

Communication from Public

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Comments for Public Posting: Honorable Government Operations Committee: My name is Damian Martin, Co-Founder & Attorney for Catalyst Cannabis Co. ("Catalyst"). Catalyst owns (partially) and/or operates six social equity cannabis dispensaries in the City: <https://catalyst-cannabis.com/> On behalf of Catalyst, I have two observations regarding Agenda Item #2 / Council File #21-1087 for your February 4, 2025, meeting: 1. The Report RE Estimated Revenue Loss and estimates included are based around the "78 unlicensed retailer cannabis businesses" detected by the LAPD in December 2022. However, since late 2022, the problem of "cannabis" / "intoxicating hemp" being illegally sold by smoke shops / tobacco retailers in the City of Los Angeles has emerged and become so pervasive that the State Department of Public Health has enacted emergency regulations making the standard for lawful "hemp" products in the State now "no detectable amount of total THC". See <https://www.cdph.ca.gov/Programs/OLS/Pages/DPH-24-005E-Emergency-Regulations-for-Industrial-Hemp.aspx>. In other words, the City must now take into account smoke shops / tobacco retailers illegally selling "cannabis" / "intoxicating hemp" when estimating tax revenue lost from the production and sale of unlicensed cannabis, not just unlicensed dispensaries / "trap shops". Thankfully, Catalyst has been on the forefront of this problem in other jurisdictions and can provide some insights. In late August 2024, Catalyst informed the City of Oxnard of this problem and afterwards, Oxnard implemented a "robust enforcement process against existing tobacco licensees that do not comply with existing regulations." From May 2024 through August 2024, Catalyst - Oxnard's average daily gross sales was \$11,484.91 per day; however, from September 2025 through January 2025 (i.e., since calling the problem cannabis" / "intoxicating hemp" being illegally sold by smoke shops / tobacco retailers to Oxnard's attention and Oxnard's implementation of a "robust enforcement process against existing tobacco licensees"), Catalyst - Oxnard's average daily gross sales jumped to \$17,521.21 per day, or a 53% increase. As a result, we conservatively estimate that at least 10%-20% or more of tax revenue from the legal sale cannabis is lost to the illegal sale of "cannabis" / "intoxicating hemp" by smoke shops / tobacco retailers. Applying that estimate to the City's cannabis tax revenue collected in the Report RE Estimated Revenue suggests that \$8.6mm to \$17.3mm per fiscal year is lost by the City to the illegal sale of "cannabis" / "intoxicating hemp" by smoke shops / tobacco retailers. 2. Recently, Catalyst has been focused on the problem of "cannabis" / "intoxicating hemp" being illegally sold by smoke shops / tobacco retailers because, unlike unlicensed dispensaries / "trap shops", smoke shops / tobacco retailers are licensed and at least trying / pretending to operate legally. Accordingly, our ask to solve this problem has simply been for municipalities to send out notice / cease-and-desist letters to all smoke shops / tobacco retailers in their respective jurisdictions. Because smoke shops / tobacco retailers are licensed and at least trying / pretending to operate legally, we have found those letters to be an effective deterrent in other municipalities. In other words, we appreciate that code / law enforcement resources are always limited and partner with municipalities to conduct enforcement activities that are low investment with high potential for return. However, unlicensed dispensaries / "trap shops" are completely different animals that typically ignore notice / cease-and-desist letters. Instead, using traditional code / law enforcement resources, the City must go through the expensive process of closing unlicensed dispensaries / "trap shops", which can take years to effectuate. In addition to going through the expensive and time-consuming process of closing unlicensed dispensaries / "trap shops" using traditional code / law enforcement resources, the City should also consider working to deplatform unlicensed dispensaries / "trap shops" off of Google, Yelp, and other search engine platforms. As reflected by this linked resolution, the L.A. County Board of Supervisors is presently exploring the feasibility of deplatforming illegal cannabis dispensaries off of Google, Yelp, and other search engine platforms: <https://file.lacounty.gov/SDSInter/bos/supdocs/195518.pdf>. Respectfully submitted, Damian A. Martin, Esq., M.B.A. Co-Founder & Attorney, Catalyst Cannabis Co. Phone: (757) 652-0460 Email: damian.martin.esq@gmail.com