

# **DAY OF HEARING SUBMISSIONS**

Items 5 & 9

# URGENT NEED OF TAX RELIEF FOR CALIFORNIA'S CANNABIS SOCIAL EQUITY RETAILERS

My name is Kika Keith, and I am the proud owner of Gorilla Rx Wellness Co., the First Black woman-owned Social Equity dispensary in Los Angeles. As the co-founder of the Social Equity Owners and Workers Association, my story is representative of hundreds of Retail Equity founders across this state. It has been a long and challenging journey for us to get our doors open, and I'd like to share with you some of the extraordinary barriers social equity retailers face in our industry.



My pathway to licensure in Los Angeles, took over 1730 days and cost over \$350,000 in rent before I ever opened doors, while waiting on regulators and bureaucratic delays. This excessive waiting period and financial burden are some of the most significant barriers faced by social equity and small minority-owned operators. Unlike well-funded, large cannabis companies, social equity/minority operators lack the financial resources to withstand these prolonged delays and expenses.



In addition to the challenges in obtaining licensure, social equity/minority operators face considerable financial barriers once we open our doors.

## True Impact: High Taxes Plus Ongoing Costs of Regulatory Compliance

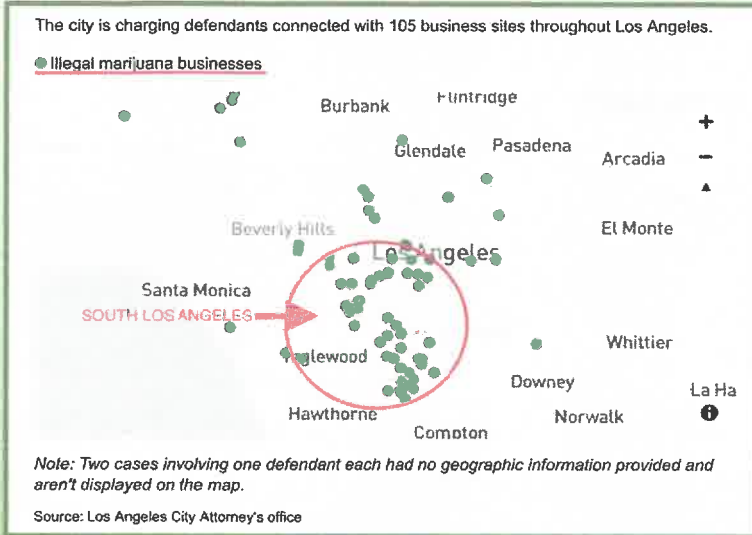
Here is an actual snapshot of my first six months of operations, Gorilla Rx had a tax bill of over a **HALF A MILLION DOLLARS!** Not to mention the \$206,000 that my customers were charged for sales tax. The excessive state and local taxes have unfairly hurt my equity business and other social equity operators significantly, including the communities we serve.

We are unable to thrive in California's broken system, many of us are now facing the imminent loss of our businesses and ability to provide for our families. This egregious overtaxation is unreasonable and is the direct antithesis to social equity and cannabis justice.

Gross Receipts (GR)	\$2,030,325.39
Taxes	\$531,331.61
COGS (Cost of Goods Sold)	\$1,314,299
Rent	\$126,600
Utilities	\$20,098
Payroll	\$180,459
Security	\$185,612
Liability Insurance	\$14,100.08
Workers Compensation	\$36,405.88
Point-of-Sale System	\$8,250
<b>Total OPEX</b>	<b>\$1,885,824</b>
<b>Total OPEX + Tax</b>	<b>\$2,417,155</b>

# Why are Social Equity businesses detrimentally impacted by the current tax structure?

The goal of Prop 64 was to undercut the illicit market prices and encourage legal sales, but high taxes are driving consumers back to the illegal market, which is the antithesis of the intent of the law.



Gorilla Rx, is located on Crenshaw Blvd in the heart of South Central Los Angeles, there is still a proliferation of illegal dispensaries- take a look at the map for yourself to see the disparities of the concentration of illegal retailers in black and brown communities.

Additionally, social equity retailers like myself, face unique operational challenges. Since opening, Gorilla Rx has created over 30 jobs. 90% of my team members are from my community and are social equity workers, which means we need to invest time and resources in training and development, as many of these individuals come from communities disproportionately affected by the war on drugs and lack prior experience in the industry.

However, the high taxes and financial barriers limit our ability to offer competitive wages and benefits to our employees, thus making it challenging to attract and retain talent.

Senators, the first step must be to eliminate the double taxation that is driving my customers back to the streets.

## CUSTOMER PAID \$115 IN TAXES

	Original Price:	\$300.00	
	Total Discounts:	\$0.00	
	Subtotal:	\$300.00	<b>Actual Tax Rate</b>
<b>15%</b>	CA Excise Tax:	\$45.00	<b>15%</b>
<b>10%</b>	City Cannabis Tax:	\$34.50	<b>11.5%</b>
<b>9.5%</b>	Sales Tax:	\$36.05	<b>12.2%</b>
	<b>Total:</b>	<b>\$415.55</b>	

**TOTAL TAXED 38.7%**

On a \$300 transaction, my neighborhood customer paid \$115 in taxes... that's 38.7%!

### Why would my customer come back?

We are in urgent need of your support on SB512, my community is facing a **PUBLIC HEALTH CRISIS**, my people cannot afford to consume tested cannabis. It is the State of California's responsibility to ensure legal cannabis is affordable and accessible to consumers who want to do the right thing. **This will help to undercut the illicit market and increase revenue for the state in the long run. It's a win-win for everyone involved.**

The impact of your vote has even far greater implications in strengthening our communities economically. By reducing taxes, we can create new jobs, increase living wages, and provide health benefits. This means increased payroll taxes, income taxes and more money recycling through our small businesses! Recognizing and addressing these unique challenges will help to level the playing field for social equity operators and foster a more inclusive and equitable industry. Thank you for your time and consideration.

Blessings,  
Kika Keith  
CEO, Gorilla Rx Wellness | Co-Founder Social Equity Owners & Workers Assoc.  
Kika@lifedevelopmentgroup.org | 323.439.6760

ITEM 5  
DAY of SUB

LOCAL NEWS

# How Pasadena shut down all of its illegal dispensaries — all of them



A man sits handcuffed outside a North Mentor Avenue medical marijuana dispensary in Pasadena as police execute a search warrant Wednesday, Dec. 12, 2018. City officials say any dispensaries open in Pasadena today are illegal. (Photo by Chris Lindahl/SCNG)



By **BRADLEY BERMONT** | bbermont@scng.com | Pasadena Star-News

UPDATED: March 9, 2020 at 7:53 PM PDT

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GET STARTED



After struggling for years, Pasadena officials say they’ve shuttered the city’s last-standing [unlicensed cannabis dispensary](#), marking a capstone on an eight-year push.

Although the endeavor began in 2012, progress was not slow and steady. It was just slow — until August 2018. That’s when the city’s tedious, expensive and ineffective process — often hamstrung by uncoordinated efforts — was transformed into an aggressive and [ruthlessly efficient multidepartment force](#), city officials said.

For those first six years, Pasadena spent more than \$1 million to close nine storefronts, Chief Assistant City Prosecutor Michael Dowd said in an interview. It was hardly the proverbial drop in the bucket.

As officials moved to close shop down, another would pop up, forcing authorities into a game of marijuana whack-a-mole. At its peak, at least 28 unlicensed dispensaries were operating simultaneously within city limits, Dowd said.

It’s not like the shops have stopped popping up today. The last one to close, Kush 20 House, had only opened three months ago, Dowd said. He expects illegal operators to continue to open shop, but the difference now is the city’s new strategy to quickly close them down.

Since August 2018, the city spent less than \$200,000 to close 25 dispensaries, he said. That means the price of closing [a single illegal dispensary](#) dropped from more than \$111,000 to less than \$8,000. Dowd credited the success to a coordinated effort across several city departments.

[Read More](#)

00:00

02:00

Instead of the city’s zoning enforcement officials chasing down some dispensaries while the City Attorney’s Office pursued others, both departments coordinated with one another and law enforcement to move simultaneously against offenders.

“Where before we only used one or two tools, now we use the entire arsenal against them,”



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Dowd was part of the coordinated effort, now known as the Pasadena Marijuana Dispensary Suppression Detail, and one of the first tests of the system involved a particularly stubborn unlicensed dispensary, Rose Buds, on 1291 E. Walnut St.

The store landed on officials' radar in September 2017, according to a civil lawsuit the city later filed.

Pasadena's Code Compliance Manager Jon Pollard persuaded the property owner to try evicting the tenants, but the dispensary owners simply ignored the unlawful detainer. Soon after, Pollard hand-delivered to the shop a cease-and-desist letter, which also went ignored.

Pollard returned five times over the next four months, issuing more than \$1,000 in fines and ordering the store's closure. In February 2018, the city's Code Enforcement Commission held a hearing where it too ordered Rose Buds shuttered to no avail; the dispensary's owner, Tai Tan Nguyen didn't even show up to the hearing, the suit says.

Nguyen could not be reached for comment for this story.

The city would file its civil lawsuit against Nguyen and his associates in May 2018, asking a judge to close the business, but after a few months, it became clear "the case wasn't really going anywhere," Dowd said.

The city shifted to its new strategy: Officials went in with an inspection warrant, documenting who was working there and identifying the store's management and its owners. They kept watching the premises and issuing fines; eventually the store and its associates racked up more than \$20,000 in penalties, Dowd said.

Law enforcement later raided the property with a search warrant in hand and arrested everyone on site, he said. The store was closed shortly thereafter and court records indicate that Nguyen alongside five of his associates, including a co-owner, were charged in December 2018.

Five months later, the city inked deals with guilty pleas from everyone involved. Nguyen and his co-owner were sentenced to three years of probation and ordered to pay the \$20,000 in city fines, as well as court fees. Alongside his employees, he was also given a \$100 fine and nine hours of community service.

The 25 dispensaries closed since August 2018 have translated into charges against 89 people, Dowd said. Of those, 50 have pleaded guilty to violating the city's zoning or cannabis laws, he said. Trials are still pending for the remaining 39 individuals.

The city hasn't lost a single case yet, he added.

Nearly all of the cases followed the same trajectory as Nguyen's: It starts with eviction notices from the property owner, then a cease-and-desist, then citations and fines. Under the old system, the city would typically file a civil lawsuit at this point, and it would painstakingly snake its way through the courts.

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Under the the new system, officials are apt to keep pressing the businesses with warrants for inspection and searches, then arrests and criminal charges. If the owners still don't want to shut down after taking a guilty plea, city authorities can get an abatement warrant, which allows them to destroy all of the merchandise and board the facility, Dowd said. They've used that particular tool four times now.

Curiously to Dowd, he said many of the people associated with these businesses had been telling the community and officials they were law abiding, tax-paying businesses. The only laws they were breaking were Pasadena's zoning codes, they would say, but it simply wasn't true.

Of the 34 dispensaries Pasadena has shutdown since 2012, "not one of them had a state license to operate. Not one was paying any taxes," Dowd said. They weren't paying state or city fees, either.

"These would not be lawful businesses, even if they were selling something else," Dowd said.

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 The Trust Project ▼

**Around the Web**

**REVCCONTENT**

**How To: Move Your Ira/401(k) out of Stocks in 2025 - Tax Free**

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**GET STARTED**

RE: **Public Comment RE Agenda Item #7(1) of the L.A. Cannabis Regulation Commission Meeting on May 15th**

Los Angeles Cannabis Regulation Commission:

In furtherance of its War on Drugs 2.0 being perpetrated against Los Angeles cannabis social equity small business owners, the DCR indicates in its proposed budget for FY 2025-26 that the “DCR will be unable to review complaints on unlicensed businesses, and will need to restrict its activities in response to complaints filed in the DCR Complaint Portal to licensed businesses.” The fact that unlicensed cannabis businesses are not an enforcement priority for the DCR but only licensed businesses are, is a mind-boggling statement by a so-called “department of cannabis regulation”.

According to data, there are nearly 4,000 unlicensed cannabis businesses in the City, including smoke shops / tobacco retailers now selling unlicensed and untaxed “cannabis” openly masquerading as “hemp”. These unlicensed cannabis businesses have brought financial devastation to tax-paying cannabis social equity small business owners trying to do the right thing and have pumped harmful, toxic, and untested drugs into the City’s already underserved communities where these unlicensed cannabis businesses proliferate most intensely. To illustrate in blunt fiscal terms, the below screenshot from the DCR’s 2024 Annual Report shows that the gross receipts taxes collected from licensed cannabis businesses in 2024 has declined \$33mm from the peak in 2021—in other words, the DCR’s pretend ignorance regarding unlicensed cannabis businesses is contributing to the City’s current budget crisis.

Gross Receipt Taxes Collected



Notwithstanding the obvious priority of enforcement against unlicensed cannabis businesses and rather than cleaning up the City’s existing cannabis market first, the DCR continues pumping out new licenses to cannabis social equity applicants, proudly announcing via email on April 23rd its intent to send new social equity applicants to economic slaughter in the DCR’s War on Drugs 2.0. In another empty brag, the DCR claims to provide the following presently unnecessary and mostly unused services in its proposed budget for FY 2025-26: “educational courses and webinars, direct technical assistance and one-on-one coaching, workforce development, networking events, and enhanced communications and public outreach services to Social Equity businesses”. However, current Los Angeles cannabis social equity small business owners don’t need educational courses and webinars, etc.—these small business owners were initially educated in the War on Drugs and now have a graduate degree in the DCR’s War on Drugs 2.0. Rather, current Los Angeles cannabis social equity small business owners need real and committed enforcement support by the City and the DCR against unlicensed cannabis businesses that are undercutting and destroying these licensed small businesses and communities.

As a result, I respectfully request that the Los Angeles Cannabis Regulation Commission amend the DCR’s proposed budget for FY 2025-26 to require that all funds allocated to / by the DCR for (1) enforcement / compliance against licensed businesses, (2) the 2025 Phase 3 Retail Round 3 Application Lottery, and (3) educational courses and webinars, technical assistance, coaching, workforce development, networking events, and communications / public outreach services, be reallocated solely for the purpose of enforcement against unlicensed cannabis businesses.

Knowing how the DCR will inevitably respond to the above recommendation, recently, I’ve personally attended numerous Los Angeles City Council meetings regarding City cannabis policy; at every meeting, the topic / problem of enforcement—

really the utter lack thereof—against unlicensed cannabis businesses comes up, and every time topic / problem comes up, the DCR responds something to the effect of, “enforcement against unlicensed cannabis businesses is outside of the DCR’s purview.” More specifically, per an email from DCR Assistant Executive Director Killeen:

The Department of Cannabis Regulation (DCR) cannot enforce against illegal cannabis activity primarily due to its funding source. DCR is funded by licensing fees paid by applicants and licensees. Generally speaking, licensing fees collected by a local agency may be used only for regulatory activities to issue licenses. The Department would need an appropriation from the City’s General Fund in order to expand its activities.

However, under the below sections of the City of Los Angeles Charter and Municipal Code, it appears that the DCR has the purview and power to conduct inspections, audits, and refer cases to the City Attorney and LAPD and impose fines against unlicensed cannabis businesses just like the DCR does excessively to tax-paying cannabis social equity small business owners trying to do the right thing. More specifically, (1) the below Charter sections make no differentiation between unlicensed and licensed cannabis businesses—just very broadly “cannabis-related businesses” without distinct between licensed / unlicensed status, and (2) the below LAMC section indicates that commercial cannabis activity can only be conducted by licensed cannabis businesses such that enforcement of said section by the DCR would obviously entail actions against unlicensed cannabis businesses, which at the very least could and should include inspections and audit processes pursuant to Charter section 22.1142. Also notably, both Charter sections use a “shall”, indicating that the DCR’s duties to conduct enforcement actions against unlicensed cannabis businesses are ministerial rather than discretionary.

**Charter Sec. 22.1142. Inspections and Audits:** “The Department shall administer and coordinate inspection and audit processes for cannabis-related businesses in the City.”

**Charter Sec. 22.1143. Enforcement:** “The Department shall enforce this chapter, in conjunction with the Cannabis Regulation Commission.”

**LAMC SEC. 105.02. LOCATION AND OTHER REQUIREMENTS FOR COMMERCIAL CANNABIS ACTIVITY:** “The Commercial Cannabis Activity described in Subsections (a)1. - (a)7. shall be limited to such activity conducted by a person licensed by the state of California and the City to engage in such Commercial Cannabis Activity described in this article.”

Further, the funding source of the DCR does not prevent the DCR from conducting enforcement actions against unlicensed cannabis businesses as it is well established in California that local jurisdictions can use licensing / permit fees to enforce municipal codes, including include enforcement actions against businesses operating illegally without required permits / licenses. *See Barratt American, Inc. v. City of Rancho Cucamonga* (2005) Supreme Court of California, No. S117590 (“Instead, the building permit and plan review fees were simply fees to defray the administrative and enforcement costs of a local regulatory program.”). Having observed that and without speaking for any other cannabis social equity small businesses, Catalyst - Florence, Catalyst - Normandie, Catalyst - Silver Lake, Catalyst - Mid City, Catalyst - South Figueroa, and Catalyst - Van Nuys would happily pay the DCR’s proposed increased fees if those fees actually went to conduct enforcement actions against unlicensed cannabis businesses.

On that note, the idea that a “department of cannabis regulation” does not have the purview and power actually regulate unlicensed cannabis businesses on at least some level is asinine and an insult to the City’s voters that passed Measure M and the tax-paying cannabis social equity small business owners trying to do the right thing that Measure M was supposed to uplift, rather than destroy economically.

Respectfully,

**Damian A. Martin, Esq., M.B.A.**

Co-Founder & Attorney, Catalyst Cannabis Co.

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FTEM 7  
Day of CVB

Los Angeles Cannabis Commission  
City of Los Angeles  
200 N. Spring Street  
Los Angeles, CA 90012

**May 15, 2025 - Agenda Item 7 - Opposition to DCR's April 30, 2025 Recommendations Regarding Storefront Retailer Separation and Related Amendments - Council File: 20-1125-S1**

We, the undersigned licensed cannabis operators in the City of Los Angeles, write to express our collective and urgent opposition to the April 30, 2025 memorandum issued by the Department of Cannabis Regulation (DCR). Specifically, we reject the elimination of separation distances between storefront retail licenses and the unprecedented proposal to allow multiple retailers within a 600-foot radius. These recommendations exceed the mandate provided by City Council under Council File 20-1125-S1 and, if adopted, would accelerate the collapse of Los Angeles's already precarious legal cannabis industry.

**1. Council Instructed a Narrow Task - DCR Flipped It on Its Head**

Council File 20-1125-S1 instructed DCR to examine whether a specific group of Existing Medical Marijuana Dispensaries (EMMDs) might be grandfathered to continue operations at their current premises. The purpose was to provide narrowly scoped regulatory relief to legacy operators.

Instead, DCR flipped this limited mandate on its head — proposing a sweeping amendment that would eliminate the longstanding 700-foot buffer between cannabis retailers and permit up to three dispensaries within a 600-foot radius of one another. This is an unauthorized, citywide land use rewrite with no evidentiary basis or procedural legitimacy.

**2. This Proposal is ONLY workable in a Well-Regulated Market - LA Is NOT One**

Only a healthy, well-regulated market could sustain such a policy shift. Los Angeles is the opposite:

- Over 4,000 unlicensed dispensaries continue to operate with impunity throughout the city.
- Roughly 70% of licensed operators are behind on taxes, burdened by the illegal market.
- In the most recent DCR lottery, fewer than half of the available FREE slots were applied, a stunning vote of no confidence in the city's regulatory framework.

Removing separation buffers in this environment will not increase competition or innovation — it will destroy what remains of the licensed market.

**3. This Will Trigger the Collapse of Existing Storefront Operators**

Compliant retailers in Los Angeles are barely surviving. If this measure proceeds:

- Existing stores will see their already limited foot traffic cannibalized overnight, undermining fragile cash flows.
- Speculative landlords will use the lack of distance buffers to inflate rents, shopping locations to the highest bidder.
- Operators who cannot match inflated capital demands will be displaced, particularly local and equity-owned businesses.
- A flood of predatory lending, license-flipping, and front operations will return with force, targeting vulnerable applicants.

More stores DO NOT mean more demand. More stores in a saturated and unregulated market with no protections from the illicit market means the collapse of the legal cannabis market.

**4. Equity Applicants Will Be Pushed Out - Not Brought In**

DCR’s memo gestures toward equity, but the proposal is fundamentally anti-equity. By removing buffers, you increase land speculation across the board and dramatically raise the cost of entry, making it nearly impossible for equity applicants to secure a lease or a stable partnership. This will intensify predatory investment, silent ownership, and shell company practices.

**5. This Proposal Requires Thorough Economic and Environmental Review**

The proposed elimination of distance buffers and allowance for clustering up to three cannabis retailers within 600 feet demands a comprehensive economic analysis, which has not been conducted. This policy shift also constitutes a major change in land use planning and therefore must undergo full California Environmental Quality Act (CEQA) review, which has not occurred. Until a thorough CEQA evaluation and a full economic impact study are completed, this proposal should not move forward under any circumstances.

**6. The Commission Must Reject These Recommendations in Full**

We call on the Cannabis Commission to:

- Reject all recommendations in the April 30, 2025 DCR memorandum, particularly the proposed elimination of distance separation requirements under LAMC §105.02.
- Reaffirm that material changes to land use and zoning must originate with the City Council, be scoped appropriately, undergo environmental review, and be subject to full public and stakeholder engagement.
- Recommit to supporting the licensed market, which cannot survive further regulatory instability or speculative policy experimentation.

Respectfully submitted,

Sweet Flower



Tim Dodd, Co-Founder and CEO

Traditional



Alex Freedman, CEO and President

Catalyst Cannabis Co.



Elliot Lewis, CEO

The Artists Tree



Lauren Fontein, Founder/CCO

Gorilla RX Wellness



Kika Keith, Owner

ITEM 9  
DAY of SUB

**CANNABIS REGULATION COMMISSION**  
THURSDAY, MAY 15, 2025, 2:00 P.M.  
FIGUEROA PLAZA  
BUILDING AND SAFETY BOARD ROOM, 9TH FLOOR  
201 N. FIGUEROA ST, LOS ANGELES, CA 90012

**May 15, 2025**

**RE: CRC Agenda Item 9. DEPARTMENT REPORT CONCERNING TAXATION OF LICENSED BUSINESS AND UNLICENSED CANNABIS LOCATIONS**

Report from the Executive Director, or her designee, on possible proposals to tax unlicensed cannabis businesses, as well as policy proposals to bring licensed cannabis businesses with outstanding tax balances into tax compliance. (Council Files 14-0366, 14-0366-S28, 14-0366-S36, and 20-1055)

To Whom It May Concern:

Legal cannabis is in crisis in Los Angeles. Retail cannabis dispensaries owe over \$280 million in back taxes to the City, for an average of over \$1 million per dispensary. That's not Social Equity. That's Social Debt. There are two solutions to this problem. 1. Eliminate illegal dispensaries who pay zero tax. However, this is simply not possible - the City has shown that they are not capable of such a task. The ONLY OTHER SOLUTION is to lower the taxes or tariffs that are strangling our industry. Alcohol and tobacco are taxed at a fraction of 1 percent in the City. Those things kill people. Cannabis is taxed at 10% AND we have to compete against unlicensed dispensaries. Please stand with us and our industry. Please ask the City Council to lower cannabis taxes to less than 1%, so that our industry can start recovering financially. Thank you.

Thank you.

Daniel Sosa  
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