



## CALIFORNIA MINORITY ALLIANCE

July 2, 2018

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Commissioners  
Cannabis Regulation Commission  
c/o Department of Cannabis Regulations  
221 N. Figueroa St., Ste. 1245  
Los Angeles, CA. 90012

Attention: Victoria Rodriguez, Executive Assistant

**SUBJECT: Proposed Change(s) of Regulation No. 5. Inspections" regulatory scheme vs. Cannabis Business Activities sustainability.**

In accordance to Los Angeles Administrative Code Section 22.1120 (a), the Commission shall make recommendations to the Mayor and City Council for the adoption of City laws and regulations pertaining to cannabis-related activity in the City.

Inasmuch, the California Minority Alliance, a 501 (c) (4) organization consisting of community, business owners, clergy, and other stakeholders of the cannabis industry, at this moment request the following consideration(s) for changes in Regulation No. 5. Inspections.

That is, in the current regulatory scheme outlined explicitly in Regulation No 5. Inspections. "An applicant shall satisfy all requirements of pre-License inspection prior to further application processing."

The complication that evolves from this schematic "regulatory" outlay is that of the "implementation of such pre-License inspection" relative to the City's committed resources, in that, at this moment, "no specific field staff for Building Safety exists for such inspection(s); the City Fire Department has only allocated approximately four (4) staffers to fulfill these regulatory obligations; the Los Angeles County Department of Public Health has no coordinated staff plan to address these specific demands; and the LAPD has no clear understanding of their role in such pre-License inspection.

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These implementors compiled with the estimated cost associated with both first-year cost of cannabis operations and rent for business in Los Angeles, as outlined the November 2017 Cannabis Social Equity Analysis Addendum, page(s) 15-16, create a "regulatory" scheme that in any business analysis may lead to more business failures, less tax revenues for the city, and more growth in the illicit market resulting in results contrary to the established purposes of regulating this industry.

In other words, the "regulatory" burden imposed by the requirement in Regulation 5. should not be a condition of Temporary Approval, but of a License. Such regulatory change would allow for cannabis business activities to meet the established controllable inspection requirements, such as general Fire Code & Building Safety standards, aside from those implemented explicitly for the satisfaction of this specific regulation. In fact, this process is occurring and continues to happen with PRE-ICOs.

Specifically, the conditions in Regulation No. 5 Inspections A (1), reads that prior to a License, inspections shall include the employees or agents of city and county departments. For the purpose of a Temporary Approval, as now defined in LAMC Section 104.01, Art. 4, Chp. X of LAMC subsection (27), all conditions shall remain excluding A.1(b), that states "On-site inspection of all applicable building code and fire code requirements.

This will allow for all applicants to continue the application process, obtain Temporary Approval, operate to mitigate cost, contribute to the City's tax revenue base, neighborhood council programs, and overall monetary obligations to ensure the continued success of the city' cannabis business activities.

Otherwise, it seems to CMA that the currently "regulatory" scheme is designed for business failure, exclusion of opportunity, and growth of the illicit market.

CMA at this moment formally requests the opportunity to develop this concept with the Cannabis Regulatory Commission further.

Sincerely,

  
Tyrone Freeman  
Executive Director

Cc: Mayor Eric Garcetti, City of Los Angeles  
Cat Packer, Department of Cannabis Regulations  
Los Angeles City Council Members

