

# INITIATIVE MEASURE TO BE SUBMITTED DIRECTLY TO THE VOTERS

Committee of proponents, who are registered voters of the City of Los Angeles, sponsoring the petition:

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As required by the Charter, the City Attorney has prepared the following official petition title and official petition summary of the primary provisions of this initiative ordinance measure to be adopted by the City Council or submitted directly to the voters.

## CANNABIS ACTIVITY PERMITS AND REGULATION. INITIATIVE ORDINANCE

This ordinance would establish a City permitting program for cannabis activity, giving priority to existing medical marijuana businesses compliant with current City law (MMBs) and maintaining 135 dispensaries in the City unless increased by the City Council. The ordinance would: 1) authorize the City to issue permits for cannabis activity including the cultivation, manufacture and sale of medical cannabis; 2) provide existing compliant MMBs a limited time to register for initial permits for specified cannabis activity and other priority in the permitting process; 3) allow permitted cannabis activity in certain non-residential zones; 4) provide operational standards and minimum-distance requirements from schools and other sites; 5) authorize fines and other penalties for non-permitted cannabis activity but limit enforcement procedures for violations of the ordinance by permit holders; and 6) allow permittees to operate as adult use marijuana businesses and impose a business tax of \$80 per each \$1,000 of gross receipts from adult use marijuana sales if state law changes to allow non-medical adult use of marijuana.

### TEXT OF THE PROPOSED MEASURE:

#### Los Angeles Marijuana Regulation and Safety Act

The People of the City of Los Angeles do ordain as follows:

#### **Section 1. Title.**

This measure shall be known and may be cited as the “Los Angeles Marijuana Regulation and Safety Act.”

#### **Section 2. Finding and Declarations.**

(a) In 1996, the voters of the State of California legalized cannabis for medical purposes by enacting the Compassionate Use Act of 1996 (hereinafter, the “CUA”) (codified as Section 11362.5 of the Health and Safety Code). By enacting the CUA, the voters of the State sought to (A) ensure that “Californians have the right to obtain and use marijuana for medical purposes”; (B) ensure that “patients and their primary caregivers who obtain and use marijuana for medical

purposes upon the recommendation of a physician are not subject to criminal prosecution or sanction”; and (C) “encourage the federal and state governments to implement a plan to provide for the safe and affordable distribution of marijuana to all patients in medical need of marijuana.”

(b) In 2003, the California Legislature enacted the Medical Marijuana Program Act (hereinafter, the “MMPA”) (codified Health and Safety Code Section 11362.7) which permits qualified patients and their primary caregivers to associate collectively or cooperatively to cultivate medical cannabis without being subject to criminal prosecution.

(c) The MMPA’s allowance of collective and cooperative cultivation projects allowed for commercial cannabis activity throughout California and particularly the City of Los Angeles, the MMPA did not explicitly regulate the manner of conduct for commercial cannabis activity.

(d) Local governments were encouraged to regulate cannabis activity under the MMPA. (See Health & Safety Code, § 11362.83.)

(e) The California Supreme Court concluded in *City of Riverside v. Inland Empire Patients Health & Wellness Ctr., Inc.* (2013) 56 Cal.4th 729, that neither the CUA nor the MMPA “preempts the authority of California cities and counties, under their traditional land use and police powers, to allow, restrict, limit, or entirely exclude facilities that distribute medical marijuana, and to enforce such policies by nuisance actions.” (*Id.* at p. 512.)

(f) In August 2007, the City enacted Interim Control Ordinance 179027 (hereinafter, the “ICO”), which prohibited commercial cannabis activity but exempted from that prohibition certain existing medical cannabis facilities that timely registered with the City Clerk (hereinafter, “Pre-ICO Medical Cannabis Dispensaries”).

(g) In January 2010, the City enacted Medical Marijuana Ordinance 181069 later amended by Temporary Urgency Ordinance 181530 in 2011 (“TUO”), which added Article 5.1 to Chapter IV of the Los Angeles Municipal Code. After a series of lawsuits and court decisions, the City enacted Ordinance 182190 (hereinafter, the “Gentle Ban”) in August 2012, which prohibited all commercial cannabis activity with limited exceptions for dwelling units used by three or fewer qualified patients, hospices, and licensed clinics, care facilities and home health agencies.

(h) Voters of the City responded to the Gentle Ban Ordinance and its absolute ban on commercial cannabis activity by submitting a referendum petition to the City Council. In response to the comments, objections and proposals, the City Council enacted Ordinance 182286 repealing the Gentle Ban Ordinance in October 2012.

(i) The voters of the City of Los Angeles considered three competing medical cannabis initiatives in the May 2013 municipal elections, ultimately voting to approve Proposition D, Ordinance 182580, which prohibits commercial cannabis activity but provides an immunity from enforcement to Pre-ICO Medical Cannabis Dispensaries that do not violate the specified restrictions contained in this Act, including but not limited to conducting all commercial cannabis activity at one location.

(j) On October 9, 2015, Governor Brown signed into law three bills, Assembly Bill 266 (“AB 266”), Assembly Bill 243 (“AB 243”) and Senate Bill 643 (“SB 643”) collectively referred to as

the “Medical Marijuana Regulation and Safety Act” which established a comprehensive regulatory structure for commercial cannabis activity (hereinafter, “MMRSA”). Unlike the MMPA (which only provided persons conducting commercial cannabis activity a defense in court) MMRSA affirmatively permits and licenses commercial cannabis activity conducted in accordance with local ordinances and MMRSA’s to-be-issued regulations.

(k) An expressed intention of the voters in enacting Proposition D was to was to amend Proposition D once there was clarity at the State-level “regarding what cities can and cannot regulate” concerning commercial cannabis activity in California.

(l) MMRSA has provided the City of Los Angeles clarity “regarding what cities can and cannot regulate” concerning commercial cannabis activity in California.

(m) The underlying “spirit” of MMRSA is one of regulating commercial cannabis activity entities and affirmatively permitting and licensing those medical cannabis business entities that comply with promulgated regulations.

(n) The City of Los Angeles intends to issue permits for dispensing, cultivating, nonvolatile manufacturing, distribution, transport and testing of cannabis subject to strict zoning and regulatory requirements, in full accordance with MMRSA but specifically is not licensing nor permitting the delivery of cannabis in the City of Los Angeles.

(o) The voters of the State of California will vote in November of 2016 on the Adult Use Marijuana Act initiative, which utilizes MMRSA to regulate the Adult use of marijuana without a physician’s recommendation.

(p) This Act: (a) allows commercial cannabis activity subject to a permit program administered by the Los Angeles Department of Medical Marijuana Regulation that imposes comprehensive requirements and limitations on applicants, permittees, and locations conducting commercial cannabis activity; and (b) amends Proposition D by providing a limited window for Pre-ICO Medical Cannabis Dispensaries operating in compliance with the City’s laws and regulations to register with the Los Angeles Department of Medical Marijuana Regulation.

### **Section 3. Amendment to Article 5.1 of Chapter IV of the Los Angeles Municipal Code**

Article 5.1 of Chapter IV of the Los Angeles Municipal Code is replaced in its entirety to read as follows:

#### **ARTICLE 5.1 MEDICAL CANNABIS**

##### **SEC. 45.19.6. PURPOSES AND INTENT.**

By enacting this Article, the People of the City seek to implement the State Legislature’s recently enacted Medical Marijuana Regulation and Safety Act within the City by:

(a) Allowing commercial cannabis activity subject to a permit program administered by the Los Angeles Department of Medical Marijuana Regulation that shall be created by the City of Los

Angeles within 60 days of the Effective Date of this Act, that imposes comprehensive requirements and limitations on applicants, permittees, and locations conducting commercial cannabis activity.

(b) Amending Proposition D by providing a limited window for dispensaries operating in compliance with the City's laws and regulations since 2007 to register with the Los Angeles Department of Medical Marijuana Regulation and obtain a Collective Cannabis Activity Permit.

(c) Allowing the City to transition the Commercial Cannabis permit program for medical marijuana, provided for herein, to a permit program for Adult Use marijuana, in the event that in November of 2016, the voters of the State of California adopt the Adult Use Marijuana Act.

(d) Allowing other types of Commercial Cannabis Activity to apply for Commercial Cannabis Activity Permits with the Los Angeles Department of Medical Marijuana Regulation and bring all cannabis activity in the City of Los Angeles in full compliance with MMRSA.

#### **SEC. 45.19.6.1. DEFINITIONS AND CALCULATIONS.**

(a) For purposes of this Article, the following definitions shall apply:

(1) "Applicant" means a person applying for a Collective Cannabis Activity Permit or Commercial Cannabis Activity Permit issued pursuant to this Article and includes:

(A) The person seeking a permit under this Article to engage in commercial cannabis activity;

(B) Any individual (or person) who has an aggregate ownership interest (other than a security interest, lien, or encumbrance) of 5 percent or more in the entity seeking a permit under this Article to engage in commercial cannabis activity; and

(C) Any individual (or person) who has the power to direct, or cause to be directed, the management or control of the entity seeking a permit under this Article to engage in commercial cannabis activity.

(2) "Cannabis" has the same meaning as that term is defined in Section 19300.5 of the Business and Professions Code.

(3) "City" means the City of Los Angeles and refers to the City of Los Angeles as purposes of referring to jurisdictional geography and the governmental entity.

(4) "Collective Cannabis Activity" means any cultivation, manufacture, processing, storing, labeling, or sale of medical cannabis or medical cannabis products conducted within the City under a Collective Cannabis Activity Permit (as defined below) issued pursuant to section 45.19.6.2 of this Article.

(5) "Commercial cannabis activity" means any cultivation, manufacture, processing, storing, testing, labeling, transporting, distribution, or sale of medical cannabis or medical cannabis products taking place within the City; however:

(A) A qualified patient who possesses, stores, or transports cannabis exclusively for his or her personal medical use but who does not provide, donate, sell, or distribute cannabis to any other person is not engaged in commercial cannabis activity and is exempt from the permitting requirements of this Article.

(B) A primary caregiver who possesses, stores, transports, donates, or provides cannabis exclusively for the personal medical purposes of no more than five specified qualified patients for whom he or she is the primary caregiver, but who does not receive remuneration for these activities except for compensation in full compliance with subdivision (c) of Section 11362.765 of the Health and Safety Code, is exempt from the permitting requirements of this Article.

(C) A qualified patient who cultivates cannabis exclusively for his or her personal medical use but who does not provide, donate, sell, or distribute cannabis to any other person is not engaged in commercial cannabis activity and is exempt from the permitting requirements of this Article, so long as the total canopy size he or she uses to cultivate cannabis does not exceed 100 square feet.

(D) A primary caregiver who cultivates cannabis exclusively for the personal medical purposes of no more than five specified qualified patients for whom he or she is the primary caregiver, but who does not receive remuneration for these activities except for compensation in full compliance with subdivision (c) of Section 11362.765 of the Health and Safety Code, is exempt from the permitting requirements of this Article, so long as the total canopy size he or she uses to cultivate cannabis does not exceed 500 square feet.

(E) A person transporting medical cannabis or medical cannabis products from one location not within the City to another location not within the City (even if for commercial purposes) is exempt from the permitting requirements of this Article per State law (sec 19338(b).)

(6) “Collective Cannabis Activity Permit” is an official document issued by the City pursuant to section 45.19.6.2 of this Article that authorizes a person to conduct commercial cannabis activity and does constitute a “permit” as that term is defined in Section 19300.5 of the Business and Professions Code.

(7) “Commercial Cannabis Activity Permit” is an official document issued by the City pursuant to section 45.19.6.3 of this Article that authorizes a person to conduct commercial cannabis activity and does constitute a “permit” as that term is defined in Section 19300.5 of the Business and Professions Code.

(8) “Day” means calendar day. Periods of time in this Article are calculated by excluding the first day and including the last; except that the last day is excluded if it is a Saturday, Sunday, or other holiday specified in Section 6700 of the Government Code.

(9) “Department” means the Los Angeles Department of Medical Marijuana Regulation.

- (10) “Effective Date” means the date this Article takes effect.
- (11) “Labor Peace Agreement” shall have the same definition as set forth in the Business and Professions Code, Chapter 3.5, Division 8, Article 1, Section 19300.5(v), and as may be amended.
- (12) “LAMC” means the City of Los Angeles Municipal Code.
- (13) “Location” means a parcel of land, whether vacant or occupied by a building or premises in a building, or group of buildings, or accessory buildings, and includes the buildings, structures, yards, open spaces, lot width, and lot area where commercial cannabis activity is or will be conducted.
- (14) “Medical cannabis” or “medical cannabis product” has the same meaning as that term is defined in Section 19300.5 of the Business and Professions Code.
- (15) “The Medical Marijuana Regulation and Safety Act” means Chapter 3.5 of Division 8 of the Business and Professions Code.
- (16) “Nonconforming use” has the same meaning as that term is defined in Section 12.03 of the LAMC.
- (17) “Offense that is substantially related to the qualifications, functions, or duties of the business or profession” means the following:
- (A) A felony conviction for the illegal possession for sale, sale, manufacture, transportation, or cultivation of a controlled substance;
  - (B) A violent felony conviction, as specified in subdivision (c) of Section 667.5 of the Penal Code;
  - (C) A serious felony conviction, as specified in subdivision (c) of Section 1192.7 of the Penal Code; and
  - (D) A felony conviction involving fraud, deceit, or embezzlement.
- (18) “Permitted location” is a location to which a valid Collective Cannabis Activity Permit or Commercial Cannabis Activity Permit applies. A “permitted location” is only one location.
- (19) “Permittee” is a person to whom a valid Collective Cannabis Activity Permit or Commercial Cannabis Activity Permit applies. A “permittee” is only one person.
- (20) “Person” means an individual, firm, partnership, joint venture, association, corporation, limited liability company, cooperative, estate, trust, business trust, receiver, syndicate, or any other group or combination acting as a unit and includes the plural as well as the singular number.

- (21) “Police Department” means the Los Angeles Police Department.
- (22) “Premises” means a building or a defined portion of or unit in a building where a specified user, owner, tenant, lessee or Permittee is utilizing the space. In a building with multiple units, each defined unit shall be deemed a single premise.
- (23) “Primary caregiver” has the same meaning as that term is defined in Section 11362.7 of the Health and Safety Code.
- (24) “Proposed location” means a location where commercial cannabis activity is or will be conducted.
- (25) “Public park” means an area of land, beach, or pier set aside for public recreational or ornamental purposes that is under the control, operation, or management of a governmental agency. “Public park” does not include any golf courses that are under the control, operation, or management of a governmental agency.
- (26) “Qualified patient” has the same meaning as that term is defined in Section 11362.7 of the Health and Safety Code and includes a “person with an identification card” as that term is defined in Section 11362.7 of the Health and Safety Code.
- (27) “Religious institution” means a building which is used primarily for religious worship and related religious activities where members of the public congregate on a regular basis and the owner or occupant possesses a Certificate of Occupancy to operate said use.
- (28) “School” means a public or private institution of learning for minors providing instruction in kindergarten or grades 1 to 12 (inclusive), which offers instruction in several branches of learning and study required to be taught in the public schools by the Education Code of the State. “School” does not include any private school in which education is primarily conducted in private residences.
- (29) “State” means the State of California.
- (30) “Total canopy size” means the aggregate area of vegetative growth of live plants under artificial lighting within a location.
- (31) “Vehicle” means a device by which any person or property may be propelled, moved, or drawn upon a street, sidewalk or waterway, including but not limited to a device moved exclusively by human power. A “vehicle” is not a location.
- (32) “Vertical Integration” means all cannabis activity that was required to be performed by a marijuana business on a single parcel or at a single location pursuant to the terms of Proposition D which went into effect in June 2013.
- (33) “Youth center” means a building (i) dedicated to providing programs, activities, or services for persons who have not yet reached the age of 18 years on a regular basis, (ii)

for which a Certificate of Occupancy has been issued indicating the building is used as a youth center. “Youth center” does not include (i) any programs, activities, or services for persons who have not yet reached the age of 18 years on a regular basis primarily conducted in private residences, (ii) a location or facility used to provide programs, activities, or services for persons who have not yet reached the age of 18 years for less than 5 hours per day each day the building is open, or (iii) a location or facility where less than 50% of the activities at that location are provided to persons who have not yet reached the age of 18.

(b) A Collective Cannabis Activity Permit or a Commercial Cannabis Activity Permits may apply for the following types of commercial cannabis activity, each such activity must be independently permitted:

(1) “Cultivation” means any activity involving the planting, growing, harvesting, drying, curing, grading, or trimming of cannabis.

(2) “Dispensing” means any activity involving the retail sale of medical cannabis or medical cannabis products to qualified patients or primary caregivers from a location. However, in no event shall there be more than 135 Dispensaries in the City of Los Angeles unless at some future date the Los Angeles City Council amends this Act.

(3) “Manufacturing” means any activity involving the production, preparation, propagation, or compounding of raw cannabis into a concentrate, an edible product, or a topical product, directly or indirectly, by extraction methods, independently by means of chemical synthesis, or by a combination of extraction and chemical synthesis.

(4) “Testing” means any activity involving the offering or performing of tests on medical cannabis or medical cannabis products.

(5) “Distributor” means the procurement, sale, and transport of medical cannabis and medical cannabis products between entities licensed pursuant to this Article.

(6) “Transport” means the transfer of medical cannabis or medical cannabis products from the permitted business location of one licensee to the permitted business location of another licensee, for the purposes of conduction commercial cannabis activity authorized pursuant to this Article.

(c) Distances specified in this Article shall be the horizontal distance measured in a straight line from the property line of the sensitive use to the closest property line of the location without regard to intervening structures.

#### **SEC. 45.19.6.2. COLLECTIVE CANNABIS ACTIVITY PERMIT.**

(a) It shall be unlawful for any person to conduct collective cannabis activity without a valid Collective Cannabis Activity Permit issued pursuant to this Article subject to (b) and (c) below. A separate Collective Cannabis Activity Permit is required for each location.

(b) When the voters of the City of Los Angeles previously passed Proposition D, the City estimated that there could be 135 dispensaries that qualified as Pre ICO Medical Cannabis Dispensaries that have been open and operating in the City since on or before September 14, 2007 and that have met the operational requirements of Proposition D.

(c) The City of Los Angeles will allow the Pre ICO Medical Cannabis Dispensaries operating in compliance with Proposition D to continue to operate in the City after the Effective Date of the Act and until they receive or are denied a Collective Cannabis Activity Permit.

(d) Each Pre ICO Medical Cannabis Dispensary shall apply for a Collective Cannabis Activity Permit within 45 days of the date that the Department makes an application available to the public.

(e) The Department is responsible for issuing Collective Cannabis Activity Permits pursuant to this Article.

(f) Within 90 days after the Effective Date of this Act, the Department shall develop a form and procedure for processing Collective Cannabis Activity Permit applications pursuant to this Article.

(g) The types of Dispensary Permits and Cultivation Permits available to Pre-ICO Medical Cannabis Dispensaries under the Collective Cannabis Activity Permit are set forth in Section 45.19.6.3(b)(1) and (2) of this Article.

(h) All applications for a Collective Cannabis Activity Permit shall require the following information:

(1) The name of the applicant, the applicant's "doing business as" (i.e., D.B.A.), if applicable and the address of the location where the applicant is currently conducting collective cannabis activity;

(2) The name, telephone number, and address of a person authorized to accept service of process on behalf of the registrant;

(3) The name, telephone number, address, and email address of a person responsible for receiving, logging, and responding to complaints regarding the applicant as well as a list of all managers of the applicant;

(4) The name and address of all managers of the applicant;

(5) A copy of the business tax registration or tax exemption certificate issued by the City to the applicant on or before November 13, 2007;

(6) Certification that the applicant registered with the City Clerk by November 13, 2007 pursuant to Interim Control Ordinance 179027;

(7) Certification that the applicant registered with the City Clerk under the City's Medical Marijuana Ordinance 181069 as amended by the Temporary Urgency Ordinance 181530;

- (8) A copy of the 2016 business tax registration certificate for taxation as a medical marijuana collective with the City Office of Finance;
- (9) Proof that the applicant has paid all of its gross receipt taxes as a medical marijuana business, including without limitation any penalties, interest, or additional assessments, for calendar years 2011, 2012, 2013, 2014, 2015 and 2016 to the City before the Effective Date of this Article, or entered into an installment plan or a settlement agreement with the City for the payment of said taxes before the Effective Date of this Article. Notwithstanding anything to the contrary herein, any additional tax obligations assessed against the applicant as a result of a pending Office of Finance Audit will not be considered unpaid for the purposes of this subsection, and the applicant shall have the right to appeal or seek judicial determination of the propriety of any amounts alleged by the City as unpaid tax obligations;
- (10) A statement, signed by the applicant under penalty of perjury, that the applicant was in substantial compliance with the operational restrictions contained in subsections G, H, I, J, K, L, N, and O of Section 45.19.6.3 of the City's Ordinance 182580;
- (11) A copy of the applicant's Seller's Permit issued by the State Board of Equalization pursuant to Part 1 of Division 2 of the Revenue and Taxation Code;
- (12) Evidence of the legal right for the registrant to occupy and use the location. In the event the applicant is not the owner of record of the location the registration must be accompanied by a notarized statement and consent from the owner of the property acknowledging that commercial cannabis activity is being conducted at the location. In addition to furnishing such notarized statement, the applicant shall furnish the name and address of the owner of record of the location, as well as a copy of the lease or rental agreement pertaining to the location;
- (13) A security plan, including, but not limited to, lighting, alarms and security guard arrangements;
- (14) A 1,000 foot radius map as well as a 600 foot radius map with a minimum scale of 1"=75' signed by a licensed civil engineer, architect, or land surveyor showing streets names, lot boundaries, sensitive uses, uses on adjacent properties adjacent to the proposed location, and addresses of all properties at the perimeter of the 600 foot as well as the 1,000 foot radius;
- (15) The type (or types) of Dispensary Permit(s) or Cultivation Permit(s) for which the applicant is applying;
- (16) The type (or types) of cannabis activity (Cultivation, Dispensing, Manufacturing) that will be conducted at the proposed location along with a detailed description of the applicant's operating procedures, which demonstrate that the applicant complies (or will comply) with the requirements contained in sections 45.19.6.4 through 45.19.6.8 of this Article for the type (or types) commercial cannabis activity that will be conducted at the proposed location;

(17) On-site Cultivation shall be allowed so long as the applicant has been cultivating continuously since prior to the Effective Date of this Article; and total canopy size dedicated to on-site Cultivation does not exceed the total canopy size allowed under California State law. The City Council may not amend the right for a vertically integrated licensee who has been cultivating on site pursuant to the requirements of Proposition D to discontinue on-site cultivation until five years after the Effective Date of this Act;

(18) A Request for Live Scan Service completed by the applicant and any additional persons required to submit a background check pursuant to the requirements contained in sections 45.19.6.4 through 45.19.6.8 of this Article for the type (or types) of commercial cannabis activity that will be conducted at the proposed location;

(19) Evidence of a Labor Peace Agreement if the applicant anticipates it will, or currently does employ ten (10) or more employees;

(20) A statement, signed by the registrant under penalty of perjury, that the information provided in the registration is complete, true, and accurate;

(21) Authorization for the City to verify the information and representations contained in the registration; and

(22) An executed release of liability and hold harmless in the form set forth in the Department's application form.

(i) In the event one or more Pre ICO Medical Cannabis Dispensaries are located within 600 feet of each other, but otherwise meet the criteria of this Article, the business with the earliest BTRC shall remain at the location and the other shall be required to move within 90 days of written notification from the Department that another Pre ICO Medical Cannabis Dispensary is within 600 feet. Failure to relocate within 90 days shall be grounds for denial of an application for a Collective Cannabis Activity Permit.

(j) Upon receipt of an application for a Collective Cannabis Activity Permit the Department shall:

(1) Within 45 days of receipt of the application, the Department shall render an initial decision whether to approve or deny the application. If the Department's initial decision is to deny the application, the Department shall send a notice to the applicant within 5 days of rendering a decision to deny the application specifying the reasons for denying the application ("Denial Notice"). Within 60 days of receipt of the Denial Notice, the applicant may submit an amended application curing any deficiencies with the original application. Within 30 days of receipt of the amended application, the Department shall render a final decision whether to approve or deny the application. If the applicant fails to submit an amended application within 60 days of the Department's Denial Notice of deficiency or the applicant's revised application failed to correct all the deficiencies with the original application, the Department shall render a final decision whether to approve or deny the registration.

(2) Within 10 days of approval of the application, the Department shall send a written notice to (i) the City Attorney; (ii) the Police Department; (iii) the City Council member of the district in which the location is located; and (iv) the Certified Neighborhood Council, containing:

(A) The address of the proposed location where commercial cannabis activity will be conducted under a Collective Cannabis Activity Permit;

(B) The type (or types) of commercial cannabis activity (Cultivation, Dispensing, Manufacturing,) that will be conducted at the proposed location under a Collective Cannabis Activity;

(C) The name, telephone number, and address of a person authorized to accept service of process on behalf of the applicant; and

(D) The name, telephone number, and address of a person responsible for receiving, logging, and responding to complaints regarding the applicant.

(3) Within 10 days of rendering a decision to approve an application for a Collective Cannabis Activity Permit, the Department shall issue a Collective Cannabis Activity Permit to the applicant. The type of Dispensary Permit and/or Cultivation Permit issued under the Collective Cannabis Activity Permit shall be subject to the provisions of Sec. 45.19.6.3 (b) of this Article. Upon issuance, the Collective Cannabis Activity Permit shall be valid for one year. A Collective Cannabis Activity Permit issued by the Department shall include the following on its face:

(A) A serial number;

(B) The seal of the City and the Department;

(C) The LAMC Chapter and Article regulating the issuance of Collective Cannabis Activity Permits;

(D) The name of the permittee;

(E) The “doing business as” (i.e., D.B.A.) permittee;

(F) The address of the permitted location;

(G) The type (or types) of commercial cannabis activity (Cultivation, Dispensing, Manufacturing) covered by the Collective Cannabis Activity Permit;

(H) The name, telephone number, and address of a person authorized to accept service of process on behalf of the permittee;

(I) The name, telephone number, and address of a person responsible for receiving, logging, and responding to complaints regarding the permittee;

(J) The date that the Collective Cannabis Activity Permit was issued; and

(K) The date that the Collective Cannabis Activity Permit expires.

(k) **Transfer of Ownership.** A permit issued under this section is transferrable as long as the:

(1) The applicant and/or the transferee notify the Department of the transfer or change in ownership by submitting an amendment to the application for a Collective Cannabis Activity Permit within 10 days of the date of the transfer; and

(2) A Request for Live Scan Service completed by the transferee, any new owner, and any additional persons required to submit a background check pursuant to the requirements contained in sections 45.19.6.4 through 45.19.6.6 of this Article for the type (or types) of commercial cannabis activity that will be conducted at the proposed location.

(l) **Fees.** The Department shall charge a non-refundable fee for a Collective Cannabis Activity Permit application. The City shall set the fee based upon the cost of providing the permitting and enforcement required by this Act. The application fee shall be in addition to all other fees and taxes including taxes paid by an applicant under Section 21.50 of the LAMC.

(m) **Renewal.** Upon expiration of the Collective Cannabis Activity Permit, the applicant shall thereafter reapply for a Commercial Cannabis Activity Permit. All Collective Cannabis Activity Permits shall expire the later of one year from the date of issuance or January 31, 2019. Thereafter, the Department shall convert all Collective Cannabis Activity Permits to Commercial Cannabis Activity Permits and all Commercial Cannabis Activity within the City shall be conducted under Commercial Cannabis Activity Permits. Notwithstanding anything to the contrary in this Article, conversion from a Collective Cannabis Activity Permit into a Commercial Cannabis Activity Permit will not affect any nonconforming uses.

### **SEC. 45.19.6.3. COMMERCIAL CANNABIS ACTIVITY PERMIT.**

(a) A person may not conduct commercial cannabis activity without a valid Collective Cannabis Activity Permit issued pursuant to Section 45.19.6.2 or Commercial Cannabis Activity Permit issued pursuant to this section. A separate Commercial Cannabis Activity Permit is required for each location.

(b) The Department is responsible for issuing Commercial Cannabis Activity Permits. The Department shall develop a form and procedure for processing Commercial Cannabis Activity Permit registrations and these forms shall be available as follows:

(1) **Dispensaries.** When the voters of the City of Los Angeles previously passed Proposition D, the City estimated that there could be 135 dispensaries that qualified. The Department shall first process all of the applications for Collective Cannabis Activity Permits for the Pre ICO Medical Cannabis Dispensaries and shall issue Dispensary Permits to all of the dispensaries that qualify in accordance with the conditions set forth in Sec. 45.19.6.2. In the event the number of qualifying dispensaries are less than 135, then on January 31, 2018, the Department shall provide an application for applicants to

apply for a retail Dispensary Permit pursuant to the requirements set forth herein. The Department shall establish merit based standards for issuing permits to maintain no less than 135 retail Dispensaries in the City. The Department shall issue the following Dispensing permits:

- (a.) 10 – Dispensary General (with no cultivation)
- (b.) 10A – Dispensary, cultivation and manufacturing

(2) **Cultivation.** Within 90 days of the Effective Date of this Article, the Department shall allow the Pre ICO Medical Cannabis Dispensaries that have applied for a Collective Cannabis Activity Permit to apply for a Cultivation Permit. The Department shall first issue Cultivation permits to the Pre ICO Medical Cannabis Dispensaries who were required to conduct all cannabis businesses in a single location pursuant to Proposition D and are vertically integrated and have been cultivating on-site at the premises of their dispensary. The Department shall thereafter begin issuing off-site Cultivation permits. The Department shall have the sole discretion to determine the number of Cultivation permits for off-site cultivation. Notwithstanding anything to the contrary in this Article, at no time shall the on-site vertically integrated cultivation licenses issued to the Pre ICO Medical Cannabis Dispensaries be included in a capped number of cultivation permits in the event the Department decides to limit the number of cultivation permits.

On January 31, 2018, the Department shall provide an application for a Cultivation permit that contains the information set forth in (c) below. All Cultivation shall be indoor cultivation and shall be limited by canopy size as set forth in the State of California Medical Marijuana Regulation and Safety Act. The Department shall issue the following cultivation permits:

- (a.) Type 1A– specialty indoor for indoor cultivation of less than or equal to 5,000 square feet of total canopy size on one premises;
- (b.) Type 2A – small indoor for indoor cultivation between 5,001 and 10,000 square feet, inclusive of total canopy size on one premises;
- (c.) Type 3A – indoor cultivation between 10,001 and 22,000 square feet.

(3) **Manufacturing.** Within 90 days of the Effective Date the Department shall provide an application for a Type 6 (nonvolatile) extraction Commercial Cannabis Activity Permit. The Department shall determine the number of Manufacturing Permits it would like to issue. All Manufacturing shall meet the requirements as set forth in the State of California Medical Marijuana Regulation and Safety Act. The Department shall issue the following Manufacturing Permits:

Type 6 – Manufacturer 1 – for manufacturing sites that produce medical cannabis products using nonvolatile solvents.

(4) **Testing.** On January 31, 2018, the Department shall provide an application for a Testing Commercial Cannabis Activity Permits and shall determine the number of Testing Permit it would like to issue. All Testing shall meet the requirements as set forth

in the State of California Medical Marijuana Regulation and Safety Act. The Department shall issue the following permit to Test Laboratories:

Type 8 – Testing – this classification can hold no other type of license.

(5) **Distribution.** On January 31, 2018, the Department shall provide an application for a Distribution Commercial Cannabis Activity Permits and shall determine the number of Distributor Permits it would like to issue. All Distribution shall meet the requirements as set forth in the State of California Medical Marijuana Regulation and Safety Act. The Department shall issue the following Distribution Permit:

Type 11 – Distributor Permit. A Type 11 licensee shall be bonded and insured at a minimum level established by MMRSA. A Distributor may only hold a license in Type 11 and Type 12 (Transport)

(6) **Transport.** On January 31, 2018, the Department shall provide an application for a Transport Commercial Cannabis Activity Permits. The number of Transport Permits shall be determined by the Department. All Transport shall meet the requirements as set forth in the State of California Medical Marijuana Regulation and Safety Act. The Department shall issue the following Transport Permit:

Type 12 – Transport Permit. A Transport Permit shall be bonded and insured at a minimum level established by MMRSA. A Type 12 licensee may also hold a Type 11 license.

(c) All applications for a Commercial Cannabis Activity Permit shall require the following information:

(1) The name of the applicant, the applicant’s “doing business as” (i.e., D.B.A.), and the address of the proposed location;

(2) The name, telephone number, and address of a person authorized to accept service of process on behalf of the applicant;

(3) The name, telephone number, and address of a person responsible for receiving, logging, and responding to complaints regarding the applicant;

(4) A Request for Live Scan Service completed by the applicant and any additional persons required to submit a background check pursuant to the requirements contained in sections 45.19.6.4 through 45.19.6.8 of this Article for the type (or types) of commercial cannabis activity that will be conducted at the proposed location;

(5) Evidence of the legal right for the applicant to occupy and use the proposed location. In the event the applicant is not the owner of record of the location, the application must be accompanied by a notarized statement and consent from the owner of the property acknowledging that commercial cannabis activity is or will be conducted at the location. In addition to furnishing such notarized statement, the applicant shall furnish the name

and address of the owner of record of the location, as well as a copy of the lease or rental agreement pertaining to the location;

(6) A copy of the applicant's Seller's Permit issued by the State Board of Equalization pursuant to Part 1 of Division 2 of the Revenue and Taxation Code;

(7) A security plan, including, but not limited to, lighting, alarms and security guard arrangements;

(8) A 1,000-foot radius map with a minimum scale of 1"=75' signed by a licensed civil engineer, architect, or land surveyor showing streets names, lot boundaries, sensitive uses, uses on adjacent properties adjacent to the proposed location, and addresses of all properties at the perimeter of the 1,000-foot radius;

(9) The type (or types) of commercial cannabis activity (Cultivation, Manufacturing, Testing, Distribution or Transport) that will be conducted at the proposed location along with a detailed description of the applicant's operating procedures, which demonstrate that the applicant complies (or will comply) with the requirements contained in sections 45.19.6.4 through 45.19.6.6 of this Article for the type (or types) commercial cannabis activity that will be conducted at the proposed location;

(10) Proof of a Labor Peace Agreement commitment if the applicant anticipates it will, or currently does employ ten (10) or more employees;

(11) An executed release of liability and hold harmless in the form set forth in the City's application form;

(12) A statement, signed by the applicant under penalty of perjury, that the information provided in the application is complete, true, and accurate; and

(13) Authorization for the City to verify the information and representations contained in the application.

(e) Upon receipt of an application for a Commercial Cannabis Activity Permit the Department shall:

(1) Within 45 days of receipt of the application, the Department shall render an initial decision whether to approve or deny the application. If the Department's initial decision is to deny the application, the Department shall send a notice to the applicant within 5 days of rendering a decision to deny the application specifying the reasons for denying the application ("Denial Notice"). Within 60 days of receipt of the Denial Notice, the applicant may submit an amended application curing any deficiencies with the original application. Within 30 days of receipt of the amended application, the Department shall render a final decision whether to approve or deny the application. If the applicant fails to submit an amended application within 60 days of the Department's notice of deficiency or the applicant's revised application failed to correct all the deficiencies with the original application, the Department shall render a final decision whether to approve or deny the registration.

(2) Within 10 days of approval of the application, the Department shall send a written notice to (i) the City Attorney; (ii) the Police Department; (iii) the City Council member of the district in which the location is located; and (iv) the Certified Neighborhood Council, containing:

(A) The address of the proposed location where commercial cannabis activity will be conducted;

(B) The type (or types) of commercial cannabis activity (Cultivation, Dispensing, Manufacturing, Testing) that will be conducted at the proposed location;

(C) The name, telephone number, and address of a person authorized to accept service of process on behalf of the applicant; and

(D) The name, telephone number, and address of a person responsible for receiving, logging, and responding to complaints regarding the applicant.

(3) Within 10 days of rendering a decision to approve an application for a Commercial Cannabis Activity Permit, the Department shall issue the Commercial Cannabis Activity Permit to the permittee. Upon issuance, the Commercial Cannabis Activity Permit shall be valid for one year. A Commercial Cannabis Activity Permit issued by the Department shall include the following on its face:

(A) A serial number;

(B) The seal of the City and the Department;

(C) The LAMC Chapter and Article regulating the issuance of Commercial Cannabis Activity Permits;

(D) The name of the permittee;

(E) The “doing business as” (i.e., D.B.A.) permittee;

(F) The address of the permitted location;

(G) The type (or types) of commercial cannabis activity (Cultivation, Dispensing, Manufacturing, Testing) covered by the Commercial Cannabis Activity Permit;

(H) The name, telephone number, and address of a person authorized to accept service of process on behalf of the permittee;

(I) The name, telephone number, and address of a person responsible for receiving, logging, and responding to complaints regarding the permittee;

(J) The date that the Commercial Cannabis Activity Permit was issued; and

(K) The date that the Commercial Cannabis Activity Permit expires.

(f) **Transfer of Ownership.** A permit issued under this section is transferrable as long as the

(1) The applicant and/or the transferee notify the Department of the transfer or change in ownership by submitting an amendment to the application for a Commercial Cannabis Activity Permit within 10 days of the date of the transfer; and

(2) A Request for Live Scan Service completed by the transferee, any new owner, and any additional persons required to submit a background check pursuant to the requirements contained in sections 45.19.6.4 through 45.19.6.6 of this Article for the type (or types) of commercial cannabis activity that will be conducted at the proposed location;

(g) **Fees.** The Department shall charge a non-refundable fee for a Commercial Cannabis Activity Permit application. The application fee shall be in addition to all other fees and taxes including taxes paid by an applicant under Section 21.50 of the LAMC. The Commercial Cannabis Activity Permit application fee may be recalculated annually and approved by the City Council.

#### **SEC. 45.19.6.4. COMMERCIAL CANNABIS CULTIVATION.**

(a) Cultivation covered by a Commercial Cannabis Activity Permit, unless the Cultivation Permit was issued first to a Collective Cannabis Activity Permit, shall be an allowed use subject to the conditions and requirements of this Article in the following zoning districts listed in Article 2 of Chapter I of the LAMC:

- (1) "A1" Agriculture Zone;
- (2) "A2" Agricultural Zone;
- (3) "CM" Commercial Manufacturing Zone;
- (4) "MR1" Restricted Industrial Zone;
- (5) "M1" Limited Industrial Zone;
- (6) "MR2" Restricted Light Industrial Zone;
- (7) "M2" Light Industrial Zone; or
- (8) "M3" Heavy Industrial Zone.

(b) Cultivation under a Commercial Cannabis Activity Permit, unless the Cultivation Permit was issued first to a Collective Cannabis Activity Permit, is prohibited in all the zoning districts listed in Article 2 of Chapter I of the LAMC that are not specifically listed in subsection (a) above.

(c) Notwithstanding subsections (a) and (b), conducting Cultivation pursuant to a Collective Cannabis Activity Permit at a location where Dispensing and Cultivation have been conducted

continuously since prior to the Effective Date of this Article and is not within the zoning set forth in (a) above, said use shall be deemed a legal, nonconforming use and shall be grandfathered in.

**SEC. 45.19.6.5. COMMERCIAL CANNABIS DISPENSING.**

(a) Dispensing covered by a Commercial Cannabis Activity Permit is an allowed use subject to the conditions and requirements of this Article in the following zoning districts listed in Article 2 of Chapter I of the LAMC, provided that the proposed location is not (i) located within a 1,000-foot radius from a school; (ii) located within a 600-foot radius from a public park, religious institution, licensed child care facility, youth center, substance abuse rehabilitation center, or any other permitted location to which a Commercial Cannabis Activity Permit covering Dispensing applies; or (iii) abutting, across the street or alley from, or having a common corner with a residentially zoned lot or a lot improved with a residential use, Dispensing covered by a Collective Cannabis Activity Permit or a Commercial Cannabis Activity Permit is a use permitted subject to the conditions and requirements of this Article in the following zoning districts listed in Article 2 of Chapter I of the LAMC:

- (1) “CM” Commercial Manufacturing Zone;
- (2) “MR1” Restricted Industrial Zone;
- (3) “M1” Limited Industrial Zone;
- (4) “MR2” Restricted Light Industrial Zone;
- (5) “M2” Light Industrial Zone;
- (6) “M3” Heavy Industrial Zone;
- (7) “CR” Limited Commercial Zone;
- (8) “C1” Limited Commercial Zone;
- (9) “C1.5” Limited Commercial Zone;
- (10) “C2” Commercial Zone;
- (11) “C4” Commercial Zone;
- (12) “C5” Commercial Zone.

(b) Dispensing covered by a Commercial Cannabis Activity Permit is prohibited in all the zoning districts listed in Article 2 of Chapter I of the LAMC that are not listed in subsection (a).

(c) Notwithstanding subsections (a) and (b), conducting Dispensing covered by a Collective Cannabis Activity Permit at a location where Dispensing has been conducted continuously since prior to the Effective Date of this article shall be a nonconforming use and shall be grandfathered in.

**SEC. 45.19.6.6. COMMERCIAL CANNABIS MANUFACTURING AND DISTRIBUTION**

(a) Manufacturing and Distribution covered by a Commercial Cannabis Activity Permit shall be an allowed use subject to the conditions and requirements of this Article in the following zoning districts listed in Article 2 of Chapter I of the LAMC:

- (1) “CM” Commercial Manufacturing Zone;
- (2) “MR1” Restricted Industrial Zone;
- (3) “M1” Limited Industrial Zone;
- (4) “MR2” Restricted Light Industrial Zone;
- (5) “M2” Light Industrial Zone; or
- (6) “M3” Heavy Industrial Zone.

(b) Manufacturing covered by a Collective Cannabis Activity Permit or a Commercial Cannabis Activity Permit is prohibited in all the zoning districts listed in Article 2 of Chapter I of the LAMC that are not listed in subsection (a).

**SEC. 45.19.6.7. COMMERCIAL CANNABIS TESTING.**

(a) Testing covered by a Commercial Cannabis Activity Permit may be conducted subject to the conditions and requirements of this Article in the following zoning districts listed in Article 2 of Chapter I of the LAMC:

- (1) “CR” Limited Commercial Zone;
- (2) “C1” Limited Commercial Zone;
- (3) “C1.5” Limited Commercial Zone;
- (4) “C2” Commercial Zone;
- (5) “C4” Commercial Zone;
- (6) “C5” Commercial Zone;
- (7) “CM” Commercial Manufacturing Zone;
- (8) “MR1” Restricted Industrial Zone;
- (9) “M1” Limited Industrial Zone;
- (10) “MR2” Restricted Light Industrial Zone;

(11) “M2” Light Industrial Zone; or

(12) “M3” Heavy Industrial Zone.

(b) Testing covered by a Commercial Cannabis Activity Permit is prohibited in all the zoning districts listed in Article 2 of Chapter I of the LAMC that are not listed in subsection (a).

#### **SEC. 45.19.6.8. COMMERCIAL CANNABIS ACTIVITY OPERATIONAL REQUIREMENTS**

(a) Notwithstanding zoning requirements set forth in Section 45.19.6.4, Section 45.19.6.5, Section 45.19.6.6 and Section 45.19.6.7 herein, all Collective Cannabis Activity and Commercial Cannabis Activity is subject to the following operational requirements:

(1) The location shall not be located within a 1,000-foot radius from a School;

(2) The location shall comply with the provisions of Chapter I and IX of the LAMC;

(3) Cultivation, Dispensing, (and to the extent permitted by the City) Manufacturing, Testing, Distribution and Transport shall be conducted in accordance with State laws and regulations;

(4) There shall be at least one responsible person at the location to act as manager and supervise employees at all times during business hours. Such manager (including any proposed or prospective manager) shall not have been convicted of an offense that is substantially related to the qualifications, functions, or duties of the business or profession currently or within the last 10 years;

(5) The permittee shall enter into a labor peace agreement if the applicant anticipates it will, or currently does employ ten (10) or more employees;

(6) The location shall be monitored at all times by web-based closed-circuit television for security purposes. The camera and recording system must be of adequate quality, color rendition, and resolution to allow the ready identification of any individual committing a crime anywhere on or adjacent to the location. The recordings shall be maintained for a period of not less than 30 days and shall be made available to the Department, the Police Department, or the City Attorney upon request;

(7) The location shall have a centrally-monitored fire and burglar alarm system and shall contain a fire-proof safe;

(8) The location shall have adequate security to ensure the safety of persons and to protect the location from theft at all times. The permittee shall also provide a security guard during all hours of operation. All security guards employed by the permittee shall be licensed and possess a valid Department of Consumer Affairs “Security Guard Card” at all times.

(9) Exterior building lighting and parking area lighting for the location must be in compliance with Sections 93.0104, 93.0107, and 93.0117 of the LAMC;

(10) Windows and roof hatches of the location shall be secured from the inside with bars so as to prevent unauthorized entry, and shall be equipped with latches that may be released quickly from the inside to allow exit in the event of emergency in compliance with all applicable California and City Building Code provisions;

(11) For all Cultivation, Manufacturing, Testing and Distribution Permits, entrances to the locations on the premises where cultivation, manufacturing, testing or distribution is being performed shall remain locked from the outside to prevent unauthorized ingress. Ingress shall be allowed by means of a remote release operated from within the location. In all cases, doors shall remain openable from the inside to allow egress without the use of a key or special knowledge. If installed, access controlled egress doors shall comply with Section 1008.1.3.4 of the California Building Code;

(12) Cannabis within the location shall not be visible from the exterior to the location;

(13) All finished medical cannabis and medical cannabis products (except for limited amounts of cannabis used for display purposes, samples, or immediate sale) shall be secured and locked in a room, safe, or vault in a manner as to prevent diversion, theft, and loss;

(14) No persons under the age of 18 shall be allowed at the location, unless that minor is a qualified patient and accompanied by his or her licensed attending physician, parent, or documented legal guardian;

(15) No recommendations or approvals by a physician to use medical cannabis or medical cannabis products shall be issued at the location;

(16) There shall be no on-site sales of alcohol or tobacco, and no on-site consumption of cannabis, alcohol, or tobacco by patrons or employees at the location;

(17) A sign shall be posted at the entrance to the location providing the name, telephone number, and address of a person responsible for receiving, logging, and responding to complaints regarding the permittee; and

(18) Agents or employees of the City requesting admission to the location for the purpose of determining compliance with this Article shall be given unrestricted access.

(b) Dispensing covered by a Collective Cannabis Activity Permit or a Commercial Cannabis Activity Permit in addition to (1) – (18) above shall also be subject to the following operational requirements:

(1) All retail sales to qualified patients shall occur between the hours of 10:00 a.m. and 10:00 p.m.;

(2) The permittee shall notify patrons of the following verbally (or by written agreement) and by posting of a sign (or signs) conspicuously within the location:

(A) “The sale or diversion of cannabis without a Commercial Cannabis Activity Permit issued by the City of Los Angeles is a violation of State law and the Los Angeles Municipal Code.”

(B) “Use of medical marijuana shall be limited to the patient identified on the doctor’s recommendation. Secondary sale, barter, or distribution of medical cannabis or medical cannabis products purchased from [Insert Name of Permittee] is a crime and can lead to arrest.”

(C) “Patrons must immediately leave the location and not consume medical cannabis or medical cannabis products until at home or in an equivalent private location. Staff shall monitor the location and vicinity to ensure compliance.”

(D) “Forgery of medical documents is a felony crime. Entry into the premises by persons under the age of eighteen is prohibited unless they are a qualified patient and accompanied by a licensed attending physician, parent, or legal guardian.”

(E) “CALIFORNIA PROP. 65 WARNING: Smoking of cannabis and cannabis-derived products will expose you and those in your immediate vicinity to marijuana smoke. Cannabis smoke is known by the State of California to cause cancer.”

(3) The Location is not (i) located within a 1,000-foot radius from a School; (ii) located within a 600-foot radius from a public park, religious institution, licensed child care facility, youth center, substance abuse rehabilitation center, or any other permitted location to which a Commercial Cannabis Activity Permit covering Dispensing applies; or (iii) abutting, across the street or alley from, or having a common corner with a residentially zoned lot or a lot improved with a residential use.

(c) In the event a school or other sensitive use herein locates within the distance requirements set forth in paragraph (1) for Cultivation, Manufacturing, Testing or Distribution activity covered by a Commercial Cannabis Activity Permit at a permitted location, said use shall be a legal, nonconforming use so long as the permitted location is continuously used for Cultivation, Manufacturing, Testing or Distribution.

(d) In the event that a sensitive use (school, public park, religious institution, licensed child care facility, youth center, substance abuse rehabilitation center, any other permitted location to which a Collective Cannabis Activity Permit or a Commercial Cannabis Activity Permit covering Dispensing, or a residentially zoned lot, or lot improved with a residential use) locates within the distance requirements set forth in Section 45.19.6.5, subsection (b) after Dispensing covered by a Collective Cannabis Activity Permit or a Commercial Cannabis Activity Permit commences at a permitted location, Dispensing covered by either Permit at the permitted location shall be a legal, nonconforming use so long as the permitted location is continuously used for Dispensing covered by a valid Permit.

**SEC. 45.19.6.9. ANNUAL RENEWAL REQUIREMENTS FOR ALL CANNABIS ACTIVITY PERMITS.**

All Commercial Cannabis Activity Permits are valid for one year from the issuance of the permit. In order to renew the permit each year the applicant must provide the Department with the following:

- (a) The Renewal Fee;
- (b) The list of managers for the business;
- (c) Request for Live Scan Service completed by the applicant and any additional persons required to submit a background check pursuant to the requirements contained in sections 45.19.6.4 through 45.19.6.7 of this Article for the type (or types) of commercial cannabis activity that will be conducted at the proposed location;
- (d) Proof of renewal of the City of Los Angeles Business Tax Registration Certificate (which shall be renewed timely each year) and payment of any and all business taxes due for said renewal period. A permittee shall not be in breach of this subsection if it enters into and fully performs per the terms of an installment plan, offer and compromise or other settlement agreement with the City; and
- (e) Proof of a State Issued license. Failure to maintain a state license once made available by the State of California shall be automatic grounds for suspension of a Collective Cannabis Activity Permit or a Commercial Cannabis Activity Permit and applicant shall immediately cease all cannabis related business until Proof of a State License is provided.

**SEC. 45.19.6.10. COMMERCIAL CANNABIS PERMIT LIMITS.**

- (a) After the one year anniversary of this Act, the City Council may amend this subsection to provide (i) expand or place a limit on the number of Commercial Cannabis Activity Permits covering Cultivation, Manufacturing, Testing, Distribution and Transport that the Department may issue but in no event shall the number be less than set forth in each section herein; and (ii) a mechanism for determining the priority order in which the Department will consider applications for Commercial Cannabis Activity Permits. If the City Council fails to amend this subsection to provide a mechanism for determining the priority order in which the Department will consider applications for Commercial Cannabis Activity Permits covering Cultivation, Manufacturing and Testing, the Department shall consider applications for Commercial Cannabis Activity Permits on a first-submitted, first-processed basis.
- (b) Notwithstanding subsections (a) and (b) of section 45.19.6.5 of this Article, once Dispensing is simultaneously conducted in at least 135 permitted locations, the Department shall cease issuing Commercial Cannabis Activity Permits covering Dispensing at additional proposed locations unless the City Council amends this subsection allowing for additional Dispensing locations and provides a mechanism for determining a priority order in which the Department will consider additional Dispensing locations. Notwithstanding the foregoing a Dispensary may relocate to compliant location.

(c) In the event that the number of permitted locations where Dispensing is simultaneously conducted falls below 135, (i) the Department shall resume issuing Commercial Cannabis Activity Permits covering Dispensing at additional proposed locations, and (ii) the City Council may amend this subsection to provide a mechanism for determining the priority order in which the Department will consider applications for Commercial Cannabis Activity Permits covering Dispensing at additional proposed locations. If the City Council fails to amend this subsection to provide a mechanism for determining the priority order in which the Department will consider applications for Commercial Cannabis Activity Permits covering Dispensing at additional proposed locations, the Department shall consider applications for Commercial Cannabis Activity Permits covering Dispensing at additional proposed locations on a first-submitted, first-processed basis.

#### **SEC. 45.19.6.11. ENFORCEMENT.**

(a) Conducting commercial cannabis activity without a valid Collective Cannabis Activity Permit or Commercial Cannabis Activity Permit issued pursuant to this Article in violation Section 45.19.6.2 or 45.19.6.3 shall be subject to the remedies set forth in Sections 11.00 and 12.27.1 of the LAMC and the City may also seek any unpaid taxes pursuant to Section 21.50 of the LAMC. Each day shall be considered a new violation with fines of \$10,000 per day per violation.

(b) A violation of any other requirement or provision of this Article other than a violation of Subsection (a) of Section 45.19.6.2 shall be subject to the remedies set forth in the following schedule:

(1) A person's first violation in any two-year period shall result in a correction letter from the City Attorney that will require the violation to be remedied within ninety (90) days with one (1) ninety (90) day extension allowed.

(2) A person's second violation in any two-year period shall be punished as an infraction pursuant to Section 11.00 of the LAMC.

(3) A person's third violation in any two-year period shall result in suspension of the Collective Cannabis Activity Permit or Commercial Cannabis Activity Permit for a period of 90 days.

(4) A person's fourth violation in any two-year period shall be subject to the remedies set forth in Sections 11.00 and 12.27.1 of the LAMC including the right of the Department to revoke the Permit but only following the right to a hearing and due process.

(c) Upon suspension or revocation of a person's Collective Cannabis Activity Permit or Commercial Cannabis Activity Permit, the Department shall inform the Bureau of Medical Marijuana Regulation.

(d) The City shall not begin instituting enforcement actions against Pre ICO Medical Cannabis Dispensaries for until at least 180 days after the Effective Date of this Article. No enforcement action shall be taken against a Pre ICO Medical Cannabis Dispensary that has submitted an

application to the Department for a Collective Cannabis Activity Permit while they are waiting for approval or denial of their application.

(e) For the purpose of cumulating violations under subsection (b), the same violation spanning multiple days constitutes a single violation. This subsection does not apply for the purpose of calculating monetary penalties.

(f) The Department, the Police Department, or the City Attorney may inspect a permitted location at any reasonable time to ensure compliance with the requirements and provisions of this Article except that private medical records shall only be made available pursuant to a properly executed search warrant, subpoena, or court order.

(g) A permittee shall collect and maintain accurate records of commercial cannabis activity conducted pursuant to requirements and provisions of this Article. Records collected pursuant to this subsection shall be maintained by the permittee for a period of seven years and shall be made available by the permittee to the Department, the Police Department, or the City Attorney upon request, except that private medical records shall be made available only pursuant to a properly executed search warrant, subpoena, or court order.

(h) A permittee (or its agent or employee) that refuses, impedes, obstructs, or interferes with an inspection of a permitted location or records collected and maintained by the permittee pursuant to this section has engaged in a violation of this Article.

(i) All fines and fees collected pursuant to the enforcement of this Article shall offset the cost of both the administration and enforcement of this Article, including the costs of issuing permits, renewing permits, administering the permit program, education, inspections and compliance checks, documentation of violations, prosecution of violators, adjudications, and convictions.

#### **SEC. 45.19.6.12. PRIVACY.**

(a) Information identifying the names of patients, their medical conditions, or the names of their primary caregivers received and contained in records kept by the City for the purposes of administering this Article are confidential and shall not be disclosed pursuant to the California Public Records Act (Chapter 3.5 (commencing with Section 6250) of Division 7 of Title 1 of the Government Code), except as necessary for authorized employees of the City to perform official duties pursuant to this Article.

(b) Information identifying the names of patients, their medical conditions, or the names of their primary caregivers received and contained in records kept by the City for the purposes of administering this Article shall be maintained in accordance with Chapter 1 (commencing with Section 123100) of Part 1 of Division 106 of the Health and Safety Code, Part 2.6 (commencing with Section 56) of Division 1 of the Civil Code, and other State and federal laws relating to confidential patient information.

(c) The City shall not disclose any information received or maintained for the purposes of administering this Article beyond what is necessary to achieve the goals of a specific investigation, notification, or the parameters of a specific court order or subpoena. The City

shall resist to fullest extent afforded by law any efforts of the federal government to acquire any information received or maintained by the City for the purposes of administering this Article.

### **SEC. 45.19.6.13. ADULT USE**

In the event the voters of the State of California adopt the Adult Use Marijuana Act (“AUMA”), marijuana businesses who have already been granted permits pursuant to and subject to the above, may also operate under those permits as an Adult Use Marijuana Businesses in the same category of permit, upon the date the State of California makes available licensing under AUMA. Pursuant to Business and Professions Code Section 26054.2, priority shall be given to all Collective Cannabis Activity Permittees to operate until December 31, 2019. If the Adult Use Marijuana Act has become law, any limitation by the word “medical” in the operational section of this Act shall be removed.

All Adult Use Permittees shall operate in full compliance with all City and State laws including the Adult Use Marijuana Act.

### **Section 4. Amendment to Article 1 of Chapter II of the Los Angeles Municipal Code**

Section 21.50 of Article 1 of Chapter II of the Los Angeles Municipal Code is amended to read as follows:

### **SEC. 21.50. TAXATION OF COMMERCIAL CANNABIS ACTIVITY.**

(a) No registration certificate or permit issued under the provisions of Article 1 or Article 1.5 of Chapter 2 of this Code, or the payment of any tax required under the provisions of Article 1 or Article 1.5 of Chapter 2 of this Code shall be construed as authorizing commercial cannabis activity not permitted pursuant to Article 5.1 of Chapter IV of this Code.

(b) Every person engaged in commercial cannabis activity not otherwise specifically taxed by other business tax provisions of this Chapter, shall pay a business tax of \$60.00 for each \$1,000.00 of gross receipts or fractional part thereof from the sale of medical cannabis or medical cannabis products. In the event Adult Use Marijuana Act passes, then every person engaged in commercial cannabis activity not otherwise specifically taxed by other business tax provisions of this Chapter, shall pay a business tax of \$80.00 for each \$1,000.00 of gross receipts or fractional part thereof from the sale of Adult Use cannabis or Adult Use cannabis products.

(c) For purposes of this section, “commercial cannabis activity” has the same meaning as that term is defined in Section 45.19.6.1 of Article 5.1 of Chapter IV of this Code and “medical cannabis” or “medical cannabis product(s)” has the same meaning as the terms are defined in Section 45.19.6.1 of Article 5.1 of Chapter IV of this Code.

(d) For purposes of this section, "gross receipts" includes all amounts that would be considered gross receipts under section 21.00, including without limitation:

(i) Membership dues;

(ii) The value of in-kind contributions;

(iii) Reimbursements provided by members, regardless of form; and

(iv) Anything else of value obtained through commercial cannabis activity.

(e) All taxpayers subject to this section must pay the full tax imposed by this section regardless of any rebate, exemption, incentive, or other reduction set forth elsewhere in the Municipal Code, except as required by California or Federal Law. No provision in the Municipal Code can lower the tax rate set forth in this section or otherwise reduce the amount of taxes paid hereunder unless the provision specifically states that the reduction applies.

(f) The City Council may impose the tax authorized by this section at a lower rate and may establish exemptions, incentives, or other reductions as otherwise allowed by the Charter and California law. No action by the Council under this paragraph shall prevent it from later increasing the tax or removing any exemption, incentive, or reduction and restoring the maximum tax specified in this section.

**Section 5. Amendment to Article 1 of Chapter IX of the Los Angeles Municipal Code**

Subsection 5 of Section 91.107.3.2 of Article 1 of Chapter IX of the Los Angeles Municipal Code is amended to read as follows:

5. Commercial Cannabis Activity Inspection Fee. An inspection fee shall be collected by the Department to conduct inspections and re-inspections pursuant to the requirements of Sections 45.19.6.2 and 45.19.6.3 of Article 5.1 of Chapter IV of the Los Angeles Municipal Code. The inspection fee shall be in addition to any other fee that the Department determines is necessary due to the nature of the work involved.

**Section 6. Amendment to Article 8 of Chapter IX of the Los Angeles Municipal Code**

Sections 98.0410 and 98.0416 of Article 8 of Chapter IX of the Los Angeles Municipal Code is amended to read as follows:

**SEC. 98.0410. SURCHARGE FOR ONE-STOP PERMIT CENTER.**

There shall be added to the total of all fees imposed for the registration and permitting of commercial cannabis activity provided for in Article 5.1 of Chapter IV of this Code and for any permit, plan check, license, application, report, and inspection provided for in Articles 1 through 8 of this chapter excluding Sections 91.6205.18, 91.107.4.4, 91.107.4.6, 98.0402, 98.0411, 98.0416, 98.0418 and 98.0716 of this Code a surcharge in an amount equal to the greater of two percent of the fees or one dollar. All monies received from this surcharge shall be deposited to and expended as provided for the Construction Services Trust Fund pursuant to Section 5.321 of the Los Angeles Administrative Code.

**SEC. 98.0416. BUILDING AND SAFETY SYSTEMS DEVELOPMENT SURCHARGE.**

There shall be added to the total of all fees imposed for the registration and permitting of commercial cannabis activity provided for in Article 5.1 of Chapter IV of this Code and for any

permit, plan check, license, application, report and inspection provided for in Articles 1 through 8 of this chapter excluding Sections 91.6205.18, 91.107.4.4, 91.107.4.6, 98.0402(f), 98.0410, 98.0411, 98.0416, 98.0418 and 98.0716 of this Code a surcharge in the amount equal to the greater of six per cent of the fee or one dollar. All monies received from this surcharge shall be deposited to and expended as the "Building and Safety Systems Development Account" of the Department of Building and Safety Building Permit Enterprise Fund pursuant to Section 5.121.8 of the Los Angeles Administrative Code.

#### **Section 7. Effective Date**

Except as otherwise provided herein, this Act shall become effective the day after its approval by the voters.

#### **Section 8. Amendment and Repeal.**

This Act shall be broadly construed to accomplish its purposes and intent as stated in herein. The City Council may by majority vote amend the provisions of this Act to implement the substantive provisions of this ballot measure, provided that such amendments are consistent with and further the purposes and intent of this Act and the permit process provided for herein.

But for Delivery licensing in the City of Los Angeles, the City Council shall have the right to amend this Act to bring the City of Los Angeles in full compliance with the Medical Marijuana Regulation and Safety Act by adding additional licenses as added by the State of California.

This Act specifically does not permit "Delivery" in the City of Los Angeles. The City Council shall have the right to amend this Act to allow Delivery permits in Los Angeles but "Delivery" can only be amended and permitted to existing "brick and mortar" Dispensary Permittees in the City of Los Angeles and must be in full compliance with State Law.

#### **Section 9. Severability.**

If any section, subsection, subdivision, paragraph, sentence, clause, or phrase of this Article is for any reason held to be invalid or unenforceable, such invalidity or unenforceability shall not affect the validity or enforceability of the remaining sections, subsections, subdivisions, paragraphs, sentences, clauses, or phrases of this Article. The voters of the City declare that they would have independently adopted each section, subsection, subdivision, paragraph, sentence, clause, or phrase of this Article irrespective of the fact that any one or more other sections, subsections, subdivisions, paragraphs, sentences, clauses, or phrases of this Article is declared invalid or unenforceable.

#### **Section 10. Liberal Construction.**

This Act is an exercise of the public power of the people of the City for the protection of the health, safety, and welfare of the people of the City, and shall be liberally construed to effectuate its purposes.

**Section 11. Competing Measures**

In the event that another measure or measures relating to the regulation of cannabis in the City of Los Angeles appears on the same ballot as this measure, the provisions of the other measure or measures shall be deemed to be in conflict with this measure. In the event that this measure shall receive a greater number of affirmative votes than the other measure or measures, the provisions of this measure shall prevail in their entirety over all provisions of the competing measure or measures, and the competing measure or measures shall be null and void.