

CANNABIS REGULATION COMMISSION

November 10, 2021, 2:00 p.m. (877) 853 - 5257 Meeting ID: 860-838-7310 #



Roll Call



General Public Comment & Single / Multiple Agenda Item Comment

Agenda Item #1: Commission Business



CANNABIS REGULATION COMMISSION

Agenda Item #2: Findings to continue teleconference meetings pursuant to AB 361





Agenda Item #3: Policy Update From DCR



CANNABIS REGULATION COMMISSION

Council File 21-1083



CANNABIS REGULATION COMMISSION

September 29, 2021, Motion Introduced



MOTION PLANNING & LAND USE MANAGEMENT

BUDGET & FINANCE

In 2017, the City Council adopted a commercial cannabis regulatory program that established the Department of Cannabis Regulation to administer all cannabis licensing responsibilities in the City. One of DCR's most important responsibilities has been to launch the largest cannabis social equity program in the country to ensure the City corrected the decades of injustices borne by communities of color during the War on Drugs.

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Although the COVID-19 pandemic and related staffing shortages have limited DCR's licensing capacity to some extent over the last year, the City should not ignore extensive feedback from stakeholders, Social Equity Applicants in particular, that current licensing procedures and practices at DCR may be causing unnecessary and extended delays. Social Equity Applicants have consistently complained about waiting months for DCR to process imple modification requests. As a result, they are unable to obtain a state license until DCR completes the change. Such delays are inexcusable.

Dozens of other complaints about licensing delays received by the City Council and the Cannabis Regulation Commission have reflected similar issues with DCR's procedures. Stakeholders report waiting months to receive basic licensing responses from DCR; that hundreds of critical license modification requests remain unprocessed, many almost a year after submission; that licensing procedures are constantly changing and difficult to navigate; and that applicants are delayed for months at a time waiting for DCR to issue invoices for nominal sums. Most concerning, Social Equity Applicants have repeatedly shared that they believe DCR is actually the greatest impediment to their success.

The complaints from stakeholders are reflected in the licensing results DCR has publicly reported. As of August 2021, only 8% of Phase 3, Round 1 applicants have received Temporary Approval two years after application submission, and only 5% of applicants who have submitted general license applications since October 2020 have received Temporary Approval. Moreover, over four years since DCR's establishment, the department has not issued a single annual license.

In August 2021, DCR published complicated new application modification procedures that will impose undue hardship on many applicants. For example, DCR intends to prohibit Phase 3 Social Equity Applicants without Temporary Approval from making ownership modifications after August 31, 2021. However, it is these applicants in particular who will likely need to bring on new owners to their applications to secure enough funding to meet all requirements to obtain Temporary Approval. It is this type of policy that demonstrates DCR's lack of understanding of the impediments experienced by Social Equity Applicants.

We need to implement common sense changes to DCR's licensing practices. The urgency for such changes is now even greater for two reasons. First, the City was recently granted \$22 million from the State of California to expedite cannabis licensing. The City should maximize the value of this grant by ensuring that practical and efficient policies are in place at DCR so that applications can be promptly processed without having to clear innumerable bureaucratic hurdles that erve no public interest. Second, recent changes in state law will prevent the issuance of pplvisional state licenses to applicants after June 30, 2022, and all provisional license Applications must be submitted by March 31, 2022.

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.



I THEREFORE MOVE that the City Attorney be requested to prepare and present an ordinance, with an urgency clause, to implement cannabis licensing changes to increase speed and equity in the process, as further detailed in the attached draft proposal.

I FURTHER MOVE that the City Council issue the following instructions to the Department of Cannabis Regulation:

Applicants currently seeking new licenses and licensees seeking to relocate existing licenses that are unable to apply for state provisional licenses by the March 31, 2022 deadline will threafter be unlikely to commence licensed operations for several more years or may be forced into bankruptcy. The City must avoid this result, particularly with respect to Social Equity Applicants, and do everything reasonably possible to allow applicants to apply for state provisional licenses without delay.

I THEREFORE MOVE that the City Attorney be requested to prepare and present an ordinance, with an urgency clause, to implement cannabis licensing changes to increase speed and equity in the process, as further detailed in the attached draft proposal.

I FURTHER MOVE that the City Council issue the following instructions to the Department of Cannabis Regulation:

 Upon adoption by the City Council of any of the provisions described above, DCR shall immediately implement such provisions into its licensing process. To the extent DCR believes changes are necessary to its Accela licensing software, DCR shall make such changes while continuing to process license applications and or modification requests in conformity with the above provisions without delay or interruption.

2. Within 15 days of this instruction, DCR shall conduct and complete a review of all (i) all pending Phase 3 applications whose premises comply with the provisions of Article 5 of Chapter X of the Municipal Code; (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. For all of these licensees/applicants, within 30 days of this instruction, DCR shall notify them of their land use compliance and/or update the end days on their application/license and thereafter confirm Local Compliance Underway in response to an inquiry from the state licensing agencies. DCR may collect any additional documents required to complete the processing of the entity change or relocation, but shall not delay confirming the applicant/licensee's Local Compliance Underway status if contacted by the state licensing agencies.

3. Effective immediately, DCR shall allow applicants/licensees to continue to operate pending an ownership modification if at least one existing Owner remains as an Owner in any capacity that meets the definition of Owner under applicable state law. For sake of clarity, if an individual remains as an officer or director of the licensee or is otherwise participating in the management, direction or control of the licensee, that shall satisfy the requirement.

4. Within 15 days, DCR shall update the licensing map on its website to accurately reflect the current location of all (i) retailers with Temporary Approval and (ii) all pending retail relocation requests that DCR has deemed to have location priority relative to other retail applicants and licensees and (iii) new sensitive use locations i.e. library, schools, drug treatment, parks etc.. Thereafter, DCR shall update the licensing map no less frequently than on a weekly basis.

5. Within 45 days, DCR shall report back to PLUM with a comprehensive overview of the process by which DCR intends to meet its obligations under the California Environmental Quality Act. Such report shall include the following:

· A timeline for when DCR will begin its environmental review for each licensing phase.

- A general description of the categories of information and documents DCR will require from applicants and licensees.
- · A workflow of the environmental review process DCR will follow.

6.—No later than October 1, 2021, DCR shall allow applicants to submit applications for testing, distribution, manufacturing, delivery (verified social equity applicants only).

 Beginning on November 1, 2021 and continuing on the first of every month thereafter, DCR shall report back to PLUM 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.

8. Effective immediately, DCR shall rescind its deadline of August 31, 2021 for applicants without Temporary Approval to make relocation requests, ownership modification and entity changes and its December 31, 2021 deadline for Phase 3, Round 1 applicants to request relocation. DCR shall not impose any new deadlines in place of these rescinded deadlines and on an ongoing basis applicants without Temporary Approval shall be eligible to make the same types of modifications afforded to applicants with Temporary Approval.

PRESENTED BY: MAROUEECE HARRIS-DAW Councilman, 8th District PRESENTED BY CURREN D. PRICE Jr. Councilman, 9th District with he SECONDED BY: When For Minery - THECHING

Attached Draft Proposal



A. Amend Sections 104.03 and 104.06 as necessary to provide that DCR shall process all new license applications pursuant to the following timelines and procedures.

 DCR shall issue an applicant a pre-application review fee invoice within 10 days of the applicant's submission of a pre-application.

(2) Within 30 days of submission of a pre-application, DCR shall determine whether the applicant's proposed business premises complexes with Article 50 Chapter X of the LAMC and notify the applicant in writing of DCR's determination. Upon receipt of written confirmation of land use compliance, the applicant shall be permitted to submit a state license application at Its proposed business premises location under its intended business entity name and, upon request from the state, DCR shall confirm that the applicant's local application status is Local Compliance Underway.

(3) Upon DCR's determination that an applicant's business premises complies with Article 5 of Chapter X of the LAMC, DCR shall immediately allow the applicant to submit a Temporary Application.

(4) Within 60 days of submission of a Temporary Approval application, DCR shall determine whether the applicant has submitted all required information and documents to obtain Temporary Approval. If DCR determines there are any deficiencies in the Temporary Approval application, it shall notify the applicant in writing of the specific documents and information required by DCR. DCR shall not impose any requirements for Temporary Approval that are not specifically listed in Section 104.06. Upon the applicant's submission of the additional information or documents, DCR shall conclude its follow up review within 30 days.

(5) DCR shall schedule and conduct a Temporary Approval inspection within 45 days of a request from an applicant for such inspection.

(6) Within 15 days of an applicant passing its DCR inspection or DCR determining all Temporary Approval documents have been submitted, whichever occurs tast, DCR shall issue the applicant Temporary Approval.

B. Amend Section 104.03(e) as necessary to establish the following specific application and license modification timelines and procedures.

(1) Relocation Requests:

(a) Within 15 days of submission of a relocation request, DCR shall issue the applicant/licensee an invoice. (a) Within 14 days of the effective date of any ownership structure change, the applicant/licensee shall request to file an ownership modification request with DCR. Once DCR enables the licensee or applicant to upload ownership modification documents to their licensing portal, the applicant or licensee shall submit to DCR a revised ownership disclosure form, ownership attestations, if applicable, and revised business organization documents, if any.

- (b) Within 60 days of the submission of all required documents, DCR shall update its licensing records to reflect the new ownership structure.
- (c) If DCR determines that the new ownership structure violates any provisions of Article 4 of Chapter X of the LAMC, upon notice from DCR, the applicant/licensee shall be permitted to further amend its ownership structure as necessary to correct any non-compliance.
- (d) An applicant/licensee shall be permitted to continue to operate pending an ownership modification if at least one existing Owner remains as an Owner in any capacity that meets the definition of Owner under applicable state law.
- (4) Change of Business Entity on Application/License. DCR shall review and either approve or dery a request to change the business entity on an application. Temporary Approval, or license within 30 days of submission. DCR may require organizational documents and ownership disclosures for the new Dusiness entity. (ii) a new rental lease agreement and landowner authorization in the name of the new business entity, and (iii) indemnification of the City of Los Angeles for any claims arising from the change of entity. An applicant with Temporary Approval or licensee may continue operating under the old business entity until such time that the State of California issues a new state license or licenses to the applicant or licensee under the new business entity. IFOR approves the request, from the state, DCR shall confirm that the applicant'sflicensee's local application status is Local Compliance Underway.
- (5) Modification Request Documentation: For each type of modification included in section 104 (30(e), DCR shall not require any information or documents from an applicant/licensee not specificatly described or referenced in this motion. To the schera nay provisions in section 104.03(e) as currently codified require additional documentation not specifically referenced herein, such provisions shall be amended to make them consistent with the document requirements of this motion.
- (6) Modification submission: A modification shall be deemed submitted and filed once an applicant/licensee has filed a modification request through DCR's licensing portal and a modification record number is generated. DCR shall not employ any other method of determining when a modification is deemed submitted and filed. DCR shall enable licensees to submit modification requests through Its licensing software within 7 days of a licensee's request to file a modification. DCR shall not supped submission of modification

must be enumerated, and include an estimated dollar value of those services. The plan must specify the ownership model in compliance with Section 104.20 to read as follows

b. On or before March 1 of each year, the Non-Equily owner shall submit to the Director an annual report covering the prior calendar year, signed by both the Equity and Non-Equity Owners, describing the services provided by the Non-Equity owner and signing an affidavit confirming compliance with ownership interest requirements set forth in Section 104.20

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A. Amend Sections 104.03 and 104.06 as necessary to provide that DCR shall process all new license applications pursuant to the following timelines and procedures.

B. Amend Section 104.03(e) as necessary to establish the following specific application and license modification timelines and procedures.

must be enumerated, and include an estimated dollar value of those services. The plan must specify the ownership model in compliance with Section 104.20 to read as follows

b. On or before March 1 of each year, the Non-Equity owner shall submit to the Director an annual report covering the prior calendar year, signed by both the Equity and Non-Equity Owners, describing the services provided by the Non-Equity owner and signing an affidavit confirming compliance with ownership interest requirements set forth in Section 104.20

DCR Report Transmitted October 29, 2021





DEPARTMENT OF CANNABIS REGULATION

CANNABIS REGULATION COMMISSION

> ROBERT AHN PRESIDENT THRYERIS MASON VICE-PRESIDENT PHILIP D. MERCADO VICTOR NARRO

RITA VILLA JOSIE TREVIZO OMMISSION EXECUTIVE ASSISTANT (213) 320-7815 ERIC GARCETTI

City of Los Angeles

CALIFORNIA

October 29, 2021

The Honorable City Council City of Los Angeles City Hall, Room 395 Los Angeles, California 90012 Council File No. 21-1083

EXECUTIVE OFFICES

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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.





- I. Executive SummaryII. Background
- III. Discussion of the July 2021 Amendments and Current DCR Process
- IV. Discussion of Motion Instructions
- V. Discussion of Proposed Ordinance Amendments in The Motion
- VI. DCR's Proposed Amendments

VII. Conclusion Attachments

October 29, 2021 DCR Report Section I. Executive Summary





October 29, 2021 DCR Report Section II. Background





October 29, 2021 DCR Report Section III. Discussion of the July 2021 Amendments and Current DCR Process





July 2021 Amendments



As recommended by DCR in July 2021, Council adopted an overhaul of the licensing process (**Pre-Application Review, Temporary Approval and Modifications**) to address delays and past procedures that were overly burdensome.

The July amendments decoupled the City's licensing process from the State's licensing process and changed the date DCR determines a business premises compliance with the land-use ordinance from the date the Applicant received a City license and a State license to the date the Pre-Application Review record is deemed eligible for further processing.

Pre-Application Review





Temporary Approval Application





New License Modification Requirements



- A simpler and quicker way to modify your application or license record.
- Applicants and Licensees are no longer required to register an intent to submit a modification request prior to the submission of modification request.
- Certain modifications are limited to licensees based on the revised workflows.
- DCR has created a table to help applicants and licensees understand which types of modifications can be made during different stages of the application process.

Modification Type	Pre- App	Pending Temporary Approval Application	Temporary Approval	Annual License
Legal Name Change	N/A	Yes	Yes	Yes
Remove/Add Owners	N/A	No, file a New Pre-App	Yes	Yes
Entity Substitution	N/A	No, file a New Pre-App	Yes	Yes
Entity Substitution (Phase 3 Retail Round 1)	N/A	Yes, until 12/31/21	Yes	Yes
Relocation - All Activities	N/A	No, file a New Pre-App	Yes	Yes
Relocation - Some Activities	N/A	No, file a New Pre-App	Yes	Yes
Relocation - All Activities (Phase 3 Retail Round 1)	N/A	Yes, until 12/31/21	Yes	Yes
Add Cannabis Activity	N/A	No, file a New Pre-App	No, file a New Pre- App	No, file a New Pre-App
Remove Cannabis Activity	N/A	Yes	Yes	Yes
Business Premises Diagram	N/A	Yes	Yes	Yes
Fictitious Business Name	N/A	Yes	Yes	Yes
Ownership Structure	N/A	No, file a New Pre-App	Yes	Yes
Withdrawal or Cancellation	N/A	Yes	Yes	Yes

Resources









INFORMATION AND PROCEDURE BULLETIN

SEED

LIC-4003-IPB

TEMPORARY APPROVAL

This bulletin1, in conjunction with the Temporary Approval Workflow (LIC-4003-WF), provides information regarding the procedures and requirements for an Applicant to obtain Temporary Approval to engage in Commercial Cannabis Activity in the City of Los Angeles.

Los Angeles Municipal Code ("LAMC") Section 104.01(a)(47) defines Temporary Approval as a Department of Cannabis Regulation ("DCR") issued temporary license that authorizes an Applicant to engage for a limited period of time in Commercial Cannabis Activity as would be permitted under the privileges of a non-temporary license of the same type. Temporary Approval does not waive or otherwise circumvent other City or State requirements or necessary permits from the City, State, or other public agencies, including, but not limited, to, a Certificate of Occupancy, permit or authorization from the State. Therefore, DCR may immediately suspend a Temporary Approval if the Applicant is conducting Commercial Cannabis Activity without all necessary permits, inspections or similar clearances to operate from another City, State or other public agency, or if the Applicant is conducting Commercial Cannabis Activity without an active State license for that Commercial Cannabis Activity. (LAMC Section 104.06(d).)

LAMC Section 104.03(a) requires that an Applicant undergo a Pre-Application Review process prior to filing a Temporary Approval Application to engage in Commercial Cannabis Activity so that DCR can determine Business Premises location compliance and eligibility. During the Pre-Application Review process, DCR determines whether or not the proposed Business Premises location is eligible under LAMC Section 104.03(a)(3) and compliant under LAMC Section 105 et seq.





October 29, 2021 DCR Report Section IV. Discussion of Motion Instructions





Motion Instruction #1



Upon adoption by the City Council of any of the provisions described above, DCR shall immediately implement such provisions into its licensing process. To the extent DCR believes changes are necessary to its Accela licensing software, DCR shall make such changes while continuing to process license applications and or modification requests in conformity with the above provisions without delay or interruption.

DCR Response to Motion Instruction #1



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.



Motion Instruction #2

Within 15 days of this instruction, DCR shall conduct and complete a review of all (i) all pending Phase 3 applications whose premises comply with the provisions of Article 5 of Chapter X of the Municipal Code; (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. For all of these licensees/applicants, within 30 days of this instruction, DCR shall notify them of their land use compliance and/or update the entity name on their application/license and thereafter confirm Local Compliance Underway in response to an inquiry from the state licensing agencies. DCR may collect any additional documents required to complete the processing of the entity change or relocation, but shall not delay confirming the applicant/licensee's Local Compliance Underway status if contacted by the state licensing agencies.

DCR Response to Motion Instruction #2



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.

(2) Requiring DCR to confirm "Local Compliance Underway" for these individuals is inconsistent with state requirements. Although these Applicants have completed their 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.

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Motion Instruction #3

Effective immediately, DCR shall allow applicants/licensees to continue to operate pending an ownership modification if at least one existing Owner remains as an Owner in any capacity that meets the definition of Owner under applicable state law. For sake of clarity, if an individual remains as an officer or director of the licensee or is otherwise participating in the management, direction or control of the licensee, that shall satisfy the requirement.

DCR Response to Motion Instruction #3



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.

The Motion's instructions 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.

CANNABIS REGULATION COMMISSION

Motion Instruction #4

Within 15 days, DCR shall update the licensing map on its website to accurately reflect the current location of all (i) retailers with Temporary Approval and (ii) all pending retail relocation requests that DCR has deemed to have location priority relative to other retail applicants and licensees and (iii) new sensitive use locations i.e. library, schools, drug treatment, parks etc... Thereafter, DCR shall update the licensing map no less frequently than on a weekly basis.

DCR Response to Motion Instruction #4



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. 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 and publicly available sources on a quarterly basis, and to use that data in its Pre-Application Review or relocation requests submitted in the subsequent quarter. 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.

Motion Instruction #5



Within 45 days, DCR shall report back to PLUM with a comprehensive overview of the process by which DCR intends to meet its obligations under the California Environmental Quality Act. Such report shall include the following:

• A timeline for when DCR will begin its environmental review for each licensing phase.

• A general description of the categories of information and documents DCR will require from applicants and licensees.

• A workflow of the environmental review process DCR will follow.

DCR Response to Motion Instruction #5



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.

Motion Instruction #6



No later than October 1, 2021, DCR shall allow applicants to submit applications for testing, distribution, manufacturing, delivery (verified social equity applicants only).

DCR Response to Motion Instruction #6



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.

CANNABIS REGULATION COMMISSION

Motion Instruction #7

Beginning on November 1, 2021, and continuing on the first of every month thereafter, DCR shall report back to PLUM 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 Response to Motion Instruction #7



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.

Motion Instruction #8



Effective immediately, DCR shall rescind its deadline of August 31, 2021, for applicants without Temporary Approval to make relocation requests, ownership modification and entity changes and its December 31, 2021, deadline for Phase 3, Round 1 applicants to request relocation. DCR shall not impose any new deadlines in place of these rescinded deadlines and on an ongoing basis applicants without Temporary Approval shall be eligible to make the same types of modifications afforded to applicants with Temporary Approval.

DCR Response to Motion Instruction #8



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 protocols 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.

October 29, 2021 DCR Report Section V. Discussion of Proposed Ordinance Amendments in the Motion





Attached Draft Proposal



A. Amend Sections 104.03 and 104.06 as necessary to provide that DCR shall process all new license applications pursuant to the following timelines and procedures.

 DCR shall issue an applicant a pre-application review fee invoice within 10 days of the applicant's submission of a pre-application.

(2) Within 30 days of submission of a pre-application, DCR shall determine whether the applicant's proposed business premises complexes with Article 50 Chapter X of the LAMC and notify the applicant in writing of DCR's determination. Upon receipt of written confirmation of land use compliance, the applicant shall be permitted to submit a state license application at Its proposed business premises location under its intended business entity name and, upon request from the state, DCR shall confirm that the applicant's local application status is Local Compliance Underway.

(3) Upon DCR's determination that an applicant's business premises complies with Article 5 of Chapter X of the LAMC, DCR shall immediately allow the applicant to submit a Temporary Application.

(4) Within 60 days of submission of a Temporary Approval application, DCR shall determine whether the applicant has submitted all required information and documents to obtain Temporary Approval. If DCR determines there are any deficiencies in the Temporary Approval application, it shall notify the applicant in writing of the specific documents and information required by DCR. DCR shall not impose any requirements for Temporary Approval that are not specifically listed in Section 104.06. Upon the applicant's submission of the additional information reducements. DCR shall conclude its follow up review within 30 days.

(5) DCR shall schedule and conduct a Temporary Approval inspection within 45 days of a request from an applicant for such inspection.

(6) Within 15 days of an applicant passing its DCR inspection or DCR determining all Temporary Approval documents have been submitted, whichever occurs tast, DCR shall issue the applicant Temporary Approval.

B. Amend Section 104.03(e) as necessary to establish the following specific application and license modification timelines and procedures.

(1) Relocation Requests:

(a) Within 15 days of submission of a relocation request, DCR shall issue the applicant/licensee an invoice. (a) Within 14 days of the effective date of any ownership structure change, the applicant/licensee shall request to file an ownership modification request with DCR. Once DCR enables the licensee or applicant to upload ownership modification documents to their licensing portal, the applicant or licensee shall submit to DCR a revised ownership disclosure form, ownership attestations, if applicable, and revised business organization documents, if any.

- (b) Within 60 days of the submission of all required documents, DCR shall update its licensing records to reflect the new ownership structure.
- (c) If DCR determines that the new ownership structure violates any provisions of Article 4 of Chapter X of the LAMC, upon notice from DCR, the applicant/licensee shall be permitted to further amend its ownership structure as necessary to correct any non-compliance.
- (d) An applicant/licensee shall be permitted to continue to operate pending an ownership modification if at least one existing Owner remains as an Owner in any capacity that meets the definition of Owner under applicable state law.
- (4) Change of Business Entity on Application/License. DCR shall review and either approve or dery a request to change the business entity on an application. Temporary Approval, or license within 30 days of submission. DCR may require organizational documents and ownership disclosures for the new Dusiness entity. (ii) a new rental lease agreement and landowner authorization in the name of the new business entity, and (iii) indemnification of the City of Los Angeles for any claims arising from the change of entity. An applicant with Temporary Approval or licensee may continue operating under the old business entity until such time that the State of California issues a new state license or licenses to the applicant or licensee under the new business entity. IFOR approves the request, from the state, DCR shall confirm that the applicant'sflicensee's local application status is Local Compliance Underway.
- (5) Modification Request Documentation: For each type of modification included in section 104.03(e), DCR shall not require any information or documents from an applicant/licensee not specificatly described or referenced in this motion. To the extent any provisions in section 104.03(e) as currently codified require additional documentation not specifically referenced herein, such provisions shall be amended to make them consistent with the document requirements of this motion.
- (6) Modification submission: A modification shall be deemed submitted and filed once an applicant/licensee has filed a modification request through DCR's licensing portal and a modification record number is generated. DCR shall not employ any other method of determining when a modification is deemed submitted and filed. DCR shall enable licensees to submit modification requests through Its licensing software within 7 days of a licensee's request to file a modification. DCR shall not supped submission of modification

must be enumerated, and include an estimated dollar value of those services. The plan must specify the ownership model in compliance with Section 104.20 to read as follows

b. On or before March 1 of each year, the Non-Equily owner shall submit to the Director an annual report covering the prior calendar year, signed by both the Equity and Non-Equity Owners, describing the services provided by the Non-Equity owner and signing an affidavit confirming compliance with ownership interest requirements set forth in Section 104.20

5

Draft Proposal Overview



The Motion's draft proposal includes significant changes to the following:

- **Establishes Application Processing Timelines** The Motion creates 11 timelines related to license application and modification processes.
- Eliminates Departmental Oversight The Motion removes DCR authority to collect and review <u>important</u> Temporary Approval Application Information and Modification Request Information.
- **Undermines Ownership Requirements** The Motion establishes a Loophole that allows businesses to violate Ownership and Social Equity Program Requirements.
- **Compromises City's Licensing and Social Equity Programs** The Motion requires DCR to provide an Applicant a status of "Local Compliance Underway" before any state or local requirements are met including the tenants of the SEP.

Establishes Application Processing Timelines



(A) License Application Timelines

- Invoicing
- Verification of Location Compliance
- Temporary Approval Application
- Inspections
- Issuance of Temporary Approval

(B) License Modification Timelines

- Invoicing
- Ownership Modifications
- Change of Business Entity
- Modification Requests

A. Amend Sections 104.03 and 104.06 as necessary to provide that DCR shall process all new license applications pursuant to the following timelines and procedures.

 DCR shall issue an applicant a pre-application review fee invoice within 10 days of the applicant's submission of a pre-application.

(2) Within 30 days of submission of a pre-application, DCR shall determine whether the applicant's proposed business premises complies with Article 5 of Chapter X of the LAMC and notify the applicant in writing of DCR's determination. Upon receipt of written confirmation of land use compliance, the applicant shall be permitted to submit a state license application at its proposed business premises location under its intended business entity name and, upon request from the state, DCR shall confirm that the applicant's local application status is Local Compliance Underway.

(3) Upon DCR's determination that an applicant's business premises complies with Article 5 of Chapter X of the LAMC, DCR shall immediately allow the applicant to submit a Temporary Approval Application.

(4) Within 60 days of submission of a Temporary Approval application, DCR shall determine whether the applicant has submitted all required information and documents to obtain Temporary Approval. If DCR determines there are any deficiencies in the Temporary Approval application, it shall notify the applicant in writing of the specific documents and information required by DCR. DCR shall not impose any requirements for Temporary Approval that are not specifically listed in Section 104.06. Upon the applicant's submission of the additional information or documents, DCR shall complete its follow up review Within 30 days.

(5) DCR shall schedule and conduct a Temporary Approval inspection within 45 days of a request from an applicant for such inspection.

(6) Whitin <u>15 days</u> of an applicant passing its DCR inspection or DCR determining all Temporary Approval documents have been submitted, whichever occurs last, DCR shall issue the applicant Temporary Approval.

B. Amend Section 104.03(e) as necessary to establish the following specific application and license modification timelines and procedures.

(1) Relocation Requests:

(a) Within 15 days of submission of a relocation request, DCR shall issue the applicant/licensee an invoice.

- (a) Within 14 days of the effective date of any ownership structure change, the applicant/licensee shall request to file an ownership modification request with DCR. Once DCR enables the licensee or applicant to upload ownership modification documents to their licensing portal, the applicant or licensee shall submit to DCR a revised ownership disclosure form, ownership attestations, if applicable, and revised business organization documents, if any.
- (b) Within 60 days of the submission of all required documents, DCR shall update its licensing records to reflect the new ownership structure.
- (c) If DCR determines that the new ownership structure violates any provisions of Article 4 of Chapter X of the LAMC, upon notice from DCR, the applicant/licensee shall be permitted to further amend its ownership structure as necessary to correct any non-compliance.
- (d) An applicant/licensee shall be permitted to continue to operate pending an ownership modification if at least one existing Owner remains as an Owner in any capacity that meets the definition of Owner under applicable state law.
- (4) Change of Business Entity on Application/License. DCR shall review and either approve or deny a request to change the business entity on an application, Temporary Approval, or license within 30 days of submission. DCR may require organizational documents and ownership disclosures for the new business entity; (ii) a new rental lease agreement and landowner authorization in the name of the new business entity; and (iii) indemnification of the City of Los Angeles for any claims arising from the change of entity. An applicant with Temporary Approval or licensee may continue operating under the old business entity until such time that the State of California issues a new state license or licenses to the applicant or licensee under the new business entity. If DCR approves the request, upon request from the state, DCR shall confirm that the applicant's/licensee's local application status is Local Compliance Underway.
- (5) Modification Request Documentation: For each type of modification included in section 104.03(e), DCR shall not require any information or documents from an applicant/licensee not specifically described or referenced in this motion. To the extent any provisions in section 104.03(e) as currently codified require additional documentation not specifically referenced herein, such provisions shall be amended to make them consistent with the document requirements of this motion.
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DCR is in full support of being held accountable to processing timelines. The Motion adds a total of 11 new timelines. In order to do this effectively, the City must ensure that the Department is adequately resourced to administer the timelines it will be held accountable for.

This Motion incorrectly stated that the Department has received a \$22 million grant from the State of California to expedite licensing and claims that these resources as the reasons changes to the licensing process are necessary, urgent and possible. On 11/2 the PLUM Chair amended the Motion to correct this inaccuracy.

DCR does not currently have these resources, nor have other resources been allocated, to empower DCR to administer application processing timelines. associated with the provisions in this motion.

Eliminates Departmental Oversight



A. Amend Sections 104.03 and 104.06 as necessary to provide that DCR shall process all new license applications pursuant to the following timelines and procedures.

 DCR shall issue an applicant a pre-application review fee invoice within 10 days of the applicant's submission of a pre-application.

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- (b) Within 60 days of the submission of all required documents, DCR shall update its licensing records to reflect the new ownership structure.
- (c) If DCR determines that the new ownership structure violates any provisions of Article 4 of Chapter X of the LAMC, upon notice from DCR, the applicant/licensee shall be permitted to further amend its ownership structure as necessary to correct any non-compliance.
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A. License Applications

(4) eliminates DCR's authority to collect and review important Temporary Approval Information

B.License Modifications

(4) & (5) eliminate DCR's authority to collect and review important Application Modification Information

DCR Response



Certain provisions, as written, eliminate DCR's ability to collect information (like true business ownership, management companies etc.) and review the necessary information to provide oversight to Licensing and the Social Equity Program. (a) Within 14 days of the effective date of any ownership structure change, the applicant/licensee shall request to file an ownership modification request with DCR. Once DCR enables the licensee or applicant to upload ownership modification documents to their licensing portal, the applicant or licensee shall submit to DCR a revised ownership disclosure form, ownership attestations, if applicable, and revised business organization documents, if any.

- (b) Within 60 days of the submission of all required documents, DCR shall update its licensing records to reflect the new ownership structure.
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(d) An applicant/licensee shall be permitted to continue to operate pending an ownership modification if at least one existing Owner remains as an Owner in any capacity that meets the definition of Owner under applicable state law.

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Undermines Ownership Requirements



B. License Modifications

- 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.
- 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.



DCR Response

Certain provisions, as written, establish a loophole that will allow for continuous violation of ownership requirements and Social Equity Program requirements.

The Motion would eliminate the carefully designated process in favor of an arbitrary and 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.

Compromises City's Licensing and Social Equity Program

- A. <u>License Applications</u>(2) would establish a requirement that:
- Allows for the issuance of State License(s) to applicants in violation of the City's Licensing and SEP Requirements
- Is inconsistent with State Licensing Requirements
- B. <u>License Modifications</u>(4) would establish a requirement that:
- Allows for the issuance of State License(s) to applicants in violation of the City's Licensing and SEP Requirements
- Is inconsistent with State Licensing Requirements

A. Amend Sections 104.03 and 104.06 as necessary to provide that DCR shall process all new license applications pursuant to the following timelines and procedures.

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DCR Response



In an effort to advance businesses through the licensing process more quickly, by requiring DCR to provide Applicants a status of local compliance underway immediately after the Applicant has completed land use review but without a review of other important application information, certain provisions, as written, would allow non-equity owners, investors, and management companies to skip over the SEP's requirements and would result in the issuance of a state license before DCR has the ability collect any information regarding compliance with local licensing requirements, including SEP requirements. Adopting this policy would remove oversight that is necessary to deter predatory practices of non-equity owners, investors and management companies who seek to advance through the licensing process with no intention of complying with SEP requirements.

Social Equity Program Annual Reporting Requirements



must be enumerated, and include an estimated dollar value of those services. The plan must specify the ownership model in compliance with Section 104.20 to read as follows

b. On or before March 1 of each year, the Non-Equity owner shall submit to the Director an annual report covering the prior calendar year, signed by both the Equity and Non-Equity Owners, describing the services provided by the Non-Equity owner and signing an affidavit confirming compliance with ownership interest requirements set forth in Section 104.20

Social Equity Program Annual Reporting Requirements

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. 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.

October 29, 2021 DCR Report Section VI. DCR's Proposed Amendments





DCR's Proposed Amendments



A. Expedited Services

- B. Amendments to the Definitions of "Owner" and "Primary Personnel"
- C. Refiling
- D. One Year Temporary Approval Application Period
- E. Phase 3 Round 1 Applicants Previously Deemed Ineligible for Sensitive Uses
- F. Business Premises Relocations Outside of the Original Community Plan Area
- G. Amendment to Definition of "Undue Concentration"
- H. Standalone Social Equity Applicant Entity Verification
- I. Aggregation of Social Equity Interests

October 29, 2021 DCR Report Section VII. Conclusion





November 2, 2021 PLUM Committee Meeting & November 5, 2021 PLUM Committee Transmittal Letter







PETTY F. SANTOS EXECUTIVE OFFICER

When making inquiries relative to this matter, please refer to the Council File No. 21-1083



Council and Public Services Division 200 N. Spring Street, Room 395 Los Angeles, CA 90012 General Information - (213) 978-1133

FAX: (213) 978-1079 ----PATRICE Y. LATTIMORE DIVISION MANAGER

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OFFICE OF THE

CITY CLERK

ERIC GARCETTI MAYOR



Councilmember Paul Krekorian, Chair Budget and Finance Committee Attention: Andrew Suh, Legislative Assistant

Councilmember Kevin de León, Chair Immigrant Affairs, Civil Rights, and Equity (IACRE) Committee Attention: Leyla Campos, Legislative Assistant

Councilmember Nithya Raman, Chair Information, Technology, and General Services (ITGS) Committee Attention: Michael Espinosa, Legislative Assistant

RE: TRANSMITTAL FOR COUNCIL FILE NO. 21-1083

On November 2, 2021, the Planning and Land Use Management (PLUM) Committee considered Motion (Harris-Dawson – Price – de León – Ridley-Thomas – Raman) relative to the implementation of changes to the DCR's cannabis licensing process, requesting the City Attorney to prepare and present an Ordinance with an Urgency Clause, and with instructions to the DCR. After providing an opportunity for public comment, the Committee recommended to approve the recommendations contained in the Motion as amended, and amendments to the language of the Motion and its Attachment, as follows:

- REQUEST the City Attorney to prepare and present an Ordinance, with an Urgency Clause, to implement cannabis licensing changes to increase speed and equity in the process, as detailed in the draft proposal attached to Motion (Harris-Dawson – Price – de León – Ridley-Thomas – Raman).
- 2. AMEND the Motion as follows:
 - a. Change the sentence in the sixth paragraph stating that the City was recently granted \$22 million from the State of California to expedite cannabis licensing, to state the following:

AN EQUAL EMPLOYMENT OPPORTUNITY - AFFIRMATIVE ACTION EMPLOYER

The 11/2 PLUM Committee made four amendments to the Motion:

- An amendment to acknowledge that DCR has NOT received resources to date to expedite cannabis licensing.
- An amendment to clarify the commencement of timelines.
- An amendment to allow DCR to conduct SEP Entity Verification (or Equity Share Review) before a Temporary Approval Application is submitted.
- An instruction to DCR to report back to PLUM committee regarding resources necessary to effectuate proposed policy changes.



DCR's Position on Motion (CF-21-1083) as amended by PLUM Committee's November 5, 2021 Transmittal Letter





The Bottom Line



- It is the Department's position that the Motion (CF-21-1083) amended by the November 5, 2021 PLUM transmittal letter, **still** contains provisions that will individually and collectively cause more harm than good.
- DCR is asking City Council to oppose the amended Motion <u>unless</u> these specific provisions, are removed.
 - Collectively these provisions would:
 - Eliminate Departmental Oversight
 - Undermine Ownership Requirements
 - Compromise the City's Licensing and Social Equity Programs
- DCR has coordinated with policymakers, stakeholders, and Applicants to develop the 9 recommendations included in the October 29, 2021, report.
- DCR is asking City Council to support DCR's recommendation to amend the City's cannabis policies consistent with the recommendations included in the October 29, 2021, report.

The Bottom Line (Con't)



- DCR remains committed to meeting the expectations of the City Council regarding Licensing and Social Equity Program, including being held accountable to application processing timelines.
- DCR needs sufficient resources to administer the proposed changes and other mandated responsibilities.
- DCR is finalizing its analysis of the resources needed to administer the proposed changes and other mandated responsibilities.
- DCR looks forward to working with City Council and the Mayor through the City's budget process to ensure DCR is appropriately resourced to administer the responsibilities for which it is held accountable.



Agenda Item #3: END.

Thank You



