

City of Los Angeles
Department of Cannabis Regulation (DCR)



March 2023

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CITY OF LOS ANGELES DEPARTMENT OF
**CANNABIS
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Background & Administration

Introduction of Cannabis Policy in LA

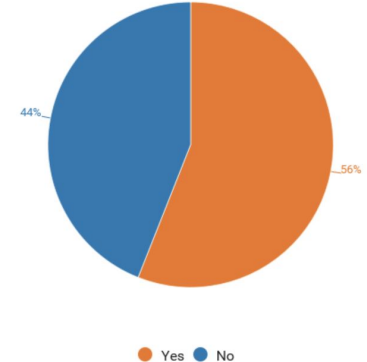


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- DCR was established in 2017 following the passage of [Proposition 64 in 2016](#) on the state level. [Measure M in 2017](#) gave the City Council the authority to regulate cannabis.
- **City Council incorporated a Social Equity Program into DCR's regulations, making Los Angeles one of the first jurisdictions to use commercial cannabis licensing as restorative justice tool to repair the harm caused by disparate enforcement from War on Drugs.**
- [Cat Packer](#) was appointed as the first Executive Director of DCR in August 2017. As of March 2022, [Michelle Garakian](#) serves as the Interim Executive Director.
- In 2019 two years after the implementation of Measure M, DCR finally received funding from the City and State to set up the Social Equity Program.
- In less than 5 years, DCR has grown from 1 to 37 employees. DCR has capacity for 59 employees.

Final vote: Prop. 64

Source: California Secretary of State's office



CA matters

DCR Over the Past Year



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- In 2022, DCR made significant strides and increased licensing output by 33%
- On December 2022, DCR conducted a successful application lottery and selected **100 social equity individual applicants (SEIAs) authorized to apply for a retail storefront cannabis business license.**
- The newly created Compliance & Enforcement division has triaged over **93%** of incoming complaints.
- DCR is currently championing a [change to licensing regulations](#) – which will ultimately make the application process easier to maneuver.
- DCR launched [Instagram](#), [Facebook](#), and [LinkedIn](#) and refined its communication processes with industry stakeholders – strategically increasing and improving communications.
- [DCR's Social Equity Program](#) has grown exponentially from initially receiving funding in 2019, offering free/low cost legal assistance, 1-on-1 coaching, and direct financial assistance, among other services.

DCR Revenue and Cannabis Business Tax



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FY2022	FY2023	FY2024
<ul style="list-style-type: none">● License & Permit Fees<ul style="list-style-type: none">○ \$10,024,993● Business Tax Revenue<ul style="list-style-type: none">○ \$127,500,000 (Projected)	<ul style="list-style-type: none">● License & Permit Fees<ul style="list-style-type: none">○ \$10,000,000 (includes grant funded fee waivers)● Business Tax Revenue<ul style="list-style-type: none">○ \$130,000,000 (Projected)	<ul style="list-style-type: none">● License & Permit Fees \$10,000,000 (includes grant funded fee waivers)● Business Tax Revenue<ul style="list-style-type: none">○ \$140,000,000 (Projected)

Business Taxes Collected since 2018 - Over \$400 million



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Licensing Program

DCR's Role



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DCR is responsible for administering the commercial cannabis licensing and regulatory program established by the City Council. Specifically, DCR:

1. Processes all applications for commercial cannabis licenses in the City.
2. Makes licensing decisions or licensing recommendations to the Cannabis Regulation Commission when appropriate.
3. Regulates the operations of licensed commercial cannabis businesses in the City.

Licensing Procedures



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- In order to lawfully participate in Commercial Cannabis Activity within the City of Los Angeles, both a state license **AND** a local license is required.
- [Article 4 of the Los Angeles Municipal Code](#) establishes the manner in which the Department and Commission are required to process commercial cannabis license applications and further establish requirements of commercial cannabis applicants and licensees.
- The LAMC authorizes the Department and Commission to issue licenses for the following commercial cannabis activity types: cultivation, manufacturing, distribution, testing, retail and delivery. Outdoor commercial cannabis cultivation is prohibited.
- DCR does not accept applications for consumption lounges or temporary events.

Licensing Phases



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Commercial cannabis licensing was divided into 3 distinct phases in the City:

- **Phase 1**
 - Existing Medical Marijuana Dispensaries (EMMDs)
 - Began in January 2018
- **Phase 2**
 - EMMD supply chain, i.e. cultivation, distribution, etc.
 - Began in August 2018
- **Phase 3**
 - Social Equity retail and delivery and new general applications
 - Began in September 2019

City of Los Angeles Licensing Data



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Retail

264



Delivery

109



Non-Volatile Manufacturing

312



Distribution

392



Cultivation

357



Testing Lab

8

Feb2023

**773 businesses with 1,442 licenses are allowed to operate in the City of Los Angeles.
A business may have more than one license.**

Social Equity Licensing Update



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- 40% of the City's licensed businesses are owned by Social Equity Individual Applicants (SEIAs).
- DCR anticipates that half of licensed businesses will be owned by Social Equity Individual Applicants by 2025.
- \$3 million per year from the General Fund supports Business, Licensing, and Compliance (BLC) assistance programs for SEIAs.



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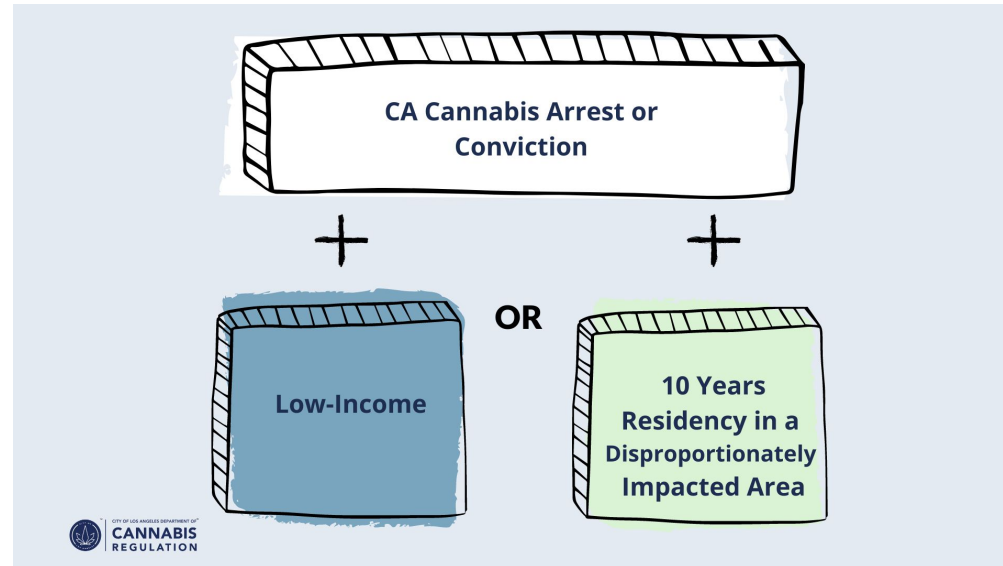
Social Equity Program (SEP)

Qualifying Criteria



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To qualify for Phase 3 Retail Round 2 of the Social Equity Program, applicants must demonstrate the following:



Social Equity Individual Application Verification Process



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- Out of the 2400 applicants that to applied to be verified, approximately 1690 Social Equity Individual Applicants were verified in 2019.
- Out of [1200 individual who applied to be verified in 2022](#), more than 500 Social Equity Individual Applicants were verified to register for the [Phase 3 Retail Round 2 lottery \(Lottery\)](#) in December 2022.
 - a. Only 9 eligible Social Equity Individual Applicants did not register.
 - b. The deadline to register to participate in the lottery was Wednesday, November 23, 2022 at 4:00 P.M. Pacific Time.

Phase 3 Retail Round 2 Lottery



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- The P3RR2 [Lottery](#) took place at 2:00 PM Pacific Time, December 8, 2022.
- The Lottery was intricately designed to ensure impartiality and an equitable selection process.
- [100 Social Equity Individual Applicants](#) were selected through a randomized, triple-blind process conducted by a third-party vendor.

SEP Program Benefits and Resources



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- [Application Processing](#)
- [Business, Licensing, Compliance Assistance Program \(BLC\)](#)
- [Pro Bono and Low Bono Legal Services Program](#)
- [Workforce Development Program](#)
- [SEED Rental Assistance Grant Program](#)
- Networking and Policy Events

Community Outreach & Engagement



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Cannabis & Capital: Investors Networking Forum on February 24, 2023

Over 450 investors, cannabis operators, and cannabis brand representatives attended the first *Cannabis & Capital: Investor's Networking Forum* on February 24, 2023, at the Los Angeles Convention Center. The Social Equity Program (SEP) event featured keynote speaker Cory Azzalino, CEO of Eaze, and other distinguished panelists.

C&C provided free professional headshots to attendees, showcased dozens of exhibitors that sponsored booths for cannabis product brands, advocacy groups, investors and resource organizations.





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Compliance and Enforcement Division (CED)

DCR's Role in Legal Compliance and Enforcement



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DCR's Compliance and Enforcement Division's (CED) mission is to implement clear standards and procedures to ensure compliance with city guidelines.

Compliance and Enforcement Division's (CED) Goals:

- Education through outreach
- Information sharing that is easily accessible
- Transparency
- Encourage Operators to be good neighbors
- Implement a Progressive Enforcement Strategy to achieve compliance
- Clarity of Operational Regulations and Administrative Violations, Penalties and Appeals
- Establish a working partnership with other City, State and County agencies, operators and community stakeholders for a successful compliance program

What CED is working on:



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- [LACDPH Emblem Program](#) for Cannabis Retail businesses
- Outreach to current operators with Temporary Approval
- Enhancements to the [Commercial Cannabis Complaint Portal](#)
- Developing the Compliance and Enforcement Webpage
- Developing internal and external forms and procedures
- Developing safety training of field investigators for CED Staff
- Retaining a university faculty consultant to conduct a study that will look at existing enforcement practices in the City of Los Angeles and make recommendations on a progressive enforcement based on interviews and data collection

DCR's Role in Illegal Enforcement



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While DCR does **NOT** have authority to enforce against the unlicensed market, it does recognize that a robust legal market is the best tool available to reduce it.

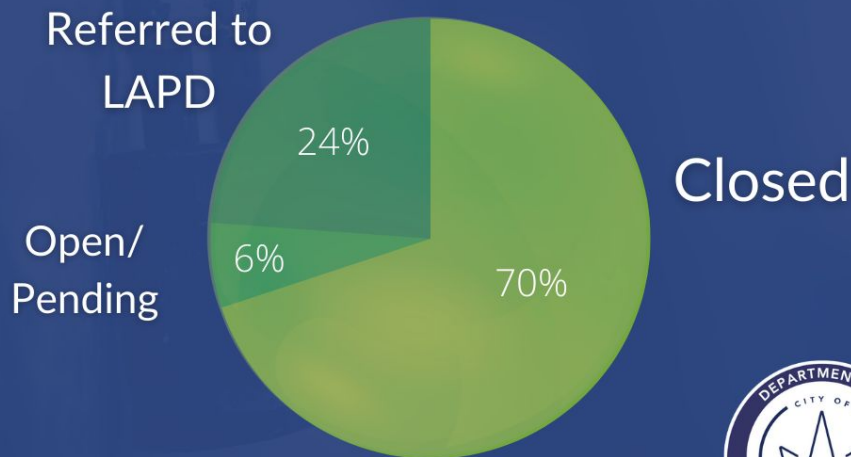
DCR:

1. Works with the Mayor's enforcement task force to encourage the development of a progressive enforcement strategy.
2. Maintains a [complaint portal](#) on its website where community members can report all suspected illicit and non-compliant commercial cannabis activity.
 - a. DCR addresses all potential reported violations within its purview and refers others to relevant city departments like LAPD and DBS.

DCR Complaint Portal UPDATE

Since 2018 inception

6264 Complaints Submitted



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Complaints by the Numbers*

- 399 Pending Investigation
- 1,494 Referred to LAPD
- 4,371 Complaints Closed

*as of 3/2/23

LAPD REPORT: UNAUTHORIZED COMMERCIAL CANNABIS ACTIVITY



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The Cannabis Task Force is composed of:

- Deputy Mayor's Office of Public Safety
- Los Angeles Police Department
- Los Angeles Fire Department
- Department of Water and Power
- Los Angeles Department of Building and Safety
- Department of Cannabis Regulation

LAPD REPORT: UNAUTHORIZED COMMERCIAL CANNABIS ACTIVITY



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2022 Enforcement Stats

- Currency Seized: \$3,345,167
- Cannabis Seized: 118,919 pounds
- Search Warrants Served: 381
- Investigations Conducted: 42
- Cannabis Related Arrests: 613
 - 280 Felony
 - 333 Misdemeanor
- Utility Disconnects: 319
- Padlock and Board Up locations: 24
- Cease and Desist Letters Issued: 252
- Unlicensed Cannabis Locations: 78
- Firearms Recovered: 122
 - 99 Handguns
 - 20 Rifles
 - 3 Shotguns



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Community Outreach and Engagement

Online Outreach & Engagement



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Social Media

- The Department launched its social media on the [Facebook](#), [Instagram](#), and [LinkedIn](#) platforms.
- Social media will allow the Department to expand its messaging beyond its current email database and [website](#) to inform the public about DCR processes, programs, events and other licensing updates

Written Communications

- DCR releases [monthly news bulletins](#) updating audiences with new programs, events, and relevant changes to the L.A. cannabis market scene
- DCR provides City Council districts a personalized quarterly report containing cannabis updates in their communities
- DCR provides weekly reports to the Mayor's Office



