

DCR LICENSING WEBINAR

April 14, 2022

2:00-3:30 p.m.



DEPARTMENT OF™

**CANNABIS
REGULATION**

Agenda



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- **Welcome Remarks**
- **Licensing Process Clarifications**
 - Common Misconceptions
 - Owner/Primary Personnel/Authorized Agents/Signatories
 - From Pre-Application Review to Annual Application Process
 - Abandonment/Refiling
 - Equity Share Review
 - Social Equity Individual Applicant (SEIA) Eligibility Verification
 - Phase 3 Retail Round 2
- **Future Events**
- **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 - Common Misconceptions



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- **Misconception:**
 - “The Application process has gotten more difficult and challenging over time”
- **Reality:**
 - The original law in 2018 would have required non-Phase 1 Applicant to receive an Annual License before operating.
 - At this time, the State would be the lead agency for CEQA and a State annual license was a prerequisite to a complete local application.
 - In 2018, Temporary Approval was only available to Phase 1 Applicants.
 - DCR pushed to make Temporary Approval available to Phase 2 Applicants.
 - DCR pushed an amendment to Temporary Approval available to all Applicants which was adopted by policymakers in 2020.

Licensing - Common Misconceptions



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- **Misconception:**
 - “The Application process has gotten more difficult and challenging over time”
- **Reality:**
 - DCR has created dedicated forms to capture the required information in a consistent manner which meets the requirements listed in the Municipal Code.
 - DCR has streamlined document review and removed requirements which are not needed by 90% of Applicants and based on stakeholder feedback.
 - DCR has broken up the licensure process into smaller segments which has reduced the upfront fees Applicants pay to receive required eligibility determinations.
 - Overall, the process is simpler, faster, less cumbersome, and less expensive than it was in 2018 or 2019.

Licensing - Owner



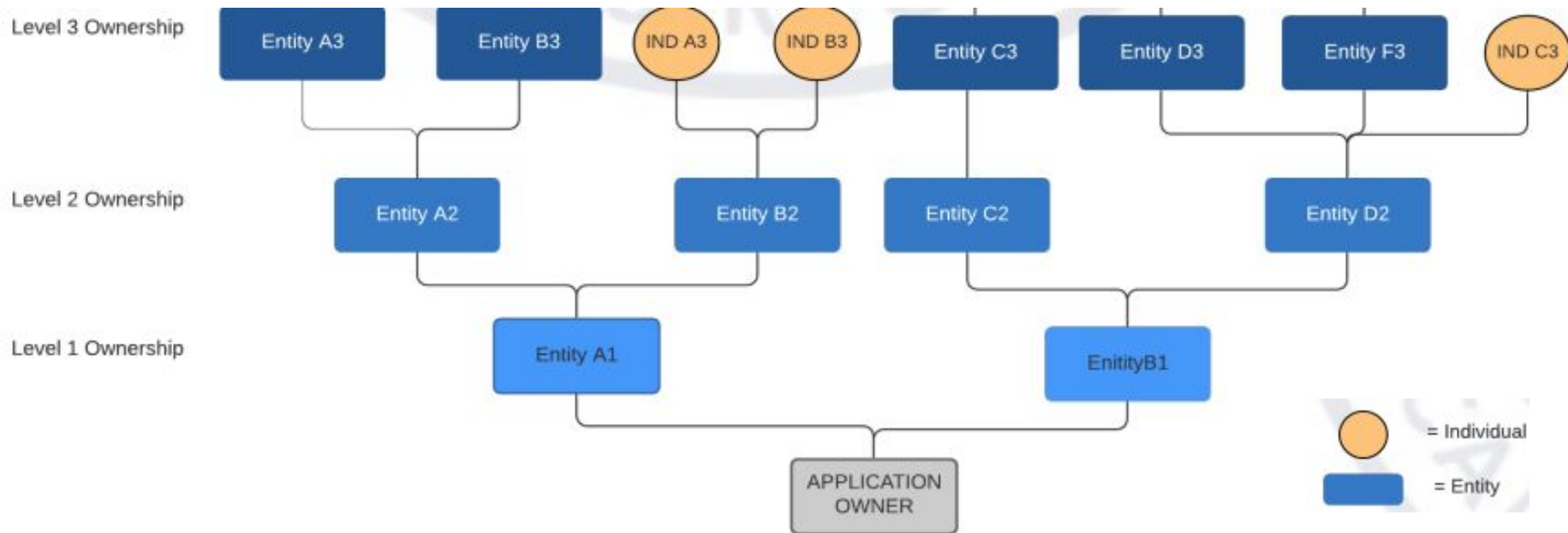
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- “**Owner**” means a **Person** with at least a 20% aggregate ownership stake or equity interest in the Applicant or Licensee. Aggregate means the total ownership interest held individually or through an entity. For example, an individual owning 50% of an entity that owns 50% of a cannabis business would have a 25% aggregate ownership interest in the cannabis business.
- “**Person**” includes any individual, firm, partnership, joint venture, association, corporation, limited liability company, estate, trust, business trust, receiver, syndicate, or any other group or combination acting as a unit, and the plural as well as the singular.

Licensing - Applicant/Licensee Business Structure Organizational Chart



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Licensing - Definitions



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- “Primary Personnel” includes any of the following:
 - (i) **a natural person** with at least a 20% aggregate ownership stake or equity interest 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.

Authorized Agent Acknowledgement Form

LIC-4009-FORM



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- LIC-4009-FORM allows Applicants or Licensees to designate an individual to sign and submit forms and documents to DCR on behalf of an Applicant or Licensee, including modification, renewal, or amendment records, and communicate with DCR about the Application or License.
- The Authorized Agent must be one individual who is also an Applicant's or Licensee's Primary Personnel, as defined in Los Angeles Municipal Code Section 104.01(a).
- This form confers significant authority to the designated Authorized Agent and notarized signatures from a sufficient number of Level 1 Owners to constitute sixty percent (60%) of the ownership of the Applicant or Licensee are required on this form.
- If the form is submitted for a Social Equity Application, the qualifying Social Equity Individual Applicant(s) must also sign the form; their ownership interest(s) will count towards the 60% total ownership requirement.

Authorized Agent Acknowledgement Form LIC-4009-FORM



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- “Level 1 Owners” are the natural persons or entities that own the Applicant or Licensee entity directly without any intervening entities or persons.
- If a “Level 1 Owner” is an entity, the CEO or President, or equivalent executive position, may sign on behalf of the entity.
- With the adoption of the updated ordinance and revised Rules and Regulations, DCR has expanded the number of forms an Authorized Agent may sign.

Signatories - Simple Majority Signature Rules



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- **Example #1:** If the Applicant is an entity that is owned by John Doe (51%), who is a Tier 1 Social Equity Individual Applicant, ABC Corporation (29%), and XYZ Corporation (20%), John Doe and the President(s) of either ABC Corporation or XYZ Corporation may sign this form. In this example, the form could not be executed by any individual Owner on their own, or by ABC Corporation and XYZ Corporation alone.
- **Example #2:** If the Applicant is an entity that is owned by Jane Doe (33%), who is a Tier 2 Social Equity Individual Applicant, ABC Corporation (42%), and XYZ Corporation (25%), Jane Doe and the President of ABC Corporation may sign this form together. In this example, the form could not be executed by any individual Owner on their own, or by Jane Doe and XYZ Corporation, or by ABC Corporation or XYZ Corporation alone.

Signatories - Removal of Owner(s) LIC-4005-MOD



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- **LIC-4005-MOD requires a notarized signature from any Owner(s) being removed from the License or Application.**
 - If the Owner is a natural person, that person must sign.
 - If the Owner is an entity, the CEO, President, or equivalent executive position, may sign.
 - When an Owner is an entity, DCR will not require “Removal of Owner” forms from Owners beneath the removed Owner in the Applicant or Licensee’s business structure organizational chart.
 - For example, if an entity is a Level 2 Owner, removing that entity from the Applicant or Licensee’s business structure organizational chart will automatically remove the Level 3 Owner, if applicable, of the Level 2 Owner.

Licensing - Summary of Ordinance Amendments



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- **Summary of 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 Revised Rules and Regulations



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- **Summary of Revised 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 may host a future Q&A Virtual Lunch Hour to cover the required information, forms and documents in further detail
- Reorganizes operational requirements to consolidate and clarify requirements
- Adds definitions for commonly used terms in DCR's forms
- Clarifies Notice of Violation procedures

Licensing - Pre-Application Review



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- **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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- **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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- **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 - Successors



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- **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 - Application Modifications



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- **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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- **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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- **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 - Refiling



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- **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 - Abandonment and Refiling



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- A refiled Temporary Approval Application is not subject to a finding of Undue Concentration.
 - Applications subject to Phase 2 requirements, are not subject to a finding of “Undue Concentration”.
 - Applications subject to Phase 3 Retail Round 1 requirements deemed eligible for further processing under Section 104.06.1(b)(7) after January 1, 2021, **shall not be included in the calculation of “Undue Concentration”**, as defined in Section 104.01(a)(49).

Licensing - Refiling cont.



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- **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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- **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.

Social Equity Individual Applicant (SEIA) Eligibility Verification



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Part 1 - Social Equity Individual Applicant Eligibility Verification

Action	Timing	Projected Cumulative Timeline	Notes
Announce the SEIA Eligibility Verification 60-day Window	Formal announcement in early May 2022	Within the next 30 days	No notice requirement/ DCR discretion
SEIA Eligibility Verification process opens	Will open in late May 2022 for a period of 60 days	90 days	LAMC Section 104.06.1(c)(1)
DCR processes SEIA Eligibility Verification requests	DCR has at least 90 days to process;	180 days*	LAMC Section 104.06.1(c)(1)

*It may take DCR more or less time, but the LAMC guarantees DCR has at least 90 days to process all **filed** verification requests.

Licensing - Phase 3 Retail Round 2



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- **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 - Phase 3 Retail Round 2



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- To be eligible to participate in the P3RR2 lottery, the registrant shall be a Social Equity Individual Applicant with a prior California Cannabis Arrest or Conviction and must also meet one of the following two criteria, as defined in Section [104.20](#)(b)(1)(i): (1) Low-Income; or (2) ten years' cumulative residency in Disproportionately Impacted Area.
- A Social Equity Individual Applicant shall be disqualified from participating in the Application lottery for any of the offenses specified in Section [104.03](#)(a)(1) or for any of the circumstances in Section [104.03](#)(a)(2).

Phase 3 Retail Round 2 Lottery



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Part 2 - Phase 3 Retail Round 2 Lottery*

Action	Timing	Projected Cumulative Timeline	Notes
Provide technical assistance for the registration process**	45 days***	No Change to Overall Timeline	LAMC Section 104.06.1(c)(2)
Phase 3 Retail Round 2 Lottery Registration Period	30 days	30 days	LAMC Section 104.06.1(c)(2)
DCR shall post a notice of when the lottery will occur	15 days	45 days****	LAMC Section 104.06.1(c)(4)
Lottery	1 day	46 days	LAMC Section 104.06.1(c)(4)
SEIAs selected during the lottery have one year from the date of notification to complete the Pre-Application Review process	One Year	One Year and 46 days	LAMC Section 104.06.1(c)(5)

*The SEIA must have a prior California Cannabis Arrest or Conviction and must also meet one of the following two criteria, as defined in Section 104.20(b)(1)(i): (1) Low-Income; or (2) ten years' cumulative residency in Disproportionately Impacted Area.

DCR shall provide technical assistance to **prospective or verified SEIAs; technical assistance includes, but is not limited to, access to one or more the following DCR resources: webinars, presentations, and/or access to the Learning Management System (LMS).

***Technical Assistance will run parallel to DCR's processing of SEIA Eligibility Verification requests.

****DCR may post notice in parallel with the registration process.

Licensing - State Deadlines



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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.



Future DCR Events

Future DCR Events



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- **Late April: Public Health Site Evaluation Webinar**
- **Thursday, April 28 - 2:00pm: Cannabis Regulation Commission Meeting**
- **Tuesday, May 3 - 12:00-1:00pm: Q & A Webinar Lunch with Jason Killeen, AGM, DCR-Licensing**
- **Early May: SEIA Eligibility Verification Webinar**
- **Late May: Open SEIA Eligibility Verification Registration**

