

## Communication from Public

**Name:** Katie Podein

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**Comments for Public Posting:** Since legalization, California's cannabis industry has been in a fragile economic state and the majority of EMMDs will not be able to bear the financial burden associated with relocating and obtaining new local and state licenses. An EMMD that is engaging in retail, distribution and indoor cultivation activities in a commercial zone will be forced to move its non-retail uses to a manufacturing or industrial zone to comply with LAMC Sections 105.02 and 105.03 prior to the Sunset Date. The affected EMMD will be forced to split its business operations into two locations and incur substantial costs, including without limitation real estate agency fees, relocation fees, tenant improvement expenses, and professional moving services to transport the machinery and equipment. Relocation will also result in loss of revenue and customer base since the EMMD cannot start operating at a new location until it obtains and pays for new local and state annual licenses. It is important to note that affected EMMDs will likely have to hire consultants or attorney to prepare and submit applications for new licenses. It is important to note that commercial landlords are hesitant to lease to cannabis businesses due to the depressed market and high operator failure rate. The landlords who agree to lease to cannabis businesses generally only offer shorter lease terms and three times the normal rental rate with an unusually high security deposit to protect themselves from a tenant's default. Given that cannabis is still a Schedule I controlled substance under federal law, EMMDs do not have access to traditional lenders or the infrastructure to raise capital to cover these additional costs. As a result, a number of EMMD owners will have no option but to surrender some, if not all, of their licenses and permanently shut their doors. This will result in mass layoffs (including union employees) and loss of tax revenue to the City. In sum, should the Sunset Date remain in effect, the future of many EMMD businesses is uncertain. On the other hand, allowing EMMDs to remain at their existing locations, will (i) continue to generate tax revenue for the City; (ii) safeguard hundreds of jobs; (iii) keep commercial areas in the city populated; and (iv) reduce the administrative burden on an already understaffed DCR (and other city departments) by eliminating the need to process approximately 85 relocation requests. Instead, the DCR can focus on existing cannabis

businesses in need of annual licenses before the January 1, 2026, the last day for any state provisional license to be in effect. Thank you for your consideration of this matter.