

**DEPARTMENT OF  
CANNABIS REGULATION**

CANNABIS REGULATION COMMISSION

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October 23, 2024

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

Attention: Planning and Land Use Management Committee

Dear Honorable Members:

**PROPOSED ORDINANCE AMENDMENTS TO VARIOUS SECTIONS OF ARTICLE 4 OF THE LOS ANGELES MUNICIPAL CODE**

The Department of Cannabis Regulation (DCR) transmits this report to recommend ordinance language for proposed amendments to Article 4, Chapter X of the Los Angeles Municipal Code (LAMC).

This report proposes various amendments to streamline the cannabis licensing process, and includes two urgent amendments to move deadlines currently in effect for January 1, 2025: (1) the start of criminal penalties for Storefront Retail commercial cannabis businesses that do not display a Public Health Permit Emblem Placard issued by the County of Los Angeles; and (2) the end of retail license exclusivity for Type 10 Storefront Retail Licenses for Social Equity Individual Applicants. DCR requests an extension of both dates for the reasons described below. In addition, DCR requests amendments to adjust the Social Equity Individual Applicant criteria in light of recent litigation, establish a new retail lottery process, update the application modification process, correct inconsistencies, and align references to enact the processes listed above.

All proposed amendments are provided in a redlined ordinance in Attachment A.

**DISCUSSION OF AMENDMENTS**

**I. Remove criminal penalties for Retail Storefronts Without an Emblem Placard as of 1/1/2025**

DCR recommends amending Section 104.23(f) to delete the January 1, 2025 deadline for licensed Retail Storefront businesses to procure and display a County-issued Public Health Emblem Placard. Currently, any retailer without a County health permit must stop operating on January 1, 2025 or face criminal penalties. Unfortunately, the County's permitting process is lengthy and few licensees have been able to receive a permit. To avoid penalizing the City's licensees for a County regulatory process, DCR recommends eliminating the deadline and amending the requirement to post an Emblem Placard within five (5) days of receipt. This will allow compliant cannabis activities to continue in the City of Los Angeles as they work in good faith toward a County Public Health Emblem Placard.

II. Extend the Social Equity exclusivity period for retail, delivery and cultivation licenses from 1/1/2025 to 12/31/2025 and administer an additional retail lottery

DCR recommends extending the exclusivity for retail, cultivation and delivery licenses Social until December 31, 2025. Legal challenges to the City's Social Equity program have interfered with DCR's ability to administer additional lotteries to exhausted retail capacity Citywide. An extension of approximately one year of additional time, accompanied with the other revisions below, will provide DCR with the time and flexibility to complete another random selection process to allocate the remaining retail licensing opportunities.

Similarly, DCR recommends a revision to Section 104.06.1 to include a new subsection to permit an additional Storefront Retail Application Lottery for Social Equity Individual Applicants (SEIAs). This amendment will allow DCR to conduct a final lottery before exclusivity for SEIAs expires under the proposed extension of December 31, 2025. As in years past, Social Equity Individuals must be verified and then register to participate in the lottery. DCR proposes that three separate sub-lotteries occur: (1) SEIAs verified under the newly proposed criteria, as described in section III herein; (2) SEIAs who were verified pursuant to the 2019 SEIA criteria; and (3) SEIAs who were verified pursuant to the 2022 SEIA criteria. This will allow previously verified SEIAs who were not successful in previous lottery drawings to receive one final chance at applying for a retail license. The number of licenses available in each drawing will be proportional to the number of individuals registered for that drawing. Applicants who were verified in multiple years must select which of the three sub-lotteries to enter. For applicants seeking to be newly verified under the amended criteria, DCR proposes the addition of a 7 day cure period for prospective SEIAs to correct any deficiencies in their verification paperwork prior to DCR's final determination of their SEIA status. This will provide a second chance for prospective SEIAs to fix minor errors in their submissions.

Finally, DCR recommends an amendment to Section 104.03(a) to allow non-Social Equity Applicants (i.e. general applicants) to apply for Storefront Retail (Type 10) licenses through the public convenience and necessity (PCN) process. The PCN process is the only way to receive a license in a Community Plan Area that has already reached Undue Concentration, as defined in Section 104.01(a). As a result, this amendment will not impact the reservation of Social Equity retail licenses until December 31, 2025, or the allocation of those license opportunities through a lottery, given that those Social Equity Applicants selected in a lottery would have to apply in areas that have not yet reached Undue Concentration or be routed to the PCN process already.

III. Amend Social Equity Individual Applicant criteria

DCR recommends adding a new subsection to Section 104.20 to amend the SEIA criteria for future verifications, including the next retail lottery. Specifically, DCR proposes removing the "Disproportionately Impacted Area" criterion entirely, and removing the California-specific component to the "Cannabis Arrest or Conviction" requirement. These criteria could arguably be construed as violative of the dormant Commerce Clause, if/when it applies to federally-prohibited substances like recreational cannabis. Although the City contends that the dormant Commerce Clause does not currently apply to recreational cannabis due to its prohibition under federal law, and that the City's criteria comprise part of a constitutionally justified means of achieving equitable outcomes, courts around the country have taken inconsistent positions on comparable regulations outside of California. Moreover, the dormant Commerce Clause will undoubtedly apply to recreational cannabis if the federal government legalizes it in the future. Accordingly, out of an abundance of caution, DCR recommends amending the criteria.

#### IV. Changes to the definitions of “Cannabis” and “Microbusiness”

LAMC Section 104.01(a) currently does not have a standalone definition of “cannabis,” and instead refers to the corresponding definition in the Business and Professions Code. Over time, the State has amended the definition in the Business and Professions Code which has created a conflict between the meaning of “cannabis” in LAMC Section 104.01(a), through the incorporation of the Business and Professions Code, and the meaning of “cannabis” in LAMC Section 21.51, which governs the City’s cannabis tax collection. Therefore, DCR recommends a revision to Section 104.01(a) to align the definition of “cannabis” with the definition in LAMC Section 21.51. The new definition will mirror the language approved by the voters in Measure M and ensure consistency across the LAMC. It will also allow DCR to regulate industrial hemp alongside cannabis products.

Separately, DCR recommends a change to the definition of “Microbusiness” in Section 104.02(a). Currently, “Microbusiness” is “as currently defined or will be amended by the State of California.” DCR, however, issues Microbusiness licenses in different circumstances than the State, largely due to zoning and sensitive use considerations in LAMC 105.00 et seq. Therefore, DCR proposes to align the definition with DCR’s existing practice and amend the definition so that a “Microbusiness” is one that “conducts Non-Storefront Retail (Type 9) and distributor (Type 11) Commercial Cannabis Activity.” Accordingly, DCR recommends technical amendments throughout LAMC 104 et. seq to remove references to “Microbusiness with onsite sales” to align with the new definition.

#### V. Changes to the License Denial Reasons

DCR proposes an amendment to Section 104.04 to edit the reasons why a license may be denied. This includes the addition of any citation issued under the City’s Administrative Citation Enforcement (ACE) Program for unlawful cannabis activity. This will ensure that DCR does not inadvertently issue a license to an individual or location (i.e. landlord) who has previously been cited for unlawful cannabis activity. DCR also suggests clarifying that a proposed location is ineligible for licensure if it is located on a parcel of land that was the site of a utility disconnection or padlocking due to unlawful cannabis activity. This will ensure landlords who have previously leased to unlawful cannabis businesses do not escape the prohibitions on licensure at their property simply because the property has an address range or multiple units.

#### VI. Changes to the Annual License Process

DCR recommends amendments to simplify and clarify the Annual License process based on experiences conducting the Annual License process since April 2024. For example, DCR suggests the addition of a provision that makes clear DCR may recommend a continuance of an application pending before the Cannabis Regulation Commission if DCR has not received proof that the applicant contacted the relevant Neighborhood Council before the Commission hearing. Similarly, another amendment would establish a pause on DCR’s 90 day deadline to transmit a recommendation to the Cannabis Regulation Commission if the applicant has not resolved outstanding compliance violations or is subject to an ongoing compliance investigation. This will provide additional time for the applicant and DCR to attempt to resolve compliance issues, and therefore ensure the Cannabis Regulation Commission has complete information about the business, before the Commission must determine whether or not to issue a license. It will also provide DCR additional time to consider whether to deny the license due to an applicant’s unwillingness or inability to correct violations.

## VII. Changes to Legal Remedies

DCR proposes an amendment to clarify that DCR may use any legal remedy available under the law to collect unpaid administrative penalties, including a civil action or recordation of a lien. As DCR's enforcement program issues an increasing number of Notices of Violation with associated monetary penalties, DCR needs the ability to pursue a collection action when those penalties go unpaid. This will ensure equitable enforcement of the regulations and that all who are cited pay the requisite fines.

## VIII. Clean-up amendments to implement the policies described above, fix cross-references, and ensure consistency

DCR recommends a revision to Section 104.01(a)(40) to change the definition of "Undue Concentration." Currently, "Undue Concentration" is reached only once the number of licensed locations has exceeded the ratio of one Storefront Retailer (Type 10) License per 10,000 residents. However, applications can exceed the number of available licenses in a given Community Plan Area (CPA). Applicants may sign leases and undertake expensive tenant improvements in a certain CPA, only to find that DCR cannot issue a license because Undue Concentration has been reached after the submission of their application. This new definition will allow the cap to take effect once the requisite number of applications have been filed, providing increased transparency.

DCR recommends revisions to Sections 104.03(c)(6) to clarify when modifications can be made to an Application or License and to align the forms and documents required for particular processes with DCR's existing practices and/or DCR's Rules and Regulations. The majority of the proposed changes to the modification rules stem from the fact DCR is phasing out the Temporary Approval application and modification processes and transitioning into Annual Licenses. For example, when a licensed business relocates, DCR proposes an amendment to require that the business submit a new Annual Application and complete the Annual Application process for the new proposed business premises. This will ensure that a retail Annual License is not simply transferred from one location to another without Neighborhood Council and community input or approval from the Cannabis Regulation Commission.

DCR recommends removing the existing provisions of Section 104.03(g) and consolidating all rules concerning the refiling process into a single subsection, Section 104.03(h). This will collapse the currently different requirements for refiling between Social Equity and general applicants in favor of a single set of rules applicable to all.

DCR proposes replacing the former Section 104.03(g) with a revision to clarify when any record is determined to be "filed." Currently, processing timelines begin at the filing of certain documents, however, the term "filed" is not clearly defined. This amendment clarifies that a document or application is filed once all completed information has been submitted to the DCR Licensing Portal **and** the payment of all relevant fees have been cleared by the City's Office of Finance. This amendment will ensure that DCR remains full cost recovery and that the City collects fees for services prior to rendering those services.

DCR recommends a revision to Sections 104.03(h) and 104.03(h)(1) to clarify that refiling is only available for Annual Applications within one year of abandonment. Currently, this option is available only to Temporary Approval Applicants. Given that DCR is transitioning all applications to the Annual Licensing process, this change more accurately reflects the current licensing process and will ensure applicants do not lose the ability to refile.

RECOMMENDATION:

1. Approve the amendments to Article 4, Chapter X of the Los Angeles Municipal Code proposed herein and in the attached redlined ordinance (Attachment A);
2. Request the Office of the City Attorney to prepare and present an ordinance to amend Article 4, Chapter X of the Los Angeles Municipal Code in accordance with the proposed amendments; and
3. Include an urgency clause in the ordinance transmitted for City Council consideration.

The above recommendations seek to improve the administration of the City's commercial cannabis licensing and Social Equity Program. Your time and consideration of this proposal is greatly appreciated. If you have any questions or concerns, please contact Jason Killeen, Assistant Executive Director at (213) 978-0738.

A handwritten signature in black ink, appearing to read 'Michelle Garakian', with a long horizontal stroke extending to the right.

MICHELLE GARAKIAN  
Executive Director

Attachment: Redline of Proposed Ordinance Amendments

**104.01(a):**

7. “**Cannabis**” means cannabis as defined in Section 21.51 of the Los Angeles Municipal Code, as currently defined or may be amended. ~~Section 26001 of the California Business and Professions Code, as currently defined or as may be amended.~~

40. “**Undue Concentration**” means the Applicant’s Business Premises is located within a higher **License** to population ratio within the community plan based on the American Community Survey, updated annually, than the following: **ratio of one License per 7,500 residents for Storefront 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). ~~For the purposes of calculating Undue Concentration, “License” includes Pre-Application and Annual License Applications. 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 Storefront Retailer (Type 10) Licenses. A Microbusiness involved in Cultivation counts towards the Undue Concentration limits applied to Cultivation Licenses (Types 1A, 1C, 2A, 3A, and 5A). The following Persons shall not be subject to a finding of Public Convenience or Necessity: (1) an EMMD; (2) an Applicant eligible for processing under Section 104.08; (3) an Application filed pursuant to Section 104.06.1(b) and deemed eligible for further processing pursuant to Section 104.03(a); (4) an Application filed pursuant to Section 104.06.1(e)(5) and deemed eligible for further processing pursuant to Section 104.03(a); and, (5) a refiled Application pursuant to Section 104.03(i) and 104.03(j).~~ Applications submitted prior to a community plan reaching Undue Concentration are not subject to a finding of Undue Concentration.

**104.02:**

(a) DCR shall issue Licenses authorizing adult-use and medical Commercial Cannabis Activity. A License is required for any of the following Commercial Cannabis Activities and ~~shall be issued as A (Adult) and/or M (Medical) categories~~ shall be issued individually for each activity type:

1. RETAILER COMMERCIAL CANNABIS ACTIVITY - Type 10 - **Storefront** Retailer; Type 9 - **Delivery**, as currently defined or amended by the State of California. A Person may not hold more than three Type 10 Licenses. A Person with an aggregate ownership or profit-sharing interest of 20 percent or more in the Person applying for a License may not hold more than three Type 10 Licenses, unless the interest is solely a security, lien, or encumbrance.

2. MICROBUSINESS COMMERCIAL CANNABIS ACTIVITY - Type 12 - Microbusiness ~~as currently defined or amended by the State of California. Microbusiness,~~

is a business that conducts Delivery (Type 9) and distributor (Type 11) Commercial Cannabis Activity.

**104.03(a)(1):**

1. **Public Convenience or Necessity (PCN) Process.** Pursuant to this subsection, DCR shall process Storefront Retail (Type 10) Applications from all Applicants, including Applicants not subject to Section 104.20, with a Business Premises located in a Community Plan Area that has reached Undue Concentration. If the Applicant's proposed Business Premises is located in a Community Plan Area that has reached Undue Concentration, the Applicant must request that the City Council find that approval of the License Application would serve the public convenience or necessity. Prior to seeking a finding from the City Council, the Applicant shall submit Pre-Application Record and pay a Pre-Application Review Fee pursuant to Section 104.19 for DCR to determine if the proposed Business Premises location complies with Section 104.04(b).

**104.03(c)(4):**

4. **Pre-Application Record.** Persons shall not be permitted to modify a Pre-Application Record. ~~Pre-Application Records filed as sole proprietorships may be converted to a different type of legal entity by submitting a new entity on the Temporary Approval or Annual Application information, forms, and documents. The Person identified in the Pre-Application Record may be modified a single time during the application process, after which it may not be further modified and/or amended until a License is issued.~~

**104.03(c)(6):**

6. **Temporary Approval.** Licensees with Temporary Approval may submit only the types of Temporary Approval modification requests listed in Paragraphs (i) - (iii), or as permitted in the Rules and Regulation. Persons shall not be permitted to sell, lease, lend, or otherwise transfer a Temporary Approval. Temporary Approval is not transferable or assignable to another Person. ~~unless an Entity Substitution modification request is approved by DCR.~~

(i) **Business Premises Relocation.** Licensees shall not relocate Commercial Cannabis Activity without prior written approval by DCR. DCR shall review the relocation request and notify the Licensee if the new proposed Business Premises location complies with Section 104.04(b). ~~If the proposed location complies with Section 104.04(b), the Licensee shall submit a new Annual License Application and pay all applicable application fees. The new Annual License Application shall be processed in accordance with Section 104.06. If an Annual License is issued, the Licensee shall :-(1) provide a copy of an executed lease or property deed for the new location; (2) provide a landowner~~

~~acknowledgment that the Licensee has the right to occupy the property for purposes of conducting the Commercial Cannabis Activity associated with the License; (3) provide a Business Premises diagram; and (4) pay the Business Premises Relocation Fee pursuant to Section 104.19. If the relocation is deemed to be a discretionary project under CEQA, compliance with CEQA will follow the procedures in Section 104.06(d).~~

(A) Licensees authorized to conduct Commercial Cannabis Activities for cultivation (Types 1A, 1C, 2A, 3A, 5A), volatile manufacturing (Type 7), and Storefront Retailer ~~or Microbusiness Commercial Cannabis Activity with on-site sales~~ (Type 10 ~~or 12~~), may relocate within the same Community Plan Area or to a ~~new~~ Community Plan Area that has not reached Undue Concentration.

(B) Licensees authorized to conduct Commercial Cannabis Activities not identified in Subparagraph (A) may relocate to another location within the City.

(C) Licensees shall meet the Temporary Approval and/or Operating Permit requirements at the new Business Premises before conducting Commercial Cannabis Activity at the new Business Premises. Licensees shall request cancellation of the ~~License(s) Temporary Approval~~ issued to the Business Premises from which it seeks to relocate before Temporary Approval or an Operating Permit can be issued for the new Business Premises.

(D) Any Temporary Approval and/or Operating Permit issued for Storefront Retailer ~~Commercial Cannabis Activity or Microbusiness Commercial Cannabis Activity with on-site sales~~ (Type 10 ~~or 12~~) at the original Business Premises shall expire no later than 180 days from the date the ~~new Annual License Application Fee for the new Business Premises Business Premises Relocation Fee~~ is paid. DCR may, in sole discretion, grant an extension beyond the initial 180 days by allowing a Licensee to renew, in 90 day increments, a Temporary Approval and/or Operating Permit issued at the prior Business Premises location if it would not prevent DCR from issuing a Temporary Approval and/or Operating Permit to another commercial cannabis business. The original Business Premises for a Licensee approved to relocate shall not be considered for the purposes of distancing requirements under LAMC Section 105.02(a)(1)(B) during the initial 180 day period.

(ii) **Physical Modification of Business Premises.** Licensees shall not perform interior physical modifications, alterations, additions, or expansions of the Business Premises without written approval from DCR. DCR may require: (1) a copy of an executed lease with proof of a deposit or property deed if the



expansion includes additional adjacent units; (2) landowner acknowledgement that the Licensee has the right to occupy the Business Premises; (3) ~~an updated Business Premises diagram~~ ~~site plan if the Business Premises diagram has been expanded~~; (4) any additional documents or information DCR deems necessary to consider the request; and (5) an inspection.

(A) Licensees may increase the cultivation area within the existing Business Premises provided that the resulting cultivation area does not exceed the maximum cultivation area allowed for the license type under which the License was issued.

(iii) **Entity Substitutions.** A Licensee may submit a request to ~~transfer substitute the entity associated with~~ the License ~~to a new Person. Once the entity substitution request modification is approved~~, Licenses may be transferred to a new ~~Person entity~~ provided a new ~~Annual License~~ Application is filed for the new ~~Person entity~~, and all required application fees are paid. ~~The new Annual Application shall be processed pursuant to Section 104.06.~~ Any previously-issued License shall be canceled before a License is issued to the new ~~Person entity~~. The new ~~Person entity~~ shall not operate until a new Temporary Approval or Operating Permit has been issued by DCR. An entity substitution request shall include notarized signatures from the Authorized Agent, as defined in DCR's Rules and Regulations, and, if applicable, the Social Equity Individual Applicant(s). If an Authorized Agent has not been designated, notarized signatures are required from a majority of the Owners that own the ~~Application or~~ Licensee entity directly without any intervening entities or Persons. If an Owner is an entity, the CEO or President, or equivalent executive position, may sign on behalf of the entity. If the ~~Application or~~ License is subject to the requirements of Section 104.20, the ~~License transfer~~ request shall also include a notarized signature from the Social Equity Individual Applicant(s) associated with the ~~Application or~~ License.

#### 104.03(c)(9):

9. **Operating Permit.** Operating Permits are not transferable or assignable to another Person. If a Licensee has been issued an Operating Permit for the Business Premises from which it seeks to relocate, the Licensee shall request cancellation of its Operating Permit at the original Business Premises before an Operating Permit for the new Business Premises may be issued. The Licensee shall meet all Temporary Approval or Operating Permit requirements at the new Business Premises prior to conducting Commercial Cannabis Activity. Any Temporary Approval and/or Operating Permit issued for the Storefront Retailer ~~or Microbusiness~~ Commercial Cannabis Activity ~~with on-site sales~~ (Type 10 ~~or 12~~) at the original Business Premises shall expire no later than 180 days from the date the Business Premises Relocation Fee is paid. DCR may, in its sole discretion, grant an extension beyond the initial 180 days by allowing a Licensee to renew, in 90 day increments, a Temporary Approval and/or Operating Permit issued at the prior Business Premises location if it would not prevent DCR from issuing a Temporary

Approval and/or Operating Permit to another commercial cannabis business. The original Business Premises for a Licensee approved to relocate shall not be considered for the purposes of distancing requirements under LAMC Section 105.02(a)(1)(B) during the initial 180-day period.

**Delete and replace existing 104.03(g):**

(g) **Filing.** Unless otherwise specified, any record, including but not limited to a Legal Business Entity Record, Pre-Application Record, Annual License Application, renewal record, or modification record, shall be filed following: (1) the submission of all required and completed information, forms, and documents through the DCR Licensing Portal for that particular Application or modification process; and, (2) the payment of all relevant fee(s) pursuant to Section 104.19 for that Application or modification process. The date of filing shall be the date the payment clears at the City's Office of Finance, or the date that DCR determines the information, forms, and documents are complete, whichever is later.

~~(g) **Refiling – Social Equity Applications.** The Social Equity Individual Applicant associated with a Social Equity Applicant that has an Application abandoned under Section 104.03(f) after January 1, 2022, or a License that expired under Section 104.12, may refile an Application subject to the requirements of this subsection. Applications abandoned after June 30, 2023, may not be refiled unless the Application was filed pursuant to Sections 104.05(a) or 104.06(a). If more than one Social Equity Individual Applicant is listed on the initial Application or License, the refiled Application shall be submitted by the original Social Equity Applicant entity. An Application abandoned after June 30, 2023 must be refiled as an Annual Application unless the Applicant has an active corresponding State provisional license. The refiling process shall be initiated through the DCR Licensing Portal within three (3) years of the date DCR notifies the Social Equity Applicant by electronic mail that the original Application is abandoned or the License expired.~~

~~—1.— To refile, the Applicant shall submit a new Pre-Application Record pursuant to Section 104.03(a). If DCR determines that the proposed Business Premises location complies with Section 104.04(b), within one (1) calendar year of the date DCR notifies the Applicant by electronic mail that the Pre-Application Record is eligible for further processing, the Applicant shall submit an Application with all required information, forms, and documents, including all business records and agreements necessary to demonstrate that the Social Equity Individual Applicant(s) owns the minimum Equity Share required under Section 104.20(a)(2). If a Pre-Application Record filed pursuant to this subsection is ineligible, the Applicant shall be permitted to submit a new Pre-Application Record(s) identifying new Business Premises location(s), subject to the payment of any applicable fee in Section 104.19, and provided that the new Pre-Application Record(s) is submitted within the original three (3) year time limitation.~~

~~—2.— The refiled Application may not seek authorization to conduct any Commercial Cannabis Activities that were not listed in the original Application. A refiled Application~~

~~is not subject to a finding of Undue Concentration provided it is refiled in the same Community Plan Area as the original Application or a Community Plan Area that has not reached Undue Concentration. Applications originally subject to a finding of public convenience or necessity under Section 104.03(a)(1) shall be refiled at the same proposed Business Premises.~~

~~—3. A refiled Temporary Approval Application or Annual License Application that is later deemed abandoned for any reason may not be refiled.~~

~~—4. An Application abandoned, for any reason, prior to January 1, 2022, may not be refiled.~~

~~—5. An Application previously denied, denied by operation of law, or deemed ineligible for further processing may not be refiled.~~

(h) **Refiling Applications.** ~~Provided that the Applicant is not subject to the provisions of Section 104.20, a~~An Applicant may refile a ~~Temporary Approval Application or Annual License Application~~ subject to the requirements of this subsection if the **Annual License** Application was deemed abandoned under Section 104.03(f) after January 1, 2022. An Applicant also may refile an **Annual License** Application subject to the requirements of this subsection if the Applicant possessed a License that expired under Section 104.12. Applications abandoned after June 30, 2023, may not be refiled unless the Application was deemed filed pursuant to Sections 104.05(a) or 104.06(a). ~~The refiled Application shall be submitted by the original Applicant entity. If the Applicant has an active corresponding State provisional license, the Applicant may request Temporary Approval.~~ The refiling process shall be initiated through the DCR Licensing Portal within three (3) years of the date DCR notifies the Applicant by electronic mail that the original Application is abandoned or expired.

1. To refile, the Applicant shall submit a new Pre-Application Record pursuant to Section 104.03(a). If DCR determines the proposed Business Premises location complies with Section 104.04(b), the Applicant shall submit an **Annual License** Application with all required information, forms and documents within one (1) calendar year of the date DCR notifies the Applicant by electronic mail that the Pre-Application Record is eligible for further processing. ~~If an Annual License Application is not filed within one (1) calendar year, the Pre-Application shall be abandoned.~~ If a Pre-Application Record filed pursuant to this subsection is ineligible, ~~withdrawn, or abandoned~~, the Applicant may submit a new Pre-Application Record(s) identifying new Business Premises location(s), subject to the payment of any applicable fee in Section 104.19, and provided that the new Pre-Application Record(s) is submitted within the original three (3) year time limitation.

2. The refiled Application may not seek authorization to conduct any Commercial Cannabis Activities that were not listed in the original Application. A refiled Application is not subject to a finding of Undue Concentration provided it is refiled in the same Community Plan Area as the original Application or a Community Plan Area that

has not reached Undue Concentration. Applications originally subject to a finding of public convenience or necessity under Section 104.03(a)(1) shall be refiled at the same proposed Business Premises.

3. A refiled **Annual License** Application that is later deemed abandoned for any reason may not be refiled.

4. An Application abandoned, for any reason, prior to January 1, 2022, may not be refiled.

5. An Application previously denied, denied by operation of law, or deemed ineligible for further processing may not be refiled.

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

**104.04(a):**

(a) **General Denial Reasons.** With no hearing and based upon written findings supported by evidence in the record, the issuance of Temporary Approval, an Annual License, or the renewal of Temporary Approval or an Annual License, may be denied for any of the following reasons:

~~1. The Business Premises is substantially different from the diagram of the Business Premises submitted by the Applicant or Licensee, in that the size, layout, location of common entryways, doorways, or passageways, means of public entry or exit, or limited-access areas within the Business Premises are not the same;~~

2. The Applicant or Licensee denied DCR employees or agents access to the Business Premises;

3. The Applicant or Licensee procured the License by fraud or deceit, made a material misrepresentation, false statement, or knowingly failed to disclose a material fact;

4. The Applicant or Licensee failed timely to provide DCR with requested information, forms or documents;

5. The Applicant or Licensee was denied a license, permit or other authorization to engage in Commercial Cannabis Activity by ~~the State of California; any state or other local licensing authority;~~
6. Issuance of a License would create a significant public safety problem as documented by a law enforcement agency;
7. The Applicant or Licensee failed to adhere to the requirements of this article or the Rules and Regulations;
8. The Applicant or Licensee engaged in unlicensed Commercial Cannabis Activity in violation of Section 104.15;
9. Temporary Approval has been ~~denied or~~ revoked;
10. The Applicant or Licensee failed a Business Premises inspection by DCR, another City agency, or the Los Angeles County Department of Public Health, ~~or was denied a license, permit, or other authorization required to engage in Commercial Cannabis Activity by any other agency;~~ or
11. If the Application is subject to Section 104.20, the Applicant or Licensee failed to comply with any requirement in Section 104.20.

**104.04(b)(8) to (10) and add a new (11):**

8. For a period of five years from the date of any conviction if the Business Premises is located on a parcel of land used as an Unlawful Establishment, in violation of Section 104.15, on or after January 1, 2018;
9. For a period of five years from the date of any utility disconnection if the proposed Business Premises ~~is located on a parcel of land that~~ was the site of a disconnection of utilities under Section 104.15(e);
10. For a period of five years from the date of any padlocking if the proposed Business Premises ~~is located on a parcel of land that~~ was the site of padlocking under Section 104.15.1; or
11. ~~For a period of five years from the date of any citation issued under the City's Administrative Citation Enforcement Program for a violation of Section 104.15, on or after January 1, 2018.~~

**104.04(e):**

(e) **Suspension for Unlicensed Activity or Life Safety Violations.** DCR may immediately suspend a Temporary Approval or Operating Permit without a hearing based upon DCR's discovery or notice from another city, state or public agency that: (1) the Licensee's use of or conduct at the Business Premises poses an imminent threat to life or public safety; (2) the Licensee is conducting Commercial Cannabis Activity without all necessary permits, inspections or similar clearances ~~from the City~~, state or other public agency; or (3) the Licensee is conducting Commercial Cannabis Activity without an active State License for that Commercial Cannabis Activity. After suspension, the Licensee may request an administrative hearing pursuant to Section 104.14. A Licensee may not conduct Commercial Cannabis Activity while the Temporary Approval or Operating Permit is suspended.

**104.06(a) and (b):**

(a) **Annual License Application – Filing.** An Annual License Application shall be filed following: (i) the issuance of Temporary Approval pursuant to Section 104.05 or a determination that the Pre-Application Record is eligible for further processing pursuant to Section 104.03(a); (ii) the submission to DCR's Licensing Portal of all completed Annual License Application information, forms, and documents required by the Rules and Regulations; (iii) the submission of a complete project description pursuant to Subsection (d); (iv) the payment of the applicable application fee(s) for each Commercial Cannabis Activity pursuant to Section 104.19; and (v) payment of the applicable environmental assessment fee(s) pursuant to Section 104.19. DCR may request additional information and documents from the Applicant at any time during application processing, subject to payment of any fees under Section 104.19. The Annual License Application shall be abandoned if requested information, ~~forms~~, or documents are not submitted, or fees are not paid, within the allotted time.

(b) **Annual Licenses for Storefront Retailer Commercial Cannabis Activity ~~or Microbusiness with On-Site Sales (Type 10 and 12).~~**

1. Within 30 days of the filing of an Annual Application for Storefront Retailer Commercial Cannabis Activity ~~or Microbusiness with on-site sales~~ pursuant to Subsection (a), DCR shall send a Notice of Complete Application by electronic mail to: (1) the Applicant; (2) the closest Neighborhood Council; (3) the relevant business improvement district, if one exists; and (4) the City Council Office within which the Business Premises is situated. The notice shall contain the following information: purpose of the notice, name of the Applicant, Application number, Business Premises address, Commercial Cannabis Activities requested, and the Council District and Community Plan Area in which the Business Premises is located. The notice shall also inform interested parties about how to provide DCR with information about the Application. DCR shall also post the notice to its website.

(i) After receipt of the Notice of Complete Application, the Applicant shall pay the required ~~notice fees pursuant to Section 104.19(d), the meeting and~~



hearing fees pursuant to Section 104.19(e), as well as any outstanding fees, within 30 days from the date of the invoice.

(ii) Within 10 days of receipt of the Notice of Complete Application for Storefront Retailer ~~or Microbusiness with on-site sales~~, the Applicant or a designated representative shall contact the Neighborhood Council in which the Storefront Retailer Commercial Cannabis Activity ~~or Microbusiness~~ is located and offer to appear before the Neighborhood Council to address questions about the Application. Written evidence of the Applicant's offer to appear shall be provided to DCR, such as an email to the Neighborhood Council or a copy of the meeting minutes. ~~If the Applicant fails to contact the Neighborhood Council, DCR may request a continuation of the Applicant's public hearing.~~

(iii) Within 45 days of sending a Notice of Complete Application, DCR shall conduct a community meeting via video or telephone conferencing, ~~or in-person within the defined geographic area of the Area Planning Commission within which the Business Premises is situated.~~ DCR shall provide notice of the community meeting no less than 20 days prior to the date of the community meeting.

(A) The notice of meeting shall contain the following information: date, time and place where the meeting or public hearing will be held, or if the meeting will be held via video or telephone conferencing, a link to the virtual meeting. The notice also shall include: the purpose of the meeting, name of the Applicant, Application number, Business Premises address, Commercial Cannabis Activities requested, and the Council District and Community Plan Area in which the Business Premises is located. The notice shall inform interested parties how to provide DCR with information about the Application.

(B) DCR shall send the notice by U.S. mail to: (1) the Applicant; ~~(2) Applicant's Owners and Authorized Agent(s), as defined by the Rules and Regulations;~~ and ~~(23)~~ the owners and occupants of all property within 700 feet of the property line of the lot on which the proposed Business Premises is located. For the purpose of notification of property owners, the last known name and address of owners as shown on the records of the City Engineer or the records of the County Assessor shall be used. For occupants, the notice shall be addressed to "occupant" and mailed to all property addresses within the 700-foot radius. ~~Where all property within the 700-foot radius is under the same ownership as the Business Premises, the owners of all property that adjoins that ownership, or is separated from it only by a street, alley, public right-of-way or other easement, shall also be notified as set forth above.~~

(C) DCR shall post the notice on its website and shall send the notice by electronic mail to: (1) the closest Neighborhood Council in which Business Premises is located; and (2) the relevant business improvement district, if one exists; and (3) the City Council Office within which the Business Premises is situated.

(D) DCR shall electronically provide the Applicant with a notice that the Applicant shall post in conspicuous place on the Business Premises. The posted notice shall be printed by the Applicant on a minimum of 11" x 17" paper size with a minimum 20 font size. The notice shall be posted immediately upon receipt.

(iv) At the community meeting, DCR shall accept written and oral testimony regarding the Application and then prepare a written report to the Commission summarizing the testimony in favor and against the Application.

2. Within 90 days of the date DCR sends a Notice of Complete Application, DCR shall either deny the issuance of the Annual License with no hearing, or make a recommendation to the Commission to issue the Annual License. The date of the recommendation shall be the date when DCR transmits its report to the Commission for consideration. Except as otherwise permitted under Sections 104.03(a)(1) and 104.07, Type 10 Licenses shall be limited to only Social Equity Applicants, as defined in Section 104.20(a) and (b), until ~~January 1~~ December 31, 2025.

(i) DCR or the Commission may deny the issuance of an Annual License based on written findings for any of the reasons listed in Section 104.04.

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

(iii) If DCR recommends approval of the Application, the Commission shall make the determination whether to issue the Annual License after it conducts a public hearing. Notice of the hearing shall be provided as described in subsection (b)(1)(iii)(A) - (D) no less than 20 days prior to the date of the hearing.

(iv) The Commission shall consider the decision by DCR to recommend approval of the Application, the written summary of the community meeting prepared by DCR, the record before DCR, and any written information and oral testimony timely provided to the Commission.



(v) The Commission's decision to deny the issuance of the Annual License is final and effective upon the close of the 15-day appeal period if not timely appealed to the City Council by the Applicant as provided in Section 104.10. A final denial of an Annual License after exhaustion of all administrative appeals shall terminate any active Temporary Approval.

(vi) The Commission may approve the issuance of the Annual License with written findings supported by evidence in the record that the Applicant and Business Premises meet the requirements of this article. The Commission may impose conditions to address public safety concerns based on evidence in the record. The Commission shall not approve the issuance of an Annual License for an Applicant subject to a finding of Undue Concentration unless the City Council has found that approval of the Application would serve a public convenience or necessity. The issuance of an Annual License is not appealable.

3. If at any time during the processing of an Annual License Application it is discovered that an Annual License Application has been improperly prepared, required information, forms or documents have not been submitted in accordance with this article or the Rules and Regulations, **or Applicant or Licensee is subject to a pending compliance inspection or investigation by DCR**, upon notification to the Applicant **or Licensee**, processing of that Annual License Application shall be suspended until the Annual License Application has been corrected or the required information, forms or documents are provided, **or the compliance inspection or investigation has been fully resolved. Within 90 days of the date the corrected or required information, forms or documents are provided to DCR, or DCR determines the compliance inspection or investigation has been fully resolved, DCR shall either deny the issuance of the Annual License with no hearing, or make a recommendation to the Commission to issue the Annual License.**

4. Unless the Licensee holds an active Temporary Approval, the issuance of an Annual License shall not authorize the Licensee to conduct Commercial Cannabis Activity until an Operating Permit is issued pursuant to Subsection (e). After an Annual License is issued, the Licensee shall obtain an Operating Permit before conducting Commercial Cannabis Activity.

5. After the issuance of an Annual License by the Commission, DCR may deny the renewal of the Annual License for any of the reasons stated in Section 104.04 based upon written findings supported by evidence in the record. The Licensee may request an administrative hearing pursuant to Section 104.14.

**104.06(c):**

(c) **Annual Licenses for All Other Commercial Cannabis Activity.** For Commercial Cannabis Activity that is not **Storefront** Retailer Commercial Cannabis Activity ~~or~~

~~Microbusiness with on-site sales~~, within 30 days of the filing of an Annual Application pursuant to Subsection (a), DCR shall send a Notice of Complete Application by electronic mail to the Applicant. DCR shall either deny the issuance of the Annual License with no hearing at any time during application processing, or, within 90 days of the date DCR sends a Notice of Complete Application, approve the issuance of the Annual License with no hearing. Except as otherwise permitted under Sections 104.07 and 104.08, Types 1A, 1C, 2A, 3A, 4, 5A and 9 Licenses shall be limited to only Social Equity Applicants, as defined in Section 104.20(a), until ~~December 31 January 1~~, 2025.

**104.06(c)(3):**

3. If at any time during the processing of an Annual License Application it is discovered that an Annual License Application has been improperly prepared, required information, forms or documents have not been submitted in accordance with this article or the Rules and Regulations, ~~or the Licensee is subject to a pending compliance inspection or investigation by DCR~~, upon notification to the Applicant, processing of that Annual License Application shall be suspended until the Annual License Application has been corrected or the required information, forms or documents are provided, ~~or the compliance inspection or investigation has been fully resolved~~. Within 90 days of the date the corrected or required information, forms or documents are provided to DCR, or DCR determines the compliance inspection or investigation has been fully resolved, DCR shall either deny the issuance of the Annual License with no hearing, or make a recommendation to the Commission to issue the Annual License.

**Remove 104.06.1(c)(6) and renumber (7) to (6)**

**Replace subsection (d) with the following:**

**(d) Type 10 Application Processing – Round 3.**

1. **Applicant Eligibility Verification.** DCR shall establish a 15 calendar day eligibility verification period for individuals to apply to be verified under the revised eligibility criteria in Section 104.20(a)(3). An Applicant shall pay the SEIA Eligibility Verification Fee pursuant to Section 104.19(a) within 30 days of being issued an invoice by DCR. After the close of the 15 day eligibility verification period, DCR shall review eligibility verification submissions and notify the Applicant by electronic mail if there are deficiencies. The Applicant shall have 7 days from the date of the notification to submit documentation to correct any identified deficiencies. DCR's determination of whether an individual is a Social Equity Individual Applicant shall be made with no hearing, is final and not appealable.

2. **Registration Period.** DCR shall, on a date beginning at its sole discretion, accept registrations for an Application lottery under this subsection for a period of 7 calendar days from verified Social Equity Individual Applicants. ~~as defined in Section~~

~~104.20(b). DCR shall not accept registrations under this subsection before it has made technical assistance available for a period of at least 45 calendar days to prospective or verified Social Equity Individual Applicants.~~

3. **Social Equity Individual Applicant.** To be eligible to participate in the Application lottery pursuant to Subsection (d)(4), the Applicant shall have an individual Owner that is a Social Equity Individual Applicant previously verified pursuant to Section 104.20(a)(1) or (a)(2), or verified pursuant to Section Section 104.20(a)(3). A Social Equity Individual Applicant shall be disqualified from participating in the Application lottery for any of the offenses specified in Section 104.04(c) or (d).

4. **Application Lottery.** Verified Social Equity Individual Applicants who have registered pursuant to subdivision 2 shall be entered into an Application lottery. DCR may identify as many Social Equity Individual Applicants eligible for further processing through an Application lottery as there are total available Licenses in Community Plan Areas that have not reached Undue Concentration. Three separate drawings shall be held for: (1) Social Equity Individual Applicants previously verified pursuant to Section 104.20(a)(1); (2) Social Equity Individual Applicants previously verified pursuant to Section 104.20(a)(2); and (3) Social Equity Individual Applicants verified pursuant to Section 104.20(a)(3). An Social Equity Individual Applicant may register for only one drawing. The number of licenses available in each drawing shall be proportional to the number of registered individuals for that drawing. Social Equity Individual Applicants shall be randomly selected during the lottery, which shall take place at a location, date and time determined by DCR in its sole discretion. DCR shall post a notice at least 15 calendar days prior to the lottery, which shall include the procedures and protocol to conduct the lottery and information regarding how the public can view or live stream the event. Applications drawn at the lottery shall be processed pursuant to Section 104.06.1(d)(5).

5. **Business Premises.** Social Equity Individual Applicants selected during the Application lottery shall have until two (2) years from the date of the Application lottery, to submit their Pre-Application Record using a compliant property in any Community Plan Area that has not reached Undue Concentration on a first come, first served basis until each Community Plan Area has reached Undue Concentration. Social Equity Individual Applicants shall submit a Pre-Application Record through the DCR Licensing Portal, including all documents as determined by DCR, and pay a Pre-Application Review Fee pursuant to Section 104.19 for DCR to determine the eligibility of a proposed Business Premises location pursuant to Section 104.03(a) and Article 5 of Chapter X of this Code. Pre-Application Records shall be processed by DCR in the order filed. A Social Equity Individual Applicant whose Business Premises location is deemed ineligible under Section 104.03(a) and/or Article 5 of Chapter X of this Code shall be permitted to submit new Pre-Application Record(s) identifying new Business Premises location(s), subject to the payment of any applicable fee in Section 104.19, and provided that the new Business Premises location(s) is submitted prior to the expiration of the original two (2) year period. If the Pre-Application Record is eligible for

further processing, the Social Equity Individual Applicant shall submit an Annual License Application through the DCR Licensing Portal, including all required information, forms, and documents, within one (1) calendar year of the date DCR notifies the Applicant by electronic mail that the Pre-Application Record is eligible for further processing.

6. **Additional Application Lottery.** If additional capacity is available in any Community Plan Area after a lottery ends, DCR will hold another lottery pursuant to this subsection.

7. **Application Fees.** An Applicant shall pay all required application fees pursuant to Section 104.19 within 30 days of being issued an invoice by DCR, or the application shall be deemed abandoned.

**104.13(b)(1):**

1. **Administrative Penalties.** In addition to any of the remedies and penalties set forth in this article or any other law, DCR may impose administrative penalties on a Licensee using the violation classifications in the Rules and Regulations and the fine amounts specified in Section 104.19. Repeat violations may result in escalation to a higher class of violation. DCR may use any legal remedy available to collect unpaid administrative penalties, including, but not limited to, civil action, injunctive relief, specific performance, and the recordation of a lien or a notice of the administrative violation against real property pursuant to the procedures set forth in this Code and in accordance with applicable law. DCR shall also be entitled to recover all attorney's fees and costs incurred to collect unpaid administrative penalties.

**104.14(f)(5):**

5. For hearings pursuant to subsection (a)(1)-(4), within 30 days of the conclusion of the hearing, the hearing officer shall issue a written decision that includes a statement of the factual and legal basis of the decision. For hearings pursuant to subsection (a)(5), within 24 hours of the conclusion of the hearing, the hearing officer shall issue a written decision that includes a statement of the factual and legal basis of the decision. The hearing officer shall use a de novo standard of review and may uphold or reject, in whole or in part, DCR's action. The hearing officer may waive or reduce the administrative penalties in an NOV after considering the factors specified in 104.13(b).

**104.20(a) and (b):**

**(a) Social Equity Individual Applicant (SEIA) Requirements**

1. **2019 SEIA Criteria.** Except for Tier 3 Applicants, as defined in Section 104.20(a)(1)(A), an Applicant that submitted an Application subject to Section 104.08 by

September 13, 2018, or submitted an application for program eligibility verification during the verification period between May 28, 2019, and July 29, 2019, and/or met the criteria in this subsection for a Commercial Cannabis Activity License pursuant to Section 104.06.1(b).

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

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

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

(2) **“Disproportionately Impacted Area”** means eligible zip codes based on the “More Inclusive Option” as described on page 23 of the “Cannabis Social Equity Analysis Report” commissioned by the City in 2017, and referenced in **Regulation No. 8** of the Rules and Regulations, or as established using the same methodology and criteria in a similar analysis provided by an Applicant for an area outside of the City.

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

(4) **“Tier 1 Social Equity Individual Applicant”** is an individual who meets the following criteria at the time of applying for a license: (1) Low-Income and prior California Cannabis Arrest or Conviction; or (2) Low-Income and a minimum of five years’ cumulative residency in a Disproportionately Impacted Area.

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

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

**2. 2022 SEIA Criteria.** An Applicant subject to this subsection shall be verified as a Social Equity Individual Applicant in accordance with the definitions and criteria in this subsection.

(A) **SEIA – Individual Eligibility Verification.** An individual subject to this subsection shall be verified as a Social Equity Individual Applicant.

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

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

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

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

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

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

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

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

(E) Neither live-in assistants nor foster children will be counted toward Household Size. Individuals not listed on the Social Equity Individual Applicant's most recent tax return, such as elderly relatives, live-in assistants, and foster children will not be counted toward Household Size.

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



specified in Section 104.03(a), subject to the time restrictions therein.

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

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

**3. 2025 SEIA Criteria.** An Applicant subject to this subsection shall be verified as a Social Equity Individual Applicant in accordance with the definitions and criteria in this subsection.

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

(i) **“Social Equity Individual Applicant”** means an individual who meets the following two criteria: (1) Low-Income; and (2) a prior Cannabis Arrest or Conviction.

(1) **“Cannabis Arrest or Conviction”** means an arrest or conviction for any crime under the laws of any State, any of its political subdivisions, or the United States, relating to the sale, possession, use, manufacture, or cultivation of Cannabis. An arrest, prosecution or conviction for a violation of Proposition D, as codified in former Article 5.1 of Chapter IV of the Los Angeles Municipal Code, notwithstanding that Proposition D has been repealed, is not a Cannabis Arrest or Conviction. A Social Equity Applicant with a Cannabis Arrest or Conviction shall be ineligible to apply for a License in any of the circumstances specified in Section 104.04(c)-(d), subject to



the time restrictions therein.

(2) **“Low-Income”** means both of the following definitions are met: (1) the Social Equity Individual Applicant meets the low-income thresholds established in the annual U.S. Department of Housing and Urban Development (HUD) income limits based upon the Area Median Income (AMI) for the county in which the Person resides or which is closest to the Person’s home address; and (2) the Social Equity Individual Applicant does not have Assets in excess of the amount as defined in this subsection. For the purpose of assessing whether the low-income threshold has been met, DCR shall calculate the Household Size based on the criteria in Subsection (b)(1)(ii)(2)(A) through (E).

**(b) Social Equity Applicant Requirements**

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

(i) **Ownership Percentage.** One or more Social Equity Individual Applicants shall own no less than an aggregate 51% Equity Share in the Person to whom the License is issued. A sufficient number of Social Equity Individual Applicants, individually and/or through an entity, shall be disclosed to evidence that the owner(s) of the Applicant or Licensee meets the aggregate 51% Equity Share requirement. Social Equity Individual Applicants with less than a 20% aggregate ownership stake or equity interest in the Applicant or Licensee may be included in the aggregate total. Aggregate means the total ownership interest held individually or through an entity. For example, an individual owning 50% of an entity that owns 50% of a Licensee has a 25% aggregate ownership interest in the Licensee.

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

(1) **Unconditional ownership of the Equity Share.** The Equity Share shall not be subject to conditions precedent, conditions subsequent, executory agreements, voting trusts, restrictions on or assignments of voting.

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

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

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

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

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

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

(B) The highest officer position in the Social Equity Applicant or Licensee, such as the position of chief executive officer, unless another natural person is appointed to that position by mutual agreement of the parties.

(4) **Successors.** The Equity Share shall not be subject to arrangements causing or potentially causing ownership benefits in the Social Equity Applicant or Licensee to go to another in any circumstance other than after death or incapacity. In the case of death or incapacity, a Social Equity Individual Applicant shall identify a natural person(s) as the Social Equity Individual Applicant's own successor in interest or assignee of their Equity Share. If a Social Equity Individual Applicant dies, the Social Equity Applicant or Licensee will continue to qualify under this

section with the requisite Equity Shares so long as the successor in interest of the deceased Social Equity Individual Applicant inherits or otherwise acquires all of such individual's ownership interest in the Social Equity Applicant or Licensee. The natural person(s) may subsequently identify an entity, such as a trust, to hold the interest. Upon the death of the Social Equity Individual Applicant or Licensee, the Social Equity Applicant shall notify DCR within 30 days of their death. The Social Equity Applicant shall provide a certified copy of the death certificate and update the contact information on file with DCR within 60 days of the death.

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

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

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

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

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

**104.23(f)(2):**

2. ~~Notwithstanding the requirement in Subdivision 1., a Business Premises with a License or Temporary Approval to conduct Storefront Retail Commercial Cannabis Activity may operate without an Emblem Placard until January 1, 2025. A~~

Business Premises with a License or Temporary Approval to conduct Storefront Retail Commercial Cannabis Activity must display a County issued Emblem Placard within 5 days of issuance.