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To: Department of Cannabis Regulation  
Los Angeles City Council  
Mayor Eric Garcetti

Re: [Ordinance 186703](#)  
Cannabis Delivery (Type 9) Ownership Limit

We applaud the Los Angeles Department of Cannabis Regulation's recent notice to begin accepting applications for additional licensed cannabis activities, including Delivery (Type 9 Non-Storefront Retailer).

Over the past several years, the City Council, DCR, and other stakeholders have collectively found wisdom in limiting the number of licenses held by any single entity. The DCR recently recommended updates, adopted by the City Council in [Ordinance 186703 on July 9, 2020](#), in which one of the stated goals are **“improving processes to minimize predatory practices”**. The ordinance clarified the ownership limit for Type 10 Storefront retail (Limit 3), Type 3A Medium Indoor Cultivation (Limit 3), and Management Companies (Variable limit over time). However, it seems to have overlooked the ownership limit for Delivery Type 9 Non-Storefront Retailer licenses (unlimited).

## Ownership Limits:

1. Promote equitable distribution of licenses, preventing monopolies
2. Promote the distribution of wealth amongst a larger population of licensees
3. Promote the viability of small business operators to compete fairly in the nascent industry
4. Prevent predatory practices

The City of Los Angeles has continually sought to promote the viability of the cannabis industry by protecting the unprecedented opportunity it can provide for small businesses by preventing them from being taken advantage of by larger players. We witnessed a very real example of this with the city's experience with MedMen, which influenced the concept of ownership limits.

By not placing a similar ownership limit on Type 9 Non-Storefront delivery licenses we are very concerned that similar predatory practices are incentivized. Without an ownership limit in place, there is a very real possibility of a well-funded organization seeking to establish a large footprint throughout the whole of the city creating a brand recognition that would be nearly impossible for the small business to compete against. You could easily compare this to how we have time and time again witnessed Walmart come into communities and decimate surrounding "Mom & Pop" shops. It is not unreasonable to imagine that a well-funded enterprise, as we saw with MedMen, would see value in having a large number of these licenses, which they could then use to promote their brand across the entire city in a fashion that a smaller delivery service would not have a chance at competing against. Similarly, Type 10 Store-front retailers (both equity and non-equity) who already have an ownership limit of 3 licenses would also not be able to fairly compete against the potential of a large, well-funded company whose focus would be on accumulating more than 3 licenses to promote its brand throughout the whole of the city.

With the announcement of the DCR to begin accepting applications October 20, 2020, we find it imperative that the City Council act expeditiously to amend the ordinance to place a similar ownership limit on Delivery Type 9 Non-Storefront licenses prior to the acceptance of applications for these licensed activities. Doing so prior to the acceptance of applications is more likely to mitigate any potential future challenges that may further delay the issuing of licenses.

We respectfully request that the City Council amend the ordinance to be consistent with other license type ownership limits and do so expeditiously in advance of the DCR accepting applications for the Delivery Type 9 activity on October 20, 2020. **If the change to the ordinance cannot be made in advance of the October 20, 2020 opening we strongly urge the DCR to set a temporary policy of limiting the number of delivery licenses per owner until the City Council can fully deliberate the issue or delay the opening of the application window until Council can address the issue.**

For reference, attached, you will find the excerpts from Ordinance 186703, which define the current ownership limits on the various other license types.

In a post COVID-19 world it is important that we promote opportunities for small businesses to be able to thrive in order for residents to provide for their families. We believe implementing an ownership limit upon Type 9 Non-Storefront delivery license in parity with Type 10 Storefront Retail (limit 3), Type 3A Medium Indoor Cultivation (limit 3), and Management Companies (Variable limit over time) promotes the viability of a vibrant cannabis industry with a multitude of participants. It is a responsible policy intended to meet the stated goal of "minimizing predatory practices" and allowing small businesses the opportunity to thrive.

Thank you for your consideration of this important matter.

## **Ownership Caps defined by Ordinance 186703**

### **Type 10 Storefront Retail**

*Sec. 2. Subdivision 2 of Subsection (a) of Section 104.02, Article 4, Chapter X of the Los Angeles Municipal Code is amended to read as follows:*

*2. A Person may not hold more than three Type 10 Licenses. A Person with an aggregate ownership or profit-sharing interest of 20 percent or more in the Person applying for a License may not hold more than three Type 10 Licenses, unless the interest is solely a security, lien, or encumbrance.*

### **Type 3A Medium Indoor Cultivation**

*Sec. 3. Subdivision 5 of Subsection (a) of Section 104.02, Article 4, Chapter X of the Los Angeles Municipal Code is amended to read as follows:*

*5. A Person shall not hold more than three Type 3A Medium - Indoor Cultivation Licenses or any combination of cultivation license types where the aggregate allowable cultivation area would exceed 1.5 acres. A Person with an aggregate ownership or profit sharing interest of 20 percent or more in the Person applying for a License may not hold more than three Type 3A Medium - Indoor Cultivation Licenses or any combination of cultivation license types where the aggregate allowable cultivation area would exceed 1.5 acres. This provision does not apply to applications submitted prior to the effective date of this ordinance provided that any changes or modifications to the license do not exceed the total allowable aggregate cultivation area or the number of allowable cultivation licenses held by a Person.*

### **Management Companies**

*Sec. 31. Subsection (b) of Section 104.21, Article 4, Chapter X of the Los Angeles Municipal Code is deleted; Subsections (c), (d), (e), (f) and (g) are renumbered as Subsection (b), (c), (d), and (f) and amended to read as follows:*

*(f) Every Management Company shall be subject to the following restrictions:*

- 1. Through June 30, 2019, a Management Company shall not manage Commercial Cannabis Activity on behalf of more than three percent of the Licensees in the City engaged in the same type of Commercial Cannabis Activity;*
- 2. From July 1, 2019, through June 30, 2020, a Management Company shall not manage Commercial Cannabis Activity on behalf of more than four percent of the Licenses in the City engaged in the same type of Commercial Cannabis Activity;*
- 3. From July 1, 2020, through June 30, 2021, a Management Company shall not manage Commercial Cannabis Activity on behalf of more than five percent of the Licensees in the City engaged in the same type of Commercial Cannabis Activity;*

4. *From July 1, 2021, through June 30, 2022, a Management Company shall not manage Commercial Cannabis Activity on behalf of more than six percent of the Licensees in the City engaged in the same type of Commercial Cannabis Activity; and*

5. *On or after July 1, 2022, a Management Company shall not manage Commercial Cannabis Activity on behalf of more than seven percent of the Licensees in the City engaged in the same type of Commercial Cannabis Activity.*