

PROCEDURE FOR REVIEW OF CHANGE OF OWNERSHIP
OF CANNABIS BUSINESSES
(After Permitting Process Only)

These procedures are established pursuant to Pasadena Municipal Code (“PMC”) Section 5.78.190, which gives the City Manager the authority to establish any rules, regulations and standards governing the issuance, denial or renewal of commercial cannabis permits, the ongoing operation of commercial cannabis businesses, and the City’s oversight of the businesses.

The cannabis permit approval letters that the City issued state, in part, that “the operation, management and ownership of this business shall be as specified [in the] Cannabis Permit Application . . . Changes to these terms may NOT be made without prior approval from the City.” This means that the City may approve and regulate a “change in the ownership” of the business, as defined herein. As such, a change in ownership of a commercial cannabis business after a business has obtained a valid commercial cannabis permit is only allowed if approved by the City Manager, pursuant to the following procedures. Failure of a business to obtain approval of a change in ownership may result in the City taking steps to revoke the cannabis permit.

A “change in ownership” is defined as: (1) when any of the events set forth in 4 California Code of Regulations (“C.C.R.”) Section 15023(c) (or any successor regulation thereto) occur regarding change in ownership, or (2) when any person who was not identified as part of the ownership structure in the cannabis permit application becomes part of the ownership of the cannabis business, regardless of share of percentage of ownership. An “owner” shall have the same meaning as set forth in PMC Section 5.78.050(LL) which includes the definition of an owner as set forth in 4 C.C.R. Section 15003.

Application Process:

- A cannabis business that seeks to change any ownership of the business, including adding a new owner, shall submit information regarding the proposed new owner and a request to approve the change in ownership, on a form approved by the City. The application shall be made either at the same time that an application is made to the State Department of Cannabis Control (“Department”) for change in ownership, or if an application is not required to be made with the Department then at least thirty calendar days before the change of ownership will take effect, or at such other time as determined by the City Manager.
- Each proposed new cannabis business owner shall submit a signed declaration affirming that the proposed new owner is not prohibited from holding or maintaining a commercial cannabis permit pursuant to PMC Section 5.78.100. To the extent possible, the City Manager shall independently verify the accuracy of the statements contained in the declaration.

- If the cannabis business is required to obtain Department approval regarding the change in ownership in compliance with 4 C.C.R. § 15023 *et seq.*, then the information that was submitted to the Department must also be submitted to the City within 7 days of the information being submitted to the Department. Under certain circumstances, the Department authorizes a cannabis business to continue to operate while it is evaluating whether to approve a change in ownership. The City will defer to the Department in that regard, except as further set forth herein.
- The cannabis business shall supplement its application, and submit to the City Manager any documents (including e-mails) it receives from the Department regarding the cannabis businesses' change ownership including, but not limited to, (1) documents approving or disapproving the cannabis business from operating while the change in ownership is being evaluated by the Department, (2) documents approving or disapproving the change in ownership of the cannabis business, or (3) documents regarding the continued validity of the State license issued to the cannabis business. This supporting documentation shall be provided to the City within 7 days from the date the business receives the documents from the Department.

Review Process

- Within 15 business days of receiving the application, the City Manager will review the application and any other evidence to determine if the new owner is prohibited from holding a cannabis business permit pursuant to PMC Section 5.78.100. If the new owner is prohibited from holding a cannabis business permit, the City Manager shall provide written notice to the new owner that the change of ownership is denied and the new owner will not be able to operate under the commercial cannabis permit. The business shall have an opportunity to rebut such evidence if the business files a request to do so, along with all evidence that the business wants the City Manager to review, within 10 days of written notice of the City Manager's decision.
- If the new owner is not prohibited from holding a cannabis permit pursuant to PMC Section 5.78.100, and the change of ownership does not need to be reviewed by the Department pursuant to 4 C.C.R Section 15023 *et seq.*, then the City Manager shall approve the change of ownership within 15 business days of reviewing the evidence.
- If the new owner is not prohibited from holding a cannabis permit pursuant to PMC Section 5.78.100, and the change of ownership must be reviewed by the Department pursuant to 4 C.C.R Section 15023 *et seq.*, then the City Manager will review the evidence presented by the business within 10 business days after receiving the final determination from the Department regarding the change of ownership. If requested by the business, the City Manager shall conduct the review of all evidence in the presence of the business.

- If the Department approves the change in ownership (or determines that the State license that was issued to the business can continue to be used by the new owner), and if the new business owner is not disqualified from holding a commercial cannabis permit pursuant to PMC Section 5.78.100, then the City Manager shall approve the change in ownership of the business.
- If the Department does not approve the change in ownership (or determines that the State license cannot be used by the new owner), then the City Manager shall notify the business that the change in ownership is denied.
- Within 10 days of review of all evidence, the City Manager shall issue a decision in writing as to whether the change in ownership is approved or denied.
- If the change in ownership is denied, the new owners will not be able to operate under the commercial cannabis permit.
- The decision of the City Manager shall be final and there shall be no appeal therefrom.
- The deadlines established herein may be extended on request of the business at the City Manager's sole discretion. Failure to comply with any of the deadlines set forth herein may form the basis for the denial of the change of ownership.

Issued by the City Manager on this date: October 22, 2021