

Communication from Public

Name:

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Council File No: 21-0568

Comments for Public Posting: UCBA Letter re: licensing procedures



June 1, 2021

The Honorable Marqueece Harris-Dawson
Chairman, Planning & Land Use Management Committee
Los Angeles City Council
200 North Spring Street, Room 450
Los Angeles, CA 90012

**RE: PLUM Item 17 – Commercial Cannabis Licensing Procedures
CF #21-0568**

Dear Councilmember Harris-Dawson,

The United Cannabis Business Association (UCBA) is the premier trade association representing the full supply chain of California’s licensed operators, cultivators, manufacturers, distributors, laboratories, and retailers. We are the leading voice for legal cannabis in the state working to protect and enhance the vitality of our industry.

We are writing in regard to the proposed amendments to the commercial cannabis licensing procedures that are scheduled for consideration by the Planning & Land Use Management Committee on June 1, 2021. We urge the committee to also consider the below changes:

1. **Sec. 104.03(e)(1)(v) Relocations After the Issuance of Temporary Approval:** This section should be revised to clarify that an applicant does not have to request cancellation of its Temporary Approval while undergoing the DCR modification request process and DCR review for a Temporary Approval for a new business premises. An applicant can continue operating at its existing business premises during DCR’s review process for a Temporary Approval at a new business premises.
2. **Sec. 104.03(e)(4) Physical Modification of Business Premises:** This change should be deleted. Provided the business premises complies with the applicable sensitive use requirements, there should not be a limit on expansion. This is particularly true since the applicant can request a business premises relocation instead of expansion.
3. **Sec. 104.03(e)(4)(ii), Subsection (3) Physical Modification of Business Premises:** Subsection 3 regarding limiting the physical expansion of EMMD cultivation licenses to the maximum Cultivated Area allowed by the cultivation license type issued by DCR should be deleted.

The State regulations require that Cultivation licenses have separate areas for trim, drying, curing, packaging, storage, pest control, administrative hold, destruction, waste, and propagation. A Cultivation licensee may need additional space for these various activities that can be conducted by

a cultivation licensee regardless of the Cultivation Area allowed by the cultivation license type issued by DCR. Additionally, there is no longer a limit on canopy space in a community plan area, just the number of licenses, so there is absolutely no reason to restrict expansion of an EMMD cultivation business. An EMMD holding a cultivation license should be able to expand its business premises to have adequate space to conduct commercial cannabis activity in compliance with applicable law.

4. **Sec. 104.06(d)(1) Temporary Approval:** This section should be amended such that DCR must investigate and make a subsequent finding of a violation before suspension of a Temporary Approval. Suspending a Temporary Approval without a hearing will amount to a due process violation. Additionally, the terms “Notice” and “Agency” are vague, arbitrary, and overbroad. As written, DCR would have the right to suspend a license upon receiving a mere email from any City or state Agency.
5. **104.07(h) Proposition M Priority Processing:** As proposed, this section would require all EMMDs that are in locations that comply with Proposition D sensitive use requirements to relocate after December 31, 2025 because Proposition D only contained a 600-foot sensitive use buffer versus the 700-foot buffer under Article 5, Chapter X. By 2025, the community plans will reach undue concentration and there will virtually be no available locations for EMMDs to relocate. If this language remains, multiple EMMDs will be at risk of losing their businesses. The language should be revised as follows:

“After December 31, 2025, all EMMDs shall conduct commercial cannabis activities at a Business Premises that is located in one of the eligible zones listed in Section 105.02 for the commercial cannabis activity that the EMMD is conducting on said Business Premises. An EMMD shall not be subject to the distance and Sensitive Use requirements set forth in Section 105.02 of this Article 5 Chapter X as long as it remains at the location identified in its Proposition M Priority Processing Application.”

We would also respectfully request that the committee consider these additional changes to the ordinance that are not reflected in DCR’s report:

1. **104.03(e)(2) Ownership Structure:** Per this section, “Applications, Temporary Approvals, and Licenses are not transferable or assignable to another Person unless a request is submitted and approved by DCR.” However, **Subsection (ii) of Section 104.03(e)(2) states that:** “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 if a Temporary Approval or License has been issued while DCR reviews the eligibility of the new Owner(s) pursuant to Section 104.03(a)(1) and (2).*” These two provisions are conflicting in that Subsection (ii) implies that a change of ownership is permissible as long as one existing owner remains and Section 104.03(e)(2) states that changes in ownership cannot occur without DCR approval.

The language in Subsection (ii) of Section 104.03(e)(2) mirror’s the language found in Section 5032 of BCC’s regulations, titled “Business Modifications.” If it is the DCR’s intent to adopt the BCC ownership change requirements, DCR should keep the language in Subsection (ii) and delete the

conflicting language in Section 104.03(e)(2). Notably, DCR just started processing modifications that occurred three years ago, either when DCR did not have an ownership transfer process in place or when DCR was utilizing another set of forms. Allowing ownership changes to occur as long as at least one existing owner remains would be consistent with the State's ownership change process and address ownership changes that may have occurred before DCR had an ownership change process in place.

We recommend that the language requiring a submittal request and approval be deleted and only Sec. 104.03(e)(2)(ii) remain.

2. **104.01(33) Definition of Management Company:** The definition of "Management Company" in this section conflicts with the definition in Section 104.21(d).

Sec. 104.01(33): "Management Company" means a Person who manages Commercial Cannabis Activity on a Licensee's behalf, or a Person who directs or controls another Person who manages Commercial Cannabis Activity on a Licensee's behalf. A Management Company does not include an Employee of a Licensee or an Owner of a Licensee.

Sec. 104.01(d): A "Management Company" shall not hold an equity interest in a Licensee on whose behalf it manages Commercial Cannabis Activity. Notwithstanding the foregoing restriction, a Management Company may receive a share of a Licensee's revenues or profits in exchange for management services rendered, subject to limitations established by DCR.

If the definition of Management Company does not include an "Owner" of a Licensee, it is unclear why a Management Company cannot hold an equity interest in a Licensee. We ask that the committee reconcile these two definitions.

Thank you for your consideration of our recommended amendments. As always, we look forward to partnering with you on this important issue.

Sincerely,



Jerred Kiloh
President
United Cannabis Business Association

CC: Council President Nury Martinez
Councilmember Mark Ridley-Thomas
Councilmember Gil Cedillo
Councilmember Bob Blumenfield
Councilmember John Lee

Communication from Public

Name: Albert Melena

Date Submitted: 06/01/2021 03:16 PM

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Comments for Public Posting: My Name is Albert Melena, I am with the San Fernando Valley Partnership, a human service organization. We understand the importance of a regulated market and enhanced social equity. In terms of public health, we must ensure that equity issues do not conflict with the health and safety issues involved in cannabis availability. The availability issues include density, separation from sensitive use locations, operating conditions, and assuring compliance to prevent illegal & grey area operations. The city should address the problems associated with unlicensed dispensaries before any new locations open up.