

DCR LICENSING WEBINAR

March 30, 2022

1:00-2:30 p.m.



DEPARTMENT OF™

**CANNABIS
REGULATION**

Agenda



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- I. Welcome Remarks**
- II. Licensing Process Clarifications**
- III. Enforcement and Compliance Procedures**
- IV. Questions**



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Welcome Remarks

Michelle Garakian, Acting Executive Director



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Licensing Process Clarifications

Jason Killeen, Assistant Executive Director

Licensing - Summary of Proposed Ordinance Amendments



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- **Summary of Proposed Ordinance Amendments:**
 - Amends the definitions of “Owner” and “Primary Personnel”
 - Clarifies when an Application or modification request may be abandoned
 - Creates a refiling process
 - Establishes processing timelines to ensure both Applicants and DCR move applications towards licensure in a timely manner;
 - Clarifies successor in interest or surviving spouse provisions in the Social Equity Program
 - Creates a standalone Social Equity Applicant Entity Verification process that may, at the Applicant’s option, occur earlier in the licensing process

Licensing - Summary of Proposed Rules and Regulations



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- **Summary of Proposed Rules and Regulations:**

- Updates to align the Rules and Regulations with current licensing processes and to create uniformity with the Los Angeles Municipal Code and/or the State's licensing regulations
- Adds new lists of required information, forms and documents for each stage of the licensing process and for each type of modification request
 - DCR will host a future webinar to cover the required information, forms and documents if the changes are adopted
- Reorganizes operational requirements to consolidate and clarify requirements
- Adds definitions for commonly used terms in DCR's forms
- Clarifies Notice of Violation procedures

Licensing - Definitions



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- **Proposed Ordinance Amendments:**

- Definitions - "Owner" means a **Person** with at least a 20% aggregate ownership stake or equity interest in the Applicant or Licensee. Aggregate means the total ownership interest held individually or through an entity. For example, an individual owning 50% of an entity that owns 50% of a cannabis business would have a 25% aggregate ownership interest in the cannabis business.

Licensing - Definitions



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- **Proposed Ordinance Amendments:**

- Definitions - “Primary Personnel” includes any of the following:

(i) a natural person with at least a 20% aggregate ownership stake or equity interest in the in the Person applying for a License or a Licensee; (ii) a natural person who manages, directs, or controls the operations 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 natural persons who manage, direct, or control the operations of the Applicant or Licensee, those natural persons shall also be disclosed as Primary Personnel; and (iv) DCR may determine, in its sole discretion on a case-by-case basis, that additional natural persons have the ability to manage, direct, or control the commercial cannabis business and meet the criteria of Primary Personnel.

Licensing - Definitions



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- **Proposed Ordinance Amendments:**
 - Definitions - “Primary Personnel” cont.
 - Primary Personnel are always natural persons.
 - A limited liability company, corporation, or other entity type that is not a natural person is **never** a Primary Personnel.
 - A **natural person** with at least a 20% aggregate ownership stake or equity interest in the in the Person applying for a License or a Licensee is an “**Owner**” **and** a “**Primary Personnel**”.

Licensing - General Information



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- **Proposed Ordinance Amendments:**
 - General information.
 - All required information, forms and/or documents need to be submitted through the DCR Licensing Portal at the time a record is created and submitted to the DCR.
 - If DCR requests, for any reason, information, forms and/or documents, the Applicant shall submit everything through the DCR Licensing Portal within 30 days and all fees shall be paid within 30 days of the date of the invoice issuance, unless another period of time is specified in writing by DCR.
 - DCR does not refund fees for an abandoned Application or modification request.

Licensing - Pre-Application Review



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- **Proposed Ordinance Amendments:**

- Pre-Application Review

- Within 30 days of payment of the Pre-Application Review Fee, DCR shall complete its review of the Pre-Application Review record. Once submitted, the record data may not be amended.
- The Pre-Application Review process is site specific.
- When an analyst begins their review, the required information is present on the record or it's not. Pre-Application Review records that are incomplete or missing required information, forms or documents shall not be eligible for further processing.
- Pre-Application Review records may not be amended.

Licensing - Temporary Approval



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- **Proposed Ordinance Amendments:**
 - Temporary Approval (TA) Application
 - Within **60 days** of payment of Application Fee(s), DCR shall complete its review of the Application record.
 - If all required information, forms and documents are in the correct form and manner, the record will receive a status of “Local Compliance Underway”.
 - If Application is incomplete, the record will receive a status of “Additional Info Needed.” Processing of the Application shall be suspended until the Application has been corrected. The Applicant will have **30-days** to pay the applicable re-review fee(s) **and** complete the application. If the record is still incomplete after the second review, it shall be deemed **abandoned**.

Licensing - Temporary Approval



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- **Proposed Ordinance Amendments:**
 - Temporary Approval (TA) Application cont.
 - TA Application records with a status of “Local Compliance Underway” may request an Initial Inspection.
 - DCR shall schedule an Initial Inspection within 45 days of the request.
 - The assigned licensing analyst will conduct the Equity Share (ES) review, if applicable. Previously, ES review was overseen by the social equity group.
 - Within 15 days completing the ES review (if applicable) or passing an Initial Inspection, whichever occurs last, DCR will update the TA Application record to “Temporarily Approved” and notify the Applicant.

Licensing - Environmental Analysis



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- **Environmental Analysis:**

- The Pre-Application Review and Temporary Approval Application process make-up an Applicant's draft project description.
- For records with a status of, at least, "Local Compliance Underway", the DCR reports to the State: "Project Description Under Review" and "CEQA Compliance Underway"
- When Temporary Approval is granted, a business may file their final project description. DCR will begin accepting final project descriptions in April.
- DCR must conduct the environmental analysis associated with the final project description before an Application can be deemed complete and Annual Application fees paid.

Licensing - Environmental Analysis



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- **Environmental Analysis cont.**

- DCR is authorized to use the Department of City Planning's internal environmental consultant (Consultant) list to conduct the environmental analysis.
- DCR will begin collecting final project descriptions in April.
- DCR will bundle project descriptions for environmental review and issue Request for Bids (RFBs) to identify Consultants to conduct the analysis.
- **Authorized** Consultants will have 4-6 weeks to respond to a RFB.
- Consultant bids will be reviewed and Notices to Proceed (NTPs) will be issued to successful bidders (2-4 weeks).
- Consultants will analyze final project descriptions assist DCR with findings.

Licensing - Application Modifications



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- **Proposed Ordinance Amendments:**
 - Application Modifications
 - The Business Premises location deemed eligible for further processing through the Pre-Application Review process shall not be amended while the associated Temporary Approval Application is pending.
 - Applicants may submit modification requests through the DCR Licensing Portal for a period of 60 days after the submission of a Temporary Approval Application to amend information, forms and/or documents submitted as part of the Temporary Approval Application record, subject to the payment of any required modification fee(s) in LAMC Section 104.19.
 - Application processing shall be suspended during the Modification process.

Licensing - Application Modifications



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- **Proposed Ordinance Amendments - Application Modifications cont.**
 - The types of modification requests an Applicant may submit during the 60-day window after submission of a Temporary Approval (TA) Application are: Legal name change; Fictitious Business Name (FBN)/Doing Business As (DBA); Entity Substitution; Remove Commercial Cannabis Activity; Business Premises diagram; Ownership structure; Addition of Owner(s); Removal of Owner(s); and, Withdrawal.
 - New TA Application records will only be issued for Entity Substitution or 100% Ownership change requests.
 - If 100% of the Level 1 Owners change, it is considered a 100% ownership change regardless of whether or not the Owners move to another level.

Licensing - License Modifications



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- **Proposed Ordinance Amendments:**
 - License Modifications
 - Licensees may submit the types of modification requests an Applicant may submit: Legal name change; Fictitious Business Name (FBN)/Doing Business As (DBA); Entity Substitution; Remove Commercial Cannabis Activity; Business Premises diagram; Ownership structure; Addition of Owner(s); Removal of Owner(s); and, Withdrawal.
 - Additionally, Licensees may submit relocation requests.
 - Certain license types, retail storefront and cultivation, may only be relocated within the Community Plan Area the license was issued for.

Licensing - Abandoned Records



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- **Proposed Ordinance Amendments:**
 - Pre-Application Review records:
 - Pre-Application Review records eligible for further processing shall be deemed abandoned if a complete Application is not timely submitted within one (1) calendar year.
 - Temporary Approval (TA) Applications
 - TA Applications deemed abandoned after January 1, 2022, may refile an Application subject to the requirements in the Municipal Code.
 - Additionally, Licensees may submit relocation requests.
 - Certain license types, retail storefront and cultivation, may only be relocated within the Community Plan Area the license was issued for.

Licensing - Refiling



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- **Proposed Ordinance Amendments:**

- Temporary Approval Applications deemed abandoned under Section 104.03(h) after January 1, 2022, may refile an Application subject to specific requirements.
- The refiling process shall be initiated through the DCR Licensing Portal within one (1) calendar year of the date DCR notifies the Applicant by electronic mail that the original Temporary Approval Application is deemed abandoned.
- To refile, the Applicant shall submit a new Pre-Application Review record.
 - If the new record is ineligible for further processing, the Applicant may submit a new record(s) identifying a new Business Premises location(s), subject to the payment of applicable fee(s), and provided that the new record is submitted within the original one (1) calendar year time limitation.

Licensing - Refiling cont.



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- **Proposed Ordinance Amendments:**

- The refiled record 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.
 - Applications originally subject to a finding of public convenience or necessity must be refiled at the same proposed Business Premises.
 - A refiled Temporary Approval Application is not subject to a finding of Undue Concentration.
- A refiled Temporary Approval Application that is later deemed abandoned for any reason may not be refiled.

Licensing - Refiling cont.



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- **Proposed Ordinance Amendments:**

- Temporary Approval (TA) Applications abandoned, for any reason, prior to January 1, 2022, may not be refiled.
- TA Applications previously denied, denied by operation of law, or deemed ineligible for further processing may not be refiled.
- TA Applications and Social Equity (SE) TA Applications with more than one SE Individual Applicant listed to meet the Equity Share requirements on the initial TA Application, may only refile the Application under the original entity.
- SE Applications with one SE Individual Applicant listed to meet the Equity Share requirements on the initial Temporary Approval Application, may refile under a new entity.

Licensing - Phase 3 Retail Round 2



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- **Proposed Ordinance Amendments:**

- Phase 3 Retail Round 2

- A 60-day eligibility verification period will open for natural persons to apply to be verified under the revised eligibility requirements.
- DCR has, at least, 90 calendar days to process eligibility verification requests which **shall not** run concurrently with the 60 day period.
- DCR will accept registrations for an Application lottery for a period of 30 days from verified Social Equity Individual Applicants.
- Verified Social Equity Applicant registrations will be entered into an Application Lottery.
 - DCR shall post a notice at least 15 calendar days prior to the lottery

Licensing - Successors



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- **Proposed Ordinance Amendments:**
 - Successors
 - 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.
 - 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.

Licensing - State Deadlines



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- **State deadlines:**
 - **March 31, 2022** - Deadline for submission of applications to be considered for provisional licenses
 - Exceptions: certain cultivation applicants and local equity applicants
 - Social Equity Applicants, Phase 2 Tier 1 Applicants, and Phase 2 Tier 2 Applicants are considered local equity applicants.
 - Phase 2 Tier 3 Applicants **are not** considered local equity applicants.
 - **June 30, 2022** - Last day for the State's Department of Cannabis Control (DCC) to issue provisional licenses for all license types including licenses resulting in operations equivalent to a Type 5, 5A, or 5B license.
 - Exceptions: certain cultivation applicants and local equity applicants

Licensing - State Deadlines cont.



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- **State deadlines:**
 - **June 30, 2022** - Deadline for certain cultivators to submit an application and be considered for a provisional license.
 - **July 1, 2022** - Provisional license renewals become subject to specified conditions.
 - To meet specified conditions, DCR will begin issuing letters, in April, to businesses with Temporary Approval stating their CEQA document has a status of “Project Description Under Review” and CEQA compliance is “Underway”.
 - **September 30, 2022** - Last day for the DCC to issue provisional licenses to certain cultivation applicants.

Licensing - State Deadlines cont.



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- **State deadlines:**
 - **March 31, 2023** - Deadline for local equity applicants to submit an application to be considered for a provisional license.
 - **June 30, 2023** - Last day for DCC to issue provisional licenses to local equity applicants.
 - **July 1, 2023** - Provisional renewals become subject to additional requirements.
 - **January 1, 2025** - Last day for DCC to renew provisional licenses.
 - **January 1, 2026** - Last day for any provisional license to be in effect.



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Enforcement and Compliance Procedures

Rocky Wiles, Division Manager, Compliance, Enforcement & Operations

Enforcement and Compliance



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- **Compliance & Enforcement Section**
 - Receives complaints and manages complaint portal
 - Investigates complaints and may issue NOVs (Notice of Violation)
 - Assists other enforcement agencies to verify authorized versus illegal Commercial Cannabis Activity
 - Contact the Compliance Team at DCRCompliance@lacity.org
- **Proactive and Progressive Compliance Strategy**
 - Educate operators on all operational requirements
 - Contact businesses which are the subject of a complaint received by DCR.
 - Visit locations to verify compliance
 - Issue NOVs and corresponding penalties

Enforcement and Compliance



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- **Regulation Nos. 5 and 7**
 - Regulation No. 5: Operational Requirements and Violations
 - Regulation No. 7: Administrative Violations, Penalties and Appeals
- **Summary of Updates to Operational Requirements and Violations (Regulation No. 5):**
 - Renumbered - formerly Regulation No. 10
 - Consolidated and clarified operational requirements
 - Eliminated redundant regulations
 - Eliminated regulations already handled by the DCC
 - Reorganized regulations to reconcile the City's requirements with the State's amended regulations

Enforcement and Compliance



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- **Organization of Regulation No. 5**
 - **General Requirements (Reg 5A)**
 - Responsible Management Requirements
 - Responsible Management of the Business Premises
 - Unauthorized Modifications
 - Security Measures
 - Business Premises Equipment
 - Prohibited Activities
 - Required Notifications

Enforcement and Compliance



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- **Organization of Regulation No. 5 (continued)**
 - Records Requirements (Reg 5B)
 - Retailer Commercial Cannabis Activity (Reg 5C)
 - Delivery Commercial Cannabis Activity (Reg 5D)
 - Microbusiness Commercial Cannabis Activity (Reg 5E)
 - Testing Commercial Cannabis Activity (Reg 5F)

Enforcement and Compliance



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- **Summary of Updates to Administrative Violations, Penalties and Appeals (Regulation No. 7):**
 - Renumbered - formerly Regulation No. 11
 - Lead agency for enforcement investigations and actions related Commercial Cannabis Activity
 - Added Subsection: “Notices of Violation,” to provide clarity related to compliance (i.e. timeline to comply, extensions of time, due date for administrative penalties)
 - Subsection : “Administrative Appeals” - non-substantive edits for clarity



- **Types of Violations - Sec 104.19(i) - Fines, Violations and Non-Compliance Fees**
 - Minor: \$7,004
 - Moderate: \$21,013
 - Major: \$42,026
 - Per violation

