible for further processing, the Social Equity Individual Applicant may submit a new Pre-Application Review record provided it is submitted within the original one (1) calendar year refiling period.*

*b. The refiled Temporary Approval Application shall seek authorization to conduct one or more of the same Commercial Cannabis Activities within the same Community Plan Area associated with 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)(3) shall be refiled at the same proposed Business Premises.*

*c. A refiled Temporary Approval Application that is later deemed abandoned, for any reason, may not be refiled. Any Temporary Approval Application previously deemed ineligible for further processing, denied, or deemed abandoned or denied by operation of law may not be refiled.*

*(j) **Refiling - General Applications.** An Applicant entity not subject to the provisions of LAMC 104.20 with a Temporary Approval Application deemed abandoned under Section 104.03(h) may refile an Application subject to the requirements of this Section. The refiling process shall be initiated within one (1) calendar year of the date DCR notifies the Applicant that the original Temporary Approval Application is deemed abandoned.*

*a. 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 entity shall submit a Temporary Approval Application with all required documents, forms and information for the original entity within one (1) calendar year of DCR determining the Pre-Application Review record is eligible for further processing. The Applicant entity shall submit payment of all required Application fees by the dates listed on the invoice. If a Pre-Application filed pursuant to this Subsection is ineligible for further processing, the Applicant entity may submit a new Pre-Application Review record provided it is submitted within the original one (1) calendar year refiling period.*

*b. The refiled Temporary Approval Application shall seek authorization to conduct one or more of the same Commercial Cannabis Activities within the same Community Plan Area associated with 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)(3) shall be refiled at the same proposed Business Premises.*

*c. A refiled Temporary Approval Application that is later deemed abandoned, for any reason, may not be refiled. Any Temporary Approval Application previously deemed ineligible for further processing, denied, or deemed abandoned or denied by operation of law may not be refiled.*

Correspondingly, DCR recommends an amendment to LAMC 104.03(h) to remove the final sentence to avoid confusion if the proposed refiling process is implemented.

**D. One Year Temporary Approval Application Period**

DCR proposes an amendment to LAMC 104.06(d) to specify the relationship between the Pre-Application Review process and the Temporary Approval Application process and to codify the allowed period of time to transition from Pre-Application Review to Temporary Approval Application. Specifically, DCR recommends the establishment of a one calendar year timeframe in which Applicants must submit all required Temporary Approval application information, forms, and documents to DCR, beginning on the date the Pre-Application Review record status is updated to "Eligible for Processing."

LAMC 104.06(d) would be amended to add the following additional language:

*Applicants seeking Temporary Approval shall submit all required information, forms and documents through the DCR Licensing Portal within one calendar year of the date the Pre-Application Review record is updated to a status of "Eligible for Processing." If all required Temporary Approval Application information, forms and documents are not submitted within one calendar year of receiving an updated Pre-Application Review record status of "Eligible for Processing," the Pre-Application Review record may be abandoned pursuant to LAMC Section 104.03(h).*

There are currently dozens of applications that have been pending for more than three years without reaching Temporary Approval; these Applicants are not operating or generating tax revenue for the City. The proposed amendment would strike a balance by providing time for Applicants to make business arrangements while ensuring Applicants continue to move through the application process.

**E. Phase 3 Round 1 Applicants Previously Deemed Ineligible for Sensitive Uses**

DCR also proposes an amendment to LAMC 104.06.1(b)(7) to allow DCR to conduct a second review of Phase 3 Retail Round 1 applications previously deemed ineligible due to proximity to a Sensitive Use, as defined in LAMC 105 *et seq.* LAMC 105 *et seq.* was substantially amended in July 2021, including changes to the data sources used to identify Sensitive Uses and the timing of DCR's land use review, as well as the modification provisions added in 2020. This amendment would allow Phase 3 Retail Round 1 applications previously deemed ineligible to benefit from the updated ordinance provisions.

LAMC 104.06.1(b)(7) would be amended to read:

*7. DCR shall, subject to review of any applications previously deemed ineligible as described below, process Applications up to and including DCR Record No. LA-C-19-310245-R-APP from the list published by DCR titled "Phase 3 Retail Round 1 Submissions (09/03/19, 10 am to 09/17/2019 10 am)", dated September 26, 2019. Notwithstanding any prior notice and/or action by DCR, 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~~ the failure to submit proof of deposit, **and/or proximity to a Sensitive Use, subject to relocation if necessary**, may be deemed eligible for further processing if all other requirements are met. Applications deemed eligible for further processing under Section 104.06.1(b)(6) as of January 1, 2020, and Applications deemed eligible for further processing under Section 104.06.1(b)(7) after January 1, 2021, shall not be included in the calculation of Undue Concentration, as defined in Section 104.01(a)(49).*

**F. Business Premises Relocations Outside of the Original Community Plan Area**

DCR proposes an amendment that would permit an Applicant or licensee to submit a relocation request within their existing Community Plan Area or for another Community Plan Area that has not yet reached Undue Concentration, as defined in LAMC 104.01(a). DCR proposes amendments to: (1) LAMC 104.03(e)(1)(ii) to allow for relocations outside the original Community Plan Area if the new Community Plan Area has not yet reached Undue Concentration; and (2) LAMC 104.03(e)(1)(v) to clarify that Temporary Approval must be issued at the new, relocated Business Premises address before the business can conduct commercial cannabis activity at the new location. Stakeholders have consistently voiced concerns regarding the challenges of finding compliant locations within their same Community Plan Area and negotiating with landlords who often have the upperhand given the limited number of compliant locations. The proposed amendment to LAMC 104.03(e)(1)(ii) would expand the ability for Applicants to relocate within the City. The proposed amendment to LAMC 104.03(e)(1)(v) would ensure that the City's operational and safety requirements are met at the new location before operations begin.

LAMC 104.03(e)(1)(ii) would be amended to read:

*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), or to a proposed Business Premises in a different Community Plan Area as long as that Community Plan Area has not yet reached Undue Concentration. 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.*

LAMC 104.03(e)(1)(v) would be amended to read:

*If an Applicant has been issued Temporary Approval for the location from which it seeks to relocate, the Applicant must request cancellation of its Temporary Approval at that location before Temporary Approval at the new Business Premises location may be issued. The Licensee shall meet the requirements for Temporary Approval at the new location and cancel any previously issued Temporary Approvals or Licenses prior to the issuance of Temporary Approval at the new location.*

**G. Amendment to Definition of "Undue Concentration"**

Phase 1 business, Phase 2 businesses and the first 100 businesses of Phase 3 Retail Round 1 businesses were exempt from the cap imposed by "Undue Concentration," as defined in LAMC 104.01(a)(49). DCR proposes an amendment to codify these exemptions from Undue Concentration to date and allow the City to maintain its existing capacity for retail businesses.

To effectuate this change, the definition of "Undue Concentration" should be amended to reflect the current baseline number of licenses authorized within each Community Plan Area (Attachment D) and the that the cap imposed by "Undue Concentration" shall exist within DCR's Rules and Regulations going forward.

LAMC 104.01(a)(49) would be amended to read:

~~"Undue Concentration" means the Applicant's Business Premises is located within a higher cannabis license/population ratio within the community plan based on the Department's Rules and Regulations. Annually, the Department may update the maximum number of licenses based on the American Community Survey. 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).~~

#### **H. Standalone Social Equity Applicant Entity Verification**

DCR proposes a process that would allow a Social Equity Applicant to request an Equity Share review, under LAMC 104.20, for a particular business entity outside of the formal Temporary Approval Application process. Currently, DCR conducts this review during the Temporary Approval Application process, often as the last step before Temporary Approval is issued. Stakeholders have expressed to DCR that an optional review before a Temporary Approval Application is submitted would be helpful and allow them to make business arrangements with added certainty.

An entity seeking verification shall pay the Equity Share Documents/Social Equity Agreement Review fee of \$1,248. DCR would review the entity's Business Formation Documents, Organization Documents, and Operating Agreements. An entity verified through this process would submit an attestation to attest that nothing has changed since DCR's review. If the entity made changes to the Business Formation Documents, Organization Documents, and/or Operating Agreements, DCR would need to complete the verification again.

LAMC 104.20(a)(2) and LAMC 104.20(b)(2) would be amended to add the following sentences to each section:

*At a Social Equity Individual Applicant's request, DCR may conduct an Equity Share*

*review, subject to the payment of the Equity Share Documents/Social Equity Agreement Review fees, before a Temporary Approval Application is submitted. This Equity Share review may replace the required Equity Share review during the Temporary Approval Application process provided the Social Equity Applicant attests the original documents remain the same, the aggregate total of all profit sharing agreements is less than 20%, and the Applicant entity's business formation, organizational documents, and operating agreements do not contain any supermajority voting provisions.*

#### **I. Aggregation of Social Equity Interests**

Finally, DCR proposes an amendment to LAMC 104.20(b) to allow one or more Social Equity Individual Applicants to aggregate their ownership shares to meet a combined total of 51% interest in the licensed business. This would allow a greater number of Social Equity Individual Applicants to participate in the Social Equity Program while ensuring that the business entity qualifies as a Social Equity Applicant and remains predominantly controlled by Social Equity Individual Applicants.

LAMC 104.03(a) would be partially amended to add:

*After submitting an Application, an Applicant shall not be permitted to modify its Application to remove or replace an Owner until a License is issued.*

LAMC 104.03(a) would be partially amended to delete:

~~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.~~

LAMC 104.20(b)(2)(i) would be amended to read:

*(i) **Ownership Percentage.** One or more Social Equity Individual Applicants shall own no less than an aggregate 51 percent Equity Share in the Person to whom the License is issued.*

#### **VII. CONCLUSION**

DCR is committed to improving its communication and engagement with the many different stakeholders involved in, or impacted by, local cannabis policies and programs, including Social Equity Applicants.

I look forward to discussing the issues contained in this report to create policy that ensures the great work that we've started together continues to improve our City.

Sincerely,



Cat Packer  
Executive Director  
City of Los Angeles Department of Cannabis Regulation

- c: Honorable Nury Martinez, City Council President  
Honorable Marqueece Harris-Dawson, Chair, PLUM Committee  
Honorable Paul Krekorian, Chair, Budget and Finance Committee  
Honorable Kevin De León, Chair, Immigrant Affairs, Civil Rights and Equity Committee  
Honorable Nithya Raman, Chair, Information, Technology and General Services Committee  
Richard H. Llewellyn, Chief of Staff, Office of the Mayor  
Andre Herndon, Deputy Chief of Staff, Office of the Mayor  
Kevin Keller, Deputy Mayor of Economic Development, Office of the Mayor  
Ron L. Frierson, Director of Economic Policy, Office of the Mayor  
Margaret Wynne, Director of Legislative Affairs, Office of the Mayor  
Matt Szabo, City Administrative Officer  
Sharon Tso, Chief Legislative Analyst

Attachments:

- Attachment A: List of Required Temporary Approval Application Documents  
Attachment B: List of Phase 3 Retail Round 1 Applications with Record Status  
Attachment C: License and Application Processing Information Table  
Attachment D: Current "Undue Concentration" cap by Community Plan Area  
Attachment E: Modification Request Tables

# ATTACHMENTS

**Attachment A - List of Minimum Required Temporary Approval Application Documents:**

**Required Form(s) include:**

- List of Primary Personnel and Owner(s) (LIC-4003-FORM)
- Primary Personnel and Owner Attestation (LIC-4004-FORM)
- Indemnification Agreement (LIC-4005-FORM)
- Labor Peace Agreement Attestation (LIC-4006-FORM)
- Landowner Attestation: Commercial Cannabis Activity (LIC-4007-FORM)
- Ownership and Financial Interest Holder Form (LIC-4008-FORM)
- Temporary Approval Attestation (LIC-4010-FORM)
- No Alcohol or Tobacco Applicant Attestation (LIC-4020-FORM)
- Business Premises Diagram (DCC Form)
- Financial Information Form (DCC Form)
- Social Equity Program - Owner Compliance Attestation (SEP-6001-FORM) [SocialEquity Applicants ONLY]

**Required Document(s) include:**

- Executed lease agreement or property deed, or other evidence of legal right to occupy the Business Premises
- Business formation and organization documents. Common examples include: ○ California (CA) Secretary of State documents, including any formation or registration documents and/or Statement of Information forms;
  - Articles of Incorporation, or Certificate of Organization for LLCs, and any amendments or restated Articles of Organization or Certificates of Organization; Certificate of Limited Partnership, and any amendments or Restated Certificates of Limited Partnership; Statement of Partnership Authority; Bylaws; Operating Agreements; Partnership Agreements; Merger documents; Conversion documents; Purchase agreements.
- Equity Share Documents. Applicants and Licensees subject to LAMC Section 104.20 shall provide Equity Share Documents, including but not limited to, all information, business records and agreements necessary to demonstrate that the Social Equity Individual Applicant owns the minimum Equity Share required under LAMC Section 104.20(a)(2). [Social Equity Applicants ONLY]
  - Owner(s) of Social Equity Applicants must comply with the ownership percentage requirements in either LAMC Section 104.20(a)(2)(i) or Section 104.20(b)(2)(i) which require that a Social Equity Individual Applicant (“SEIA”) owns no less than a specific percentage Equity Share in the Person, as defined in LAMC Section 104.01(a), to whom the License is issued. Equity Share Requirements include:
    - Unconditional Ownership of Equity Share
    - Profits, Dividends and Distributions
    - Voting Rights and Control
    - Successors
    - Additional Equity Share Requirements and Miscellaneous

**Attachment B - List of Phase 3 Retail Round 1 Applications with Record Status:**

| PHASE                 | CORE RECORD NO. | STATUS                        | PHASE                 | CORE RECORD NO. | STATUS                        |
|-----------------------|-----------------|-------------------------------|-----------------------|-----------------|-------------------------------|
| 104.06.1 P3RR1 Retail | 310001          | Additional Info Needed        | 104.06.1 P3RR1 Retail | 310064          | Additional Info Needed        |
| 104.06.1 P3RR1 Retail | 310003          | Local Compliance Underway     | 104.06.1 P3RR1 Retail | 310065          | Additional Info Needed        |
| 104.06.1 P3RR1 Retail | 310004          | Temporarily Approved          | 104.06.1 P3RR1 Retail | 310066          | Temporarily Approved          |
| 104.06.1 P3RR1 Retail | 310006          | Local Compliance Underway     | 104.06.1 P3RR1 Retail | 310070          | Additional Info Needed        |
| 104.06.1 P3RR1 Retail | 310007          | Additional Info Needed        | 104.06.1 P3RR1 Retail | 310071          | Additional Info Needed        |
| 104.06.1 P3RR1 Retail | 310008          | Additional Review In Progress | 104.06.1 P3RR1 Retail | 310072          | Additional Info Needed        |
| 104.06.1 P3RR1 Retail | 310009          | Temporarily Approved          | 104.06.1 P3RR1 Retail | 310073          | Additional Info Needed        |
| 104.06.1 P3RR1 Retail | 310010          | Temporarily Approved          | 104.06.1 P3RR1 Retail | 310074          | Additional Review In Progress |
| 104.06.1 P3RR1 Retail | 310011          | Local Compliance Underway     | 104.06.1 P3RR1 Retail | 310075          | Additional Info Needed        |
| 104.06.1 P3RR1 Retail | 310012          | Additional Review In Progress | 104.06.1 P3RR1 Retail | 310076          | Additional Info Needed        |
| 104.06.1 P3RR1 Retail | 310013          | Additional Review In Progress | 104.06.1 P3RR1 Retail | 310077          | Additional Info Needed        |
| 104.06.1 P3RR1 Retail | 310014          | Additional Review In Progress | 104.06.1 P3RR1 Retail | 310078          | Additional Info Needed        |
| 104.06.1 P3RR1 Retail | 310015          | Additional Info Needed        | 104.06.1 P3RR1 Retail | 310079          | Additional Review In Progress |
| 104.06.1 P3RR1 Retail | 310016          | Temporarily Approved          | 104.06.1 P3RR1 Retail | 310080          | Additional Info Needed        |
| 104.06.1 P3RR1 Retail | 310017          | Additional Review In Progress | 104.06.1 P3RR1 Retail | 310081          | Additional Info Needed        |
| 104.06.1 P3RR1 Retail | 310018          | Additional Info Needed        | 104.06.1 P3RR1 Retail | 310082          | Temporarily Approved          |
| 104.06.1 P3RR1 Retail | 310019          | Temporarily Approved          | 104.06.1 P3RR1 Retail | 310083          | Temporarily Approved          |
| 104.06.1 P3RR1 Retail | 310020          | Local Compliance Underway     | 104.06.1 P3RR1 Retail | 310084          | Additional Review In Progress |
| 104.06.1 P3RR1 Retail | 310021          | Temporarily Approved          | 104.06.1 P3RR1 Retail | 310085          | Local Compliance Underway     |
| 104.06.1 P3RR1 Retail | 310022          | Temporarily Approved          | 104.06.1 P3RR1 Retail | 310086          | Additional Info Needed        |
| 104.06.1 P3RR1 Retail | 310023          | Local Compliance Underway     | 104.06.1 P3RR1 Retail | 310087          | Additional Review In Progress |
| 104.06.1 P3RR1 Retail | 310025          | Temporarily Approved          | 104.06.1 P3RR1 Retail | 310089          | Additional Info Needed        |
| 104.06.1 P3RR1 Retail | 310026          | Temporarily Approved          | 104.06.1 P3RR1 Retail | 310090          | Additional Info Needed        |
| 104.06.1 P3RR1 Retail | 310028          | Additional Info Needed        | 104.06.1 P3RR1 Retail | 310091          | Temporarily Approved          |
| 104.06.1 P3RR1 Retail | 310029          | Additional Review In Progress | 104.06.1 P3RR1 Retail | 310092          | Additional Info Needed        |
| 104.06.1 P3RR1 Retail | 310030          | Additional Info Needed        | 104.06.1 P3RR1 Retail | 310093          | Additional Info Needed        |
| 104.06.1 P3RR1 Retail | 310031          | Additional Review In Progress | 104.06.1 P3RR1 Retail | 310094          | Local Compliance Underway     |
| 104.06.1 P3RR1 Retail | 310032          | Additional Info Needed        | 104.06.1 P3RR1 Retail | 310095          | Additional Info Needed        |
| 104.06.1 P3RR1 Retail | 310033          | Additional Info Needed        | 104.06.1 P3RR1 Retail | 310096          | Additional Info Needed        |
| 104.06.1 P3RR1 Retail | 310034          | Additional Info Needed        | 104.06.1 P3RR1 Retail | 310097          | Additional Info Needed        |
| 104.06.1 P3RR1 Retail | 310035          | Local Compliance Underway     | 104.06.1 P3RR1 Retail | 310099          | Local Compliance Underway     |
| 104.06.1 P3RR1 Retail | 310036          | Additional Review In Progress | 104.06.1 P3RR1 Retail | 310101          | Additional Info Needed        |
| 104.06.1 P3RR1 Retail | 310037          | Additional Info Needed        | 104.06.1 P3RR1 Retail | 310102          | Additional Info Needed        |
| 104.06.1 P3RR1 Retail | 310038          | Additional Review In Progress | 104.06.1 P3RR1 Retail | 310103          | Additional Info Needed        |
| 104.06.1 P3RR1 Retail | 310039          | Local Compliance Underway     | 104.06.1 P3RR1 Retail | 310105          | Temporarily Approved          |
| 104.06.1 P3RR1 Retail | 310041          | Additional Review In Progress | 104.06.1 P3RR1 Retail | 310106          | Additional Info Needed        |
| 104.06.1 P3RR1 Retail | 310043          | Additional Info Needed        | 104.06.1 P3RR1 Retail | 310107          | Additional Info Needed        |
| 104.06.1 P3RR1 Retail | 310044          | Additional Info Needed        | 104.06.1 P3RR1 Retail | 310108          | Additional Info Needed        |
| 104.06.1 P3RR1 Retail | 310045          | Additional Info Needed        | 104.06.1 P3RR1 Retail | 310109          | Additional Info Needed        |
| 104.06.1 P3RR1 Retail | 310046          | Additional Info Needed        | 104.06.1 P3RR1 Retail | 310110          | Additional Info Needed        |
| 104.06.1 P3RR1 Retail | 310047          | Temporarily Approved          | 104.06.1 P3RR1 Retail | 310111          | Additional Info Needed        |
| 104.06.1 P3RR1 Retail | 310048          | Additional Info Needed        | 104.06.1 P3RR1 Retail | 310112          | Local Compliance Underway     |
| 104.06.1 P3RR1 Retail | 310049          | Additional Info Needed        | 104.06.1 P3RR1 Retail | 310113          | Additional Review In Progress |
| 104.06.1 P3RR1 Retail | 310050          | Additional Info Needed        | 104.06.1 P3RR1 Retail | 310114          | Local Compliance Underway     |
| 104.06.1 P3RR1 Retail | 310051          | Additional Info Needed        | 104.06.1 P3RR1 Retail | 310115          | Local Compliance Underway     |
| 104.06.1 P3RR1 Retail | 310052          | Temporarily Approved          | 104.06.1 P3RR1 Retail | 310116          | Additional Info Needed        |
| 104.06.1 P3RR1 Retail | 310053          | Additional Review In Progress | 104.06.1 P3RR1 Retail | 310117          | Additional Info Needed        |
| 104.06.1 P3RR1 Retail | 310054          | Additional Info Needed        | 104.06.1 P3RR1 Retail | 310118          | Additional Info Needed        |
| 104.06.1 P3RR1 Retail | 310055          | Local Compliance Underway     | 104.06.1 P3RR1 Retail | 310119          | Additional Info Needed        |
| 104.06.1 P3RR1 Retail | 310056          | Temporarily Approved          | 104.06.1 P3RR1 Retail | 310120          | Temporarily Approved          |
| 104.06.1 P3RR1 Retail | 310058          | Additional Info Needed        | 104.06.1 P3RR1 Retail | 310121          | Temporarily Approved          |
| 104.06.1 P3RR1 Retail | 310060          | Additional Info Needed        | 104.06.1 P3RR1 Retail | 310122          | Additional Info Needed        |
| 104.06.1 P3RR1 Retail | 310061          | Additional Info Needed        | 104.06.1 P3RR1 Retail | 310123          | Temporarily Approved          |
| 104.06.1 P3RR1 Retail | 310062          | Temporarily Approved          | 104.06.1 P3RR1 Retail | 310125          | Additional Info Needed        |
| 104.06.1 P3RR1 Retail | 310063          | Additional Info Needed        | 104.06.1 P3RR1 Retail | 310126          | Additional Review In Progress |

| PHASE                 | CORE RECORD NO. | STATUS                        | PHASE                 | CORE RECORD NO. | STATUS                        |
|-----------------------|-----------------|-------------------------------|-----------------------|-----------------|-------------------------------|
| 104.06.1 P3RR1 Retail | 310127          | Additional Info Needed        | 104.06.1 P3RR1 Retail | 310197          | Additional Info Needed        |
| 104.06.1 P3RR1 Retail | 310129          | Additional Info Needed        | 104.06.1 P3RR1 Retail | 310198          | Local Compliance Underway     |
| 104.06.1 P3RR1 Retail | 310132          | Additional Info Needed        | 104.06.1 P3RR1 Retail | 310199          | Additional Info Needed        |
| 104.06.1 P3RR1 Retail | 310133          | Additional Info Needed        | 104.06.1 P3RR1 Retail | 310200          | Additional Info Needed        |
| 104.06.1 P3RR1 Retail | 310134          | Additional Info Needed        | 104.06.1 P3RR1 Retail | 310201          | Temporarily Approved          |
| 104.06.1 P3RR1 Retail | 310135          | Additional Info Needed        | 104.06.1 P3RR1 Retail | 310202          | Temporarily Approved          |
| 104.06.1 P3RR1 Retail | 310136          | Additional Info Needed        | 104.06.1 P3RR1 Retail | 310203          | Temporarily Approved          |
| 104.06.1 P3RR1 Retail | 310137          | Additional Info Needed        | 104.06.1 P3RR1 Retail | 310204          | Additional Info Needed        |
| 104.06.1 P3RR1 Retail | 310138          | Local Compliance Underway     | 104.06.1 P3RR1 Retail | 310205          | Additional Info Needed        |
| 104.06.1 P3RR1 Retail | 310139          | Additional Info Needed        | 104.06.1 P3RR1 Retail | 310206          | Additional Info Needed        |
| 104.06.1 P3RR1 Retail | 310140          | Temporarily Approved          | 104.06.1 P3RR1 Retail | 310207          | Additional Info Needed        |
| 104.06.1 P3RR1 Retail | 310141          | Temporarily Approved          | 104.06.1 P3RR1 Retail | 310208          | Additional Info Needed        |
| 104.06.1 P3RR1 Retail | 310142          | Additional Info Needed        | 104.06.1 P3RR1 Retail | 310209          | Local Compliance Underway     |
| 104.06.1 P3RR1 Retail | 310144          | Temporarily Approved          | 104.06.1 P3RR1 Retail | 310210          | Additional Info Needed        |
| 104.06.1 P3RR1 Retail | 310145          | Additional Info Needed        | 104.06.1 P3RR1 Retail | 310211          | Additional Info Needed        |
| 104.06.1 P3RR1 Retail | 310147          | Additional Info Needed        | 104.06.1 P3RR1 Retail | 310212          | Additional Review In Progress |
| 104.06.1 P3RR1 Retail | 310148          | Additional Info Needed        | 104.06.1 P3RR1 Retail | 310213          | Local Compliance Underway     |
| 104.06.1 P3RR1 Retail | 310149          | Additional Info Needed        | 104.06.1 P3RR1 Retail | 310214          | Additional Review In Progress |
| 104.06.1 P3RR1 Retail | 310150          | Additional Info Needed        | 104.06.1 P3RR1 Retail | 310215          | Additional Review In Progress |
| 104.06.1 P3RR1 Retail | 310152          | Additional Info Needed        | 104.06.1 P3RR1 Retail | 310216          | Additional Info Needed        |
| 104.06.1 P3RR1 Retail | 310153          | Additional Review In Progress | 104.06.1 P3RR1 Retail | 310217          | Temporarily Approved          |
| 104.06.1 P3RR1 Retail | 310155          | Additional Review In Progress | 104.06.1 P3RR1 Retail | 310218          | Additional Review In Progress |
| 104.06.1 P3RR1 Retail | 310156          | Additional Review In Progress | 104.06.1 P3RR1 Retail | 310219          | Additional Info Needed        |
| 104.06.1 P3RR1 Retail | 310158          | Additional Info Needed        | 104.06.1 P3RR1 Retail | 310220          | Additional Info Needed        |
| 104.06.1 P3RR1 Retail | 310159          | Additional Review In Progress | 104.06.1 P3RR1 Retail | 310221          | Additional Info Needed        |
| 104.06.1 P3RR1 Retail | 310160          | Additional Info Needed        | 104.06.1 P3RR1 Retail | 310223          | Additional Info Needed        |
| 104.06.1 P3RR1 Retail | 310161          | Additional Info Needed        | 104.06.1 P3RR1 Retail | 310226          | Additional Info Needed        |
| 104.06.1 P3RR1 Retail | 310162          | Additional Info Needed        | 104.06.1 P3RR1 Retail | 310227          | Additional Info Needed        |
| 104.06.1 P3RR1 Retail | 310163          | Additional Review In Progress | 104.06.1 P3RR1 Retail | 310228          | Additional Review In Progress |
| 104.06.1 P3RR1 Retail | 310165          | Additional Info Needed        | 104.06.1 P3RR1 Retail | 310229          | Additional Info Needed        |
| 104.06.1 P3RR1 Retail | 310166          | Additional Review In Progress | 104.06.1 P3RR1 Retail | 310230          | Additional Info Needed        |
| 104.06.1 P3RR1 Retail | 310167          | Additional Info Needed        | 104.06.1 P3RR1 Retail | 310231          | Additional Info Needed        |
| 104.06.1 P3RR1 Retail | 310168          | Additional Info Needed        | 104.06.1 P3RR1 Retail | 310233          | Additional Info Needed        |
| 104.06.1 P3RR1 Retail | 310169          | Additional Review In Progress | 104.06.1 P3RR1 Retail | 310235          | Temporarily Approved          |
| 104.06.1 P3RR1 Retail | 310170          | Additional Info Needed        | 104.06.1 P3RR1 Retail | 310237          | Additional Info Needed        |
| 104.06.1 P3RR1 Retail | 310171          | Additional Info Needed        | 104.06.1 P3RR1 Retail | 310240          | Additional Info Needed        |
| 104.06.1 P3RR1 Retail | 310172          | Additional Info Needed        | 104.06.1 P3RR1 Retail | 310241          | Additional Review In Progress |
| 104.06.1 P3RR1 Retail | 310173          | Additional Info Needed        | 104.06.1 P3RR1 Retail | 310242          | Additional Info Needed        |
| 104.06.1 P3RR1 Retail | 310174          | Local Compliance Underway     | 104.06.1 P3RR1 Retail | 310243          | Additional Info Needed        |
| 104.06.1 P3RR1 Retail | 310175          | Additional Info Needed        | 104.06.1 P3RR1 Retail | 310245          | Additional Info Needed        |
| 104.06.1 P3RR1 Retail | 310177          | Additional Info Needed        |                       |                 |                               |
| 104.06.1 P3RR1 Retail | 310178          | Additional Info Needed        |                       |                 |                               |
| 104.06.1 P3RR1 Retail | 310179          | Additional Info Needed        |                       |                 |                               |
| 104.06.1 P3RR1 Retail | 310181          | Additional Review In Progress |                       |                 |                               |
| 104.06.1 P3RR1 Retail | 310182          | Local Compliance Underway     |                       |                 |                               |
| 104.06.1 P3RR1 Retail | 310183          | Additional Review In Progress |                       |                 |                               |
| 104.06.1 P3RR1 Retail | 310184          | Additional Info Needed        |                       |                 |                               |
| 104.06.1 P3RR1 Retail | 310186          | Additional Info Needed        |                       |                 |                               |
| 104.06.1 P3RR1 Retail | 310188          | Additional Info Needed        |                       |                 |                               |
| 104.06.1 P3RR1 Retail | 310190          | Additional Review In Progress |                       |                 |                               |
| 104.06.1 P3RR1 Retail | 310191          | Additional Info Needed        |                       |                 |                               |
| 104.06.1 P3RR1 Retail | 310192          | Additional Info Needed        |                       |                 |                               |
| 104.06.1 P3RR1 Retail | 310194          | Additional Info Needed        |                       |                 |                               |
| 104.06.1 P3RR1 Retail | 310195          | Additional Info Needed        |                       |                 |                               |
| 104.06.1 P3RR1 Retail | 310196          | Temporarily Approved          |                       |                 |                               |

**Attachment C - License and Application Processing Information Table:**

Data Updated: OCTOBER 29, 2021

|  | Licensed Businesses    |                            | Businesses in the Application Process              |  |                                   |                          |  | Total Number of Businesses by Phase |
|--|------------------------|----------------------------|--|--|-----------------------------------|--------------------------|--|-------------------------------------|
|  | Annual Licenses Issued | Temporary Approvals Issued | Pending TA Application "Local Compliance Underway" | Pending Temporary Approval (TA) Applications | "Eligible for Further Processing" | Pending Pre-Applications | Pending Public Convenience or Necessity (PCN) Requests |                                     |
|  | LIC                    | TMP                        | APP  | APP  | PREAPP                            | PREAPP                   | PCN  |                                     |
| LAMC 104.07 (Phase 1)                      | 0                      | 178                        | 0  | 8  | N/A                               | N/A                      | N/A  | 186                                 |
| LAMC 104.08 (Phase 2)                      | 0                      | 319                        | 1  | 109  | N/A                               | N/A                      | N/A  | 429                                 |
| LAMC 104.06.1(b) (Phase 3 Retail Round 1)  | 0                      | 30                         | 20   | 155  | 0                                 | 0                        | N/A  | 205                                 |
| LAMC 104.06.1(d) (PCN)                     | 0                      | 0                          | 0  | 5  | 0                                 | 0                        | 1  | 6                                   |
| LAMC 104.06.1(e)/(f) (Delivery/Non-Retail) | 0                      | 13                         | 61   | 49   | 50                                | 9                        | N/A  | 182                                 |
| General Application Processing             | 0                      | 10                         | 14   | 30   | 9                                 | 14                       | N/A  | 77                                  |
| LAMC 104.09 (Testing Labs)                 | 0                      | 4                          | 6  | 5  | 0                                 | 0                        | N/A  | 15                                  |
| <b>Total Number of Businesses by Stage</b> | <b>0</b>               | <b>554</b>                 | <b>102</b>   | <b>361</b>                                   | <b>59</b>                         | <b>23</b>                | <b>1</b>   | <b>1100</b>                         |

**Attachment D - Amended Undue Concentration Limit by Community Plan Area:**

| COMMUNITY PLAN AREA  | RETAIL CAPACITY | MICRO-BUSINESS | CULTIVATION |
|--|-----------------|----------------|-------------|
| Arleta - Pacoima   | 13              | 15             | 16          |
| Bel Air - Beverly Crest  | 3               | 3              | 0           |
| Boyle Heights  | 13              | 12             | 44          |
| Brentwood - Pacific Palisades  | 9               | 8              | 0           |
| Canoga Park - Winnetka - Woodland Hills - West Hills                       | 23              | 26             | 12          |
| Central City   | 8               | 6              | 39          |
| Central City North   | 7               | 4              | 36          |
| Chatsworth - Porter Ranch  | 13              | 14             | 29          |
| Encino - Tarzana   | 9               | 11             | 2           |
| Granada Hills - Knollwood  | 8               | 9              | 15          |
| Harbor Gateway   | 8               | 6              | 15          |
| Hollywood  | 28              | 27             | 9           |
| Mission Hills - Panorama City - North Hills                                | 19              | 20             | 15          |
| North Hollywood - Valley Village   | 21              | 19             | 15          |
| Northeast Los Angeles  | 35              | 33             | 15          |
| Northridge   | 9               | 10             | 8           |
| Palms - Mar Vista - Del Rey  | 14              | 16             | 14          |
| Reseda - West Van Nuys   | 17              | 16             | 15          |
| San Pedro  | 11              | 11             | 12          |
| Sherman Oaks - Studio City - Toluca Lake - Cahuenga Pass                   | 12              | 12             | 5           |
| Silver Lake - Echo Park - Elysian Valley                                   | 12              | 10             | 6           |
| South Los Angeles  | 40              | 39             | 7           |
| Southeast Los Angeles  | 43              | 41             | 66          |
| Sun Valley - La Tuna Canyon  | 11              | 12             | 45          |
| Sunland - Tujunga - Lake View Terrace - Shadow Hills - East La Tuna Canyon | 10              | 9              | 2           |
| Sylmar   | 10              | 11             | 15          |
| Van Nuys - North Sherman Oaks  | 22              | 23             | 24          |
| Venice   | 8               | 5              | 2           |
| West Adams - Baldwin Hills - Leimert                                       | 27              | 23             | 6           |
| West Los Angeles   | 12              | 11             | 11          |
| Westchester - Playa del Rey  | 7               | 9              | 14          |
| Westlake   | 14              | 17             | 1           |
| Westwood   | 6               | 8              | 1           |
| Wilmington - Harbor City   | 13              | 11             | 15          |
| Wilshire   | 36              | 38             | 3           |
| <b>Citywide Total</b>  | <b>551</b>      | <b>545</b>     | <b>534</b>  |

**Attachment E - Modification Request Tables**

| Record Milestone                     | Modification Options |
|--------------------------------------|----------------------|
| "Blank"                              | None                 |
| Pre-Application                      | None                 |
| Eligibility Determination            | None                 |
| Temporary Approval Application       | Limited              |
| P3RR1 Temporary Approval Application | Full                 |
| Temporary Approval                   | Full                 |
| Environmental Review                 | Limited              |
| Annual License Application           | Full                 |
| Annual License                       | Full                 |
| Eligible for Renewal                 | None                 |
| Renewal Application                  | Full                 |

| Modification Type                                    | Limited | Full |
|--|---------|------|
| <b>Changes to Existing Temporary Approval Record</b> |         |      |
| Legal Name Change/Fictitious Business Name (DBA)     | X       | X    |
| Other Contact Changes                                | X       | X    |
| Business Premises Diagram                            | X       | X    |
| Remove Cannabis Activity                             | X       | X    |
| Withdrawal or Cancellation                           | X       | X    |
| Ownership Structure (less than 100%)                 |         | X    |
| SEA Ownership Structure (less than 100%)             |         | X    |
| Primary Personnel Changes                            |         | X    |
| Remove Owner   |         | X    |
| Remove SEIA Owner                                    |         | X    |

| Modification Type   | Limited | Full |
|---|---------|------|
| <b>Creates a New Temporary Approval Record</b>  |         |      |
| Ownership Structure (100%)  |         | X    |
| SEA Ownership Structure (100%)*<br><small>*P3RR1 SEIAs may not be removed until Temporary Approval is granted</small> |         | X    |
| Entity Substitution - All Activities  |         | X    |
| Entity Substitution - Some Activities   |         | X    |
| Entity Substitution (Phase 3 Retail Round 1)  |         | X    |
| Relocation - All Activities   |         | X    |
| Relocation - Some Activities  |         | X    |
| Relocation - All Activities (Phase 3 Retail Round 1)  |         | X    |