

GOVERNMENT OPERATIONS COMMITTEE REPORT relative to amending the Los Angeles Municipal Code (LAMC) to pause the Department of Cannabis Regulation (DCR) from conducting any Phase 3 Round 3 retail license lottery in 2025.

Recommendations for Council action, as initiated by Motion (Padilla – Price):

1. INSTRUCT the DCR to PAUSE conducting any Phase 3 Round 3 retail license lottery in 2025.
2. REQUEST the City Attorney to prepare and present an Ordinance to amend LAMC Chapter X, Article 4 to pause the DCR from conducting any Phase 3 Round 3 retail license lottery in 2025.

Fiscal Impact Statement: Neither the City Administrative Officer nor the Chief Legislative Analyst has completed a financial analysis of this report.

Community Impact Statement: None submitted.

Summary:

On June 3, 2025, your Committee considered a Motion (Padilla - Price) relative to amending the LAMC to pause the DCR from conducting any Phase 3 Round 3 retail license lottery in 2025. According to the Motion, in 2017 the voters of Los Angeles instructed the City of Los Angeles to create a legal pathway for consumers to use the cannabis plant for both medical and recreational use. Since then, the City created the DCR, Cannabis Regulation Commission, and a Social Equity Program. To date, the moving parts related to creating a functioning legal venue have not coalesced for a streamlined process that facilitates a legal market that, in time, would eliminate the illicit market. Consequently, the legal cannabis industry in the City has experienced significant challenges. Many licensed businesses are struggling financially due to high tax burdens, regulatory fees, and a lack of enforcement against unlicensed operators. These issues undermine the regulated market and enable the continued growth of the illicit market.

Because of the limited regions where the City has allowed for these businesses to open, land-use scarcity led to commercial property owners often price gouge lease rates to cannabis businesses knowing that their options are limited. Consequently, the legal cannabis industry in the City of Los Angeles has experienced significant challenges. Many licensed businesses are struggling financially due to high tax burdens, regulatory fees, and a lack of enforcement against unlicensed operators. These issues undermine the regulated market and enable the continued growth of the illicit market.

Additionally, the Office of Finance has indicated that there are over 400 cannabis licensed businesses that owe the City anywhere between \$10,000 to \$ 1,000,000 in taxes, with a majority of their tax burden having been carried over from previous years. This number

does not include another 300 cannabis businesses that each owe over \$1,000,000. Finally, Council, and the DCR, almost ten years later, need to take a pause to consider what should be done to enhance what has worked and adjust where lessons have been learned. In order to do so, the DCR should focus on addressing existing issues with the current licensees before conducting another lottery. After consideration and having provided an opportunity for public comment, the Committee moved to recommend approval of the Motion, as amended. This matter is now submitted to Council for its consideration.

Respectfully Submitted,

Government Operations Committee

COUNCILMEMBER VOTE

PADILLA: YES

LEE: YES

JURADO: YES

ARL

6/3/25

-NOT OFFICIAL UNTIL COUNCIL ACTS-