



## **CITY OF MENIFEE**

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SUBJECT: Business License Denial Appeal Hearing for Happy Seven  
MEETING DATE: April 5, 2023  
TO: Mayor and City Council  
PREPARED BY: Margarita Cornejo, Deputy Finance Director  
REVIEWED BY: Regina Funderburk, Chief Financial Officer  
APPROVED BY: Armando G. Villa, City Manager

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### **RECOMMENDED ACTION**

1. Conduct appeal hearing in accordance with Chapters 2.04.050 and 5.01.250 of the Menifee Municipal Code; and
2. Adopt a resolution denying the appeal filed by the applicant/appellant Yihai Ace, Inc. dba Happy Seven, filed by representative Fangkai Jiang, which appeals the Deputy Finance Director's (December 2, 2022) denial of a business license application for a massage business at 27701 Scott Road, #204, Menifee, CA 92584.

### **DISCUSSION**

Title 5: Business Regulations of the Menifee Municipal Code provides for necessary regulation and a record system of businesses being conducted within the City of Menifee for the purpose of protecting the public health, safety, and welfare of residents. The Finance Department oversees the administration of the City's Business License Program.

All businesses issued a business license are required to conduct business in compliance with all applicable federal, state, and local laws, regulations, and ordinances. Effective July 1, 2022, the City of Menifee implemented Section 5.01.090 Additional License Requirements for Special Business Types, which includes background/Live Scan requirements for designated special business types, including, but not limited to, massage businesses. The addition of Section 5.01.090 affords an opportunity to foster overall safety and well-being for the Menifee community by requiring business types with heightened activities directly connected to public safety and welfare, to complete a background check and Live Scan as a requirement to obtaining a business license.

## Happy Seven 2022 Business License Applications

**Application #1:** On July 26, 2022, the City of Menifee received an application for a business license for a massage business, Yihai Ace Inc. dba Happy Seven, located at 27701 Scott Road, #204, Menifee, CA 92584 by applicant Mr. Fangkai Jiang and Ms. Li Wang (**Attachment 1**). Per the application received, the business would employ two massage therapists, Fangkai Jiang, and employee Li Wang, identified as Mr. Jiang's wife during the application review process. The Business License division reviewed the application for completeness and all necessary required supporting documents, including, but not limited to, fictitious business name statement and certified massage therapist licenses. Pursuant to Section 5.01.090 Additional License Requirements for Special Business Types, the Business License division worked with the Menifee Police Department in confirming the required background/Live Scan process and awaiting clearance before issuing a business license.

### *Live Scan/Background:*

Following completion of the background/Live Scan by the Menifee Police Department, it was determined that false information, as well as prior illicit massage business associations of the applicant and/or employees were uncovered, therefore, the Police Department's request for denial of a business license was forwarded to the Finance Department (**Attachment 2**). As outlined within Attachment 2, criminal citations for prostitution and disturbing the peace by loud and unreasonable noise issued in 2017 and 2018 in San Diego County were identified in Ms. Wang's background. Additionally, a records inquiry with the California Massage Therapy Council (CAMTC) identified both Mr. Jiang and Ms. Wang had prior work addresses of 1177 Broadway Ave., Suite 16, Chula Vista, CA 91911, and 4750 Oceanside Blvd., Suite A-12, Oceanside, CA 92056. An online search of both addresses revealed that the Chula Vista address is for the business Tai Chi Health Massage Spa, and the Oceanside address is for the business Zai Sheng Massage. Menifee Police Department completed the background investigation based on training and experience with illicit massage business investigations, including research of the website Rubmaps.ch, known throughout the United States for publishing reviews for massage businesses offering sexual services for sale. Premium members of the website can rate massage businesses and masseuses. Many of these reviews are written for the purposes of advising other members of the businesses and masseuses that provide sexual services in exchange for money. The reviews will often list the type of sexual service received and the monetary amount paid. Both Tai Chi Health Massage Spa and Zai Sheng Massage were listed on this website, with reviews consistent with prostitution activity.

### *Application Determination:*

Subsequently, a denial letter dated September 22, 2022, was issued by the Finance Department formally denying issuance of a business license (**Attachment 3**).

**Application #2:** On October 25, 2022, a second application by applicant Fangkai Jiang for the business Yihai Ace Inc. dba Happy Seven located at 27701 Scott Road, #204, Menifee, CA 92584, was received by the Finance Department (**Attachment 4**). In the new application, only one applicant and employee were listed, Fangkai Jiang, different from Application #1 which included Ms. Li Wang. Additionally, the second application was accompanied by signed

declarations in support of Yihai Ace, Inc.'s business license from both Mr. Jiang and Ms. Wang. The signed statements recognized the spousal relationship between Mr. Jiang and Ms. Wang, no knowledge of false information or acts of "moral turpitude," the erroneous inclusion of Ms. Wang as an employee in the first application and expressed representation that Ms. Wang would not have any involvement in the business operations of Yihai Ace and/or Happy 7. Following receipt of the application, review of the application for completeness and all necessary required supporting documents, the Business License division worked with the Menifee Police Department in confirming the required background/Live Scan process and awaited clearance before issuing a business license.

*Live Scan/Background:*

Following completion of the background/Live Scan by the Menifee Police Department related to the second application, it was determined that false information, as well as prior massage businesses associated with the applicant and/or employees were uncovered (**Attachment 4**). As outlined within Attachment 4, since the initial application denial, additional follow up was conducted on Ms. Li Wang's arrest from August 3, 2017, in San Diego. Ms. Wang was arrested for prostitution by the San Diego Police Department during an undercover operation at the business Joy Foot Massage located at 5825 Mission Gorge Rd., San Diego, CA 92120. The case was prosecuted by the City of San Diego City Attorney's Office. According to the City of San Diego, Fangkai Jiang and Shiwei Xing were the listed owners of record for Joy Foot Massage, 5825 Mission Gorge Rd., San Diego, CA 92120, from February 2, 2017, to February 28, 2018. Li Wang's prostitution arrest at Joy Foot Massage on August 3, 2017, was during Fangkai Jiang's ownership. Based on this additional follow up information, as well as Mr. Fangkai Jiang's recent affiliations with other massage businesses advertised on the Rubmaps.ch site, the Menifee Police Department's request for denial of a business license was forwarded to the Finance Department (**Attachment 5**).

*Application Determination:*

Subsequently, a denial letter dated December 2, 2022, was issued for the second business application (**Attachment 6**).

**Business License Appeal**

On January 12, 2023, the City received a formal appeal, pursuant to Chapter 2.20 and 5.01.250 of the Menifee Municipal Code filed by Mr. Fangkai Jiang with respect to the Business License Denial Letter issued December 2, 2022 (**Attachment 7**). The corresponding fee for an appeal was also received. Pursuant to the appeal process, the request for appeal of the denial of Business License application dated December 2, 2022, is presented for Council's consideration. The applicant and their legal counsel were provided with at least 15 days advance notice of the public hearing, where the City Council would schedule the matter for consideration at a regular City Council meeting. On March 9, 2023, the applicant was advised of the availability for a public hearing on April 5, 2023, and informed that they would be able to submit any additional information to include with the agenda item. Receipt of any additional information to be included was requested to be received no later than March 21, 2023. The applicant's legal counsel confirmed availability for the April 5, 2023, meeting via email on March 9, 2023. As a follow-up, the applicant's legal counsel confirmed the applicant would be allowed to bring a translator to the

public hearing, due to language barriers. City staff has confirmed the applicant would be allowed to bring a translator. On March 23, 2023, City staff confirmed in writing the only items the applicant submitted for the agenda item were the Declaration of Fangkai Jiang in support of Yihae Ace, Inc.'s business application (part of Attachment 4), dated October 25, 2022, the original denial letter for Application #1, dated September 22, 2022 (Attachment 3), and the Superior Court of California, County of San Diego Petition for Dismissal—Order Granting, dated March 3, 2022, included as part of the second application (Attachment 4).

Based on the background/research completed during the review of the application and the professional expertise and recommendation of the Menifee Police Department in review of this special business type, it is staff's recommendation that the appeal be denied and that a resolution formally denying the appeal be adopted.

**Minor Conditional Use Permit (MCUP PLN21-0374) for 27701 Scott Road, #204, Menifee, CA 92584 (APN 384-180-038)**

Staff would also like to note that specific to the 27701 Scott Road #204, Menifee CA 92584 a Minor Conditional Use Permit (MCUP) has been issued (**MCUP PLN21-0374**) allowing for the site to be used as massage establishment, as the site itself meets the required conditions, and the application for the site still receives the benefits of the issued CUP. The denial of the business application is separate and unrelated to the background/Live Scan results of the applicant.

**STRATEGIC PLAN OBJECTIVE**

Regular City Business

**FISCAL IMPACT**

Denial of the appeal will not create a fiscal impact to the City.

**ATTACHMENTS**

1. Happy Seven Business License Application #1 (Dated 7-26-22)
2. Menifee PD Request for Denial of Business License Application #1 (Dated 9-7-22)
3. Business License Application #1 Denial (Dated 9-22-22)
4. Happy Seven Business License Application #2 (Dated 10-25-22)
5. Menifee PD Request for Denial of Business License Application #2 (Dated 10-31-22)
6. Business License Application #2 Denial (Dated 12-2-22)
7. Appeal for Business License Application Denial (Dated 1-12-23)
8. Resolution Denying Appeal Happy Seven