OVERVIEW

- City’s Commercial Cannabis Licensing and Regulatory Program
- Phase 3 Retail Round 1
- Social Equity Program
- Proposed Legislative Policy
Licensing & Regulatory Program

- Priority Processing Phase 1 [LAMC Sec. 104.07] - Existing Businesses
- Priority Processing Phase 2 [LAMC Sec. 104.08] - New Businesses that supported Existing Businesses prior to January 1, 2016
- Phase 3 - New Businesses
  - Retail Round 1 [LAMC Sec. 104.06.1.(c)]
  - Retail Round 2 [LAMC Sec. 104.06.1.(d)]
  - Delivery Pilot [LAMC Sec. 104.06.1.(f)2.]
  - Delivery for Specified Retail Round 1 and Round 2 Applicants [LAMC Sec. 104.06.1.(f)3.]
  - Delivery Add-On for Phase 2 [LAMC Sec.104.06.1.(f)4.]
Licensing & Regulatory Program

- **Priority Processing Phase 1:**
  - Existing Medical Marijuana Dispensaries (EMMDs)
  - 187 temporary approvals issued
    - Microbusiness
    - Retail
    - Manufacturing (Non-Volatile)
    - Distribution
    - Cultivation
  - Annual Licensing Applications Submitted
Licensing & Regulatory Program

- **Priority Processing Phase 2:**
  - Non-Retail “Existing Supply Chain”
  - 552 Applications submitted
  - Temporary Approvals granted to 139 commercial cannabis locations. Each location was granted Temporary Approval for one or more activity.
    - Cultivation
    - Manufacturing
    - Distribution
  - 360 Applications Pending - These applicants have not passed a pre-licensing inspection and their applications may become abandoned.
  - 71 Applications Abandoned Due to Nonpayment
Licensing & Regulatory Program

- **Upcoming Phase 2 Deadlines:**
  - **November 8, 2019, 5:00 PM** - Submit application to verify Applicant’s eligibility for Tier 1, Tier 2, or Tier 1/Tier 2 Social Equity Program (SEP) status or request Tier 3 SEP status.
  - **November 15, 2019, 5:00 PM** - Sign and Submit Social Equity Program Agreement Attestation Form (Tier 3 Applicants only).
  - **December 13, 2019, 4:00 PM** - Pay SEP Applicant Technical Assistance Fee (Tier 3 Applicants only).
  - **December 13, 2019, 5:00 PM** - Request premises inspection in writing.
  - **December 31, 2019** - Pass Pre-License Inspection.
Licensing & Regulatory Program

- **Testing**
  - 16 Temporary Approvals Issued
  - 2 Pending Applications
  - Applicants seeking local authorization should email dcrlicensing@lacity.org with “Testing Application” in the subject line
SEC. 104.06.1. RETAILER COMMERCIAL CANNABIS ACTIVITY APPLICATION PROCESSING

(a) DCR shall process an application for a Type 9 - Non-Storefront Retailer License or Type 10 - Storefront Retailer License as specified in this Section, except that this Section shall not apply to an application for Retailer Commercial Cannabis Activity processed pursuant to Section 104.07. DCR shall process an application under this Section consistent with the Social Equity Program priority processing ratios specified in Section 104.20(a). DCR shall not accept or process Type 9 or Type 10 applications under this section before it has made technical assistance available for a period of at least 45 calendar days to Tier 1 and Tier 2 Social Equity Applicants who have been verified pursuant to Subsection (b) of this section.
SEC. 104.06.1. RETAILER COMMERCIAL CANNABIS ACTIVITY APPLICATION PROCESSING

(b) **Social Equity Applicant Verification.** For a period of 60 calendar days, beginning on a date at DCR's sole discretion, an individual may apply to be verified as a Tier 1 or Tier 2 Social Equity Applicant as defined in Section 104.20. If the City Council adopts additional Tier 1 or Tier 2 Social Equity Applicant eligibility criteria pursuant to an addendum to the Social Equity Analysis report, DCR shall establish a 30-calendar-day period, which may be concurrent or non-concurrent with the 60 calendar day verification period, for individuals to apply to be verified under any additional eligibility criteria. DCR's determination of whether an individual is a Tier 1 or Tier 2 Social Equity Applicant shall be made with no hearing and is final and not appealable.
SEC. 104.06.1. RETAILER COMMERCIAL CANNABIS ACTIVITY APPLICATION PROCESSING

(c) **Type 10 Application Processing - Round 1.** DCR shall, on date starting at its sole discretion, accept Type 10 applications for processing under this subsection for a period of 14 calendar days, provided that DCR posts written notice of the processing period on its website at least 15 calendar days before the start date of the processing period.
SEC. 104.06.1. RETAILER COMMERCIAL CANNABIS ACTIVITY APPLICATION PROCESSING

(c) Type 10 Application Processing - Round 1.

1. To be eligible to apply in Round 1, an Applicant shall have an individual Owner that is a Tier 1 or Tier 2 Social Equity Applicant verified pursuant to Subsection (b) of this section and who shall own an Equity Share in the Applicant who meets the requirements in Section 104.20. An individual may not be the Tier 1 or Tier 2 Social Equity Applicant for more than one Applicant in Round 1. An individual who is an Owner of an EMMD shall not be eligible to be the Tier 1 or Tier 2 Social Equity Applicant for an Applicant, but may be an Owner of an Applicant if otherwise allowed under this article.
SEC. 104.06.1. RETAILER COMMERCIAL CANNABIS ACTIVITY APPLICATION PROCESSING

(c) Type 10 Application Processing - Round 1.

2. During the 14-calendar-day application period, an Applicant shall submit, in a form and manner determined by DCR, an application that includes the following: 1) a copy of an executed lease agreement with proof of a deposit or property deed for its Business Premises; 2) an ownership and financial interest holder form; 3) a financial information form; 4) a Business Premises diagram; 5) proposed staffing and security plans; 6) a dated radius map including horizontal lines and labeling of any sensitive uses relative to a Type 10 License; 7) a labor peace agreement attestation form; 8) an indemnification agreement; and 9) all business records and agreements necessary to demonstrate that a Tier 1 or Tier 2 Social Equity Applicant owns the minimum Equity Share in the Applicant required under Section 104.20.
SEC. 104.06.1. RETAILER COMMERCIAL CANNABIS ACTIVITY APPLICATION PROCESSING

(c) Type 10 Application Processing - Round 1.

3. An Applicant's Business Premises shall meet the following requirements:

(i) The Business Premises meets all applicable requirements of Article 5 of Chapter X of this Code;

(ii) The Business Premises is outside of a 700-foot radius of another Type 10 Applicant's Business Premises, as measured in the manner specified in LAMC Section 105.02(b). If two or more Round 1 Applicant's Business Premises are within a 700-foot radius of one another, the Applicant who first submitted an application that meets the requirements of this subsection shall be eligible for further processing and all other Round 1 Applicants within a 700-foot radius of the first Applicant shall be ineligible for further processing in Round 1.

(iii) The Business Premises is not subject to a finding of Undue Concentration. For purposes of this subsection only, DCR shall determine whether the Business Premises is subject to a finding of Undue Concentration based upon the time and date an Applicant submitted an application that meets the requirements of this subsection.
SEC. 104.06.1. RETAILER COMMERCIAL CANNABIS ACTIVITY APPLICATION PROCESSING

(c) Type 10 Application Processing - Round 1.

4. The first 75 Tier 1 Applicants and the first 25 Tier 2 Applicants who meet the requirements of this subsection shall be eligible for further processing pursuant to Section 104.06. If less than 75 Tier 1 Applicants meet the requirements of this subsection, DCR may process additional Tier 2 applications, based upon the time and date of application submission, until DCR has identified 100 Tier 1 and Tier 2 Applicants who meet the requirements of this subsection. All Applicants who submitted an application that are not eligible for further processing may apply for Type 10 Application Processing - Round 2.
SEC. 104.06.1. RETAILER COMMERCIAL CANNABIS ACTIVITY APPLICATION PROCESSING

(c) Type 10 Application Processing - Round 1.

5. An Applicant shall pay all required application fees under Section 104.19 within 10 days of being issued an invoice by DCR or its application shall be deemed abandoned.
Council Instructions

Instructions from City Council on 4/30/2019:

○ Instruct DCR to begin the pre-vetting process for Social Equity Applicants no later than Tuesday, May 28, 2019
○ Instruct DCR to open the application window for Round 1 of Phase 3 Retail licensing no later than Tuesday, September 3, 2019
Technical Assistance

- Local law required DCR to provide technical assistance at least 45 days before the start of Round 1
  - Began on May 16, 2019
- Presented four Technical Assistance Workshops and SEP Stakeholder Meetings throughout the City
  - 1,000+ attendees
- Approx. 250 One-on-One Technical Assistance Clinics
- Regular Updates to DCR Website
- Extensive Information Provided on both Pre-Vetting Process and the Phase 3 Retail Round 1 Application
“Pre-Vetting”
The Social Equity Program Eligibility Verification Application

- Initial window for Phase 3 Pre-Vetting open from May 28 to July 29, 2019
  - Approx. 2,200 applicants submitted documents for verification
  - Approx. 1,600 applicants verified
In accordance with local law, DCR provided notice of the 14 calendar day processing period on its website.

On Tuesday, September 3, 2019 at approx. 10 a.m. PDT, the Department of Cannabis Regulation began accepting Phase 3 Retail Round 1 applications from individuals verified as Social Equity Program Applicants. DCR closed the application filing window on Tuesday, September 17, 2019 at 10 a.m. PDT.
Phase 3 Retail Round 1

- Information on Applications Submitted
  - 802 Applications, includes DCR Test Applications (Test Apps)
  - Fastest Times: 38 secs (DCR staff) / 46 secs (SEP Applicant)
  - 1 min 11 sec Average Submission Time for the first 100 Applications
  - 1 min 23 sec Average Submission Time for the first 200 Applications
  - 1 min 33 sec Average Submission Time for the first 300 Applications
  - 6 Applications (includes two Test Apps) submitted in the first 1 min
  - 338 Applications (includes Test Apps) submitted in the first 3 min
  - 437 Applications (includes Test Apps) submitted in the first 5 min
  - 550 Applications (includes Test Apps) submitted in the first 10 min
  - 658 Applications (includes Test Apps) submitted in the first hour
When an application is started, it is assigned a temporary application number. As the Applicant answers questions and enters information into the application, elements of the Record Identification Number are finalized.

▪ An application will be assigned a “C” if its a general application and a “P” if it is a PCN request.
▪ After the number that starts with “310000”, the letter corresponds with the activity. For Phase 3 Retail Round 1, all application were assigned an “R” for Retail Storefront.
Phase 3 Retail Round 1

Two Applicants accessed the application minutes prior to the official launch.

- Both cases were associated with Applicants who had requested to have their account passwords reset on the morning of Tuesday, September 3, 2019.
- **Background:**
  - Per advance notice to Applicants, DCR disabled all user accounts on August 28, 2019 in preparation of the launch of the application software.
  - In anticipation of a 10 a.m. release the application software was uploaded into the system around 9:50 a.m. on Tuesday, September 3, 2019.
  - During this time the applicants whose accounts were enabled due to password resets could have accessed the system; only two cases were associated with early access (minutes) to the application.
- DCR became aware of these two cases on Tuesday, September 3, 2019 while reviewing system data with Accela support staff.
- In order to ensure these applicants were not unfairly advantaged and to ensure that other applicants were not unfairly disadvantaged, DCR, using user data recorded into the Accela system, provided these applicants with a timestamp associated with the time it took them to start and submit their application.
Phase 3 Retail Round 1 Submissions  
(09/03/19 10am to 09/17/2019 10am)

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<th>Submission Date</th>
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# Phase 3 Retail Round 1 Submissions

(09/03/19 10am to 09/17/2019 10am)

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  - Timestamps were normalized so that no applications started or submitted before 10 am were unfairly advantaged.

Community Concern 2: Arbitrary Timestamps Were Given to Some Applicants Creating an Unfair Process
  - Timestamps were normalized so that no applications started or submitted before 10 am were unfairly advantaged.

Community Concern 3: Non-Human or Automated Systems Were Utilized to Submit Applications
  - DCR has no data or evidence to suggest Non-Human or Automated Systems Were Utilized.

Community Concern 4: Multiple Applications Were Submitted by Single Applicant
  - An individual may not be the Tier 1 or Tier 2 Social Equity Applicant for more than one Applicant in Round 1.

Community Concern 5: Confusion regarding Record IDs
  - The Record ID number is created during the application process before the application is submitted.
Phase 3 Retail Round 1

Information on Applications Submitted

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- Fastest Times: 38 secs (DCR staff) / 46 secs (SEP Applicant)

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Phase 3 Retail Round 1

“LA-C-19-310000-R-APP”

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- After the number that starts with “310000”, the letter corresponds with the activity. For Phase 3 Retail Round 1, all applications were assigned an “R” for Retail Storefront.
Information Regarding the Performance of the Accela Online Application System

DCR worked closely with the online application software developer, Accela, to develop, test, and launch the Phase 3 Retail Round 1 online application process in an effort to ensure a successful and simple application submission process.

The launch of the online application system was monitored by both DCR and Accela on a minute-by-minute basis for the first hour of the application window. Both DCR and Accela verified the smooth flow of server traffic and found no system irregularities. The Accela online application system operated as planned, with neither DCR nor Accela identifying any foreign intrusions or operational interruptions.
Phase 3 Retail Round 1

DCR Review Process & Next Steps

- Review of Phase 3 Retail Round 1 Application Documents
- Re-review of Social Equity Program Eligibility Verification
- Review of Equity Share Compliance
- Invoicing
- Applicants Noticed of Their Eligibility for further Processing
- Annual Licensing Process
  - Annual Application
    - Neighborhood Council: Notice and Offer to Appear
    - **CEQA
  - **Live Scan
  - Community Meeting
  - Public Hearing
Documents Reviewed By DCR:
1. Copy of an executed lease agreement with proof of a deposit or property deed for its Business Premises;
2. Ownership and financial interest holder form;
3. Financial information form;
4. Business Premises diagram;
5. Proposed staffing and security plans;
6. Dated radius map including horizontal lines and labeling of any sensitive uses relative to a Type 10 License;
7. Labor peace agreement attestation form;
8. Indemnification agreement;
9. All business records and agreements necessary to demonstrate that a Tier 1 or Tier 2 Social Equity Applicant owns the minimum Equity Share in the Applicant required under Section 104.20.
A Tier 1 Social Equity Applicant must demonstrate that it holds the minimum required Equity Shares in the business applying for a license for the application to receive priority processing. A Tier 1 Applicant must hold at least 51% of the business’s Equity Shares to receive Priority Processing.

As defined in LAMC Sec. 104.20(b), "Equity Share" means a share of all of the following:
(i) a business's profits, including dividends, distributions or other payments;
(ii) the proceeds of a sale of a business's assets, liquidation of a business, merger of a business into another business, or another transaction that would constitute the end of an original business; and
(iii) the voting rights on fundamental decisions relating to the business.
A Tier 2 Social Equity Applicant must demonstrate that it holds the minimum required Equity Shares in the business applying for a license for the application to receive priority processing. A Tier 2 Applicant must hold at least 33 and \( \frac{1}{3} \)\% of the business’s Equity Shares.

As defined in LAMC Sec. 104.20(b), "Equity Share" means a share of all of the following:

(i) a business's profits, including dividends, distributions or other payments;
(ii) the proceeds of a sale of a business's assets, liquidation of a business, merger of a business into another business, or another transaction that would constitute the end of an original business; and
(iii) the voting rights on fundamental decisions relating to the business.
Equity Share Compliance

Documents Reviewed By DCR to ensure Equity Share Compliance

- Ownership & Financial Disclosure Form
- Other Documents
  - Corporation: Articles of Incorporation, bylaws and stock ledger
  - Limited Liability Company: Articles of Organization and operating agreement
  - Limited Partnership: Certificate of Limited Partnership and partnership agreement
  - General Partnership: Statement of Partnership Authority (if filed) and partnership agreement
Equity Share Compliance

Vesting of Minimum Required Equity Shares
A Tier 1 or Tier 2 Applicant must hold the minimum required Equity Shares in the business at the time of applying for a license. An agreement by which a Tier 1 or Tier 2 Applicant’s minimum required Equity Shares vest over time is strictly prohibited.

Disproportionate Profit-Sharing Provisions
A Tier 1 or Tier 2 Applicant must receive a portion of the business's profits proportionate to its minimum required Equity Shares. An agreement by which a Tier 1 or Tier 2 Applicant owns a minimum of 51% or 33 and \( \frac{1}{3} \)%, respectively, of the licensed business’s Equity Shares but receives a lesser percentage of the business’s profits is strictly prohibited.

Disproportionate Voting or Control Provisions
A Tier 1 or Tier 2 Applicant must hold voting or control rights in the business proportionate to its minimum required Equity Shares. An agreement by which a Tier or Tier 2 Applicant owns a minimum of 51% or 33 and \( \frac{1}{3} \)%, respectively, of the licensed business' Equity Shares but receives a lesser percentage of the business’s voting or control rights is strictly prohibited.
MANAGEMENT AGREEMENTS
As provided under LAMC Sec. 104.21, a Management Company may manage commercial cannabis activity on behalf of a Tier 1 or Tier 2 Social Equity Applicant provided that DCR approves the management agreement. A Management Company may also share in the profits generated by a Tier 1 or Tier 2 Social Equity Applicant provided that its profit-sharing interest does not effectively dilute the Tier 1 or Tier 2 Social Equity Applicant’s Equity Shares.

Further, whatever a Management Company’s profit-sharing interest, the Tier 1 or Tier 2 Social Equity Applicant must still receive a share of the licensed business’s profits proportionate to the required minimum Equity Shares.
CONSEQUENCES OF FAILURE TO DISCLOSE ALL RELEVANT AGREEMENTS

Applicants that fail to disclose all agreements and other documents relevant to the Equity Share requirements will face serious consequences. If DCR discovers that an Applicant, either during the application process or post-licensure, has entered into an undisclosed agreement relating to Equity Shares, DCR will deny its application for a license or revoke its license, respectively. Further, such an Applicant may be subject to civil and criminal penalties for its fraudulent conduct.
Phase 3 Retail Round 1

DCR Review Process & Next Steps

- Review of Phase 3 Retail Round 1 Application Documents
- Re-review of Social Equity Program Eligibility Verification
- Review of Equity Share Compliance
- Invoicing
- Applicants Noticed of Their Eligibility for further Processing
- Annual Licensing Process
  - Annual Application
    - Neighborhood Council: Notice and Offer to Appear
    - **CEQA
  - **Live Scan
  - Community Meeting
  - Public Hearing
Phase 3 Retail Round 1

- DCR continues to process Phase 3 Retail Round 1 Applications in accordance with local law.
- To date, 35 applicants have received invoices
- To date, 11 applicants have paid invoices and will soon be noticed of their eligibility for further processing.
Currently, the following Community Plan Areas have reached Undue Concentration for Retail licenses:

- Central City
- Central City North
- Harbor Gateway
- Sherman Oaks - Studio City - Toluca Lake - Cahuenga Pass
- Sun Valley - La Tuna Canyon
- Venice
Information on Public Convenience or Necessity (PCN) Requests:

- To date, DCR has received 86 PCN requests.

- DCR will begin reviewing the land-use and equity share components of the PCN requests after the 100 Phase 3 Retail Round 1 Applications have been identified and invoiced.
- If DCR determines the land-use and equity share components of the PCN request are consistent with local law, DCR will invoice the PCN requestor.
- The PCN requestor must pay the invoice within 10-business days or the PCN request will be deemed abandoned.
- Upon payment, DCR will prepare and transmit the PCN request to the Office of the City Clerk for City Council consideration.
- The City Council will have 90 business days from the date the PCN request is assigned a Council File Number to approve or deny the PCN request.
“To promote equitable ownership and employment opportunities in the cannabis industry in order to decrease disparities in life outcomes for marginalized communities, and to address the disproportionate impacts of the War on Drugs in these communities.”
Introducing the Social Equity Program Manager

- Urban policy and planning expert focused on small business development, sustainable urban land use, and public policy
- Doctorate from USC in Policy, Planning, and Development
- Over twenty years of experience in community and government relations
- Co-founded the LAMTA Vendor Relations Department and negotiated multi-million dollar professional services contracts

Dr. Imani Brown
Components of the Social Equity Program

- Social Equity Agreements
- Social Equity Analysis
- Social Equity Agreements
- Social Equity Analysis
- Business, Licensing & Compliance Assistance
- Priority Processing
- Fee Deferral Program
- Technical Assistance
- Property Assistance
- Other Services
- Outreach and Recruitment
The Bureau of Cannabis Control (BCC) was appropriated $10 million to award to cities and counties assisting equity applicants and licensees through their local equity programs focusing on inclusion and support of persons in the cannabis industry who were negatively or disproportionately impacted by cannabis prohibition.

- Initially released on March 1, 2019; Grant application recalled on March 29, 2019
- Re-released by BCC on July 31, 2019; accepting applications until August 30, 2019
- Only local jurisdictions are eligible for grant funding
- City of Los Angeles awarded $1,834,156.38
Request for Qualifications

Business, Licensing and Compliance Assistance

- Purpose: to retain on-call business development services for the City’s Social Equity Program (SEP). The RFQ seeks one or more consultants to develop and conduct business development curriculum, training, licensing and compliance assistance, and related services intended to support applicants and licensees eligible to participate in the SEP pursuant to Los Angeles Municipal Code Section 104.20.

- Initially released on June 5, 2019; responses due by July 12, 2019
- On August 13, 2019 DCR notified proposers of their scores and is currently finalizing the evaluation and selection process.
## Request for Qualifications

### Business, Licensing and Compliance Assistance

- DCR plans to release a secondary Request for Qualifications
- DCR Announces Pre Conferences for On-Call Business Development Services

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<tr>
<th>DATE</th>
<th>LOCATION</th>
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</thead>
</table>
| 10/25/19 at 10:00 AM | Figueroa Plaza  
201 N. Figueroa Street, 9th Floor, Commission Hearing Room  
Los Angeles, CA 90012 |
| 12/2/19 at 10:00 AM  | Figueroa Plaza  
201 N. Figueroa Street, 9th Floor, Commission Hearing Room  
Los Angeles, CA 90012 |
DCR Policy Recommendations

1) Amend local law to extend period of license ineligibility for a person with a felony conviction of a crime involving fraud, deceit, or embezzlement for a period of 5 years from the date of conviction to 20 years.

2) Amend local law to prohibit persons with a felony conviction of a crime involving fraud, deceit, or embezzlement from serving as an Agent for Service of Process.

3) Amend local law to require DCR to provide Social Equity Applicants Business, Licensing and Compliance Assistance focused on contracting related to Equity Share Compliance for a period of at least 60 days prior to any future Retail Licensing.

4) Amend local law to allow DCR to authorize businesses to relocate within their existing Community Plan Area.

5) Amend local law to require DCR to collect demographic information from applicants and licensees.
