

MOTION


In 2017, the voters of Los Angeles directed the City of Los Angeles to establish a legal pathway for commercial cannabis activity for both medical and adult use. Since then, the City created the Department of Cannabis Regulation, the Cannabis Regulation Commission, and a Social Equity Program. The Social Equity Program was designed to create pathways for ownership, employment, and economic participation in the regulated cannabis market for Social Equity Individual Applicants (SEIAs).

Los Angeles Municipal Code (LAMC) Section 104.20 restricts the transfer or sale of ownership interests in Social Equity businesses, requiring that Social Equity Individual Applicants (SEIAs) only transfer such interests to other qualified Social Equity applicants. While cannabis remains federally illegal, entrepreneurs in this industry are largely excluded from traditional sources of startup capital. In combination, these constraints significantly limit Social Equity Businesses' ability to access capital, realize enterprise value, or exit the market when facing financial hardship. The cannabis industry is experiencing a national contraction, and locally many SEIAs continue to face substantial barriers, including limited access to capital and banking, burdensome local and state tax obligations, and persistent competition from the illicit market. As a result, many Social Equity Businesses are operating at a loss, struggling to maintain compliance, or facing imminent closure. The absence of viable exit opportunities places SEIAs at disproportionate financial risk and undermines the intent of the Social Equity Program by effectively trapping participants in financially unsustainable operations.

Updating the LAMC to expand allowable ownership transfers would provide Social Equity Individual Applicants with critical access to liquidity by enabling them to realize the value of their businesses. Critically, SEIAs will be able to negotiate terms that allow them to pay down debt and avoid financial insolvency, addressing a key structural barrier that currently limits economic mobility within the program. Additionally, greater transfer flexibility would support business continuity by allowing financial burdened SEIAs to transition to well-capitalized operators rather than closing, thereby persevering jobs, maintaining compliant operations, and preventing further contraction of the regulated cannabis market.

**I THEREFORE MOVE** that Council instruct the Department of Cannabis Regulation, with the assistance of the City Attorney, to report back with a draft ordinance to allow Social Equity Individual Applicants to sell ownership interests to any individual or entity.

PRESENTED BY

  
Imelda Padilla  
Councilmember, 6th District

SECONDED BY



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MAY 27 2026