

## Communication from Public

**Name:** Damian Martin  
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**Comments for Public Posting:** See attached.

## Damian A. Martin

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**From:** Damian A. Martin <damian.martin.esq@gmail.com>  
**Sent:** Monday, May 19, 2025 1:35 PM  
**To:** 'Adam Lid'  
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**Subject:** Public Comment RE Agenda Items #2 and #4 of the L.A. City Council Government Operations Committee Meeting on May 20th  
**Attachments:** 25-0600\_misc\_4-22-25.pdf; So Much News: April DCR News Bulletin (129 KB); Re: Inquiry RE the DCR's Position on Enforcement against Unlicensed Cann... (16.8 KB); RE: Public Comment RE Agenda Item #7(1) of the Los Angeles Cannabis Regul... (523 KB)

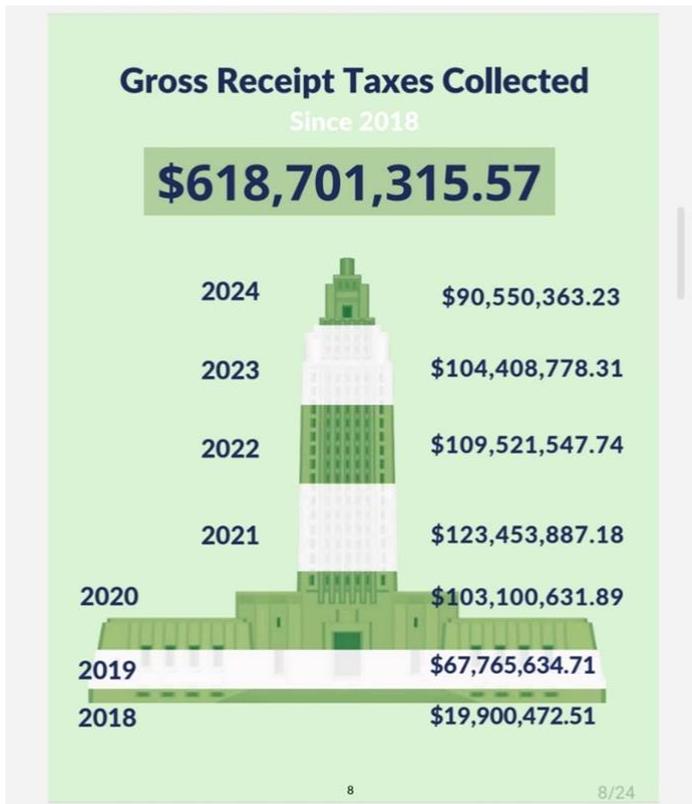
Legislative Assistant Lid:

My name is Damian Martin, and I am a Co-Founder & Attorney for Catalyst Cannabis Co.: <https://catalyst-cares.com/wp-content/uploads/2024/05/Catalyst-Cares-Damian-Martin-v2.pdf>; <https://catalyst-cannabis.com/>. Catalyst participates deeply in the Los Angeles Cannabis Social Equity Program through ownership in and/or operation of Catalyst - Florence, Catalyst - Normandie, Catalyst - Silver Lake, Catalyst - Mid City, Catalyst - South Figueroa, and Catalyst - Van Nuys and by advocating for City cannabis policies that actually support and uplift legal social equity owned dispensaries and their social equity owners / operators.

With that in mind, I have the following public comment regarding the attached Staff Report RE Department of Cannabis Regulation - Mayor's FY 2025-26 Proposed Budget in reference to Agenda Items #2 and #4 of the L.A. City Council Government Operations Committee Meeting on May 20, 2025:

In furtherance of its War on Drugs 2.0 being perpetrated against Los Angeles cannabis social equity small business owners, the DCR indicates in its proposed budget for FY 2025-26 that the "DCR will be unable to review complaints on unlicensed businesses, and will need to restrict its activities in response to complaints filed in the DCR Complaint Portal to licensed businesses." The fact that unlicensed cannabis businesses are not an enforcement priority for the DCR but only licensed businesses are, is a mind-boggling statement by a so-called "department of cannabis regulation", especially considering how open, notorious, and prolific unlicensed cannabis businesses are in the City of Los Angeles. See <https://lataco.com/dispensary-permit-fee-increase>; <https://www.latimes.com/california/story/2024-06-08/san-diego-illegal-cannabis-dispensaries-los-angeles-county>.

According to data, there are nearly 4,000 unlicensed cannabis businesses in the City, including smoke shops / tobacco retailers now selling unlicensed and untaxed "cannabis" openly masquerading as "hemp". These unlicensed cannabis businesses have brought financial devastation to tax-paying cannabis social equity small business owners trying to do the right thing and have pumped harmful, toxic, and untested drugs into the City's already underserved communities where these unlicensed cannabis businesses proliferate most intensely. To illustrate in blunt fiscal terms, the below screenshot from the DCR's 2024 Annual Report shows that the gross receipts taxes collected from licensed cannabis businesses in 2024 has declined \$33mm from the peak in 2021 . . . in other words, the DCR's pretend ignorance regarding unlicensed cannabis businesses is contributing to the City's current budget crisis.



Notwithstanding the obvious priority of enforcement against unlicensed cannabis businesses and rather than cleaning up the City’s existing cannabis market first, the DCR continues pumping out new licenses to cannabis social equity applicants, proudly announcing via the attached email on April 23rd its intent to send new social equity applicants to economic slaughter in the DCR’s War on Drugs 2.0.

In another empty brag, the DCR claims to provide the following presently unnecessary and mostly unused services in its proposed budget for FY 2025-26: “educational courses and webinars, direct technical assistance and one-on-one coaching, workforce development, networking events, and enhanced communications and public outreach services to Social Equity businesses”. However, current Los Angeles cannabis social equity small business owners don’t need educational courses and webinars, technical assistance, coaching, workforce development, networking events, and communications / public outreach services—these small business owners were initially educated in the War on Drugs and now have a graduate degree in the DCR’s War on Drugs 2.0. Rather, current Los Angeles cannabis social equity small business owners need real and committed enforcement support by the City and the DCR against unlicensed cannabis businesses that are undercutting and destroying these licensed small businesses and the communities where these licensed small businesses are based.

As a result, I respectfully request that the L.A. City Council Government Operations Committee amend the DCR’s proposed budget for FY 2025-26 to require that all funds allocated to / by the DCR for (1) enforcement / compliance against licensed businesses, (2) the 2025 Phase 3 Retail Round 3 Application Lottery, and (3) educational courses and webinars, technical assistance, coaching, workforce development, networking events, and communications / public outreach services, be reallocated solely for the purpose of enforcement against unlicensed cannabis businesses.

Knowing how the DCR will inevitably respond to the above recommendation, recently, I’ve personally attended numerous Los Angeles City Council meetings regarding City cannabis policy . . . at every meeting, the topic / problem of enforcement—really the utter lack thereof—against unlicensed cannabis businesses comes up, and every time topic / problem comes up, the DCR responds something to the effect of, “enforcement against unlicensed cannabis businesses is outside of the DCR’s purview.” More specifically per the attached email from DCR Assistant Executive Director Jason Killeen:

The Department of Cannabis Regulation (DCR) cannot enforce against illegal cannabis activity primarily due to its funding source. DCR is funded by licensing fees paid by applicants and licensees. Generally speaking, licensing fees collected by a local agency may be used only for regulatory activities to issue licenses. The Department would need an appropriation from the City's General Fund in order to expand its activities.

See also the attached email from Deputy City Attorney Taylor C. Wagniere: "I believe DCR's assistant executive director may have responded to you already, but I wanted to let you know that DCR is funded by licensing fees, which, under Props 26 and 218, cannot be used for non-licensing/regulatory services such as illegal enforcement."

However, under the below sections of the City of Los Angeles Charter and Municipal Code, the DCR has the purview and power to conduct inspections, audits, and refer cases to the City Attorney and LAPD and impose fines against unlicensed cannabis businesses just like the DCR does excessively to tax-paying cannabis social equity small business owners trying to do the right thing. More specifically, (1) the below Charter sections make no differentiation between unlicensed and licensed cannabis businesses—just very broadly "cannabis-related businesses" without distinct between licensed / unlicensed status, and (2) the below LAMC section indicates that commercial cannabis activity can only be conducted by licensed cannabis businesses such that enforcement of said section by the DCR would obviously entail actions against unlicensed cannabis businesses, which at the very least could and should include inspections and audit processes pursuant to Charter section 22.1142. Also notably, both Charter sections use a "shall", indicating that the DCR's duties to conduct enforcement actions against unlicensed cannabis businesses are ministerial rather than discretionary.

**Charter Sec. 22.1142. Inspections and Audits.**

The Department shall administer and coordinate inspection and audit processes for cannabis-related businesses in the City.

**Charter Sec. 22.1143. Enforcement.**

The Department shall enforce this chapter, in conjunction with the Cannabis Regulation Commission.

**LAMC SEC. 105.02. LOCATION AND OTHER REQUIREMENTS FOR COMMERCIAL CANNABIS ACTIVITY.**

The Commercial Cannabis Activity described in Subsections (a)1. - (a)7. shall be limited to such activity conducted by a person licensed by the state of California and the City to engage in such Commercial Cannabis Activity described in this article.

Further, the funding source of the DCR does not prevent the DCR from conducting enforcement actions against unlicensed cannabis businesses as it is well established in California that local jurisdictions can use licensing / permit fees to enforce municipal codes, including include enforcement actions against businesses operating illegally without the required permits. *See Barratt American, Inc. v. City of Rancho Cucamonga* (2005) Supreme Court of California, No. S117590 ("Instead, the building permit and plan review fees were simply fees to defray the administrative and enforcement costs of a local regulatory program."). Further, in line with the City Attorney's Office's position that "licensing fees, which, under Props 26 and 218, cannot be used for non-licensing/regulatory services such as illegal enforcement", enforcement against unlicensed cannabis businesses relative to the licensed cannabis businesses actually paying the fees is obviously a "licensing regulatory service" (*i.e.*, the City Attorney's Office's words regarding permissible expenditures). Having observed that and without speaking for any other cannabis social equity small businesses, Catalyst - Florence, Catalyst - Normandie, Catalyst - Silver Lake, Catalyst - Mid City, Catalyst - South Figueroa, and Catalyst - Van Nuys would happily pay the DCR's proposed increased fees if those fees actually went to conduct enforcement actions against unlicensed cannabis businesses.

On that note, the idea that a "department of cannabis regulation" does not have the purview and power actually regulate unlicensed cannabis businesses on at least some level is asinine and an insult to the City's voters that passed

Measure M and the tax-paying cannabis social equity small business owners trying to do the right thing that Measure M was supposed to uplift, rather than destroy economically.

Respectfully,

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