

MOTION

PLANNING & LAND USE MANAGEMENT

IMMIGRANT AFFAIRS, CIVIL RIGHTS AND EQUITY

BUDGET & FINANCE

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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.

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 simple 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 serve no public interest. Second, recent changes in state law will prevent the issuance of provisional state licenses to applicants after June 30, 2022, and all provisional license applications must be submitted by March 31, 2022.

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 thereafter 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:

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.

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.

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).

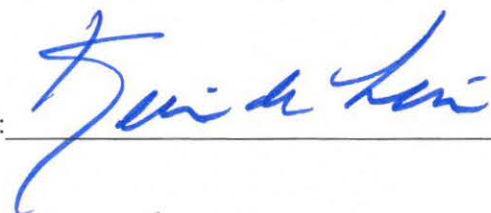
7. Beginning on November 1, 2021 and continuing on the first of every month thereafter, DCR shall report back to PLUM the following information:


- 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.

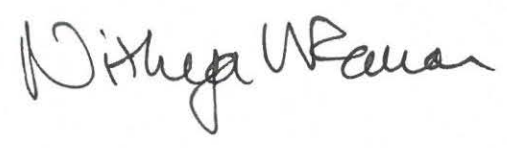
8. Effective immediately, DCR shall rescind its deadline of August 31, 2021 for applicants without Temporary Approval to make relocation requests, ownership modification and entity changes and its December 31, 2021 deadline for Phase 3, Round 1 applicants to request relocation. DCR shall not impose any 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: 
 MARQUEECE HARRIS-DAWSON
 Councilman, 8th District

PRESENTED BY: 
 CURREN D. PRICE Jr.
 Councilman, 9th District

SECONDED BY: 

 for
 RIDLEY - TRECHAS



ORIGINAL

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.

(1) 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) Within 15 days 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.
- (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 suspend 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-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