

DEPARTMENT OF
CANNABIS REGULATION

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January 27, 2022

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

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

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

DCR INTERIM BUDGET REQUEST AND PROPOSED ORDINANCE AMENDMENTS

Dear Honorable Members:

The Department of Cannabis Regulation (DCR or Department) seeks immediate consideration of an interim budget request and proposed amendments to the Los Angeles Municipal Code in order to effectively and efficiently implement cannabis license application processes as intended by the motion introduced to Council on September 29, 2021 and re-introduced on January 18, 2022 (January 18 Motion), and utilize grant funds for new personnel and contractual services to facilitate the transition of local applicants and licensees into and through the State's annual license application process. The Department's recommendations related to the interim budget request and how grant funds will be utilized are included in Attachment 1, titled "DCR Recommendations." The Department's proposed ordinance amendments are included in Attachment 2, titled "DCR Proposed Ordinance Amendments."

BACKGROUND - INTERIM BUDGET REQUEST

Beginning on June 30, 2022, California will no longer issue provisional licenses to non-social equity applicants. For social equity applicants, this deadline is extended to June 30, 2023. Existing provisional licensees are eligible for provisional license renewal until January 1, 2025 subject to certain restrictions. However, as of January 1, 2026, all licensees must operate under a State-issued annual license. After January 1, 2026, operators without a State-issued annual

license will be forced to cease all commercial cannabis activities, even if they have a City-issued license. The City may experience adverse public health and safety impacts associated with loss of licensure and compliance with related requirements and may also see a sharp decline in cannabis tax revenue in 2026 if it does not take proactive steps now to facilitate applicants' transition to the State's annual licensure process.

On January 5, 2022, the California Department of Cannabis Control awarded the City of Los Angeles a total \$22,312,360 million in grant funds, as part of its California Local Jurisdiction Assistance Grant (CLJAG) Program to aid in transitioning applicants from provisional cannabis licenses into annual licenses. The CLJAG funds will be expended in accordance with the approved grant expenditure budget ([Council File No. 22-0026](#)) to cover the direct and indirect DCR personnel costs (\$11,660,360), environmental consultants hired to assist commercial cannabis Applicants with Temporary Approval with completing the environmental analysis required for annual licensure (\$9,152,000), and environmental consultants to update the programmatic environmental analysis of the City's commercial cannabis regulatory framework developed by the City prior to 2018 (\$1,500,000). To accomplish these objectives and meet related timelines, the City should immediately approve the Department's interim budget request to support the Department's effort to transition applicants into its annual licensing process and provide much-needed resources to support the City's cannabis Licensing and Social Equity Programs. Furthermore, DCR proposes to amend Regulation No. 15 to implement a fee waiver program for certain environmental review and annual application fees to support applicants transition into annual commercial cannabis licensing.

Specifically in this interim budget request, the Department seeks approval of 21 positions to support the licensing, social equity, and compliance programs; three positions within the City Attorney's Office; and, two positions within the Office of Finance. The requested positions are fully special funded by the CLJAG grant and/or fees charged to commercial cannabis businesses and deposited into the Cannabis Regulation Special Revenue Trust Fund (Fund No. 60E). The recommended actions related to the requested position authorities are contained in Items 1 through 3 of Attachment 1. The recommended actions related to grant funding and expenditures is contained in Item No. 4 of Attachment 1.

BACKGROUND - AMENDMENTS TO THE LOS ANGELES MUNICIPAL CODE

In addition to this report's interim budget request, the Department seeks immediate consideration and adoption of proposed ordinance amendments and instructions related to the January 18 Motion. The proposed ordinance amendments reflect priorities identified by applicants, licensees, social equity stakeholders, DCR, the Cannabis Regulation Commission and policymakers related to [CF 21-1083](#). Attachment 2 organizes these various policy issues into a simplified, consolidated draft ordinance. Related instructions are also included as Item Nos. 7 and 8 of Attachment 1.

Specifically, the proposed ordinance amendments address concerns related to accountability by establishing timelines for application processing, requiring timely notification to the State regarding the status of “Local Compliance Underway,” and simplifying and clarifying required application information. These proposed amendments would also establish a process for social equity applicants to participate in business entity eligibility verification before applying for temporary approval, create a new process for applicants to refile an application, and provide applicants with more time (up to a year) to submit a Temporary Approval Application. Finally, these recommendations would establish independent City definitions of “Owner” and “Primary Personnel” so that the City’s licensing framework is not impacted by changes to the State’s regulations or definitions.

Furthermore, the proposed amendments address concerns previously raised about the January 18 Motion that would, if not further amended, negatively impact the City’s licensing and Social Equity Program by (1) eliminating important departmental oversight; (2) establishing requirements that are inconsistent with state law; and (3) creating loopholes for businesses to perpetually violate the City’s ownership and related Social Equity Program requirements.

Finally, in the reports dated [October 29, 2021](#) and [November 16, 2021](#), DCR proposed several policy changes to address challenges presented to the Department by various stakeholders. Though these issues continue to be a high priority for DCR and many stakeholders, DCR will report back on these proposals after giving stakeholders and policymakers the opportunity to provide further input. These issues are listed below and included as Item No. 8 of Attachment 1.

- **LAMC 104.01(a)(49)**: possible amendment to definition of “Undue Concentration”;
- **LAMC 104.03(e)(1)(ii)**: possible amendment to allow for the relocation of commercial cannabis activities subject to Undue Concentration outside of the original Community Plan Area.
- **LAMC 104.06.1(b)(7)**: possible amendment to allow Phase 3 Retail Round 1 Applicants previously deemed ineligible due to proximity to sensitive uses to provide a new location;
- **LAMC 104.12**: possible amendment to renewal process to accommodate applicants who receive Temporary Approval for the first time during the annual renewal cycle (from September 1 and December 31); and
- **LAMC 104.20(b)(2)(i)**: possible amendment to allow multiple Social Equity Individual Applicants to aggregate their ownership shares to meet a combined total of 51% ownership interest in the licensed business.

CONCLUSION

The Department cannot overstate the importance of Council’s immediate consideration of both the recommendations (Attachment 1) and proposed ordinance amendments (Attachment 2) outlined in this report. Immediate consideration of these proposals is necessary to address application processing delays, clarify application processes, and meet the mandates associated with both the City’s licensing and Social Equity Program and the State’s new annual licensure deadlines. If consideration of these matters is deferred until the City Council’s consideration of

the Mayor's Fiscal Year 2022-23 Proposed Budget, it would necessitate the suspension of Pre-Application Review and Temporary Approval Application processes so existing DCR personnel can administer related local annual application processes, including environmental review, to ensure existing Licensees are eligible to renew their provisional State licenses after July 1, 2022. The City has a compelling interest in ensuring that the City's licensed cannabis industry continues to meet requirements established by the State and that the City's local licensing process is more equitable and efficient. By approving amendments to the January 18 Motion consistent with this report, the City Council can hold DCR accountable for processing timelines for Temporary Approval Applications and modification requests, implement a framework to allow local Licensees to renew their State provisional licenses after July 1, 2022, and ensure DCR has capacity to transition existing Licensees into the annual application process while still accepting new applications. The Department of Cannabis Regulation looks forward to the opportunity to discuss these important matters further as critical decisions are made regarding the City's Licensing and Social Equity Program.

Sincerely,



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

ATTACHMENTS

ATTACHMENT 1 - DCR Recommendations
ATTACHMENT 2 - DCR Proposed Ordinance Amendments

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

RECOMMENDATIONS

That the Council, subject to the approval of the Mayor:

1. Resolve the following 21 positions within the Department of Cannabis Regulation (DCR) are Approved and Confirmed through June 30, 2022 to support the Social Equity Program, licensing and compliance programs, and other functions related to regulating cannabis businesses within the City of Los Angeles, subject to position allocation by the Personnel Department and pay grade determination by the Office of the City Administrative Officer (CAO):

No.	Class Code	Class Title
2	9182-0	Chief Management Analyst
1	9171-2	Senior Management Analyst II
5	9171-1	Senior Management Analyst I
10	9184-0	Management Analyst
2	1368-0	Senior Administrative Clerk
1	1785-1	Public Relations Specialist

2. Resolve the following three positions within the Office of the City Attorney (City Attorney) are Approved and Confirmed through June 30, 2022 to support the administration and establishment of rules and regulations to implement local and State law pertaining to the annual application and environmental review for cannabis businesses, as well as other functions related to regulating cannabis businesses within the City, subject to position allocation by the Personnel Department and pay grade determination by the CAO:

No.	Class Code	Class Title
2	0595	Deputy City Attorney II
1	0577	Paralegal II

3. Resolve two Customer Service Specialist (Class Code 1229-1) positions within the Office of Finance are Approved and Confirmed through June 30, 2022 to support commercial cannabis payment processing activities and the Cannabis Regulation Support Public Counter Unit at City Hall, subject to position allocation by the Personnel Department;

4. Authorize the Executive Director of DCR, or their designee, to:
 - a. Deposit \$22,312,360 in grant funds from the State of California Department of Cannabis Control (State) for the California Local Jurisdiction Assistance Grant (CLJAG) Program into a new Account in Fund No. 60E (Department No. 13), entitled "2022 LOCAL JURISDICTION ASSISTANCE GRANT;"
 - b. Expend \$22,312,360 consistent with the Budget Worksheet previously approved by the Mayor and City Council under Council File No. 22-0026;
 - c. Utilize the funds in support of the CLJAG Program to cover direct and indirect DCR personnel costs (\$11,660,360) and environmental consultant vendor costs (\$10,652,000) over three years to update the programmatic environmental analysis of the City's commercial cannabis regulatory framework and provide direct technical assistance to Applicants with Temporary Approval pursuing State annual licenses;
 - d. Utilize contracts with environmental consultants for services already within the scope of existing City contracts and expend, up to, \$9,152,000 in CLJAG grant funds to assist commercial cannabis Applicants with Temporary Approval with completing the environmental analysis required for annual licensure;
 - e. Utilize contracts with environmental consultants for services already within the scope of existing City contracts and expend, up to, \$1,500,000 in CLJAG grant funds to update the programmatic environmental analysis of the City's commercial cannabis regulatory framework developed by the City prior to 2018 and present that analysis to the City Council for further consideration;
 - f. Amend Regulation No. 15 within the Department's Rules and Regulations in support of Article 4 of Chapter X of the Los Angeles Municipal Code to implement a first-come first-served fee waiver program, hereinafter referred to as the California Local Jurisdiction Assistance Grant (CLJAG) Program ("CLJAG Program") for certain environmental review and annual application fees to support Applicants with Temporary Approval seeking annual commercial cannabis licenses from the City and the State, subject to the availability of CLJAG grant funds;
5. Note and file DCR's two earlier reports, dated October 29, 2021 and November 16, 2021, respectively;
6. Request the City Attorney, with the assistance of DCR, to prepare and present an ordinance as follows:
 - a. Revise Section 104.19 of Article 4 of Chapter X of the Los Angeles Municipal Code to accurately represent the additional costs associated with adding the

position authorities included in this report that will provide services to commercial cannabis businesses, maintain full cost recovery, and reflect time and material changes associated with any policy and/or procedure updates adopted by the City Council;

- b. Revise Article 4 of Chapter X of the Los Angeles Municipal Code consistent with Attachment 2 and include an urgency clause;
7. Instruct the DCR to:
- a. Remove the notary requirement from the Landowner attestation and Landowner authorization forms;
 - b. Provide at least 15 days advance notice on its website and notify the City Council anytime the DCR Licensing Portal will be taken down for planned maintenance that may exceed 15 days;
 - c. Update the commercial cannabis retail storefront information layers displayed on the “Undue Concentration Limits” licensing map on a monthly basis with the understanding the map is for informational purposes only and the public shall not rely on the information on the map to confirm if proposed business premises are eligible for commercial cannabis licensure or comply with the City’s zoning, sensitive use, or undue concentration restrictions. associated map potential Sensitive Uses;
8. Instruct the DCR to report back to the Planning and Land Use Management Committee on the following matters:
- a. A comprehensive overview of the process by which DCR intends to meet obligations under the California Environmental Quality Act;
 - b. An amendment to the definition of “Undue Concentration” [LAMC 104.01(a)(49)] to consolidate the existing exemptions for commercial cannabis licenses into a single provision and maintain the City’s existing capacity for retail and cultivation business licenses;
 - c. An amendment to LAMC 104.06.1(b)(7) which would allow a second opportunity for a Phase 3 Retail Round 1 Applicants previously deemed ineligible due to its proximity to sensitive uses so that those Applicants may benefit from the amendments to LAMC 105 et seq. enacted in July 2021;
 - d. An amendment to LAMC 104.20(b)(2)(i) to allow multiple Social Equity Individual Applicants to aggregate their ownership shares to meet a combined total of 51% ownership interest in the licensed business, thereby providing greater flexibility

and expanding the number of Social Equity Individual Applicants who may participate in the Social Equity Program;

- e. An amendment to LAMC 104.03(e)(1)(ii) to allow for the relocation of commercial cannabis licenses outside of the Community Plan Area listed on the original application to address the challenges Licensees face finding compliant locations and/or negotiating with landlords who often have the upperhand given the limited number of compliant locations;
 - f. An amendment to LAMC 104.03(e)(1)(ii) to allow for the amendment of a commercial cannabis license application outside of the Community Plan Area listed on the original application to address the challenges Licensees face finding compliant locations and/or negotiating with landlords who often have the upperhand given the limited number of compliant locations;
 - g. An amendment to LAMC Sections 104.12 to allow Temporary Approval Application records with a status of "Local Compliance Underway" to submit renewal records at the same time as Licensees to ensure businesses receiving their initial Temporary Approval between September 1 and December 31 also meet the City's requirements for the next calendar year without unnecessary delays or interruptions to their business;
9. Authorize the DCR and/or the City Attorney to make any corrections or clarifications to the above instructions in order to effectuate the intent of the City Council.

DCR PROPOSED ORDINANCE AMENDMENTS

LAMC 104.01(a)(37) is amended to read:

37. "Owner" means a Person with at least a 20 percent aggregate ownership interest in the Applicant or Licensee, unless the interest is solely a security, lien, or encumbrance. Aggregate means the total ownership interest held individually or through an entity. For example, an individual owning 50% of an entity that owns 50% of the cannabis business would have a 25% aggregate ownership interest in the cannabis business.

LAMC 104.01(a)(39) is amended to read:

39. "Primary Personnel" means any of the following: (i) a natural person with an Aggregate ownership interest of 20 percent or more in the Person applying for a License or a Licensee, unless the interest is solely a security, lien, or encumbrance; (ii) an Individual who manages, directs, or controls the operations of the commercial cannabis business, including but not limited to: (a) a chief executive officer, a member of the board of directors, a general partner, a managing member or a non-member manager, and/or a trustee(s) and persons who have control of the trust, whichever is applicable; or (b) an Individual with the authority to execute contracts on behalf of the commercial cannabis business; (iii) if the Applicant or Licensee is owned in whole or in part by an entity and the entity includes Individuals who manage, direct, or control the operations of the Applicant or Licensee those Individuals shall also be disclosed as Primary Personnel; and (iv) DCR may determine, on a case-by-case basis, that additional Individuals have the ability to manage, direct, or control the commercial cannabis business and meet the criteria of Primary Personnel. Upon notification by DCR, the Applicant or Licensee must disclose the Individual as a Primary Personnel.

LAMC 104.03(a) is partially amended to delete the following language:

~~Except for a Social Equity Individual Applicant who is an Owner on an application subject to processing under Section 104.06.1, an individual Applicant, Owner, or Primary Personnel who is disqualified under Subdivision 1. or 2. may be permitted to amend the application to cure those defects, subject to the payment of any applicable modification fee in Section 104.19.~~

LAMC 104.03(a)(2) is amended to in its entirety as follows:

2. An individual who holds office in, is employed by, or is appointed to, any agency of the State of California and any of its political subdivisions, including the City and any of its agencies, departments, commissions or boards, when the individual's duties include the enforcement or regulation of Commercial Cannabis Activity or any other penal provisions of law of the State of California prohibiting or regulating Commercial Cannabis Activity is prohibited from applying for or holding a Temporary

Approval or License or from having any ownership stake in a Person(s) applying for or holding a Temporary Approval or License.

~~(ii) — Any entity that is incorporated outside of the United States.~~

LAMC 104.03(a) is amended to read:

(a) Application – Pre-Application Review. Prior to filing an application pursuant to Subsection (b), an Applicant shall submit a Pre-Application Review record, including all documents as determined by DCR, and pay a Pre-Application Review Fee pursuant to Section 104.19 for DCR to conduct a preliminary review of the application to determine the eligibility of the Business Premises location pursuant to Section 104.03(a)(3) and Article 5 of Chapter X of this Code. Pre-Application Review records that are incomplete or missing required documents shall not be eligible for further processing. If the Pre-Application Review record is deemed eligible for further processing, the Applicant shall submit a complete Temporary Approval Application to the DCR Licensing Portal, including all required information, forms, and documents, within one calendar year of the date the Pre-Application Review record is deemed eligible for further processing. If a complete Temporary Approval Application is not submitted within one calendar year, the Pre-Application Review record shall be deemed abandoned pursuant to Section 104.03(h). An EMMD seeking a License under Section 104.07 shall pay the EMMD Temporary Approval Application Fee pursuant to Section 104.19(a). An Applicant seeking a License under Section 104.08 shall pay the Section 104.08 Temporary Approval Application Fee pursuant to Section 104.19(a). DCR may request additional information or documents from the Applicant at any time during the Pre-Application Review, subject to payment of any fees under Section 104.19(h). If the Applicant fails to provide the additional information or documents in the time allotted by DCR, the application shall be deemed abandoned. Except for a Social Equity Individual Applicant who is an Owner on an application subject to processing under Section 104.06.1, an individual Applicant, Owner, or Primary Personnel who is disqualified under Subdivision 1. or 2. may be permitted to amend the application to cure those defects, subject to the payment of any applicable modification fee in Section 104.19. An Applicant whose Business Premises location is deemed ineligible under Section 104.03(a)(3) or Article 5 of Chapter X of this Code shall not be permitted to amend their Pre-Application Review record, but may submit a new Pre-Application Review record subject to the payment of applicable fee(s) in Section 104.19.

LAMC 104.03(b) is amended to read:

(b) Application – Filing and Fees. DCR shall consider a Temporary Approval or Annual License Application filed following a determination of eligibility pursuant to Subsection (a), the submission of all required and completed forms, documents and information to DCR's Licensing Portal, and the payment of the applicable application fee for each Commercial Cannabis Activity pursuant to Section 104.19. Applicable Temporary Approval Application Fee(s) or Annual License Application Fee(s) pursuant to Section 104.19 are due within 30 days from the date of invoice issuance. If the fees are not paid within the allotted time, the application shall be

deemed abandoned pursuant to Section 104.03(h). An Applicant shall submit all required information, forms, and documents pursuant to the Rules and Regulations.

The following sentence is added to LAMC 104.03(e):

Applicants may submit a modification request(s) for 60 days after the filing a Temporary Approval Application, subject to the payment of any required modification fee pursuant to Section 104.19. After the expiration of 60 days, modification requests may be submitted pursuant to the Rules and Regulations.

LAMC 104.03(e)(1)(v) is amended to read:

(v) If a Licensee has been issued Temporary Approval for the location from which it seeks to relocate, the Licensee must request cancellation of its Temporary Approval or License at that location before Temporary Approval or a License at the new Business Premises location may be issued. The Licensee shall meet the requirements for Temporary Approval at the new location.

A new subsection (7) is added to LAMC 104.03(e)

7. **Modification Review.** DCR shall require only the modification information, documents or forms that are described in the Rules and Regulations for each type of modification request.

LAMC 104.03(h) is amended to remove the final sentence.

(h) **Abandonment.** If at any time DCR determines that an Application or modification request is incomplete, fee payments required under Section 104.19 are not timely paid, or records or information requested by DCR have not been provided within the time allotted by DCR, the Application or modification request may be deemed abandoned. DCR shall not refund fees for an abandoned Application or modification request. ~~An Applicant may reapply following an abandoned application or modification request.~~

LAMC 104.03(i) is added to read:

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

a. To refile, the Social Equity Individual Applicant shall submit a new Pre-Application Review record under Section 104.03(a). If DCR determines the proposed Business Premises location complies with Section 104.03(a)(3) and Article 5 of Chapter X of this Code, the Social Equity Individual Applicant shall submit a Temporary Approval Application with all required documents, forms and information, including all business records and agreements necessary to demonstrate that the Social Equity Individual Applicant owns the minimum Equity Share required under Section 104.20(a)(2), within one (1) calendar year of DCR determining the Pre-Application Review record is eligible for further processing. The Applicant shall submit payment of all required Application fees by the dates listed on the invoice. If a Pre-Application filed pursuant to this Subsection is ineligible for further processing, the Social Equity Individual Applicant may submit a new Pre-Application Review record provided it is submitted within the original one (1) calendar year refiling period.

b. The refiled Temporary Approval Application may not seek authorization to conduct any Commercial Cannabis Activities not listed in the original Temporary Approval Application or outside the Community Plan Area listed in the original Temporary Approval Application. A refiled Temporary Approval Application is not subject to a finding pursuant to Section 104.01(a)(49). Applications originally subject to a finding of public convenience or necessity under Section 104.04(a)(3) shall be refiled at the same proposed Business Premises.

c. A refiled Temporary Approval Application that is later deemed abandoned, for any reason, may not be refiled. Any Temporary Approval Application previously deemed ineligible for further processing, denied, deemed abandoned prior to January 1, 2022, or denied by operation of law may not be refiled.

A new section (j) is added to LAMC 104.03:

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

a. To refile, the Applicant entity shall submit a new Pre-Application Review record under Section 104.03(a). If DCR determines the proposed Business Premises location complies with Section 104.03(a)(3) and Article 5 of Chapter X of this Code, the Applicant entity shall submit a Temporary Approval Application with all required documents, forms and information for the original entity within one (1) calendar year of DCR determining the Pre-Application Review record is eligible for further processing. The Applicant entity shall submit payment of all required Application fees by the dates listed on the invoice. If a Pre-Application filed pursuant to this Subsection is ineligible for further processing, the Applicant entity may submit a new Pre-Application Review record provided it is submitted within the original one (1) calendar year refiling period.

b. The refiled Temporary Approval Application shall seek authorization to conduct one or more of the same Commercial Cannabis Activities within the same Community Plan Area associated with the original Temporary Approval Application. A refiled Temporary Approval Application is not subject to a finding of Undue Concentration. Applications originally subject to a finding of public convenience or necessity under Section 104.04(a)(3) shall be refiled at the same proposed Business Premises.

c. A refiled Temporary Approval Application that is later deemed abandoned, for any reason, may not be refiled. Any Temporary Approval Application previously deemed ineligible for further processing, denied, deemed abandoned prior to January 1, 2022, or denied by operation of law may not be refiled.

A new section (k) is added to 104.03:

(k) **Processing Timeframes.** Application and modification processing pursuant to Sections 104.03(e) or 104.06 shall be conducted within the following timeframes. Processing timeframes begin upon the filing of the relevant application or modification record, i.e. the submission of all required and completed forms, documents and information to DCR's Licensing Portal for that particular application or modification process, and the payment of all relevant fee(s) under Section 104.19 for that application or modification process. Processing timeframes shall be temporarily suspended if DCR's personnel vacancy rate is 20% or higher.

1. Temporary Approval Processing.

(i) Within 10 days of the submission of a Pre-Application Review record through DCR Licensing Portal, DCR shall issue the Applicant a Pre-Application Review fee invoice. DCR shall not impose any requirements for Pre-Application Review that are not specifically listed in the Rules and Regulations.

(ii) Within 30 days of the filing of a Pre-Application Review record, 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.

(iii) Upon DCR's determination that an Applicant's Business Premises complies with Article 5 of Chapter X of the LAMC, the Applicant may submit a Temporary Approval Application.

(iv) Within 60 days of the filing of a Temporary Approval Application, DCR shall conduct its initial review of the Temporary Approval Application for completeness. If DCR determines that the Application is complete, DCR shall update the application status to "Local Compliance Underway" within 7 days of its determination. If DCR determines there are

any deficiencies in the Temporary Approval Application, DCR shall notify the Applicant in writing via electronic mail of the specific documents, forms, and information required by DCR, and the Applicant shall provide the required documents, forms, and information within 30 days of notification. Within 30 days of an Applicant's submission of the required additional information, forms, or documents, DCR shall complete its follow-up review. If the Applicant files a modification request prior to the time DCR completes its review of the Temporary Approval Application, DCR shall review the modification request within 30 days of the filing of the modification request, and if approved, complete its review of the Temporary Approval Application within 60 days of the approval of the modification request. Once DCR completes its review of the Temporary Approval Application, an Applicant may submit only the modification request types permitted in the Rules and Regulation until a license is issued. DCR shall not impose any requirements for Temporary Approval that are not listed in the Rules and Regulations.

(v) Within 45 days of a request for a Temporary Approval inspection, DCR shall schedule and conduct the requested inspection.

(vi) Within 15 days of an Applicant passing the Initial Inspection or DCR determining all Temporary Approval documents, forms, and information have been submitted and are complete, whichever occurs last, DCR shall issue Temporary Approval.

2. Relocation Modification Processing.

(i) Within 15 days of the submission of a relocation request through the DCR Licensing Portal, DCR shall issue the Applicant or Licensee an invoice for the Business Premises Relocation Fee.

(ii) Within 30 days of the filing of a relocation request, DCR shall determine whether the proposed Business Premises complies with Article 5 of Chapter X of the LAMC and notify the Applicant or Licensee in writing of DCR's determination. Upon receipt of DCR's determination that the proposed Business Premises complies with Article 5 of Chapter X of the LAMC, the Applicant or Licensee may submit a Temporary Approval Application for the new Business Premises and an application to the State.

3. Ownership Modification Processing.

(i) Within 15 days of the submission of a modification request through the DCR Licensing Portal, DCR shall issue the Applicant or Licensee an invoice for the relevant modification fee(s) under Section

104.19.

(ii) Within 60 days of the filing of an ownership modification request, DCR shall make a determination on the modification request.

(iii) If DCR determines that the proposed modification violates any provisions of Article 4 of Chapter X of the LAMC, or the Rules and Regulations, upon notice from DCR, the Applicant or Licensee shall be permitted to further amend its request as necessary within 60 days to correct any deficiencies, subject to the restrictions on removing or replacing the individual Owner who is the Social Equity Individual Applicant, as specified in Section 104.03(e)(2).

4. Change of Business Entity Processing.

(i) Within 15 days of the submission of a modification request to change the business entity on an application through the DCR Licensing Portal, DCR shall issue the Applicant or Licensee an invoice for relevant modification fee(s) under Section 104.19.

(ii) Within 30 days of the filing of a modification request to change the business entity on an application, Temporary Approval, or License, DCR shall make a determination on the modification request. If DCR deems the entity substitution modification request eligible for further processing, the Applicant or Licensee shall submit all required Temporary Approval forms, documents and information for the new business entity. Once a Temporary Approval application is filed, upon request from the State, DCR shall confirm the Applicant's local Temporary Approval application status is Local Compliance Underway.

(iii) DCR shall not issue a license to the new business entity until it meets the requirements for Temporary Approval or a License. The prior business entity with Temporary Approval or a License shall request cancellation of that Temporary Approval or License before Temporary Approval may be issued to the new business entity. A Licensee may continue to conduct commercial cannabis activity under the prior business entity until the License or Temporary Approval expires or the prior business entity requests cancellation of the Temporary Approval or License issued to it, whichever is earlier.

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

(d) Applicants seeking Temporary Approval shall submit all required information, forms, and documents through the DCR Licensing Portal within one calendar year of the date the Pre-Application Review record is updated to a status of “Eligible for Processing” otherwise the Temporary Approval Application may be abandoned pursuant to LAMC Section 104.03(h).

LAMC 104.06.1(c)(4) and (5) are amended to read:

4. Application Lottery. Verified Social Equity Individual Applicants 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. Social Equity Individual Applicants shall be randomly selected during the lottery, which shall take place at a location, date and time determined by DCR. 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 Subsection (c)(5).

5. Business Premises. Social Equity Individual Applicants selected during the Application lottery shall be afforded a maximum of one calendar year from the date of the Application Lottery to complete the Pre-Application Review process 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. A Social Equity Individual Applicant's Business Premises location must comply with Chapter 5, Article X of this Code and Section 104.03(a)(3). Business Premises locations shall be reviewed and approved in the order received by DCR. An Applicant whose Business Premises location is deemed ineligible under Section 104.03(a)(3) or Article 5 of Chapter X of this Code shall be permitted to amend their Application subject to the payment of any applicable fee in Section 104.19, and provided that the new Business Premises location is submitted to DCR within the one calendar year time limitation. Social Equity Applicants shall comply with the Equity Share requirements in effect at the time DCR deems the location eligible under Section 104.03(a)(3).

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

At a Social Equity Individual Applicant's request, DCR may conduct an Equity Share review, under LAMC 104.20, for a particular Applicant entity prior to the filing of a complete Temporary Approval 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 Temporary Approval Application process, provided 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 LAMC 104.20 that were not disclosed during the original review.

LAMC 104.20(a)(2)(ii)(4) is amended to read:

(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 his or her 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 surviving spouse or 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 continued qualification by the surviving spouse shall begin on the date of the Social Equity Individual Applicant's death and terminate on the earlier of: (1) the date in which the surviving spouse remarries; (2) the date in which the surviving spouse relinquishes his or her ownership interest in the Social Equity Applicant or Licensee; or (3) the date that is ten (10) years after the date of the death of the Social Equity Individual Applicant.

A new subdivision (vi) is added to LAMC 104.20(c)(1) to read:

(vi) On or before March 1 of each year, a Licensee shall submit to DCR an annual "Equity Report" covering the prior calendar year, signed by all Owners and Management Companies, if applicable, describing the services provided by the non-Social Equity Individual Applicant Owners and Management Companies and describing the services, operations consulting, personnel, and/or other technical assistance provided, including an estimated dollar value of those services. As part of the Equity Report, all Owners and Management Companies, if applicable, must execute an affidavit under penalty of perjury confirming compliance with all requirements set forth in Section 104.20, including those prohibiting supermajority voting requirements, and acknowledging all requirements to disclose agreements about the management, control or direction of the entity, profits, and/or loans.