

Proposition 64 Public Health and Safety Grant Program Cohort 2 – Final Local Evaluation Report

Grantee:

City of Los Angeles Department of Cannabis Regulation

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Executive Summary

The City of Los Angeles Department of Cannabis Regulation (DCR), with funding from the California Board of State and Community Corrections (BSCC) through the Proposition 64 Public Health and Safety Grant Program (Cohort II), implemented a multi-pronged initiative to address public health, safety, and equity concerns related to the legalization of adult-use cannabis. From May 1, 2021, through October 31, 2024, DCR received \$1,000,000 to execute three core project components aligned with BSCC's Project Purpose Areas (PPAs):

1. Youth Development / Youth Prevention and Intervention (PPA 1)
2. Public Health (PPA 2)
3. Public Safety (PPA 3)

The funded activities, originally outlined in the City's Local Evaluation Plan (LEP), were carried out across three major program components: a Public Information Campaign (PIC), a Citywide Enforcement Analysis, and the enhancement of the City's Progressive Enforcement Strategy and Data-Sharing Infrastructure. This Local Evaluation Report (LER) presents the outcomes, lessons learned, and recommendations from these efforts.

Project Purpose and Goals

The initiative aimed to address:

- Persistent unlicensed cannabis activity and its public health risks
- A lack of consumer knowledge about legal dispensaries
- Disparities in enforcement outcomes and access to cannabis business opportunities

Each component was designed to support a safe, informed, and equitable cannabis market in Los Angeles.

Key Achievements

1. Public Information Campaign (PIC)

DCR partnered with WeAreGiants, LLC to design and launch "From the Neighborhood, For the Neighborhood – Legal, Local Cannabis", the City's first comprehensive public awareness campaign on legal cannabis use.

- Reached **101.8 million** total impressions across paid Out-of-Home (OOH) vehicles, including large/small billboards, mobile billboards, and posters (PIC Report, Section: Results)
- Achieved **138,000** Google Ad clicks and **118,000** conversions to the DCR's legal cannabis retailer map (PIC Report, Section: Results)
- Social media reached **44,000+** users, with strong performance on Instagram, Facebook, and WhatsApp (PIC Report, Section: Results)

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- Launched youth-targeted sub-campaign “Clear Heads, Bright Futures”, reaching over **700** youth at the LA Youth Expo and via targeted materials (PIC Report, Section: Youth Component)
- Boosted DCR website traffic by **300%+** compared to the prior year (PIC Report, Section: Results)

The campaign was built on community-informed messaging, grounded in research with focus groups and stakeholder interviews (PIC Report, Section: Campaign Development), and supported with culturally competent, multilingual assets. See **Appendix B** for the final report on the PIC.

2. Enforcement Analysis

DCR commissioned a comprehensive, academically informed citywide enforcement analysis evaluating cannabis enforcement practices in Los Angeles.

- Synthesized enforcement data from LAPD, City Attorney’s Office, LADBS, DWP, and others (Enforcement Analysis, Section: City Department Data Integration)
- Identified disparities in citation and arrest patterns across neighborhoods, particularly in lower-income or high-density unlicensed activity zones (Enforcement Analysis, Section: Geographic and Demographic Enforcement Trends)
- Documented effectiveness of non-criminal enforcement tools, such as utility shutoffs, padlocks, and administrative hearings (Enforcement Analysis, Section: Alternative Enforcement Measures)
- Assessed barriers to interdepartmental data sharing and created a potential plan to centralize enforcement tracking (Enforcement Analysis, Section: Data Infrastructure and Sharing)
- Highlighted policy recommendations, including shifting enforcement focus from operators to property owners (Enforcement Analysis, Section: Conclusions and Recommendations)

This foundational analysis provides a roadmap for evidence-informed cannabis enforcement reform. See **Appendix C** for the full Enforcement Analysis.

3. Progressive Enforcement Strategy & Data Infrastructure

Through DCR’s participation and leadership from the Mayor’s Office with the Cannabis Enforcement Task Force, the project supported:

- Regular bi-monthly interdepartmental strategy meetings (LEP, Section: Project Management)
- Collection and analysis of enforcement data via LAPD analyst support
- Testing of first-time progressive enforcement measures such as administrative citations and multi-agency referrals (LEP, Section: Component 3: Progressive Enforcement Strategy; Enforcement Analysis, Section: Alternative Enforcement Measures)

These activities helped shape an enforcement framework that prioritizes public safety while reducing criminalization, especially in over-policed communities.

Conclusions and Impact

The City of Los Angeles leveraged Proposition 64 funding to develop recommendations for a more informed, equitable, and data-driven approach to cannabis regulation. The Public Information Campaign demonstrated tangible success in educating consumers and youth, while the Enforcement Analysis provided the first comprehensive evaluation of enforcement practices since legalization.

The project fostered cross-agency alignment, improved public transparency, and offered actionable insights that will support future policymaking.

Recommendations

- Sustain public education through future campaigns that emphasize legal purchase and health risk awareness.
- Institutionalize data-sharing protocols across cannabis enforcement entities and build a public dashboard.
- Prioritize non-criminal enforcement pathways, especially those targeting landlords and property owners.
- Expand community engagement, particularly with youth, minority-owned businesses, and underrepresented neighborhoods.

This LER offers a replicable model for other jurisdictions aiming to balance cannabis regulation, community engagement, and public health outcomes. It also affirms the importance of using both educational and structural tools to address the enduring challenges of a transitioning cannabis market.

Project Background

In January 2021, the City of Los Angeles Department of Cannabis Regulation (DCR) responded to the Proposition 64 Public Health and Safety Grant Program solicitation administered by the California Board of State and Community Corrections (BSCC). This initiative, part of the Adult Use of Marijuana Act, aimed to address the complex impacts of cannabis legalization at the local level. In April 2021, DCR was awarded \$1,000,000 for a three-year funding cycle (May 1, 2021 – October 31, 2024) to develop and implement a multifaceted, data-driven approach that aligned with the BSCC's three Project Purpose Areas (PPAs):

1. Youth Development / Youth Prevention and Intervention
2. Public Health
3. Public Safety

To operationalize these goals, DCR implemented three interconnected project components:

Public Information Campaign (PIC)

DCR retained WeAreGiants, LLC (WAG), a Los Angeles-based marketing firm, to design and execute a public-facing campaign titled "From the Neighborhood, For the Neighborhood – Legal, Local Cannabis". The campaign aimed to:

- Educate adult cannabis consumers on the dangers of purchasing from unlicensed retailers.
- Encourage support for legal, social equity cannabis businesses.
- Discourage cannabis use among minors through the "Clear Heads, Bright Futures" youth component.

The PIC utilized a mix of Out-of-Home (OOH), digital, social media, print, and community engagement strategies. Special attention was paid to Council Districts 8 and 14, which have historically had a high concentration of illicit cannabis businesses. The campaign served as the first citywide public education initiative by DCR on legal cannabis activity, laying the groundwork for future public health messaging. See Appendix B for the final report on the PIC.

Enforcement Analysis

DCR commissioned a comprehensive enforcement study in partnership with academic researchers and subject matter experts. This component evaluated past and current enforcement efforts, identified effective strategies, and examined equity impacts. Drawing on interdepartmental data from the LAPD, Department of Building and Safety, Department of Water and Power, and others, the analysis explored:

- Arrest and citation patterns
- Administrative and civil enforcement tools

- Socioeconomic trends in illicit market activity
- Best practices from peer jurisdictions

This work aimed to establish evidence-informed guidance for progressive, equitable enforcement strategies moving forward. See Appendix C for the full Enforcement Analysis..

Progressive Enforcement Strategy & Departmental Data Sharing

Under the direction of the Mayor’s Office of Public Safety, DCR participated in a Cannabis Enforcement Task Force composed of multiple City departments and legal partners. This team sought to pivot away from punitive enforcement models by:

- Holding property owners accountable
- Employing civil and administrative tools over criminal prosecution
- Tracking enforcement outcomes with newly structured datasets

Grant funding was originally intended to support overtime for LAPD analysts tasked with compiling enforcement data and piloting novel enforcement approaches. These innovations aimed to promote fairness, reduce recidivism among unlicensed operators, and protect the integrity of the legal cannabis market.

Process Evaluation Method & Design

The process evaluation for the Proposition 64-funded initiatives administered by the Los Angeles Department of Cannabis Regulation (DCR) was designed to document the implementation of project activities, ensure adherence to the original program intent, and inform continuous improvement throughout the grant lifecycle. The evaluation strategy drew on a mixed-methods approach, combining administrative data, qualitative stakeholder feedback, and media analytics to track progress across all three core components: the Public Information Campaign (PIC), Enforcement Analysis, and Progressive Enforcement Strategy.

Evaluation Design Overview

The process evaluation was guided by the following overarching goals:

- Monitor project implementation to ensure adherence to the Local Evaluation Plan (LEP)
- Track participation, outputs, and delivery timelines for each project component
- Identify implementation barriers and adaptations over time
- Assess internal coordination across DCR, vendors, and enforcement partners

A centralized project oversight team at DCR coordinated data collection, contractor reporting, and interagency communication through scheduled meetings and milestone tracking.

Public Information Campaign (PIC)

For the PIC, DCR collaborated with vendor WeAreGiants (WAG) to implement and monitor campaign activities. Evaluation activities included:

- **Media Asset Tracking:** WAG maintained detailed documentation of media impressions, platform-specific engagement metrics (clicks, conversions, views), and geographic targeting aligned to Council Districts 8 and 14.
- **Audience Analytics:** Metrics such as Google Ads click-through rates, Reddit engagement, and social media conversions were analyzed weekly. Final reach exceeded **100 million impressions**, with over **138,000 ad clicks** and **118,000 map conversions** via Google Ads alone (PIC Report, Section: Results).
- **Community Event Participation Logs:** Attendance and outreach data were collected at events including CicLAvia, the Lotus Festival, and DCR youth expos, with booth visitation ranging from 90–250 individuals.
- **Youth Campaign Metrics:** DCR developed original materials for under-21 audiences and parents. Dissemination volume and engagement were monitored through event participation, material distribution counts, and youth feedback at the **Clear Heads, Bright Futures** campaign launch.
- **Campaign Monitoring:** WAG provided real-time performance updates to DCR throughout the 12-week campaign, and adjustments were made based on ongoing analysis (PIC Report, Section: Monitoring & Optimization).
- **Data Source:** Data was compiled from internal campaign dashboards, DCR web analytics, partner feedback, and post-campaign evaluation instruments.

Enforcement Analysis

The Enforcement Analysis was conducted by contracted researchers in collaboration with DCR and participating City departments. The evaluation process included:

- **Monthly Project Review Meetings:** DCR and the research team held recurring monthly and as-needed meetings to review draft analyses, validate data sources, and adjust the scope based on insights gathered.
- **Interdepartmental Data Sharing:** LAPD, the City Attorney's Office, Department of Building and Safety, Department of Water and Power, and others contributed enforcement-related datasets. These included citations, arrests, utility shutdowns, administrative orders, and complaints.
- **Processes Documentation:** The research team documented data requests, departmental coordination efforts, and challenges related to consistency, granularity, and access across agencies.
- **Qualitative Feedback:** Interviews and consultations were conducted with enforcement personnel and stakeholders to contextualize quantitative findings.

- **Monitoring Equity:** Process data was reviewed for indicators of racial, geographic, and socioeconomic disparities, to assess whether implementation was aligned with the City's goals of equitable enforcement.
- **Data Sources:** Departmental administrative records, internal dashboards, researcher interview transcripts, and City enforcement reports (Enforcement Analysis, Section: Data Infrastructure and Sharing).

Progressive Enforcement Strategy / Data Sharing

DCR's evaluation of this component focused on:

- **Task Force Meetings:** Bi-monthly Cannabis Enforcement Task Force meetings served as the primary venue for project coordination, strategy review, and real-time evaluation of enforcement interventions.
- **Staff Activity Logs:** Time spent, investigations conducted, and policy development activities were tracked internally and through LAPD analyst logs (grant-funded position).
- **Novel Intervention Trials:** The process evaluation documented new strategies such as administrative hearings, padlocking of properties, and service cutoffs. Outcomes of these approaches were compared across enforcement zones.
- **Fidelity Monitoring:** The evaluation team assessed whether enforcement strategies remained consistent with the progressive, equity-centered approach outlined in the original LEP.
- **Adjustments Over Time:** Shifts in funding allocations (e.g., reduction of LAPD overtime funding in favor of research/analysis) were noted and incorporated into the process narrative.

Data Collection & Analysis Methods

- **Quantitative Tools:** Administrative databases, digital analytics dashboards, and campaign metrics platforms were used to track numerical indicators. Descriptive statistics (impressions, reach, event counts) were calculated to evaluate activity delivery.
- **Qualitative Methods:** Interviews, stakeholder feedback analysis, and document review informed understanding of implementation challenges and adaptations.
- **Oversight and Quality Control:** DCR's Enforcement Analysis vendor served as the central repository for all process data reviewed for the study. Data quality was maintained through regular check-ins with vendors and departments, anonymization protocols, and project milestone reporting.

Outcome Evaluation Method & Design

The outcome evaluation measured the extent to which DCR achieved its stated goals under the Proposition 64 Public Health and Safety Grant Program. Drawing upon both quantitative and qualitative data, the evaluation focused on capturing results from three core project

components: the **Public Information Campaign (PIC)**, the **Enforcement Analysis**, and the **Progressive Enforcement Strategy and Data Infrastructure**.

The research approach integrated behavioral metrics (e.g., impressions, conversions), enforcement outcomes, public awareness indicators, and early signs of policy or procedural shifts resulting from interdepartmental collaboration. Data sources included media analytics, administrative records, stakeholder feedback, and survey results.

Research Design

The evaluation used a **mixed-methods design** consisting of:

- **Descriptive quantitative analysis** (e.g., media impressions, website traffic, citations issued)
- **Comparative and thematic qualitative analysis** (e.g., stakeholder interviews, campaign sentiment)
- **Pre-post comparisons** where available (e.g., website traffic and awareness surveys)
- **Exploratory, observational assessment** of novel enforcement interventions

The design emphasized transparency, traceability to original objectives, and practical insight for replication.

Evaluation Questions

The evaluation was guided by key outcome questions tied to the original goals set in the LEP:

1. Did the Public Information Campaign increase public awareness of the risks associated with illicit cannabis and the benefits of purchasing from licensed dispensaries?
2. Was the PIC effective in reaching key demographic groups, particularly youth and high-risk neighborhoods?
3. Did DCR's efforts result in a better understanding of enforcement outcomes and policy gaps?
4. Did progressive enforcement tools reduce reliance on punitive/criminal approaches?
5. Were data-sharing structures and policy coordination improvements identified for City departments?

Outcome Indicators by Component

1. Public Information Campaign (PIC)

- **Reach & Engagement:** Number of impressions, clicks, conversions, event attendees
- **Behavioral Indicators:** Use of DCR's retailer map, social shares, sentiment
- **Youth Impact:** Reach of "Clear Heads, Bright Futures" materials and events
- **Awareness Recall:** Survey data on unaided/aided campaign recognition
- **Equity Reach:** Emphasis on Council Districts 8 and 14, historically underserved areas

Data Sources: PIC vendor analytics, DCR website metrics, social media dashboards, event sign-in logs, survey data (PIC Report: *Results* and *Youth Component*)

2. Enforcement Analysis

- **Number and type of enforcement actions** tracked over the grant period
- **Comparative trends** in arrest, citation, and administrative action data
- **Mapping of enforcement efforts** by neighborhood, enforcement type
- **Identification of disparities** in enforcement outcomes
- **Recommendations developed** based on quantitative and qualitative findings

Data Sources: City enforcement databases (LAPD, LADBS, DWP, City Attorney), qualitative interviews with staff and enforcement stakeholders (Enforcement Analysis: *Geographic and Demographic Enforcement Trends, Alternative Enforcement Measures*).

3. Progressive Enforcement Strategy / Data Sharing

- **Implementation of new enforcement models** (e.g., padlocking, administrative citations, civil penalties)
- **Number of interdepartmental coordination meetings** held and data exchanges facilitated
- **The feasibility to consolidate and centralize enforcement data collection**
- **Extent to which new strategies were adopted by enforcement partners**

Data Sources: Task force meeting records, DCR analyst tracking sheets, program operations documentation (LEP: *Component 3*; Enforcement Analysis: *Data Infrastructure and Sharing*)

Outcome Data Collection and Analysis

- **Quantitative Data** was analyzed using descriptive statistics such as totals, percentages, and trend analysis. Primary tools included Google Analytics, campaign dashboards, and Excel-based enforcement logs.
- **Qualitative Data** from focus groups, interviews, and campaign feedback were coded for themes such as trust, barriers to compliance, and attitudes toward enforcement.
- **Survey Data** collected during and after the campaign (unaided/aided recall) were used to assess awareness shifts among the target population.

Note: Where baseline data did not exist (e.g., public awareness of licensed retailers), this initiative was used to establish **foundational metrics** for future evaluation.

Attribution Strategy

To assess whether observed outcomes were attributable to the grant-funded activities:

- The evaluation **linked outputs to specific strategies** (e.g., OOH exposure to geographic media placements).
- Observed changes (e.g., in web traffic or public engagement) were **time-aligned with campaign activities**.
- Where multiple interventions were running concurrently, qualitative analysis and triangulation were used to identify plausible causal links.

Evaluation Results

This section presents the findings from the outcome and process evaluations of the three core project components implemented by DCR under the Proposition 64 Public Health and Safety Grant Program. Each component is assessed for its implementation, reach, effectiveness, and progress toward grant objectives.

A. Public Information Campaign (PIC)

1. Overall Reach and Engagement

The PIC successfully executed a 12-week multimedia campaign titled “**From the Neighborhood, For the Neighborhood – Legal, Local Cannabis**”, supported by original messaging, culturally competent visuals, and bilingual materials.

Key engagement outcomes (PIC Report, Section: Results):

- **101.8 million impressions** delivered across Out-of-Home (OOH) media (billboards, posters, mobile ads).
- **138,000 Google Ad clicks** and **118,000 conversions** (users accessing the DCR cannabis legal retailer map).
- **7.2 million Reddit impressions**, with **120,000+ mobile clicks**.
- Social media campaigns (Meta platforms) reached **44,063 individuals**, with **830 direct conversions**.

2. Website Traffic & Platform Usage

- The DCR website experienced a **300% increase in web traffic** during the campaign compared to the same period in the previous year.
- Campaign engagement extended beyond the 12-week period, with sustained interest in October 2024, one month after the official conclusion of the campaign (PIC Evaluation – *DCR Website & Social Media*).

3. Youth Outreach and Awareness

The PIC included a dedicated youth-facing sub-campaign, “**Clear Heads, Bright Futures**”, focused on cannabis harm reduction and parental education.

- Activated at the **2024 LA Youth Expo**, reaching **700+ youth** and families.

- Distributed custom youth and parent materials, including age-appropriate cannabis education and guidance on reporting illicit activity (PIC Evaluation – *Youth Component*).

4. Community Engagement and Retailer Interaction

- Participated in major community events (e.g., CicLAvia, Lotus Festival) with estimated **90–250 visitors per event booth**.
- Deployed branded premiums (e.g., tote bags), campaign collateral, and engaged with local retailers.
- Observed **moderate awareness among licensed retailers**, with anecdotal evidence of billboard and print ad recognition, but opportunities for stronger sponsor identification were noted (PIC Evaluation – *Retailer Awareness*).

5. Public Awareness and Recall

Survey findings from 38 regular cannabis users during the campaign:

- **50%** reported seeing any cannabis-related advertising (unaided recall).
- **34%** had seen legal retailer messaging.
- **43%** recognized DCR campaign imagery (aided recall), especially in areas covered by billboard saturation (PIC Evaluation – *Campaign Awareness*).

B. Enforcement Analysis

DCR commissioned an academic and data-rich Enforcement Analysis to assess the City's cannabis enforcement efforts since legalization.

1. Enforcement Activity Review

- Analyzed enforcement data from LAPD, LADBS, DWP, City Attorney's Office, and DCR.
- Identified high enforcement densities in historically over-policed neighborhoods.
- Examined the frequency and impact of different enforcement strategies: arrests, administrative citations, utility shutoffs, and padlocks.

2. Disparities and Trends

- Found persistent **racial and geographic disparities** in cannabis-related enforcement outcomes (Enforcement Analysis, Section: Geographic and Demographic Enforcement Trends).
- Evaluated how enforcement patterns shifted — or failed to shift — with the advent of the legal market.

3. Effectiveness of Non-Criminal Strategies

- Documented promising outcomes from **alternative enforcement methods**, including:

- Cease-and-desist letters
- Property padlocking
- Utility disconnections
- These strategies often proved more cost-effective and impactful than traditional arrests (Enforcement Analysis, Section: Alternative Enforcement Measures).

4. Interdepartmental Data Sharing

- The study revealed gaps in **data access and standardization** across departments.
- Recommended consolidating enforcement metrics and building public-facing dashboards. (Enforcement Analysis, Section: Data Infrastructure and Sharing).

C. Progressive Enforcement Strategy & Data Infrastructure

1. New Approaches Piloted

DCR supported and evaluated **first-time enforcement features** that prioritized equity and administrative deterrence:

- Administrative citations to individuals working at or owning illicit locations
- Civil penalties issued to landlords enabling unlicensed sales
- Follow-up actions (e.g., repeat inspections, closure verification)

2. Task Force Coordination

- **Bi-monthly meetings** of the **Mayor's Office Cannabis Enforcement Task Force** enabled strategic alignment.
- Interdepartmental coordination improved enforcement tracking and case management, though challenges in full integration remain (LEP – *Project Management*).

3. Enforcement Analyst Function

- LAPD analysts were able to collect and organize raw enforcement data without the use of grant funding for overtime.
- This assistance provided vital support to the research partner conducting the Enforcement Analysis.

4. Progress Toward Long-Term Goals

- The strategy strengthened the Task Force's role in **promoting centralized cannabis data governance**.
- Provided the infrastructure needed to build an **ongoing public data dashboard** that would track enforcement trends and support transparency.

Summary of Goal Progress

Goal/Objective	Status	Notes
Increase awareness of legal cannabis retailers	✓ Achieved	100M+ impressions, 3x website traffic
Reach and educate youth and families	✓ Achieved	700+ youth reached via events/materials
Reduce reliance on criminal enforcement	⚠ Partially Achieved	Promising pilots, needs institutional adoption
Understand enforcement patterns and disparities	✓ Achieved	Comprehensive Enforcement Analysis completed
Improve interdepartmental data sharing	⚠ In Progress	Centralization proposed, more work needed

Discussion of Results

The implementation of the DCR's Proposition 64-funded programs offers several critical insights into the effectiveness of community-focused education, non-criminal enforcement strategies, and data-driven policymaking in the evolving cannabis regulatory landscape. This section reflects on the findings presented in the evaluation results, assessing the efficacy of interventions and offering considerations for replication and continuous improvement.

Effectiveness of the Public Information Campaign (PIC)

The **PIC achieved significant reach and engagement** through a well-coordinated media strategy that balanced digital targeting with community-based engagement. The campaign's strong performance across digital ads, social platforms, and community events demonstrated the value of combining high-visibility placements with localized, in-person outreach.

- **Digital impact** was substantial, with over **138,000 clicks** and **118,000 map conversions** to the DCR legal retailer locator, suggesting meaningful engagement and potential shifts in purchasing behavior (PIC Report, Section: Results).
- **OOH campaign placement in Council Districts 8 and 14** demonstrated alignment with the program's equity goals, ensuring that underserved neighborhoods were prioritized for outreach (PIC Report, Section: Campaign Targeting).
- The **"Clear Heads, Bright Futures" youth initiative** showed promise in targeting a critical audience segment through culturally relevant, event-based engagement and educational materials (PIC Report, Section: Youth Component).

However, the campaign also highlighted some challenges:

- While public engagement with campaign materials was high, **unaided recall of the campaign was relatively low**, suggesting that sustained or repeated campaigns may be necessary to reinforce awareness (PIC Report, Section: Campaign Awareness).
- **Retailer engagement and visibility** of DCR as the source of campaign messaging was moderate; some licensed operators were unfamiliar with the campaign or did not immediately associate it with DCR (PIC Report, Section: Retailer Awareness).

Overall, the PIC was a highly effective **first-of-its-kind initiative** in Los Angeles and sets a strong foundation for future rounds of public education and engagement.

Impact of the Enforcement Analysis

The **Enforcement Analysis** served as the first comprehensive effort to evaluate cannabis enforcement activity in Los Angeles since the legalization of adult-use cannabis. Its findings confirmed key assumptions and introduced new data-driven insights.

- The analysis revealed that **traditional enforcement efforts remained uneven and disproportionately concentrated** in lower-income and historically over-policed communities (Enforcement Analysis, Section: Geographic and Demographic Enforcement Trends)
- **Alternative enforcement strategies**—such as padlocking unlicensed premises, utility shutoffs, and civil enforcement against landlords—showed promise as **more targeted, less punitive measures** that still disrupted unlicensed market activity (Enforcement Analysis, Section: Alternative Enforcement Measures).
- The study **validated concerns about interdepartmental data silos** and inconsistencies in tracking enforcement outcomes, ultimately leading to recommendations for centralized oversight and public transparency (Enforcement Analysis, Section: Data Infrastructure and Sharing).

This analysis laid the groundwork for better-aligned, and equity-focused enforcement. It also offered a **replicable methodology** for other jurisdictions exploring how to measure equity in cannabis enforcement.

Outcomes of the Progressive Enforcement Strategy

The Progressive Enforcement Strategy built on findings from the Enforcement Analysis and formalized DCR's role in **collaborative enforcement planning, data sharing, and equity-oriented interventions**.

- The strategy prioritized **non-criminal enforcement**—such as civil actions against landlords and administrative citations for unlicensed activity—marking a shift away from punitive, operator-targeted policing (Enforcement Analysis, Section: Alternative Enforcement Measures).

- The **Cannabis Enforcement Task Force** served as a critical venue for building trust and coordination across City agencies, though challenges with full data integration and consistent participation remained (Enforcement Analysis, Section: Stakeholder Coordination and City Strategy).
- LAPD involvement with data sharing allowed DCR and the enforcement research team to receive accurate, timely data—enabling clearer assessment of trends and gaps (Enforcement Analysis, Section: Data Collection Capacity).

These pilot interventions signal the start of a more equitable enforcement framework. However, **sustained interdepartmental investment, ongoing training, and budget integration** will be necessary to scale these strategies beyond the pilot phase.

Recommendations for Replication and Future Work

Based on the results and findings across all project components, several key recommendations emerge:

1. **Institutionalize Cannabis Education Campaigns** – Repeat and evolve public education efforts, expanding into schools, public transit spaces, and streaming platforms to enhance visibility and improve message retention. Ensure branding association with DCR to strengthen public recognition.
2. **Develop a Public Cannabis Enforcement Dashboard** – Create a user-friendly dashboard that publishes enforcement data by neighborhood, type of intervention, and outcomes—enhancing transparency and building public trust.
3. **Formalize Alternative Enforcement Pathways** – Codify the use of civil remedies (e.g., padlocks, utility shutoffs) as standard enforcement tools. Include specific funding lines in the City budget for administrative case handling and follow-up inspections.
4. **Enhance Interdepartmental Data Sharing Agreements** – Establish formal data-sharing MOUs between DCR, LAPD, DWP, LADBS, and the City Attorney’s Office to ensure consistent reporting and centralized oversight.
5. **Deepen Youth and Community Engagement** – Build partnerships with LAUSD, youth-serving nonprofits, and community health organizations to deliver cannabis harm-reduction education in more culturally responsive and participatory ways.

The City of Los Angeles' efforts under the Prop 64 Public Health and Safety Grant Program offer a promising blueprint for equitable cannabis regulation, community-centered enforcement, and data-informed policy leadership. These lessons—and the infrastructure now in place—position DCR and its partners to lead the next phase of responsible cannabis governance.

Updated Logic Model

The Logic Model developed for DCR’s Proposition 64-funded initiatives has been revised to reflect the full implementation of the Public Information Campaign (PIC), the Enforcement Analysis, and the Progressive Enforcement Strategy. The updated version refines the project's

theory of change based on actual outcomes and aligns with observed shifts in public behavior, interdepartmental collaboration, and enforcement policy.

Goal Alignment and Model Refinement

The original three goals remain intact and provide a strong foundation for the updated model:

- **Goal 1:** Develop and implement a Public Information Campaign (PIC)
- **Goal 2:** Partner with a research team to perform an enforcement analysis
- **Goal 3:** Collect data from City partners and support the City's Progressive Enforcement Strategy

However, based on real-world performance and data collected through the grant cycle, several enhancements to outcomes and impacts were introduced.

Summary of Key Updates

Logic Model Component	Original	Updated
Inputs	City staff, PIC vendor, research team, partner departments	<i>Same</i> , but now include structured interdepartmental coordination (e.g., Task Force) and LAPD analyst support
Activities	PIC implementation, enforcement analysis, data collection	<i>Same</i> , but now includes community engagement at public events, survey administration, and media analytics management
Outputs	Campaign impressions, enforcement data streams, analysis report	Expanded to include: <ul style="list-style-type: none"> • 100M+ media impressions • 700+ youth engaged • Administrative enforcement trials (e.g., padlocks, citations) • Enforcement Analysis completed (150+ pages)
Short-Term Outcomes	Increased public knowledge about legal cannabis and risks of the illicit market	Now validated by metrics from the PIC (e.g., conversions, click-throughs) and youth engagement stats (PIC Report, Sections: Results and Youth Component)

Logic Model Component	Original	Updated
Medium-Term Outcomes	Reduced illicit market activity and improved enforcement strategy	Supplemented by: <ul style="list-style-type: none"> • Observed use of non-criminal enforcement • Recommendations from Enforcement Analysis (Sections: Alternative Enforcement Measures, Data Infrastructure and Sharing)
Long-Term Impacts	Safer, more equitable cannabis market	Reinforced with infrastructure for future policy (e.g., enforcement dashboard, revised equity program criteria)

Visual Representation

A fully updated logic model diagram is included in Appendix D. Key changes include:

- Explicit pathways from data-sharing activities to policy shifts and public transparency
- Inclusion of civil enforcement tactics (e.g., landlord citations, padlocks) as formal outputs
- Public education outcomes now connected to measurable media analytics and behavioral indicators

Strategic Insights

- The logic model has shifted from a **plan of activities** to a **validated framework** for long-term strategy.
- It highlights the **importance of data sharing** and suggests a **model to improve collaboration**.
- This model may serve as a blueprint for other jurisdictions pursuing **equity-driven enforcement reform** and cannabis harm reduction education.

Grantee Highlight Page

As part of this Local Evaluation Report, the DCR has prepared a Grantee Highlight that captures key successes and lessons learned from the implementation of the Proposition 64 Public Health and Safety Grant Program. The highlight showcases both the reach and impact of the Public Information Campaign and the insights generated through the City's progressive enforcement strategy and analysis. See Appendix E for the full highlight.

Appendices

- A. Local Evaluation Plan (LEP)
- B. Public Information Campaign Report
- C. Enforcement Analysis
- D. Updated Logic Model
- E. Grantee Highlight Page

Appendix A

Local Evaluation Plan (LEP)

**City of Los Angeles Department of Cannabis Regulation
Proposition 64 Public Health and Safety Grant Program Local Evaluation Plan
Revised June 2023**

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Date Submitted: Original August 31, 2021, Revised June 23, 2023

Project Background

In January 2021, the City of Los Angeles Department of Cannabis Regulation (DCR) responded to a Public Health and Safety Grant Program solicitation created by the Adult Use of Marijuana Act and administered by the California Board of State and Community Corrections (BSCC). In April 2021, DCR was awarded one million dollars over a three-year term to assist local programming intended to address the impact of the legalization of adult-use cannabis. To address the impact of cannabis legalization, the proposal submitted by DCR funds three interconnected projects that meet three Project Purpose Areas (PPAs) identified in the BSCC solicitation. The first project will be the development and implementation of a Public Information Campaign (PIC) to inform the public how to identify licensed cannabis retailers, the dangers associated with the use of cannabis procured through the illicit market, the dangers associated with underage use of cannabis, and other educational components such as THC potency-inflated products. The second project will be the development and publication of an analysis to review the effectiveness of past cannabis enforcement strategies, collect best practices from other jurisdictions, study the socio-economic factors that affect the illicit market, and prepare a market analysis between licensed and unlicensed cannabis products. Finally, the funding will also be used to support positions within the Los Angeles Police Department (LAPD) that will provide data on the enforcement tools used in the City's efforts against illegal cannabis businesses. The programming implemented in these projects are intended to meet PPA 1: Youth Development / Youth Prevention and Intervention, PPA 2: Public Health, and PPA 3: Public Safety.

Project Areas

Public Information Campaign

DCR shall retain a vendor to develop and implement a PIC. The PIC will have two specific target demographics with similar messaging goals. The first target demographic is minors (21 years of age and younger) within the City of Los Angeles (City). This group will receive messaging intended to deter cannabis use by informing them of the dangers associated with consuming cannabis at a young age. This messaging is anticipated to be distributed through, but will not be limited to, social media, local television, and key community stakeholders. This component of DCR's grant proposal meets the required PPA 1 criteria.

The second group targeted by the PIC will be adult cannabis consumers within the

City of Los Angeles. The messaging for this group is intended to inform of the dangers associated with consuming cannabis procured through the illicit market, which is likely untested and may include THC potency inflation, how to identify a licensed cannabis retailer in the City, and how to report suspected illegal or non-compliant cannabis activity. The messaging will be distributed through, but will not be limited to, social media, local television, supporting printed collateral materials and key community stakeholders. This component of DCR's grant proposal meets PPAs 2 and 3.

Enforcement Analysis

The study of enforcement related data, review of best practices from other enforcement agencies, and review of existing enforcement related policies and legislation will serve as a vital analysis to inform the progressive cannabis enforcement strategy presently being developed, refined, and implemented by the City. The enforcement analysis is intended to be an in depth examination of the effects of enforcement detailed through insights gleaned from LAPD statistics, and help develop a consensus on enforcement best practices that are fair, effective, and reduce the number of illegal cannabis businesses.

Departmental Data Sharing / Progressive Enforcement Strategy

The Los Angeles Mayor's Office of Public Safety has established a Cannabis Enforcement Task Force whose partnership consists of the Los Angeles Police Department (LAPD), the Los Angeles Fire Department (LAFD), the Los Angeles Department of Water and Power (DWP), the Los Angeles Department of Building and Safety (LADBS), and the Department of Cannabis Regulations (DCR). With the assistance of the Los Angeles City Attorney's Office and the Los Angeles City Council, the Task Force has developed alternative progressive enforcement strategies to reduce unlicensed commercial cannabis activity. These progressive strategies focused the City's efforts on (1) the individuals engaging in the unlicensed activity and (2) the property owners that were allowing the activity to occur.

DCR will utilize grant funding to analyze and maintain the collected data on these enforcement efforts thus far. This data will then inform future appropriations to continue funding the existing program, or be used to further refine the program and explore alternative enforcement actions. This component of DCR's grant proposal meets PPA 2 and 3.

Program Component Evaluation

Component 1: Public Information Campaign

DCR will retain a vendor to design and implement the Public Information Campaign (PIC). DCR intends to utilize an existing bench of pre-qualified marketing and public relations consultants for this project. The bench was established using a competitive Request for Qualifications process, and the project will be awarded to the pre-qualified consultant that submits the proposal that best meets DCR specifications for the project. If DCR is unable to secure a qualified vendor from this process, DCR will seek to establish an agreement through alternative processes available to the City.

After DCR selects and consults with its vendor, performance metrics will be provided to update the Grant Evaluation Plan. This PIC will include, for the first time, citywide messaging on how to identify and evaluate legal cannabis activity. At this time, DCR has no baseline to establish acceptable metrics for outcome variables like number of enforcement or compliance actions taken or acceptable rates of change in public awareness. The results of this PIC will serve as a baseline for future PICs and other public engagement assessments.

The vendor tasked with designing and implementing the PIC will perform multiple actions intended to track and evaluate the performance of the PIC. These actions include, but are not limited to, assessing audience reach for each asset developed, identifying sentiment around the campaign, and noting views, clicks, opens, and material engagement. Evaluating the campaign in this manner will inform DCR as to how its constituency consumes media and how many people interacted with campaign materials. The information collected will include, but will not be limited to, area of residence and certain demographic data with the final goal of ascertaining campaign reach and response. As per the PPA 1 grant requirement, individuals under the age of 18 years old in the City will be a targeted audience with guidance intended to discourage cannabis consumption and information about how to report any licensed or unlicensed retailers who may be attempting to engage in unlawful cannabis sales to minors.

The PIC will also target demographics identified in the [July 2019 Health Impact Assessment](#) published by the County of Los Angeles Public Health Department. This publication utilized rigorous criteria and comprehensive research to identify communities negatively impacted by a disproportionate concentration of unlicensed cannabis retailers. Additionally, the publication also found that areas with consumers who are the most price sensitive, which correlated strongly with lower income areas of the City, were more likely to

be adversely impacted by unlicensed cannabis retailers. Therefore, a second component of the PIC will target adult cannabis consumers with information related to the dangers inherent in the consumption of cannabis from the unlicensed market, how to identify a licensed location, the myths about high THC potency, and how to report suspected unlicensed or non-compliant cannabis activity.

Component 2: Enforcement Analysis

DCR will retain a vendor to conduct the Enforcement Analysis. DCR intends to contract with researchers that are subject matter experts involved in the development of public policy and affiliated with an educational institution to perform the analysis. The analysis will study available criminal enforcement data to measure the efficacy of enforcement methods and determine the City's ability to measure success or failure of enforcement actions. The analysis will also identify which actions or combination of actions are the most successful and the areas for improvement in enforcement outcomes.

The research team will employ the work of researchers, lecturers, and other academics and experts. The development process of the analysis will be overseen by DCR and the research team to ensure the proper data is being collected, relevant insights are drawn, and correct metrics are reported. Monthly or bi-monthly meetings will be scheduled with the research partner where the current analysis draft will be presented, and feedback provided for the next revision.

The analysis will utilize data obtained through partnerships with other City departments involved in cannabis enforcement. Initially, the study may utilize the [Expanded Cannabis Social Equity Analysis](#)¹, commissioned by the Los Angeles City Council in 2020, which examined a range of possible criteria the City could implement to identify individuals qualified to participate in the City's Social Equity Program. This may involve examining cannabis related arrest rates, calls for service, citations issued, and other data points provided by the LAPD. Following this, data from other City departments will be gathered and incorporated to form a more complete picture of cannabis enforcement in the City, beginning with DCR. The combination of DCR's licensing data with LAPD's enforcement data will reveal insights into the impacts the regulated cannabis market has on illicit cannabis enforcement, general crime rates, and calls for service. Additionally, reporting from departments like the City Attorney's Office, the Department of Building and Safety, and the Department of Water and Power can reveal the efficacy of programs that use alternative enforcement measures, such as the issuance of administrative citations to employees of illicit

¹ Matt Sauter, Wood Environment & Infrastructure Solutions, Inc., *Expanded Cannabis Social Equity Analysis* (May 27, 2020)

locations, the issuance of cease and desist letters to landlords and property owners of locations associated with illicit cannabis activity, disconnecting utility services at unlicensed cannabis business locations, and padlocking or barricading unlicensed dispensary sites. Collecting all of this data, comprehensively and in the context of each data set, will provide insight into who is receiving cannabis enforcement actions in the City and if disparities continue to exist in enforcement even now five years into licensed market operations.

Finally, this Enforcement Analysis will formalize the flow of data from other City departments and establish DCR as the department that holds this data for public access and use. In the future, these data flows will aid the creation of an internal enforcement data dashboard. The data will also assist in the creation of an academically rigorous study of cannabis enforcement in the City that details how cannabis legalization has impacted the City's enforcement strategy and identifies any inequities that still exist in the City's current enforcement model. Once established, this will allow the City to not only identify and address inequities and harms associated with past cannabis enforcement policies, but also identify and address inequities in existing cannabis enforcement policies and prevent such inequities going forward.

Component 3: Departmental Data Sharing / Progressive Enforcement Strategy

Since the passage of Proposition 64 in 2016, cannabis enforcement in the City continues to evolve from a strategy born of the War on Drugs into one that centers equity and education at its core. As such, the progressive enforcement strategy currently implemented by the City is one that is informed by and responsive to data and may include programming effective in other jurisdictions. Given the novelty of this emerging market, the necessary data from other City departments may not yet be in existence, but may later become a vital enforcement metric by the conclusion of the grant period. As many of the City's enforcement strategies are the first of their kind, there is no prior data to rely upon to assess effectiveness. Assessments of enforcement actions will be based on informed expert opinions to decide if the enforcement action is an effective use of funding or not and will generally inform the City's efforts to center equity in cannabis policies and promote policies that are efficient and effective.

DCR will utilize grant funding to fund overtime incurred by an LAPD analyst or senior analyst necessary to research, compile, and prepare raw data or statistics requested by DCR's vendor to use in the enforcement analysis. Originally, DCR set aside \$350,000 of the grant fund to support the LAPD overtime function. However, since the original grant application submittal, DCR determined that \$100,000 is sufficient to cover the LAPD overtime because there is only one analyst who will be gathering this information, and the study would benefit from the additional \$250,000 reallocation of grant dollars. Grant funding will also be utilized

to implement first time Progressive Enforcement Strategy features that have not been funded by a City budget appropriation. Funding these enforcement features will ensure DCR has access to baseline data for program evaluation like the number of enforcement actions taken, the number of administrative hearings held related to enforcement actions, and follow up investigations that reveal long term effectiveness of the new program feature. These data will allow insights to be made into the overall effectiveness of Progressive Enforcement Strategy actions and if they should be revised to increase efficacy or be fully funded in the next City budget.

Data Management

DCR will be the repository of all data provided by the PIC vendor, research partner, and other City departments. Data will be stored in a secure, controlled access drive. All data provided to research partners will be anonymized to remove any personal identifying information or information that may impact active or ongoing police or administrative investigations. While the PIC is being developed and implemented, the PIC vendor will be responsible for collecting, securely storing, and transmitting relevant data, including demographic and evaluation data to DCR.

Project Management

Public Information Campaign

Once selected, the PIC Vendor and DCR will set milestones and a report-back timeline to provide updates on the development, implementation, and evaluation of the PIC. As the PIC is being developed and implemented, additional meetings and reports may be called for as needed to review progress, plan next steps, and review developed materials.

Enforcement Analysis

DCR will engage with the research partner performing the enforcement analysis on a scheduled monthly basis with availability for as needed weekly meetings to ensure proper metrics are being reported upon and data from other City departments is being provided. To facilitate data sharing, DCR may act as a liaison between the research partner and other city departments in scheduling meetings and other interactions to facilitate proper data sharing and collection.

Departmental Data Sharing / Progressive Enforcement Strategy

DCR is currently engaged in regular bimonthly meetings of the Mayor's Office of Public Safety Cannabis Enforcement Task Force. At these meetings, DCR will collect and share data, reports, evaluations, and other information related to the progressive enforcement strategy, identify potential partners for future data collection and develop potential novel enforcement actions. These regular meetings serve as the main interaction of City departments that play a role in cannabis enforcement and provide the opportunity to exchange information, develop new strategies, and schedule as-needed departmental or issue-specific meetings.

Evaluation Timeline and Reporting

Quarterly Progress Reporting: DCR will submit BSCC required Quarterly Progress Reports according to BSCC provided standards and guidelines.

Public Information Campaign

At the conclusion of PIC project milestones (PIC messaging development, media creation, implementation, and evaluation) DCR will present the progress and impacts of the current PIC phase to relevant City departments upon request. DCR staff and evaluators will regularly review data provided by the PIC vendor at regular meetings to ensure adherence to project timelines and standards. The project is expected to begin development following the selection process in the Spring of 2023. Following selection, the vendor will develop the PIC during the remainder of 2023, implement the PIC in Q2 of 2024, and prepare the final analysis and report in Q3 of 2024.

Enforcement Analysis

DCR will provide current iterations of the enforcement analysis as they are provided to other City departments upon request. Agreements are expected to be finalized with the research partner in Q2 of 2023 with research and data collection commencing shortly thereafter. The first project development meeting between DCR and the research partner was held in Q4 2022, and will continue throughout the life of the grant. The final report is expected to be presented to DCR between Q3 and Q4 of 2024.

Departmental Data Sharing / Progressive Enforcement Strategy

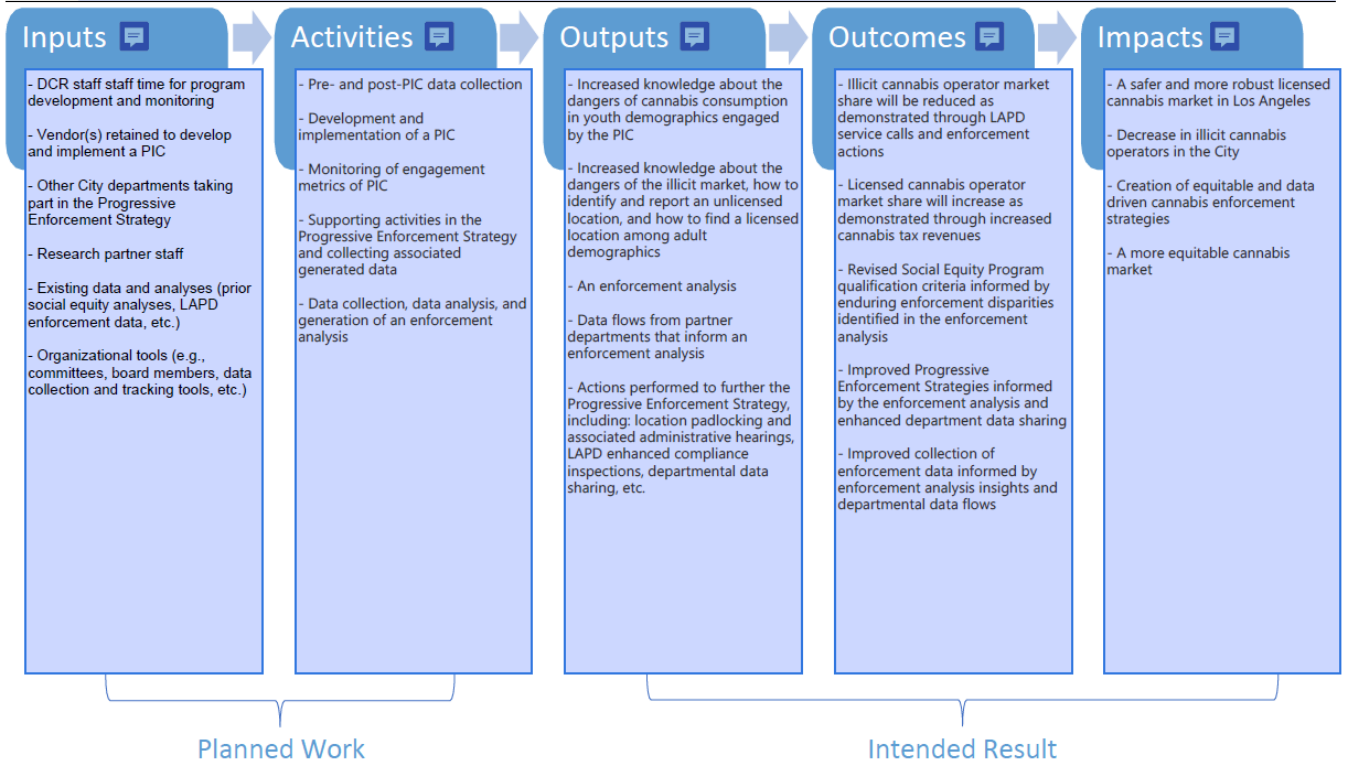
DCR will provide regular updates to other members of the progressive enforcement strategy at regularly scheduled meetings. Data collection activities are anticipated to begin in Q2/Q3 2023 as are novel enforcement actions in the progressive enforcement strategy. Data collection and enforcement actions will continue throughout the life of the grant.

Appendix A

Logic Model

Project Goals:

Goal 1:	Develop and implement a Public Information Campaign (PIC).
Goal 2:	Partner with a research team to perform an enforcement analysis.
Goal 3:	Collect data from City partners and support the City's Progressive Enforcement Strategy.



Appendix B

Cannabis Social Equity Analysis Report

Included here is a link to the Cannabis Social Equity Analysis Report performed by Amec Foster Wheeler Environment & Infrastructure Solutions, Inc., submitted to the Los Angeles City Council on October 18, 2017. Due to the file size of the report a link is being provided in lieu of a copy of the report itself. [Link to the Cannabis Social Equity Analysis Report.](#)

Appendix C

Expanded Cannabis Social Equity Analysis Report

Included here is a link to the Expanded Cannabis Social Equity Analysis Report performed by Wood Environment & Infrastructure Solutions, Inc. (formerly Amec Foster Wheeler Environment & Infrastructure Inc.), submitted to the Los Angeles City Council by the Department of Cannabis Regulation on June 16, 2020. Due to the file size of the report a link is being provided in lieu of a copy of the report itself. [Link to Expanded Cannabis Social Equity Analysis.](#)

Appendix D

Health Equity Implications of Retail Cannabis Regulation in Los Angeles County

Included here is a link to the Health Equity Implications of Retail Cannabis Regulation in Los Angeles County produced by the County of Los Angeles Department of Public Health Center for Health Impact Evaluation. Data included in it is intended to serve as a source to help develop demographic targets for the Public Information Campaign. Due to the file size of the document a link to the evaluation is being provided in lieu of a copy of the document.

[Link to Health Equity Implications of Retail Cannabis Regulation in Los Angeles County.](#)

Appendix B

Public Information Campaign Report



CITY OF LOS ANGELES DEPARTMENT OF

**CANNABIS
REGULATION**



*from the NEIGHBORHOOD,
for the NEIGHBORHOOD—*

**LEGAL, LOCAL
CANNABIS.**

2024 PUBLIC INFORMATION CAMPAIGN EVALUATION

**PREPARED BY:
WeAreGiants. LLC**

Los Angeles Department of Cannabis Regulation (LADCR)
Public Information Campaign
Campaign Evaluation (Section 7 Deliverable)
October 30, 2024

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Los Angeles Department of Cannabis Regulation (LADCR)

Campaign Evaluation (Section 7 Deliverable)

INTRODUCTION

Established in 2017, the City of Los Angeles Department of Cannabis Regulation (LADCR) is responsible for overseeing the local commercial cannabis market through licensing decisions and regulatory operations. A core focus is advancing social equity within the cannabis market, particularly for those affected by biased drug policy enforcement.

The City of Los Angeles is plagued by illegal cannabis dispensaries, retailers and other illicit sources putting the legal market and its stakeholders at financial risk and cannabis users' health in jeopardy. These illegal outlets attract business through lower prices and sell cannabis and cannabis products which are not up to State health codes.

On August 12, 2021, the City of Los Angeles entered into an agreement with the California Board of State and Community Corrections (BSCC) for nearly half a million dollars in funds awarded through Proposition 64 Public Health and Safety Grant Cohort 2 to conduct a public information campaign about the dangers associated with the use of cannabis procured through the illicit market.

As such, LADCR set out to educate the public on the benefits of shopping at licensed dispensaries to ensure safety and support of their local community via a public information campaign. LADCR retained WeAreGiants, LLC (WAG), a Los Angeles-based marketing firm, to lead the development and implementation of the campaign project.

LADCR launched its inaugural public information campaign in July 2024, called *From the Neighborhood, For the Neighborhood - Legal, Local Cannabis*, along with a revamped on-line cannabis legal retailer map and an educational youth campaign, called *Clear Heads, Bright Futures*. The 12-week campaign was disseminated primarily across City Council Districts 8 (South LA) and 14 (Eastside LA), the two districts with the highest concentration of illegal dispensaries and to maximize the campaign's limited funds.

Overall, the campaign was successful as it delivered over 100 million impressions across all of its paid media. The LADCR website and all its social media platforms also experienced a significant bump in traffic and engagement during the campaign.

This evaluation presents an overview of the campaign, its development and execution, the results, and recommendations for future cannabis public information campaigns.

Los Angeles Department of Cannabis Regulation (LADCR)

Campaign Evaluation (Section 7 Deliverable)

CAMPAIGN OVERVIEW

LADCR and WAG began working on the public information campaign in September 2023 and first developed the campaign's creative brief, a document serving as the roadmap for the project, including the following elements:

- **Objective:** Educate the primary target audience on the benefits of shopping for cannabis at licensed dispensaries to ensure safety and support their local community.
- **Target Audience:** Regular cannabis users, 21+ in Los Angeles focusing primarily on City Council Districts 8 (South LA) and 14 (Eastside LA).
- **Call to Action:** Shop licensed. Support local business. Protect your health.
- **Language:** Honest. Straightforward. Culturally-competent. English. Spanish.
- **Tone:** Cool. Modern
- **Youth Component:** Address younger audiences (<21) with targeted messaging
- **Timeline:** 12 weeks (7/8 - 9/30).
- **Total Budget:** \$495,500

Separately, the following outlines the campaign's timeline with the project stages and key milestones:

- **Project Alignment:** September 2023
- **Research & Discovery:** October - November 2023
- **Strategy and Message Development:** December 2023 - February 2024
- **Execution and Media Planning :** March - June 2024
- **Campaign Period:** July - September 2024
 - **Campaign Begins:** Week of 7/8 (week 1 of 12)
 - **Campaign Ends:** 9/30 (week 12 of 12)
- **Campaign Monitoring:** July - September 2024
- **Campaign Evaluation:** October 2024

The campaign, *From the Neighborhood, For the Neighborhood - Legal, Local Cannabis*, along with a revamped, consumer-friendly on-line cannabis legal retailer map and the educational youth campaign component, *Clear Heads, Bright Futures*, was launched July 8, 2024 and ran through September 30, 2024.

The next section discusses the nuts and bolts of the development and implementation of the campaign.

Los Angeles Department of Cannabis Regulation (LADCR)

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CAMPAIGN DEVELOPMENT

RESEARCH STRATEGY - LADCR and WAG conducted critical research and analysis during the Research & Discovery project stage to lay the groundwork for a successful campaign.

The following research activities were conducted in October and November 2023:

- Regular Cannabis User focus groups
 - 4 groups, 36 total participants
 - Conducted in South LA (CD8) and Eastside LA (CD14)
 - Participants consume cannabis in any form either daily or weekly
- LADCR Leadership interviews
- LADCR Staff interviews
- Licensed Dispensary Retailer interviews
- A landscape review and analysis of publicly available literature, including the 2019 Los Angeles County Public Health Department Cannabis Health Equity Impact Assessment and other public sector campaign efforts.

The research findings came in the form of a Learnings & Implications Summary. This report aimed to provide LADCR with an understanding of attitudes and perceptions related to cannabis usage and purchase habits, as well as other relevant areas. It shared an assessment of the most relevant findings coming out of the project's Research & Discovery stage in order to develop the most effective public information campaign.

Twenty-five (25) learnings arose from the research and were categorized into the following seven areas:

- A. Cannabis Consumption and Purchase Habits
- B. Cannabis Retailer Experience
- C. Health & Safety Considerations
- D. Local Community & Social Equity
- E. Advertising and Media Consumption
- F. Cannabis-Related Advertising
- G. Public Sector Campaign Efforts

Los Angeles Department of Cannabis Regulation (LADCR)

Campaign Evaluation (Section 7 Deliverable)

For context, we define learnings as insights to be considered (or not) in the campaign development and execution stages of the work. The following outlines the key learnings:

A. Cannabis Consumption & Purchase Habits

1. Regular users consume cannabis for both medical (e.g. pain, anxiety) and recreational (e.g. social, relaxation) purposes.
2. Regular users consume cannabis in a variety of forms but mostly prefer the flower form.
3. Regular users are highly price sensitive, however they are open to higher priced products if they can be justified.
4. Regular users value product quality, consistency, and convenience when considering where to purchase cannabis.
5. Regular users purchase cannabis from different sources (licensed and illicit) depending on what they need, when they need it and where they are at that time.
6. Regular users have mixed feelings about purchasing cannabis at licensed retailers due to verified product safety/standards and reliable/safe shopping environments offset by perceived lower product quality and high pricing.

B. Cannabis Retailer Experience

1. Regular users' licensed retail experiences vary from exceptional (high product quality and variety, excellent customer service) to poor (unknowledgeable staff, unwelcoming environments) depending on the retailer.
2. Regular users prefer to inspect/handle the cannabis product (e.g. flower) before purchase but are unable to do so in licensed retailers.
3. Regular users expressed increasing lack of trust with licensed retailers citing issues of falsifying testing, selling diverted products and lack of transparency.
4. Regular users value loyalty/reward programs and customer appreciation events.

C. Health and Safety Considerations

1. Regular users prefer purchasing cannabis products from licensed retailers because they are more likely to be safe than those in the illicit market.
2. Regular users admit there are health risks associated with buying cannabis products from illicit sources, however those with the highest price sensitivity disregard those risks.
3. Regular users' risk tolerance for product safety varies greatly depending on the cannabis form from low (flower) to high (vapes, edibles, solid concentrates) as a consideration for purchase in the licensed market.

Los Angeles Department of Cannabis Regulation (LADCR)

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D. Local Community and Social Equity

1. Regular users believe it is important to patronize small, minority and/or female owned businesses in support to help their local community.
2. Regular users are more likely to shop at a business that is owned and employs people that look like them.
3. Regular users believe it is imperative for retailers to engage with the local community with value added activities and programs .

E. Advertising and Media Consumption

1. Regular users get most of their information and entertainment through digital advertising vehicles (e.g. social media, mobile) while also paying attention to select legacy advertising vehicles (e.g. out-of-home, radio).
2. Regular users agree that there is a significant amount of misinformation in the media and prefer to get their cannabis information through word-of-mouth (e.g. friends, dealers) and community websites and forums (e.g. Weedmaps, online groups).
3. Regular users follow a number of influencers with large social media followings, however they tend to trust people with significantly smaller followings.

F. Cannabis-Related Advertising

1. Messaging of any cannabis-related advertising, even a public information campaign, is challenging given current messaging and imagery restrictions.
2. Placement of cannabis-related advertising, even a public information campaign, is challenging given current media vehicle placement restrictions.
3. The campaign's estimated total media buy is low given the size and cost of the Los Angeles designated market area (DMA).

G. Public Sector Campaign Efforts

1. U.S. states and cities currently focus public information campaigns on cannabis growers and licensed retailers versus cannabis users.
2. New York State has been leading the way in cannabis public information dissemination and has recently pivoted its messaging from legalization awareness to the benefits of shopping the legal/licensed market.
3. The State of California campaign "This is California Cannabis" focuses primarily on the legal cultivation market and promotes the benefits of a strong and safe legal market, and has recently pivoted its messaging to the benefits of shopping the legal/licensed market.

Los Angeles Department of Cannabis Regulation (LADCR)

Campaign Evaluation (Section 7 Deliverable)

COMMUNICATIONS STRATEGY - The campaign's communication strategy is based on developing engaging messaging that is tonally modern and culturally competent with a straightforward call to action.

- **Key Messages:** Highlight safety, quality, and community benefits of buying from licensed dispensaries
 - Tailor messaging to emphasize the benefits of buying from licensed dispensaries, while also integrating location-specific elements to personalize the message for audiences in Council Districts 8 (South LA) and 14 (Eastside LA)
- **Visuals and Messaging:** Use relatable imagery and clear, concise messaging to debunking myths.
- **Call to Action:** Direct target audience to the LADCR website for information and to access the more consumer-friendly on-line map of cannabis legal retailers.

EXECUTION STRATEGY - The campaign's execution strategy leveraged a cross-section of media vehicles and other tactics

- **Roll-Out:** The campaign was rolled out in three phases (early, mid and final), with all corresponding media and other vehicles monitored and modified as needed.
- **Media Buy:** The media buy and advertising placement was secured upfront to leverage the campaign funds (as LA is the second most expensive media market in the U.S.) and ensure optimal positioning throughout the 12-week duration of the campaign, prioritizing high-engagement content.
- **Outreach:** Grass Roots and Partnership engagement activities were pursued with local communities and retailers to amplify the reach and impact of the campaign.
- **Special Vehicles:** Print and Digital media were used opportunistically to target elected officials and other high profile stakeholders while earned media was pursued through both proactive and responsive efforts.
- **Inventory and Compliance:** The media vehicles in the plan were contingent upon and adjusted per inventory availability and meeting advertising compliance requirements for cannabis products and services.
- **Monitoring:** Performance of all media vehicles was consistently done and adjustments were made as necessary.
- **LADCR Responsibilities:** While WAG led the overall campaign execution, LADCR took the lead on the Youth Campaign Component and tactics in Community Outreach, Retailer and other Partnerships, and Earned Media, with WAG support.

Los Angeles Department of Cannabis Regulation (LADCR)

Campaign Evaluation (Section 7 Deliverable)

CAMPAIGN VEHICLES

The following outlines the vehicles (media and other non-media tactics) along with their respective objectives employed during the campaign:

Media Vehicles

- **Out-of-Home (OOH):** Increase visibility in high-traffic areas, reinforcing the campaign's message.
 - Large billboards
 - Small billboards
 - One sheet posters
 - Gas station pump toppers
 - Barrier Wild postings
 - Mobile billboards
- **Digital Platforms:** Disseminate informative content tailored to cannabis users, highlighting key regulatory information.
 - Google Ads
 - Reddit
 - LA Taco
- **Social Media:** Engage with the target audience, driving awareness and encouraging community interaction through shareable content.
 - Instagram
 - Facebook
 - What'sApp
- **Print:** Generate awareness of the campaign with elected officials, other key stakeholders and the public-at-large.
 - LA Times (City-wide)

Los Angeles Department of Cannabis Regulation (LADCR)

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Other (Non-Media) Vehicles

- **Grassroots, Collateral and Premiums:** Generate campaign awareness and disseminate informative content meeting users where they shop and play.
 - Community events
 - Collateral materials
 - Consumer premiums (swag giveaways)
- **Retailers and Community Organizations:** Collaboration with local retailers, influencers, and community groups to amplify the campaign's reach.
 - Kika Edwards
 - Gorilla RX
 - Off the Charts powered by Josephine & Billies
 - The Chronic
 - Orlando Padilla
 - Cornerstone Wellness
 - Velvet Cannabis
- **Cross-Promotion:** Leverage relationships with city council offices and other relevant government agencies to broaden the campaign's impact.
 - LA County departments
 - LA City departments
 - City Council District offices
- **Earned Media:** Issue press releases and leverage relationships with local news media outlets to increase campaign awareness and other DCR issues.
 - Print
 - Local Broadcast
 - Local Cable
 - Radio
 - Digital
- **Youth Component:** Develop educational campaign addressing cannabis usage and health-related themes for children and their parents.
 - Collateral materials
 - Youth Events

Los Angeles Department of Cannabis Regulation (LADCR)

Campaign Evaluation (Section 7 Deliverable)

CAMPAIGN TIMELINE

The public information campaign ran for 12 weeks and rolled-out across three phases:

Early Phase (Weeks 1-4)

- Campaign officially launched with LA Times Ad drop (print and digital editions City-wide)
- Coordinated blitz across all digital media platforms began
- All Out of Home (OOH) vehicles launched
- Ads and post across all digital platforms, emphasizing different aspects of the campaign message began
- Revamped, consumer-friendly on-line cannabis legal retailer map launched
- Youth campaign component collateral materials disseminated
- Community event participation begins
- Partnership activities with local retailers and government agencies began

Mid-Phase (Weeks 5-8)

- Continued digital ads and posts, incorporating user-generated content and adjusting strategies as needed
- Youth campaign component events held and collateral materials disseminated
- Community event participation continues
- Partnership activities with local retailers and government agencies continued

Final Phase (Weeks 9-12)

- Intensified digital ads and posts, focusing on high-performing content and final engagement push
- Youth campaign component collateral materials disseminated
- Community event participation ends
- Partnership activities with local retailers and government agencies wrapped up
- Campaign wrap up with LA Times English/Spanish Ad drop (print and digital editions)
- Campaign ended 9/30

Los Angeles Department of Cannabis Regulation (LADCR)

Campaign Evaluation (Section 7 Deliverable)

RESULTS

Overall, LADCR's *From the Neighborhood, For the Neighborhood - Legal, Local Cannabis*. Public information campaign was successful as it delivered over 100 million impressions across all of its paid media vehicles and other tactics. The following are general highlights:

Campaign Media Vehicles

- Out-of-Home (OOH) - OOH delivered its planned impressions goal of 95.6 million. Additionally, bonus impressions after the campaign ended 9/30 (from billboards still in the market and measured through 10/10) reached 6.3 million for a total delivering 101.8 million impressions since the launch of the campaign.

This indicates strong performance across various OOH formats, including large and small billboards, one-sheet posters, gas station pump toppers, barrier wild postings, and mobile billboards. This performance can also be attributed to the strategic placement of OOH assets across the target geography.

- Digital Platforms - Overall, digital demonstrated strong performance across various platforms. Google Ads proved effective in driving conversions, while Reddit reached a wide audience, particularly on mobile devices. The LA Taco videos successfully engaged viewers, generating significant views and positive interactions.

Specifically, Google Ads yielded significant results, generating 138,000 clicks and 118,000 conversions. On Reddit, the campaign garnered 7.2 million impressions, with mobile phones being the most engaged device, accounting for 1.2 million clicks. The LA Taco digital videos also performed well, with Video #1 accumulating 97,000 views and substantial engagement, while Video #2 generated over 40,000 views and a strong response from viewers. These results highlight the effectiveness of a multi-platform digital strategy in reaching the target audience.

- Social Media - The social media component of the campaign, executed across Meta's Facebook, Instagram, and WhatsApp, yielded good results. The campaign reached a broad audience of over 44,000 individuals, generating 830 conversions. This indicates a strong engagement rate, with users actively

Los Angeles Department of Cannabis Regulation (LADCR)

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interacting with the ads and taking desired actions (e.g. going to the LADCR website/accessing the cannabis legal retailer map). The success of this component of the campaign can be attributed to the strategic targeting of the audience, compelling ad creative, and the effective utilization of these popular social media platforms.

- **Print** - The print component of the campaign, focused entirely on the Los Angeles Times, which successfully reached the intended target of elected officials and other key stakeholders, as well as a substantial portion of the public-at-large.

The initial full-page color ad, launching the campaign, capitalized on the newspaper's extensive circulation of over 494,000, reaching an estimated 1.2 million readers. The second ad, a half-page color in both English and Spanish, wrapping up the campaign, leveraged a circulation of 250,000 to reach an estimated 600,000 readers. These figures demonstrate the significant impact of print advertising in delivering targeted messages to a specific demographic.

Campaign Non-Media Vehicles

- **Community Events** - The LADCR's community engagement efforts yielded positive results through participation in various events during the campaign period. Summer events, including the Lotus Festival, CicLAvia, and CicLAMini, attracted a significant number of attendees, with booth visits ranging from 90 to 250 people.

The overall goal of these community events was to raise awareness about the LADCR's mission, educate the public on responsible cannabis consumption, and support local businesses. These events provided opportunities to distribute educational materials, showcase the online cannabis legal retail map, and promote the campaign's message of legal, local cannabis.

- **Consumer Premiums** - A limited number of tote bags with the campaign and LADCR branding were produced as a limited-edition consumer giveaway at events. These customized premiums were very popular with attendees and represent a good opportunity for consumer engagement in the future.
- **Cross-promotion with City and County** - Outreach for potential campaign joint activities (e.g. events, material dissemination) was conducted with other City and County Departments resulting in interest but no traction.

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- Earned Media - Campaign press releases were sent to local news media outlets with no traction.

Youth Component

- The campaign's educational youth component, called *Clear Heads, Bright Futures*, kicked off at Youth Development Department's 2024 Youth Expo and was a successful event, attracting over 700 young people. LADCR participated by hosting a booth. This provided an opportunity to engage with youth and disseminate important information about cannabis use and regulation.

To further its youth outreach efforts, LADCR developed and distributed several informational materials. These included "Clear Heads Bright Futures: Coping without Cannabis (Youth)," "Clear Heads Bright Futures: Parents: Age Appropriate Cannabis Conversations," and a handout on reporting suspected illegal cannabis activity. These resources aim to educate young people and their parents about the potential risks and consequences of cannabis use, as well as empower them to make informed decisions.

Additionally, all creative included the age label "Know the Facts, Respect the Law. For Adults 21+ Only". Select billboards were also supplemented with youth messaging highlighting the importance of shopping at legal retailers to keep cannabis out of youth hands and contribute to community safety.

Campaign Awareness

- Consumer awareness of the LADCR campaign was good at 43%. For context, we randomly selected 100 regular cannabis users from our focus group database and asked them to complete a survey about seeing any type of cannabis advertising (products/services, impaired driving and shopping legal retailers) in the last 90 days (during the run of the campaign). 38 regular cannabis users (38%) completed the survey yielding the following results:
 - Unaided recall (asking general questions)
 - Any cannabis advertising - 50% of respondents had seen any type of cannabis advertising in the last 90 days
 - Cannabis impaired driving - 53% of respondents had seen cannabis impaired driving advertising in the last 90 days
 - Shopping legal retailers - 34% of respondents had seen cannabis shopping legal retailer advertising in the last 90 days

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- Aided recall (showing them the campaign's main imagery)
 - LADCR campaign - 43% of respondents had seen the LADCR campaign advertising in the last 90 days; and, not surprisingly, the vast majority had seen it via Out-of-Home (OOH) vehicles such as billboards, given the bulk of the media buy was in OOH vehicles.
- Of note, while the sample size in the survey is relatively small, the high recall results with regular cannabis users (the main target audience) are indicative of the strength of the campaign given that over a third of the respondents stated seeing cannabis shopping legal retailers (unaided) and close to half had seen the LADCR campaign when aided.
- Retailer awareness of the campaign was moderate. For context, we visited three licensed retailers in the target geography - Velvet Cannabis, Cornerstone Wellness, and Nela - to gather feedback on their awareness of the campaign. The following are some key observations:
 - Campaign Visibility: Staff awareness of the campaign varied. One member of staff at Velvet Cannabis had seen campaign billboards in his neighborhood, and one team member at Nela recalled seeing an ad in the online LA Times. This indicates that the campaign's OOH placements and press outreach were effective in reaching retail staff.
 - Campaign Message Recall: While some staff members were aware of the campaign or ad locations, none were able to identify LADCR or another specific entity as the campaign sponsor. This suggests an opportunity to enhance brand recall through clearer sponsor identification in future campaigns.
 - Mixed Messaging: Staff comments indicated some confusion due to the volume of cannabis-related messaging in the market. This highlights the need for continued, targeted efforts to reinforce the LADCR message.

LADCR Website and Social Media

- The LADCR website experienced a significant increase (3x+) in traffic during the campaign's 12-week period compared to the same timeframe in the previous year. This indicates that the campaign effectively drove visitors to the website, demonstrating its success in generating interest and engagement.

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Following the conclusion of the campaign (9/30), website traffic has continued to show positive momentum. The period between October 1st and 12th, 2024, has seen sustained visitor activity, suggesting that the campaign may have had a lasting impact on website traffic and brand awareness.

- LADCR leveraged the campaign executing posts across Instagram, Facebook, and LinkedIn, and effectively delivering key messages and driving engagement.

LADCR also successfully promoted the LA Times call to action, the revamped cannabis legal retail map, delivered engaging retailer videos and celebrated the department's 7th anniversary. The LinkedIn posts emphasized the launch of the campaign and the importance of supporting legal, local cannabis businesses.

LADCR Cannabis Legal Retailer Map

- The campaign also included the launch of LADCR's revamped cannabis legal retailer map. This consumer friendly, easy to navigate map helps consumers find legal retail cannabis businesses near them on the LADCR website. It also highlights which retailers are owned by social equity individuals.

Navigating Media Restrictions

- Despite the fact that cannabis has been legalized in the State of California and the purpose of public service announcements is to educate the public, LADCR encountered barriers in the complex advertising space related to cannabis. Federal restrictions on cannabis advertisements impacted media purchasing and placements on all platforms including social, digital and legacy media.

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RECOMMENDATIONS

Based on the success of *From the Neighborhood, For the Neighborhood - Legal, Local Cannabis*, there is a clear need for ongoing public information campaigns. We offer the following recommendations to continue to educate the residents of the City of Los Angeles about the benefits of shopping for cannabis at licensed dispensaries and away from the illicit market.

- Launch the next public information campaign in Summer 2025 building upon the compelling 2024 campaign messaging and imagery
- Expand the campaign target geography (CD8, CD14) to include CD1, CD9 and CD13 to broaden the reach to residents and regular cannabis users
- Focus campaign spending in the same media vehicles (Out-of-Home, Digital, Social Media and Print) to maximize the efficiency of the funding dollars
- Leverage easing of cannabis regulations to sustain momentum and secure access to LA City and County-owned media placements (e.g., METRO, LAX)
- Broaden media partnerships to include more cannabis-friendly (LA Taco) and cannabis-specific outlets (e.g. print, websites, podcasts), as well as develop and disseminate retailer-specific materials to amplify the campaign's message
- Increase LADCR presence at local festivals and community events to amplify the campaign's message
- Offer a broader selection of cannabis campaign-branded giveaways at events to enhance audience engagement and drive traffic to the LADCR website
- Build a separate resident/consumer email list (vs. the current LADCR list) to inform residents/consumers of upcoming events and other items of consumer (vs. licensee/retailer) interest
- Enhance the reach and impact of the educational youth campaign component by partnering with LAUSD and LA City Departments (e.g. Library, Recreation & Parks) for events, programs and material dissemination

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APPENDIX

- A. CREATIVE ASSETS**
- B. OUT-OF-HOME MEDIA PLACEMENT**
- C. YOUTH COMPONENT**
- D. METRICS**
- E. BUDGET**

Los Angeles Department of Cannabis Regulation (LADCR)

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CAMPAIGN CREATIVE ASSETS

DESIGN TOOLKIT

ANATOMY OF THE MESSAGE

ICON/EMOJI STICKER

Purpose: To visually communicate and enhance the campaign message quickly and effectively, with cultural relevance.

Characteristics: They are instantly recognizable symbols that convey the campaign's subject matter and add an informal or playful layer to the message's tone.

SETUP

Purpose: To grab attention and set the context. It's the "hook" that piques interest.

Characteristics: Often brief, intriguing, and directly related to the audience's interests or values.

PAYOFF

Purpose: To deliver the key message or the core proposition of the campaign.

Characteristics: Clear, concise, and reinforces the setup. It's the main takeaway.

CALL TO ACTION

Purpose: To encourage the audience to take a specific action, driving engagement.

Characteristics: Direct, imperative, and usually provides a clear next step or resource.



ICONOGRAPHY | GRAPHIC ELEMENTS

Our toolkit's selection of icons and emojis serves as a nuanced tool for visual communication. These elements are ideal for instances where conventional imagery or explicit references to cannabis are limited. Employ them as a singular, subtle highlight within your message, ensuring clarity and a touch of whimsy without overwhelming the content.



COLOR PALETTE 01

FRESH & EASY

Inspired by fresh flower, sunny rays and the easy breezy vibes of CA

Forest Green

HEX: 005036
RGB: 0 / 80 / 54
CMYK: 100 / 35 / 95 / 41

Vibrant Orange

HEX: FF5500
RGB: 255 / 105 / 0
CMYK: 0 / 71 / 76 / 0

Mellow Yellow/Green

HEX: 799343
RGB: 121 / 178 / 67
CMYK: 67 / 0 / 100 / 0

Mellow Yellow

HEX: CED900
RGB: 206 / 217 / 0
CMYK: 26 / 0 / 100 / 0

AGE LABELING

**21+
ONLY**

**Know the Facts, Respect the Law —
For Adults 21+ Only**

**21+
ONLY**

**Sepa la Realidad, Respete la Ley —
Solamente para Adultos 21+**

ONE SHEET POSTERS



GAS STATION PUMP TOPPERS



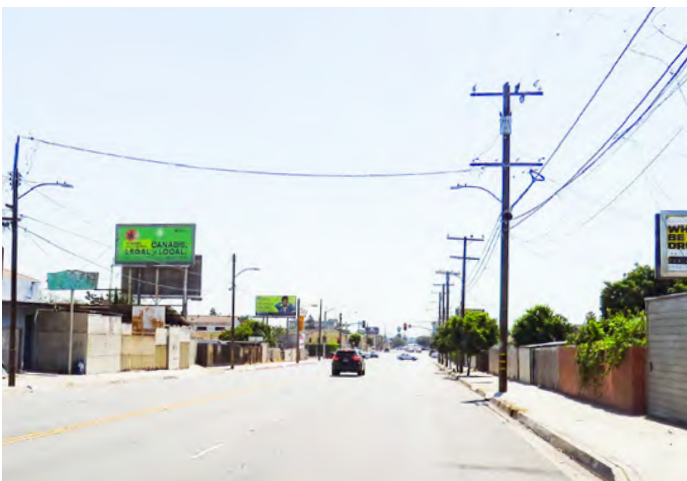
BILLBOARDS



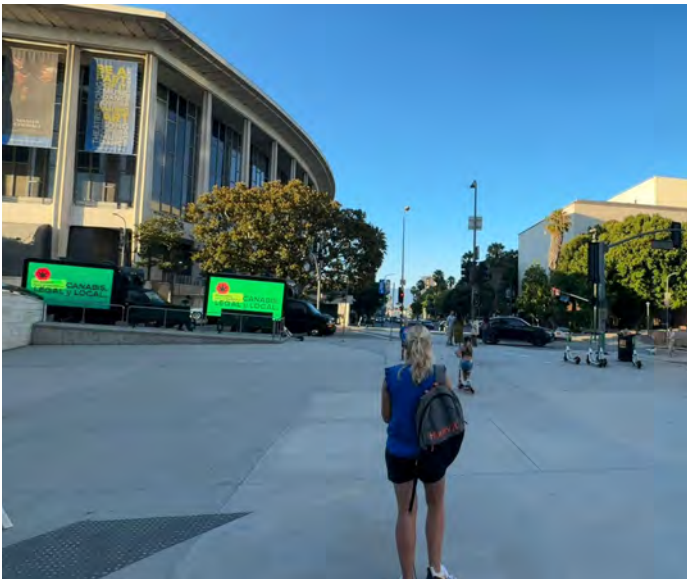
BILLBOARDS – YOUTH MESSAGING



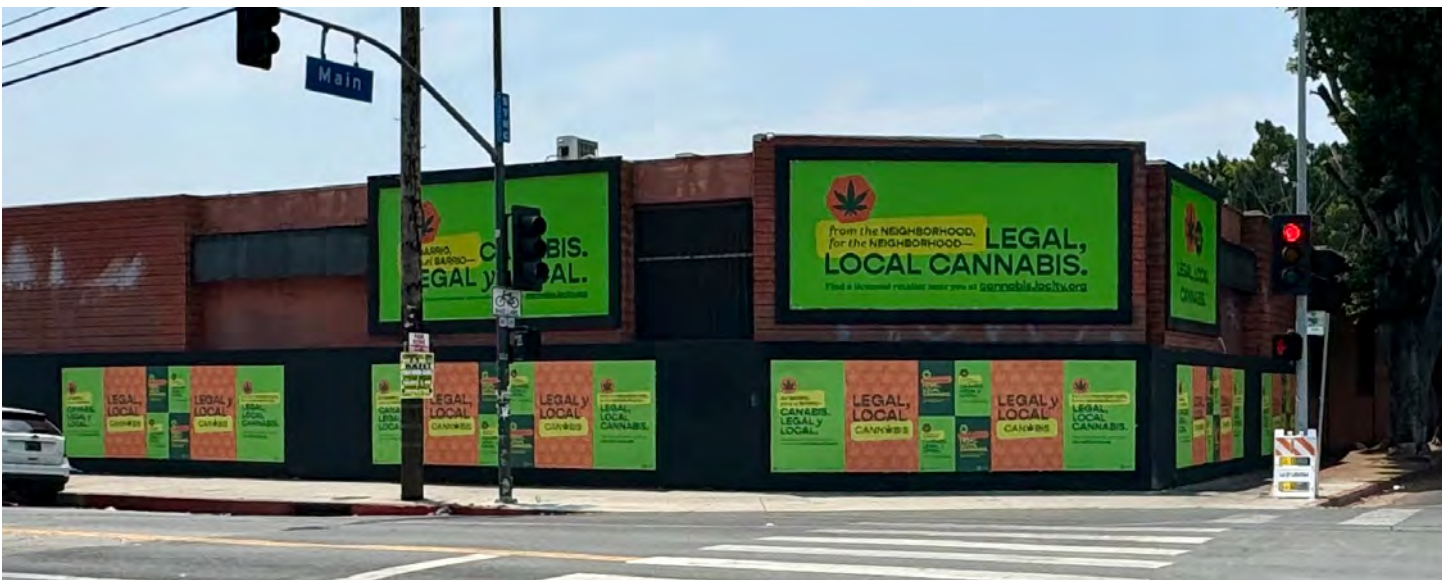
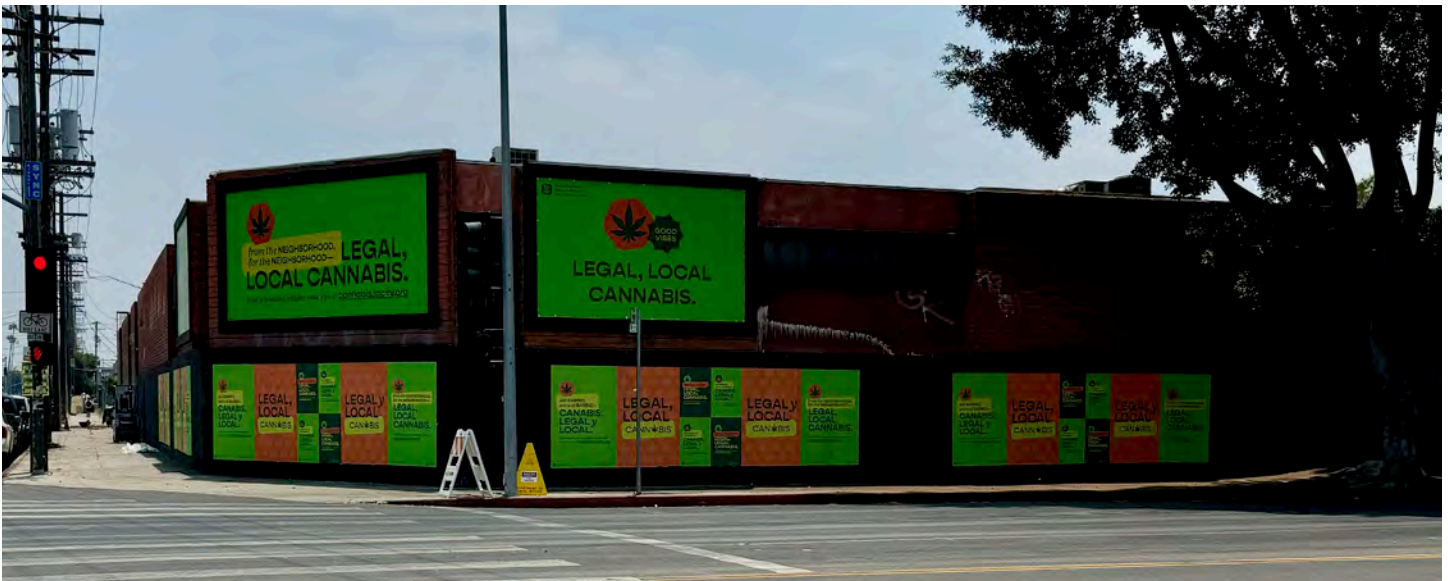
SPANISH BILLBOARDS



MOBILE BILLBOARDS



WILD POSTINGS





from the NEIGHBORHOOD,
for the NEIGHBORHOOD—

LEGAL, LOCAL CANNABIS.

Weed with a Conscience: Choose Legal, Choose Local

The Truth

Cannabis is now a symbol of opportunity—both economic and social. In 2016, California legalized personal use and commercial sale of cannabis. The City of Los Angeles went even further by allocating the majority of retail licenses to social equity applicants, thus empowering those most impacted by the War on Drugs. It's now up to all of us to ensure this industry thrives and provides opportunities for individuals who were disproportionately affected by past drug policies and unjust systems.

The Challenge

When we're bombarded with misinformation, knowledge is our strongest ally. Unlicensed cannabis shops pose risks that go beyond the law, contributing to an uncontrolled and unsafe market. Meanwhile, licensed businesses, regulated to promote safety, face ongoing challenges due to competition from illegal cannabis shops.

Our Role

The Los Angeles Department of Cannabis Regulation plays a crucial role in nurturing a thriving and equitable cannabis industry. With nearly forty percent of all licensed cannabis businesses in L.A. owned by social equity cannabis entrepreneurs, our role is to support these businesses and help them succeed. We are committed to creating a framework that promotes public health, safety, and community enrichment. While the City of L.A. plays a significant role in working against the illicit cannabis market, you, the consumer do too.

The Call to Action

Don't just smoke it, speak it. Share your stories, correct misinformation, empower others to do the same, and most importantly: shop legal. Be part of the movement that not only legitimizes and uplifts your local business owners but also creates social equity and justice for those marginalized by the War on Drugs. Together, let's continue to push for a future where the legal cannabis industry contributes to the well-being of our community and our city.

Find a licensed retailer near you at cannabis.lacity.org



CITY OF LOS ANGELES DEPARTMENT OF
**CANNABIS
REGULATION**

Brought to you by the Department of Cannabis Regulation
Committed to fostering a safe, equitable, and thriving cannabis community in Los Angeles.

In U.N. farewell, Biden urges unified peace effort

Wistful president peppers speech with references to his first time attending more than 50 years ago.

BY AMER MADHANI,
MATTHEW LEE
AND ZEEV MILLER

UNITED NATIONS — President Biden declared in his final address to the U.N. General Assembly on Tuesday that the U.S. must not retreat from the world, as Israel and Hezbollah militants in Lebanon edged toward all-out war and Israel's bloody operation against Hamas in Gaza neared the one-year mark.

Biden used his wide-ranging address to speak to a need to end the Middle East conflict and to highlight U.S. and Western allies' support for Kyiv since Russia invaded Ukraine in February 2022. He also raised concerns over artificial intelligence and its potential to be used for repression.

His appearance before the international body offered Biden one of his last high-profile opportunities as president to make the case to keep up robust support for Ukraine, which could be in doubt if former President Trump defeats Vice President Kamala Harris in the November election. Biden insisted that despite global conflicts, he remains hopeful for the future.

"I've seen a remarkable sweep of history," Biden said. "I know many look at the world today and see difficulties and react with despair, but I do not."

"We are stronger than we think" when the world acts together, he added.

Biden came to office promising to rejuvenate U.S. relations around the world and to extract the U.S. from "forever wars" in Afghanistan and Iraq that consumed American foreign policy over the last 20 years.



MATTHEW LEE FOR THE TIMES

"OUR TASK, our test, is to make sure that the forces holding us together are stronger than the forces pulling us apart," President Biden said Tuesday.

Benjamin Netanyahu when they met on the sidelines of last year's U.N. gathering. He added, "If you and I, 30 years ago, were talking about normalization with Saudi Arabia, I think we'd look at each other like, 'Who's been drinking what?'"

Eighteen days later, Biden's Middle East hopes came crashing down. Hamas militants stormed into Israel, killing about 1,200, taking some 250 hostages, and sparking a bloody war that has killed tens of thousands of Palestinians in Gaza and led the region into a complicated downward spiral.

Now, the conflict is threatening to metastasize into a multilateral war and leave a lasting scar on Biden's presidential legacy. Israel and Hezbollah traded strikes again Tuesday as the death toll from a massive Israeli bombardment climbed to nearly 500 people and thousands fled from southern Lebanon. It's the deadliest barrage since the 2006 Israel-Hezbollah war.

Israel has urged restraint of southern Lebanon to evacuate from homes and other buildings where it claimed Hezbollah has stored weapons, saying the military would conduct "retentive strikes" against the militant group. Hezbollah, meanwhile, has launched dozens of rockets and missiles and drones into northern Israel in retaliation for strikes last week that killed a top commander and dozens of fighters. Dozens were also killed last week and hundreds more wounded after hundreds of pagans and walkie-talkies used by Hezbollah militants exploded, a sophisticated attack that was widely believed to have been carried out by Israel.

Israel's leadership launched its counterattacks at a time of growing impatience with the Iranian-backed Hezbollah's persistent launching of missiles and drones across the Israel-Lebanon border after Hamas started the war with its attack on Oct. 7.

Biden also sounded an alarm about the rapid advances in artificial intelligence development, particularly around disinformation, respect for human life and the potential exploitation by totalitarian powers.

He told the world leaders, "There may well be no greater test of our leadership than how we deal with A.I."

We must make certain that the awesome capabilities of A.I. will be used to uplift and empower everyday people, not to give dictators more powerful shackles on the human spirit," he added.

Biden struck a wistful tone in his remarks, referring to his first time attending the General Assembly more than 50 years ago, and quoting Irish poetry.

Biden held up his decision to step aside as an instructive moment as he addressed a gathering that has no small share of totalitarian and pandermoniacal leaders.

"Some things are more important than staying in power," Biden said. "It's your people that matter the most. Never forget, we are here to serve the people. Not the other way around."

Associated Press writers Madhani and Lee reported from the United Nations and Miller from Washington.



from the NEIGHBORHOOD,
for the NEIGHBORHOOD -

LEGAL, LOCAL CANNABIS.

Find a licensed retailer near you at cannabis.lacity.org

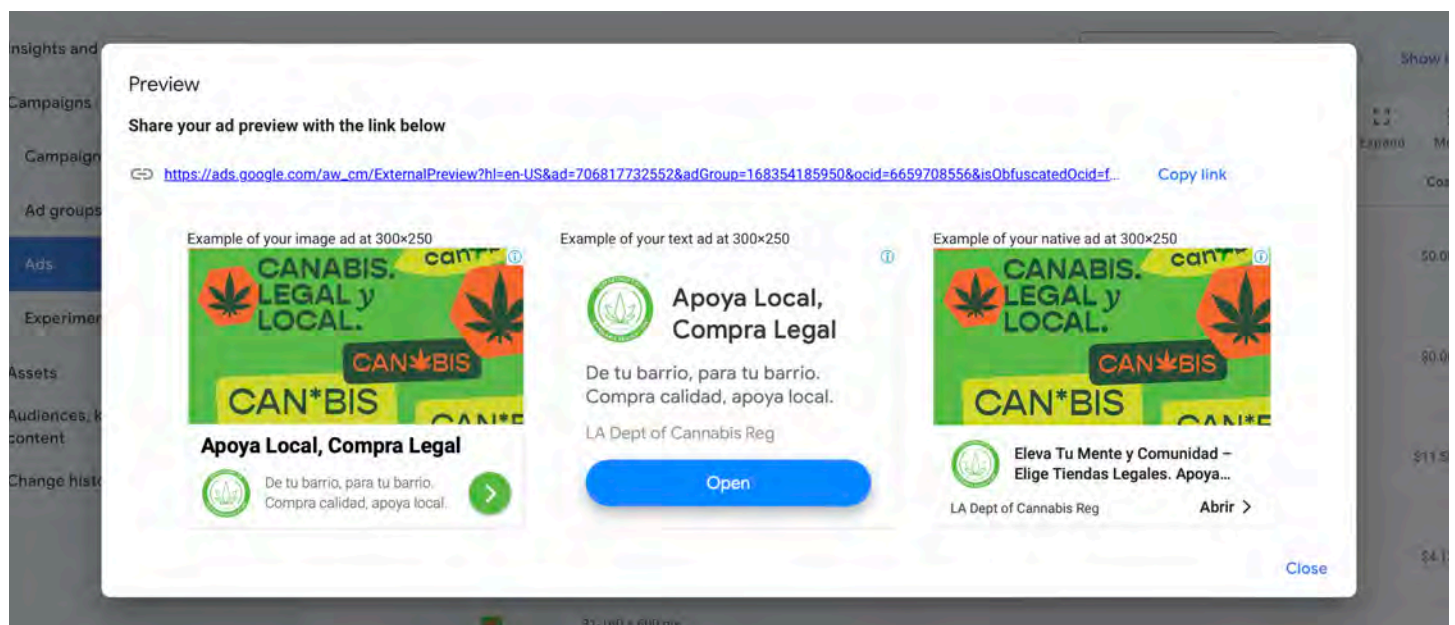
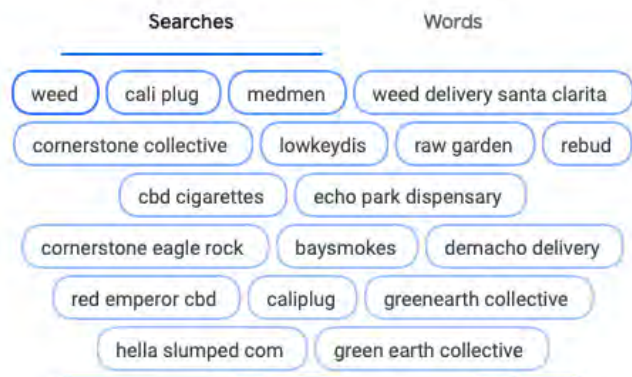
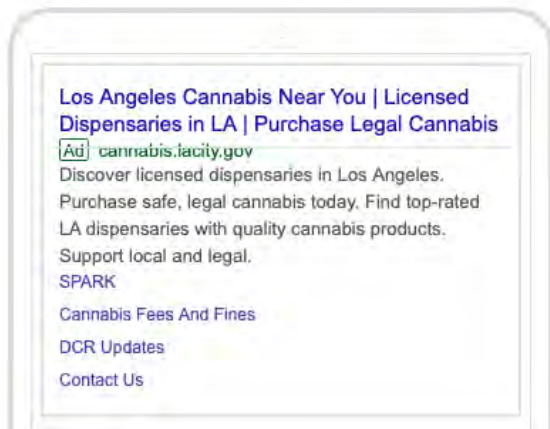


del BARRIO,
para el BARRIO—

CANABIS. LEGAL y LOCAL.

Encuentra a un vendedor autorizado cerca de ti en cannabis.lacity.org

GOOGLE DISPLAY ADS & SEARCH



REDDIT ADS

u/LADCR · Promoted

Support your neighborhood by choosing licensed cannabis shops. Find a legit retailer near you at cannabis.lacity.org. Buy safe, top-quality products from trusted local sources.




cannabis.lacity.org Learn More

Vote 0 Share

u/LADCR · Promoted

Support your neighborhood by choosing licensed cannabis shops. Find a legit retailer near you at cannabis.lacity.org.



cannabis.lacity.org Learn More



cannabis.lacity.org



cannabis.lacity.org





cannabis.lacity.org



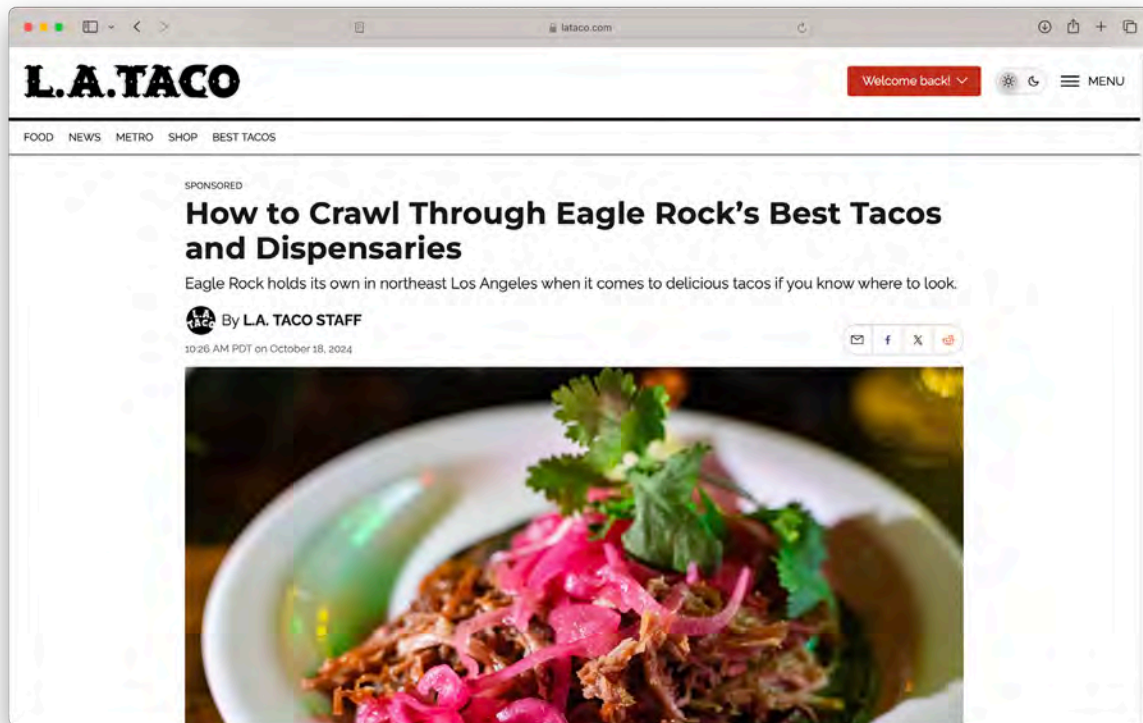
cannabis.lacity.org

META ADS (FACEBOOK, INSTAGRAM, WHATSAPP)

Get more traffic			
	Aug 26 • Created by I... Get more traffic Explore local, legal cannabis dispensaries...	Rejected	14,950 Reach 399 Link clicks
Ad			
	Aug 26 • Created by I... Website visitors Discover legal, local cannabis shops with o...	Rejected	29,113 Reach 431 Link clicks



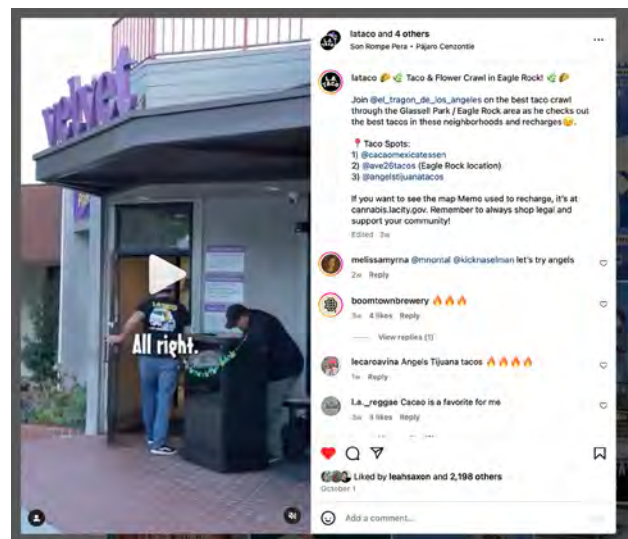
L.A. TACO (EMAIL, VIDEO, EDITORIAL, SOCIAL MEDIA)



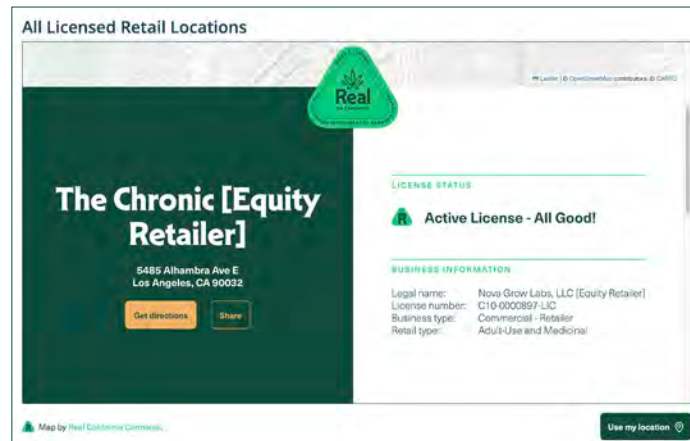
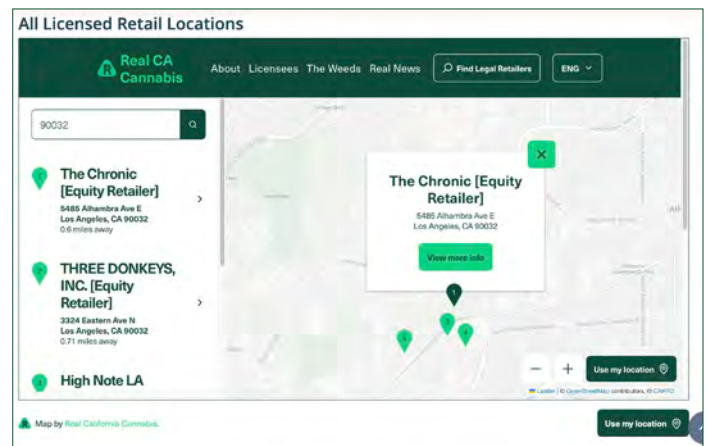
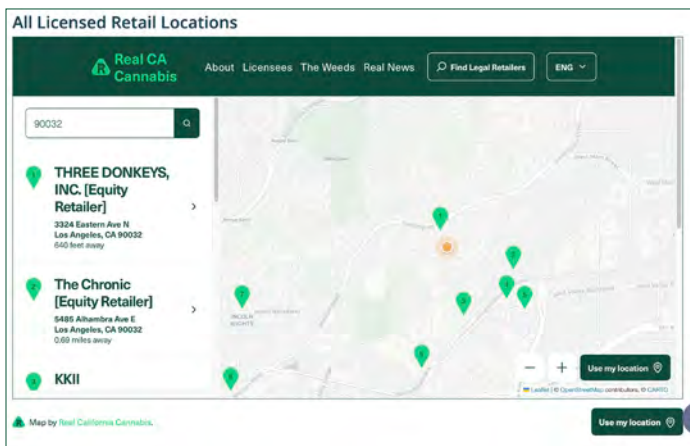
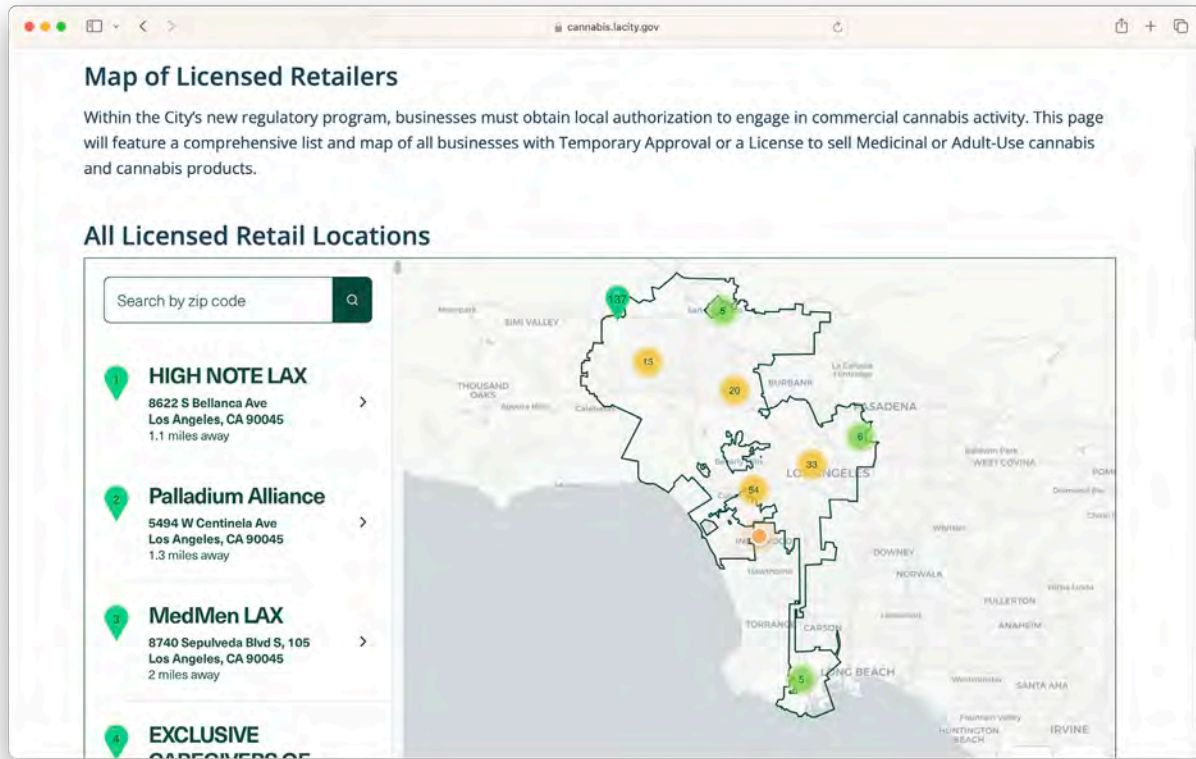
The guacamole is never watered down, a decision that deserves praise in this economy. With a generous spoonful of salsa, it's delicious enough to hold you over until your next visit to Tacos Franc in T.J. For advanced taco eaters, we recommend their buttery cabeza full of collagen and ethereal cheek meat.

4211 Eagle Rock Blvd. Los Angeles, CA 90065

But you don't have to limit your adventures to any one neighborhood. Find your closest [legal, local dispensaries with LADCR's map](#).



ONLINE RETAILER MAP (cannabis.lacity.org)



GIVEAWAYS / PREMIUMS



SWAG BAG

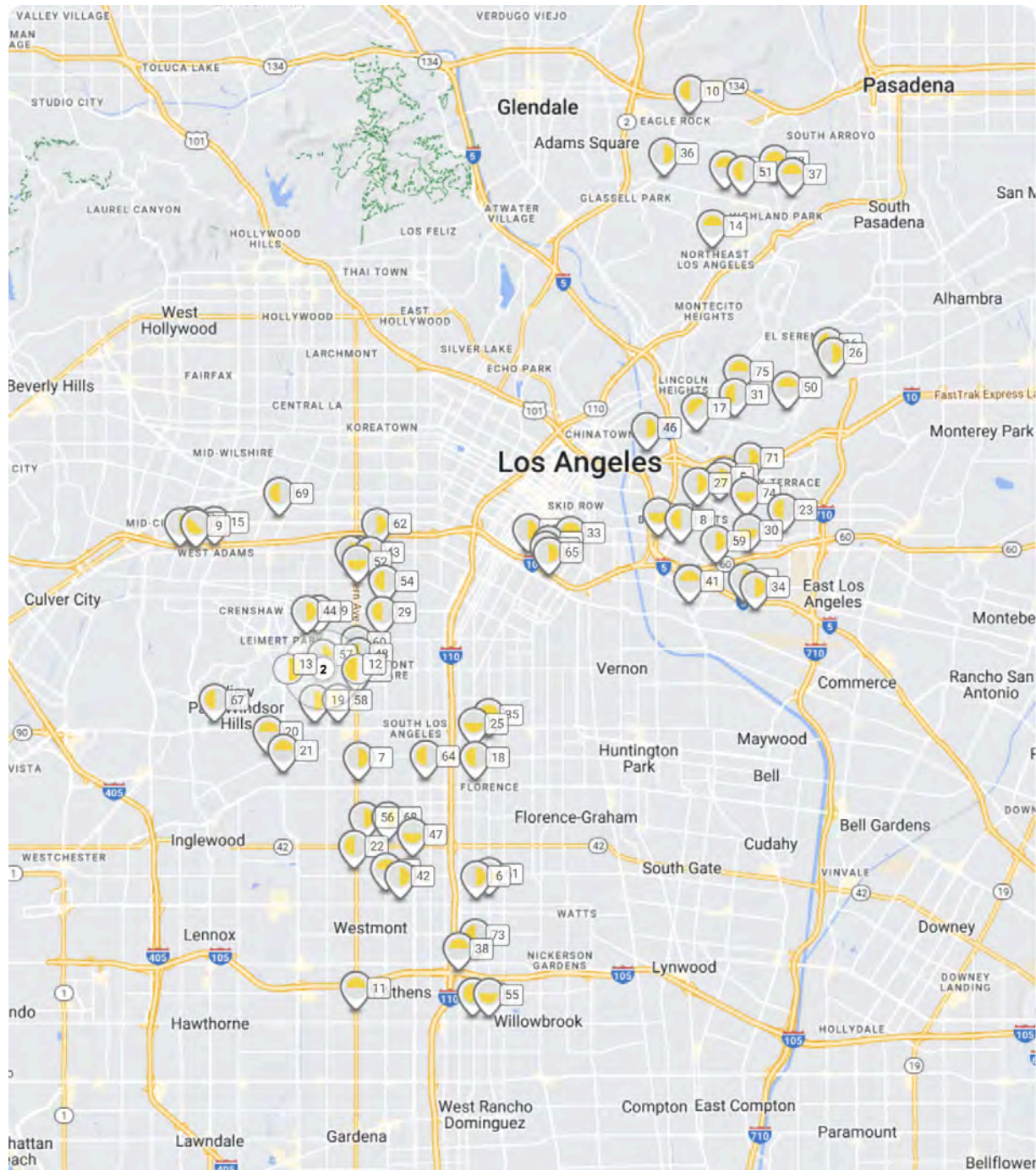


Los Angeles Department of Cannabis Regulation (LADCR) Campaign Evaluation (Section 7 Deliverable)

CAMPAIGN OUT-OF-HOME MEDIA PLACEMENT



Junior Posters, One-Sheet Posters/Gas Station Pump Toppers



Los Angeles Department of Cannabis Regulation (LADCR)

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YOUTH COMPONENT COLLATERAL MATERIALS

For Young People (under 21):

Clear Heads, Bright Futures

GOING WITHOUT CANNABIS

Get Moving!

You may not be able to run away from your problems, but you can run (or hike) off some of those bad feelings. Exercise is a proven stress reliever that pumps endorphins—your brain's feel-good transmitters—through your body. It can also help improve your sleep, something that's often disrupted by stress. Los Angeles has several free and discounted sports programs and youth activities to get you moving, such as:

PlayLA
Check out the programs offered by your local recreation center.

YMCA Los Angeles
Take advantage of the YMCA of Los Angeles' free teen summer membership! Enjoy free access to your local Y from June 1–August 18.

EARN LEARN PLAY
Find free and low-cost summer programs in Los Angeles near you.

Heart of Los Angeles (HOLA) Youth Programs
Learn about HOLA's free academic, sports, and arts programs.

Get Inspired!

If sports aren't your thing, try channeling your emotions into another medium. Whether creating your own art, visiting a museum, reading, writing, or watching movies, there are tons of things to do this summer.

Write a book review:
If you like to read or write, consider reviewing a book for the Los Angeles County Library! If you're in grades 7–12, they want to hear from you.

Discover & Go
Individuals that have a Los Angeles Public Library card can participate in the Discover & Go program, an initiative that offers free and low-cost passes for museums, science centers, zoos, theaters, and other cultural destinations.

NexGenLA
The Los Angeles County Museum of Art offers a free membership for individuals 17 and under who live in Los Angeles County. Members can also receive discounts on studio classes and art camps.

Explore all of these programs and more here

City of Los Angeles Department of Cannabis Regulation | cannabis@lacity.org

Clear Heads, Bright Futures

YOUR BRAIN MATTERS

Did you know your brain continues to develop until the age of 25? It's true, which is why it's so important to wait to use mind-altering drugs like cannabis until you're an adult. Cannabis affects the areas of our brains that control judgment, memory, and emotions. Early use can have severe consequences. Concentrate on your short term and long term goals.

Students who smoke cannabis tend to earn lower grades and are more likely to drop out of high school. One study published in Current Pharmaceutical Design showed adolescent cannabis users also perform tasks with less accuracy.

Acute cannabis consumption is associated with an increased risk of a motor vehicle crash, especially for fatal collisions, according to the British Medical Journal.

It may be tempting to turn to cannabis to deal with boredom, feelings of anxiety or depression, but long-term use has been linked to a range of mental health issues. Aside from worsening anxiety and depression, cannabis users are more likely to experience hallucinations, paranoia, and even schizophrenia, according to the DEA. The connection between cannabis and schizophrenia is also stronger in individuals who began using at an early age.

There's a reason for age restrictions for cannabis. and even though it's legal for those ages 21 and older, it doesn't mean you should rush to use it. Experience your youth to the fullest – don't let cannabis get in the way of major milestones, like getting your driver's license, participating in sports and clubs, going to prom, or graduating high school.

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For Parents:

Clear Heads, Bright Futures

PARENTS: AGE APPROPRIATE CANNABIS CONVERSATIONS

Children 8 and under

Having age appropriate conversations about serious matters helps build a foundation of trust. The foundation is about instilling the importance of taking care of one's mind and body at a young age and helps them prepare for if and when they face difficult situations.

- Emphasize the importance of taking care of their bodies by eating healthy, playing and getting exercise, and getting enough sleep.
- If your child takes vitamins or is prescribed medication by a doctor, use this as an opportunity to mention that they should only take such substances from their guardian or doctor, and explain that taking someone else's vitamins or medication can make them sick.
- Teach your child to say "no" to things that make them feel uncomfortable, unsure, or seem dangerous. They can use phrases like: "I am not comfortable with that" or "My parents need to know about this."

Children 9–12

Having age appropriate conversations about cannabis with your child at this point may seem premature, but children at this age are inherently curious and are quickly absorbing the world around them. Starting a dialogue now will open the lines of communication so they see you as a trusted source of information and support.

- Take advantage of teaching opportunities. By this age, your child may have seen or heard cannabis mentioned at school, on television or in movies, or passed by cannabis storefronts. When the moment presents itself, explain how and why these substances are dangerous for young people, and that they can seriously damage their health and wellbeing.
- Ask your child if they've heard about drugs and be prepared to answer any questions they may have. If they seem uninterested, reassure them that you are someone they can come to talk about this or anything that concerns them.
- Lead by example – your child is watching your actions and may try to mimic what you do. Be prudent if you have a household member that uses cannabis, remind them to refrain from doing so in front of children, and lock up cannabis products so that they aren't accessible to children.
- Practice saying no and what they should do if someone offers them drugs.

Children 13–16

By this age, your teen may be exposed to cannabis by their friends or peers, or may have even tried it themselves. It's important that they still feel safe coming to you with questions or concerns without fear of judgment or punishment. Be ready to have an honest, and maybe even uncomfortable, conversation.

- Be upfront about your expectations and remind them of the reasons there are age limits for recreational drugs. Brains develop well into a person's 20s and cannabis can interfere with cognitive development.
- Consider creating a code word with your child so they can communicate to you if they've been put in a compromising situation with drugs. This will allow you to help them out of it without their peers knowing.
- Remember what it's like to be a kid. Your child's likely experiencing new thoughts and emotions relating to drugs or peers, so it's important that you remain calm, be engaged, and foster an environment that encourages them to continue speaking with you.

Teens and young adults 17–20

As your child nears or reaches adulthood, accept the hard truth that they may decide to experiment with cannabis. While you can't necessarily stop them, you can educate them and be candid about how drug abuse can have real consequences.

- Explain cannabis laws and consequences for engaging in illegal-cannabis activities. In California, you must be 21 to legally possess and use cannabis. It's also illegal to drive with unsealed cannabis containers, smoke in public, take cannabis across state lines, and use or possess cannabis on federal land.
- If they're heading off to college, joining the workforce, or doing something else that involves increased independence, discuss how they can best navigate their new found freedom without compromising their academics, employment, or safety.
- Emphasize that they should never drive or get in the car with someone who's under the influence. If a parent or guardian is able, offer to pick them up or order them a car service if they're too impaired to get home.
- Enlist the help of friends, aunts, uncles, or other family or community members that you trust and that they respect.

City of Los Angeles Department of Cannabis Regulation | cannabis@lacity.org

Los Angeles Department of Cannabis Regulation (LADCR)

Campaign Evaluation (Section 7 Deliverable)

CAMPAIGN METRICS

Performance Metrics Chart

This chart outlines key indicators used to assess the reach, engagement, and effectiveness of the campaign. Each metric offers insight into audience interaction, distribution, and visibility, helping to gauge overall effect.

Metric	Description
Circulation	The total number of copies distributed.
Clicks	The total number of times users clicked on the ad, link, or call to action, indicating interest or engagement with the content.
Comments	The number of direct view responses.
Conversions	The number of users who clicked the link to access the DCR map.
Engagement	The level of interaction with the ad content, typically referring to actions such as clicks, shares, likes, or comments on digital platforms.
Impressions	The total number of times the ad was displayed or viewed at a specific location.
Likes	The number of positive reactions to content.
Reach - Digital	The unique number of people exposed to the ad. This differs from impressions, as reach counts individual viewers, while impressions may include multiple views by the same person.
Reach - Print	The total number of people exposed to the content. Reach tends to be higher than circulation due to multiple readers per copy.
Shares	The total number of times viewers redistributed or reposted the ad or content.
Total Views	The number of times content was watched or displayed.

Los Angeles Department of Cannabis Regulation (LADCR)

Campaign Evaluation (Section 7 Deliverable)

Out-of-Home (OOH)

Vehicle	Planned Impressions (7/8/24 - 9/30/24)	Delivered Impressions (7/8/24 - 10/10/24)	Bonus Impressions (10/1/24 - 10/10/24)
Large Billboards Small Billboards One sheet posters Gas station pump toppers Barrier Wild postings Mobile billboards	95,550,927	101,801,415	6,250,488

Digital Platforms

Google

Platform	Clicks	Conversions
Google Ads	138,000	118,000

Reddit

Device	Impressions	Clicks
Computers	37,753	504
Mobile Phones	7,190,613	120,615
Tablets	1,209,957	16,720
TV Screens	701	4

LA Taco

Source	Video Details	Metrics
LA Taco Digital	Video #1 Views Video Engagement	97,001 Likes: 2129 Shares: 695 Comments: 29
	Video #2 Views Video #2 Engagement	40,149 Likes: 621 Shares: 56 Comments: 54

Los Angeles Department of Cannabis Regulation (LADCR)

Campaign Evaluation (Section 7 Deliverable)

Social Media

Source	Ad Details	Metrics
Meta: Facebook, Instagram, WhatsApp	Ad Engagement	Reach: 44,063 Conversions: 830

Print

Print Source	Ad Details	Metrics
LA Times Ad #1	7/15/24: Full Page Color - Print and Digital	Circulation: 494,156 Reach: 1,153,862
LA Times Ad #2	9/25/24: Half Page Color - Print and Digital (English & Spanish)	Circulation: 250,000 Reach: 600,000

Los Angeles Department of Cannabis Regulation (LADCR)

Campaign Evaluation (Section 7 Deliverable)

CAMPAIGN BUDGET

Total Campaign Spend*

Campaign	Spend	% of Total Spend
Media Vehicles	\$491,000	99.0%
Other non-Media Vehicles	<u>\$ 4,500</u>	<u>1.0%</u>
Total	\$495,500	100.0%

Total Spend by Media Vehicle

Media Vehicle	Spend	% of Total Spend
Out-Of-Home	\$388,000	78.2%
Digital	\$ 35,000	7.1%
Social Media	\$ 33,000	6.6%
Print	<u>\$ 35,000</u>	<u>7.1%</u>
Total	\$491,000	99.0%

Total Spend by Other (non-Media) Vehicle**

Other (non-Media) Vehicle	Spend	% of Total Spend
Consumer Premiums	\$ 4,500	1.0%
Community Events	\$0	0.0%
Collateral Materials	\$0	0.0%
Retailer Activities	\$0	0.0%
Cross-promotional Activities	\$0	0.0%
Earned Media Activities	<u>\$0</u>	<u>0.0%</u>
Total	\$ 4,500	1.0%

*Total spend includes media, as well as all development, production, agency fees and overhead costs.

**Nominal spending on the following non-media vehicles: community events, collateral materials, retailer activities, cross-promotional activities and earned media activities was absorbed by the LADCR and not funded by Prop 64 funds.



CITY OF LOS ANGELES DEPARTMENT OF

CANNABIS REGULATION

**PREPARED BY:
WeAreGiants. LLC
OCTOBER 2024**

Appendix C

Enforcement Analysis

Lessons Learned and Best Practices for Progressive Enforcement of Unlicensed Cannabis Operations

April 30, 2025

Produced for the City of Los Angeles Department of Cannabis Regulation (LADCR)
Compliance and Enforcement Division (CED)

By Rowe Policy and Media, Inc. (RPM)

Funding provided by the California Board of State and Community Corrections (BSCC)

City of Los Angeles Contract Number. C-144192



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**DEPARTMENT OF
CANNABIS REGULATION**

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April 30, 2025

Message from Acting Executive Director, Jason Killeen on the RPM Enforcement Analysis

Dear Readers and Stakeholders,

This report was independently developed by Rowe Policy and Media, Inc. (RPM) for the City of Los Angeles (City) Department of Cannabis Regulation (DCR) with grant funding received from the California Board of State and Community Corrections (BSCC). With the intention of gaining a deeper understanding of the unlicensed cannabis market in Los Angeles, RPM spent months delving into the ins and outs of this sector, legal and otherwise. The findings and recommendations within this report offer insights and a starting point for local and State policymakers to create sustainable solutions to address the Statewide issue of unlicensed commercial cannabis activity. Good policy is an art perfected through multiple iterations; while the recommendations presented in this report offer a starting point, there is often not an easy or direct path forward. These recommendations require the guiding hand of a cannabis policy champion to mold, shape, and advance them. This report gives us a better understanding of the challenges and potential remedies to eliminating the unlicensed commercial cannabis market, and should not be interpreted as an action plan for DCR.

DCR is responsible for administering the commercial cannabis licensing and regulatory program established by the Los Angeles City Council. This includes processing applications, issuing licenses, regulating the operations of licensed businesses, and managing the Social Equity Program with an emphasis on wellbeing and safety, economic growth and development, and continuous improvement. Part of DCR's mission to foster economic growth is to support innovation, such as providing new licensing opportunities. Here, RPM recommends expanding the number of available retail licenses for the City and creating new types of business licenses. In 2025, DCR plans to hold a lottery to allocate the remaining available retail licenses to social equity entrepreneurs and present a consumption lounge and temporary event framework before the City Council.

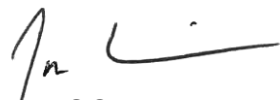
It is important to note that, at the time this report is being published, the City faces a billion-dollar General Fund deficit and the Proposed Budget recommends 1,700 layoffs Citywide. There is value in each recommendation put forth by RPM; however, DCR lacks the authority and funding to execute many of RPM's proposals. Investing in additional services, such as establishing a dedicated DCR enforcement arm against unlicensed activity, will have General Fund impacts. For example, a 2017 City Administrative Office report ([Council File 14-0366-S14](#)) found that funding a dedicated enforcement arm within the City would require approximately 35 new positions - at the time, envisioned as LAPD sworn personnel - paid for by the General Fund, and

Enforcement Report by Rowe Policy and Medica, Inc.
Message from DCR's Acting Executive Director
(Continued)

would involve a number of additional legal obstacles. We also recognize the severe challenges businesses face in obtaining financial support, particularly with banking services. More fundamentally, addressing unlicensed activity or establishing City-sponsored funding services are outside of DCR's current regulatory authority. These services must be considered, authorized, and funded by policymakers.

The cannabis industry is ever-evolving, and as new developments emerge, DCR will continue to evaluate the tools at its disposal to best meet the needs of the City, business owners, and members of the community. This report is one resource, serving as a reference to understand the complexities of addressing the unlicensed commercial cannabis market and to consider possible paths forward.

Best Regards,



JASON KILLEEN
Acting Executive Director

Executive Summary

The unregulated cannabis market in Los Angeles poses significant challenges, from undermining licensed businesses to endangering public health and safety and reducing potential tax revenue. In response, the City of Los Angeles commissioned this study to explore targeted strategies for curbing the unlicensed cannabis trade and enhancing the City's regulatory framework.

A coalition of policy experts completed the study, which involved quantitative data analysis of LAPD arrest records and a comprehensive literature review to inform evidence-based recommendations. Input from community stakeholders, unlicensed operators, consumers of unregulated cannabis, and public agency representatives ensured that the findings reflected the needs and concerns of those directly impacted by the unregulated market.

The study's findings emphasize that addressing the unregulated cannabis market in Los Angeles requires a multifaceted approach. Input from diverse community members is a driving force in ensuring that proposed solutions reflect the needs and concerns of those impacted by the unlicensed trade. Collaboration between city officials, state and federal agencies, and the community will ensure these reforms promote long-term stability and equity in the cannabis market.

The challenge of eliminating the unlicensed market is solvable. It will require determination and policy changes, which may have negative consequences, primarily affecting those in lower-income areas of the city. Compensating these individuals can help elevate workers, ensure higher quality products and medicine for Los Angeles residents, and establish a long-term licensed industry better equipped for future challenges.

The price differences between licensed and unlicensed products seem extraordinary and warrant further research. Consumers face difficult decisions regarding whether to "buy legal," and many choose not to. Policymakers and regulators in the City of Los Angeles, Los Angeles County, and the State of California can all contribute. Taxation, regulation, permitting, social equity support, and a segmented return to the Prop 215 Compassionate Care framework may encourage most consumers and operators to transition to the licensed and regulated market.

The future of the industry in California is in the balance. Not acting would likely relegate the licensed industry to a shell of its potential. The industry and those it serves would find strong allies among regulators, enforcement, and administrators. Industry associations and projects like "buy legal" are examples of how empowering consumers can advance the licensed market.

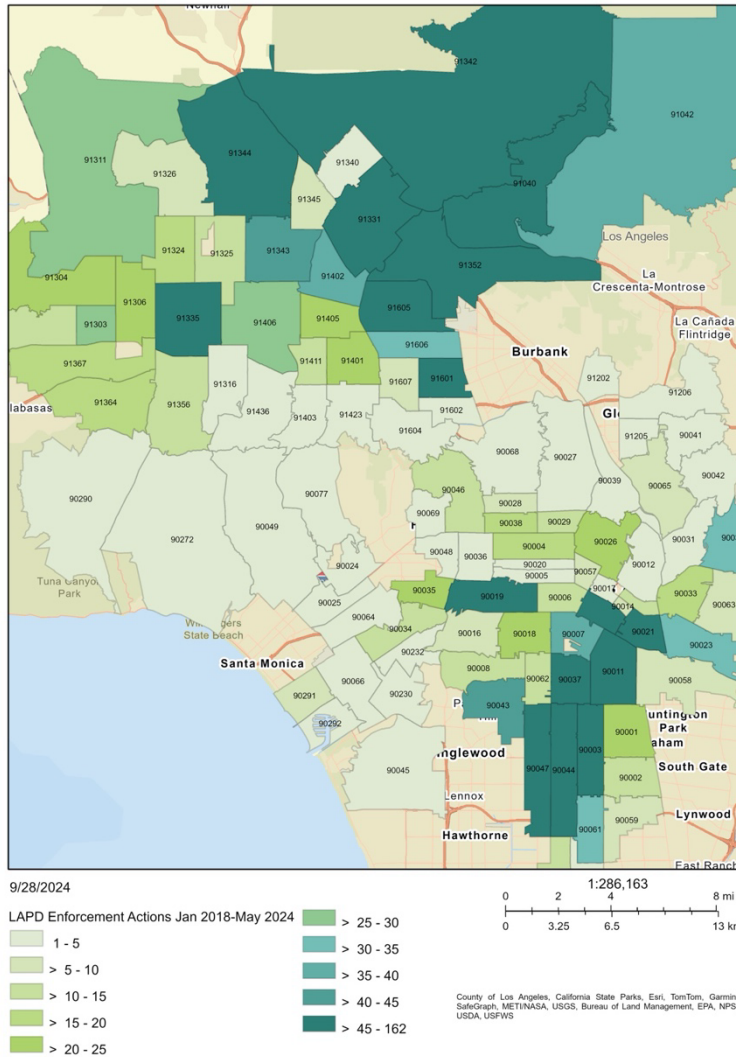
This report demonstrates that the public and private sectors can significantly suppress current activity when working with administrative penalties, fees, fines, and other non-criminal tools. The resources available across city, county, and state agencies are more than capable. We have sometimes highlighted the tools, organizations, and mindsets effectively utilized in other jurisdictions. Commitment and responsiveness with these resources can support and nurture the emerging industry as it evolves into its best form.

Findings

Characteristics of the Unlicensed Cannabis Market

- 1. Outsized Local and Statewide Challenges:** The City of Los Angeles has several tools to enforce the unlicensed industry throughout the supply chain and deter its existence. Other cities across the country have virtually succeeded in eliminating their unlicensed locations. The problem in Los Angeles and across California is often more significant than in most other markets in the United States. Because of that, it will require a great effort and attention to detail to eradicate it equitably and attract quality retailers, manufacturers, distributors, and cultivators to take its place.

LAPD Cannabis Enforcement by Zip Codes 2018-2024



- 2. Disparities in Enforcement Continue:** See Figure 1 map on the next page. Despite notable reductions in arrests overall since before 2016, the concentration of cannabis-related arrests continues to affect lower-income areas of the City disproportionately. In the past, Los Angeles City agencies often did not engage with cannabis businesses cooperatively or urgently. However, this is changing. While search warrants and enforcement actions dipped in 2020 and 2021, they have been increasing, and 2024 appears to outpace previous years even before the halfway mark.

- 3. Uneven Playing Field:** The current economics do not favor licensed, law-abiding operators. They bear real estate costs, legal fees, FICA and income taxes, construction, capital, production inputs, and labor premiums. High taxes burden their customers. To level the playing field, they need an ally that is eager to remove dangerous, unregulated products from the hands of children and consumers, while restoring fairness to cannabis business licensees. The regulated cannabis industry in the City of Los Angeles is struggling to remain

competitive due to the presence of unlicensed operators. Operating in the unlicensed sector is less complicated and more profitable, with significantly lower costs. Many of these businesses remain unlicensed because current regulations impose weak disincentives for non-compliance, while the incentives to transition to licensed operations are not sufficiently compelling.

4. **Market interdependence:** Unlicensed growers, manufacturers, and distributors supply licensed and unlicensed retail operations, including multistate operators, constituting a significant portion of the California market. These enterprises often engage with their licensed counterparts through back-door channels, which have become a critical pipeline to retailers in Los Angeles and the United States. The profits generated from the unlicensed side of operations are essential for licensed businesses to remain viable. Many companies have struggled to survive in the regulated market, opting to participate in both licensed and unlicensed sectors.
5. **Large Licensing Premiums.** Our research on Licensing Premiums for this project indicates that regulated products throughout the city sell, on average, for two to three times the price of their unlicensed counterparts. The high THC levels and other label claims on untested products are often misleading and inaccurate; yet, this does not seem to deter thousands of consumers. Price-sensitive consumers, particularly those using medical products, primarily choose unlicensed options for economic reasons, favoring the low-cost choices available at unlicensed retailers. These retailers also provide higher-potency products compared to their licensed competitors, and marketing efforts across the city continue to emphasize increasing levels of THC.
6. **Persistence of Hemp Derived Cannabinoids (HDCs), Delta 8 and Delta 9:** Unlicensed cannabis retailers, delivery services, and smoke shops are widespread and offer cheaper hemp-derived cannabinoid (HDC) and gray market products that appeal to consumers. The 2018 and 2023 US Farm Bill protections worsen this issue. It remains to be seen how the recent ban on hemp products containing detectable amounts of THC will affect the market. As of February 2024, five months after the Governor's order to remove HDCs (September 6, 2024), this research team noted that nearly half of the smoke shops in Los Angeles they surveyed still carried them. (Convenience nonrandomized sample, n=10)
7. **Slow licensing:** Unlicensed operators exploit a gap created by the sluggish licensing of cannabis businesses in the city and nearby areas.
8. **High taxes:** Taxation in the City of Los Angeles significantly hinders competition among local retail and other license categories.¹ According to the CDTFA, total cannabis tax revenue from first-quarter returns is \$259.9 million as of May 16, 2024. This figure comprises \$152.5 million in cannabis excise tax and \$107.4 million from sales tax collected from cannabis businesses. These amounts do not include outstanding returns or those still being processed. These LA City-based taxes span the supply chain: sales and delivery (5% medical, 10% adult use), distribution (1%), testing (1%), cultivation (2%), and manufacturing (2%). The City cannabis tax rate table from the Office of Finance website is included here.
9. **Safety concerns:** Unlicensed cannabis operations do not comply with buffer zones around sensitive areas and may inadequately verify IDs or enforce age restrictions. Many offer untested and mislabeled cannabis and cannabinoid products, and some may possess other psychoactive substances on the premises. Some locations are located directly across from public schools, parks, and other sensitive sites. Further research is warranted.
10. **Weapons and Human Trafficking Overstated:** LAPD arrest data show that the presence of weapons, other drugs, and human trafficking in unlicensed shops and cultivation may be exaggerated in the media. The vast majority of investigations yield no guns. Out of over 2400 investigations, fewer than 130 resulted in two or more guns. This tempers the narrative that cannabis shops are also dealing in weapons. The *median* value for guns recovered is 0.
11. **Consumer knowledge:** Many consumers know the difference between licensed and unlicensed cannabis retailers. Additionally, cultural factors and distrust of new businesses influence the types of establishments they frequent.

¹ As of December 31, 2023, nearly 15% of the state's cannabis operators (including retailers, distributors and other tax-obligated businesses) were in default of their sales-and-use tax obligations, totaling \$189.3 million in default (<https://www.cannabisbusinesstimes.com/news/california-cannabis-businesses-default-taxes-excise-increase/>).

12. **Persistent operators:** Shutting down unlicensed operators in the city is challenging, and some operators persist in reopening, even after cease-and-desist letters, utility shutoffs, and raids. Licensed operators are frustrated by the City and State’s inability to counter unlicensed operations. Twenty years of essentially unregulated Proposition 215 (Compassionate Use Act of 1996) era market activity have shaped this situation. Interviews suggest that the city has become an unlicensed supply chain nexus that includes indoor cultivation and manufacturing enterprises serving as a hub for California and the United States.

Progressive cannabis law enforcement
Progressive cannabis law enforcement is a regulatory strategy that centers on public health, equity, and economic inclusion rather than punitive measures. It emphasizes civil and administrative remedies over criminal prosecution, prioritizes the reduction of illicit market activity through legal market integration, and addresses the disproportionate harms of past cannabis prohibition, particularly in communities of color. This approach supports reentry, record expungement, community investment, and transparent, accountable regulation. The City of Los Angeles has committed to understanding progressive enforcement and the needs of affected communities early through community feedback sessions.

Table 1. Los Angeles Office of Finance, Cannabis Tax Rate Table²

1. Digital-based marketing platforms for access to unlicensed operations: Google Maps does not monitor its search engine for unlicensed operations, which proliferate on the platform. Additionally, there are numerous ways to procure unlicensed cannabis products through social media, texting, and other mobile applications. However, Weedmaps.com, an online platform that provides information about cannabis operations, has eliminated unlicensed operators from its website and now serves as a reliable source for licensed cannabis retailers. On September 24, 2024, the Los Angeles County Board of Supervisors approved a motion to deplatform unlicensed cannabis operations from these digital sources. The motion requests that County Counsel provide a feasibility report on deplatforming these operations and that the Office of Cannabis Management develop a plan for implementation within 120 days. Furthermore, a letter will be drafted to these digital platforms requesting voluntary cooperation in removing unlicensed operations from their listings. (<https://file.lacounty.gov/SDSInter/bos/supdocs/195518.pdf>)

Activity	DCR Permit Fund/Class Effective 9-1-22	Monthly Business Tax/Class associated with the DCR Permit Fund/Class	Tax Rate
Sales and delivery of medical use cannabis and cannabis products	J010 - Retail Storefront J030 - Delivery	L711 - Medical Cannabis Sales	\$50 for each \$1,000 of Gross Receipts
Sales and delivery of adult use cannabis and cannabis products	J010 - Retail Storefront J030 - Delivery	L712 - Adult Use Cannabis Sales	\$100 for each \$1,000 of Gross Receipts
Cannabis medical and adult use distributor Transport Only	J031 - Distributor Transport Only	L713 - Cannabis Transportation	\$10 for each \$1,000 of Gross Receipts
Testing or researching of cannabis or cannabis products	J040 - Testing	L714 - Cannabis Testing	\$10 for each \$1,000 of Gross Receipts
Cultivation and nursery/processor of medical and adult use cannabis	J060 - Nursery/Processor J062- Cultivation	L716 - Cannabis Cultivation	\$20 for each \$1,000 of Gross Receipts
Distribution and manufacturing of medical and adult use cannabis	J080 - Distributor J083- Manufacturer	L718 - Cannabis Miscellaneous	\$20 for each \$1,000 of Gross Receipts

² "Cannabis Tax Rate Table." Cannabis Tax Rate Table | Los Angeles Office of Finance. Accessed September 28, 2024. <https://finance.lacity.gov/cannabis-tax-rate-table>.

Recommendations:

The report contains recommendations. Laws can be proposed or amended, policy and tax levers can be pulled to incentivize or disincentivize behavior, alliances can be built, and information can be shared. Each section represents a different approach to progressive enforcement and its ability to mitigate unlicensed locations and operations in the City.

Strategies for Addressing Unlicensed Cannabis Operations

1. **Targeting landlords of unlicensed operators:** Landlords are rarely discussed as beneficiaries of unlicensed operations. They charge a premium to cash-paying cannabis operations, and they are seldom targeted in enforcement, even though the Los Angeles City Controller reports calling for increased use of liens and fees on landlords.
2. **Complaint lines:** The LAPD continues to operate through a complaint-driven model, which can lend itself to bias where licensed businesses and proactive neighbors drive enforcement of unlicensed shops. LADCR's complaint line is being used to get investigations into the system.
3. **Search warrants:** Search warrants are effective at removing the non-persistent unlicensed operators, including through power disconnection via the Los Angeles Department of Water and Power (LADWP).
4. **Tax enforcement:** The City of Los Angeles government and partner agencies have specific tools to significantly mitigate the harmful impact of unlicensed cannabis operations in the area. Tax enforcement through CDTFA and related mechanisms are among the most widely cited practical tools by regulators and the industry.
5. **Code and administrative penalties:** DCR has the proper backing from the Los Angeles Department of Building and Safety (LADBS), Los Angeles County Department of Public Health (LACDPH), Los Angeles Fire Department (LAFD), CDTFA, and Los Angeles Office of Finance. Code and administrative penalties can meaningfully disincentivize participation in the unlicensed market.

Financial Mechanisms as Key Tools

1. **Offer a tax holiday or moratorium:** The City Council should offer cannabis businesses a holiday or temporary discount. The City's tax rate could be reduced from 10% to 8.5% or lower. Lower taxes would improve margins for owners and could incentivize higher wages, employment in the regulated industry.
2. **End excise tax collections by the Office of Finance:** The City Council could change tax collections to leave the State/California Department of Tax and Fee Administration (CDTFA) as the last excise tax collector, ending the Los Angeles Office of Finance's practice of collecting city tax on top of the state's excise tax. There is proposed legislation at the State level to leave CDTFA in this role.
3. **Prioritize collections on unlicensed operators:** Use the Los Angeles Office of Finance's power of audit to collect on unlicensed operators. Invest further in using tax collection and finance seizure as the primary mechanisms for enforcement. Liens, fines, and audits on landlords benefitting from unregulated operations should also be used.

4. **Tax hemp-derived cannabinoids (HDCs):** Use current city ordinances to tax HDC outlets. LAMC Section 21.51 Taxation of Cannabis³ was enacted according to Proposition M and adopted by the voters at the March 7, 2017, election. It allows the City to tax cannabis-derived products as defined by HSC Section 11018.5⁴ (including derivatives of industrial hemp).

Pipelines for Transitioning to the Licensed Market

1. **Expand the number of retailers licensed through LADCR:** License another 100 retail shops and use grant funding to incentivize locations in lower-income areas that lack retail access to close the gap between licensed and unlicensed operations. Offer cooperative business models/licenses to pool resources in the high-cost sector.
2. **Apply economic stimulus models to incentivize investment in low-income areas:** Facilitate opportunity zones, public-private partnerships, corporate social responsibility (CSR) programs, support of local ownership models, business improvement districts (BIDs), crowdfunding, and community development financial institutions to pool resources for loans. Improve infrastructure and mixed-use development. Continue and expand microloans and technical assistance programs.
3. **Stop targeting unlicensed employees and support workers transitioning away from the unlicensed market:** Expedite crafting and implementation of the proposed city legislation passed in April 2024 to stop targeting employees in unlicensed shops with criminal charges. Include monitoring of employee arrests as part of regulatory change. Create a pipeline from the unlicensed market to the City's social equity and workforce development efforts to support small businesses and workers affected by unlicensed operations and enforcement.
4. **Further streamline cannabis business licensure processes:** Continue LADCR's work to streamline application processes in ways that remove barriers to access, including banking support, with particular attention to supporting formerly incarcerated communities.
5. **Offer workforce development through LADCR:** Create workforce development hubs for licensed and unlicensed workers that help them learn how to protect their rights with employers, provide effective consumer education, and support high-road opportunities in the regulated market (including apprenticeships and internships).
6. **Remove or reduce sensitive-use buffers:** Move for the City Council to reduce the city's 700-foot sensitive site buffer zones to 600 feet, aligning with the State standard. The City Council may also reexamine sensitivity designations and create tiers of buffer zones for other classifications that eliminate sensitive site designations or reduce the buffer to 300 feet or less.
7. **Offer additional business opportunities for existing licensed operators:** The City could create more opportunities for licensed cannabis businesses, such as supporting temporary events and sales at significant music events.

Strengthening LADCR's Role in Equitable Enforcement

³ "Sec. 21.51. Taxation of Cannabis." American Legal Publishing. Accessed September 4, 2024. https://codelibrary.amlegal.com/codes/los_angeles/latest/lamc/0-0-0-311637.

⁴ "Cal. Health & Safety Code § 11018.5." California Health and Safety Code Section 11018.5. Accessed September 4, 2024. https://california.public.law/codes/ca_health_and_safety_code_section_11018.5.

1. **Create a dedicated enforcement arm within LADCR.** Focus on proven strategies like taxation and padlocking. This can narrow the scope of enforcement to a plan that addresses the financial/administrative roots of the market's persistence.
2. **Fund and empower City departments** relevant to the progressive enforcement of unlicensed cannabis operations. Maintain DBS power to continue padlocking and LADWP power to restrict power to unlicensed operations.
3. **Strengthen LADCR coordination with the Los Angeles City Attorney's Office:** Levy existing heavy fees and fines against unlicensed business operators and their landlords. Track and publicize repeat landlord offenders.
4. **Improve arrest data accessibility and analysis:** LADCR, LAPD, and the Los Angeles City Attorney's Office should coordinate throughout the criminal justice workflow to document, standardize, and release arrest data and unlicensed cannabis case outcomes. This group should monitor arrests and other activities to prevent disproportionate targeting.
5. **Reassess and prioritize impactful charges:** Reevaluate the workflow and wide range of charges targeting operations. Revise "drug house" charges filed as felony arrests and sent to the Los Angeles County District Attorney's Office. These charges are almost universally passed on to the Los Angeles City Attorney's Office, downgrading them to misdemeanors. The City should exercise prudence and caution in filing felony arrests or "wobblers" with individuals under revisable or revokable community supervision.
6. **Continue prioritizing** padlock operations, cash seizure, and power disconnection over arrests: Redirect cash and property seizure to support social equity initiatives and pipelines to transition to the licensed market.
7. **Engage the community** through LADCR: With trust building, LADCR could engage the community to support licensed businesses and the enforcement of unlicensed operators, as long as the LAPD has a limited support role—no War on Drugs 2.0. Create a system of deliberate, accountable, mutually respectful, and sustained communication with historically disproportionately enforced communities.
8. **Shift from complaint-driven to systematic** unregulated market analysis: In the long term, move beyond the "complaint-driven model" that businesses can use against each other or draw upon prejudices and assumptions to a more systematic study of the scope of the unregulated market and how to get to the root of the financial networks that supply it. Through safe spaces for dialogue, work with community members to identify recurring problems and develop solutions. When they happen, admit mistakes and offer public apologies.

Supporting Consumers in Choosing Regulated Products

1. Through public agency partnerships, consumer education and **community engagement** are provided. Coordinate with the Los Angeles County Department of Public Health (LACDPH) regarding the risks of unlicensed products, including any new hemp-based products.
2. Support **consumer education initiatives** through trusted community channels: Improve consumer education and empowerment via trusted community channels to spread awareness of licensure status and health risks associated with consuming unregulated cannabis products. *Potentially Promotores-Type* models could be used in coordination with harm reduction strategies.⁵

⁵ Integrating the Promotores model. Accessed August 29, 2024. <https://cssp.org/wp-content/uploads/2019/02/CSSP-Toolkit-4-RBA-Integrating-Promotores.pdf>.

3. Focus messaging on the **issues that have a discernable impact** on the community: Shift public engagement away from moral panics that overstate gun and human trafficking in unregulated industries toward broadly experienced risks to health and communities.

Multijurisdictional Coordination

1. Improve **multijurisdictional coordination** and information sharing: Work with the Unified Cannabis Enforcement Taskforce (UCETF) to enable more consistent multijurisdictional operations. Strengthen the faster and more effective flow of information between the California Department of Cannabis Control (DCC) and LADCR on enforcement questions, including landlords and the flow of products from licensed to unlicensed sources.
2. **Petition the State** to assist in focused deterrence: Engage California's Office of the Attorney General, Department of Justice (DOJ), Department of Tax and Fee Administration (CDTFA), Department of Cannabis Control (DCC), California Department of Agriculture (CDFA), and Department of Fish and Wildlife (CDFW) to work with the City on combatting unlicensed cannabis operations. These state agencies regulate or enforce state laws impacted by unlicensed operations across the supply chain. Shape city ordinances to the task as needed. The city can identify the most egregious offenders and share intelligence with the state to focus on deterrence where it is most needed.
3. Petition for **focused data sharing** and coordination with State investigation resources: Request information to be shared/exchanged with the Eradication and Prevention of Illicit Cannabis (EPIC) Program.⁶ EPIC investigates and prosecutes civil and criminal cases relating to unlicensed cannabis cultivation, focusing on environmental and economic harms and labor exploitation. Coordinate intelligence gathering and enforcement on cultivated product sources with Los Angeles destinations. Work to understand better the networks supporting the unlicensed industry in the Los Angeles area and the unlicensed supply chain.
4. Partner with the State to **conduct cannabis market research**: LADCR should engage in timely, results-oriented research with the State on how to effectively regulate/tax or stop smoke shops from selling psychoactive THC products that compete with the licensed market. This should include measuring the size and dimensions of each market.
5. Petition the federal government for **assistance with administrative remedies**: Operations that market products with misleading claims that cause demonstrable harm to communities can be held liable or exposed to criminal penalties. The Federal Trade Commission (FTC) and the U.S. Food and Drug Administration (FDA) share jurisdiction over the labeling, marketing, and advertising dietary supplements, foods, drugs, devices, and other health-related products.⁷

⁶ EPIC uses the "tools of investigation and prosecution of civil and criminal cases relating to unlicensed cannabis cultivation with a focus on environmental and economic harms and labor exploitation." EPIC works closely with the California DOJ's Cannabis Control Section, Special Prosecutions Section, and Tax Recovery and Underground Economy (TRUE) Task Force to build investigations and prosecute civil and criminal cases.

⁷ The FDA's primary responsibility is over claims that appear on product labels (including packaging, product inserts, and promotional material at the point of sale), and the FTC regulates claims made in advertising in general.

Existing Disparities: Los Angeles City and County Reports Addressing Biased Enforcement

Recent evaluations of Los Angeles City's enforcement efforts show that previous cannabis policies and disproportionate enforcement have cost communities tremendously. In response, the City commissioned further research to gather best practices for cannabis market management and to guide the design and implementation of a progressive enforcement system for the City of Los Angeles Department of Cannabis Regulation (LADCR).

Cannabis Social Equity Analysis Report. In this study, a social equity analysis was conducted to promote equitable ownership and employment opportunities in the commercial cannabis industry, decrease disparities in life outcomes for marginalized communities, and address the disproportionate impacts of past cannabis enforcement in those communities. U.S. Census Bureau household income data and Los Angeles Police Department (LAPD) arrest statistics from 2000-2016 were analyzed by police reporting district (aka "police beats") and mapped to determine which communities were subject to high cannabis-related arrest rates and high poverty rates. The report covered a detailed examination of the War on Drugs specific to the Los Angeles area.

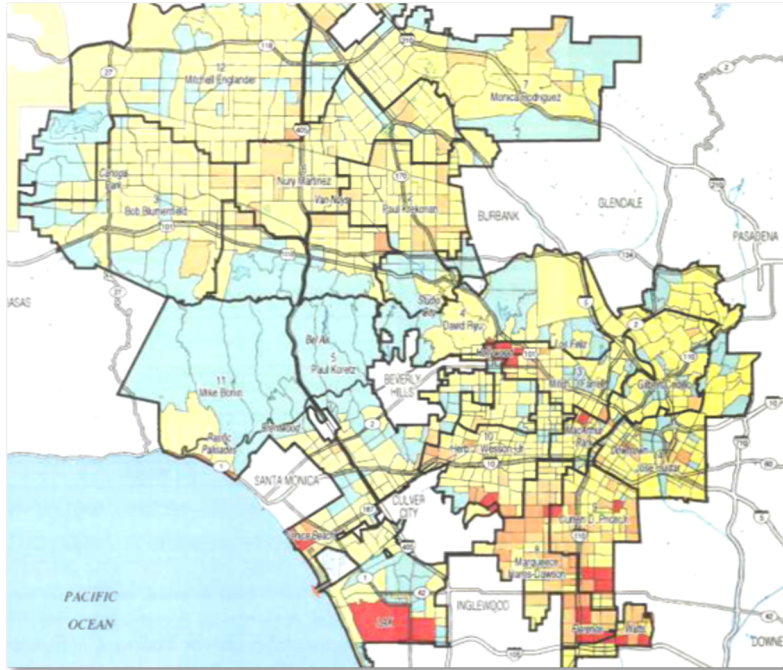
The researchers put forth:

- An analysis of poverty and LAPD statistics, as well as options to create a Social Equity Program for individuals and communities that have been disproportionately harmed by cannabis prohibition.
- An analysis that ensures communities identified in the social equity analysis have access to ownership training programs, technical assistance, capital, and other resources to reduce and eliminate barriers to ownership of Commercial Cannabis Activity businesses.
- An analysis of multicultural community outreach strategies ... to ensure targeted communities are engaged in cannabis policy development and implementation.
- Maps featuring Council District overlays that incorporate LAPD and Planning data.
- Preparation of a validation study to support the participation of marginalized community members in the Cannabis industry.

The study found that cannabis-related arrests from 2000 to 2017 revealed a disparity in cannabis arrests for the Black/African American community, which accounted for 9.6% of the population and 89,553 cannabis-related arrests, or 40% of the total. This includes a majority (51%) of the felony arrests for cannabis and 58% of the possession for sale arrests.

Million Dollar Hoods (UCLA) provided local analysis indicating that most individuals arrested for cannabis-related offenses live in the Council District where they were apprehended. Data include

- 21 % of people arrested reside in Council Districts 8 & 9
- Council Districts 8 & 9 had the most money spent on cannabis enforcement



- Zip codes 90037, 90044, and 90003 represent 5.8% of the City's population but account for 10% of all arrests.
- Police Reporting District 156 in Skid Row (San Julian) represented 1,426 arrests, and District 646 in Hollywood represented 1,395. Los Angeles International Airport came in second at 1,100. The Venice Police Reporting District 1431 represented 911. Of particular consequence to these arrests were reductions in education and employment opportunities, prevention of access to federally funded housing, as well as increased housing instability*, and the likelihood of homelessness (ACLU, 2017).

(Image: 2000-2017 Cannabis Related Arrests (Amec Foster Wheeler))

The report identified barriers to entry, many of which still exist today. These include the availability of real estate and startup capital, a lack of technical skills, criminal records, and limited awareness of social equity programs. Many banks are unwilling to provide startup loans or bank accounts for cannabis businesses. Real estate owners are restricted to working with licensees, as this often contradicts federal regulations concerning business interactions with entities involved in cannabis, a Federal Schedule 1 drug.

Startup costs, utilities, rent, and licensing fees make it more difficult for regulated businesses to stay price-competitive with those in the unlicensed sector. The Los Angeles Economic and Workforce Development Department (EWDD) offers programs to provide technical and financial assistance to cannabis businesses in the City. The Los Angeles Department of Water and Power (LADWP) can also grant the Business Promotion Bill Credit (BPBC) to incentivize businesses relocating to the City.

The California Governor's Office of Economic Development provides comprehensive online information on starting a business, relocating, or expanding. It also offers financial incentives, including loans and tax credits, to small businesses. SCORE Greater Los Angeles conducts workshops on developing a business plan and securing funding and permits.

Review of the City's Cannabis Regulation Efforts (2022). In 2022, Los Angeles City Controller Ron Galperin's Office issued a "Review of the City's Cannabis Regulation Efforts."⁸ LADCR and other City departments have been tasked with ensuring that Los Angeles upholds Measure M's goals of ensuring that commercial cannabis activity is well-regulated, fair to proprietors and safe for consumers. The report found that the city could improve by "expanding strategies to deter additional unlicensed cannabis operators from opening and operating." It continued by challenging the lack of direction for cannabis tax dollars.

⁸ City of Los Angeles report from Ron Galperin, Controller "High Maintenance: Review of the City's Cannabis Regulation Efforts," December 1, 2022. Accessed July 25, 2023: <https://wpstaticarchive.lacontroller.io/wp-content/uploads/2022/11/High-Maintenance-A-Review-of-the-Citys-Cannabis-Regulation-Efforts.pdf>

Future enforcement efforts regarding unlicensed operations could address these concerns by developing additional deterrence strategies to enhance equity in marginalized areas of the city. The Los Angeles City Controller went on to recommend:

Improving the City's approach to commercial cannabis regulation by:

- Addressing ongoing unlicensed operations and unmonitored activities.
- Streamlining LADCR's operations and all other departments involved in the process.

Expanding the City's enforcement strategy to pressure property owners to shut down and deter unlicensed cannabis operations from operating by imposing fines and liens.

Cannabis in Your Community: Progressive Enforcement Town Halls (2022). In October 2022, LADCR hosted three Virtual town halls titled "Cannabis in Your Community: Partnering on Progressive Enforcement." 9 Public



awareness, education, and meaningful engagement were the top priorities. The town halls included a presentation on how LADCR, the Los Angeles Police Department (LAPD), and other City departments work together to tackle enforcement against unlicensed cannabis operations. Participants included community residents, organizations, Neighborhood Councils (NC), and licensed cannabis retailers. Meetings were held in Central Los Angeles (Districts 1, 13, 14), South Los Angeles (Districts 8, 9, 10, 15), and The Valley and West Los Angeles (Districts 2, 3, 4, 5, 6, 7, 11, 12).

(Photo: LA DCR Cannabis In Your Community)

Stakeholders proposed numerous suggestions to reduce the unlicensed cannabis market, such as lowering taxes, enforcing stricter penalties for illegal activities, and providing more educational materials for retailers, landlords, and customers. The findings included establishing community liaisons with neighborhood councils, standardizing cannabis pricing, and reviewing the operating hours for licensed operators.

Recommendations: The research completed for this current report supports many of the recommendations from those sessions. They include:

1. Developing a system to identify licensed retailers and enhancing signage.
2. Instituting more substantial penalties against unlicensed operators.
3. Redirecting seized funds to support licensing efforts and the support of licensed cannabis businesses.
4. Supporting the lowering of licensed cannabis product prices, including lower taxes.
5. Using media and smartphone app technologies moves customers to go to licensed shops and away from unlicensed shops.
6. Lower barriers to entry.
7. Faster response times and attention to unlawful street sales.
8. Opening new retail and other sales opportunities for licensees.
9. Creating more accessible pathways to licensure.
10. Offering "Farmers Market" platforms for small growers and cultivators to connect with consumers.
11. Protecting licensed businesses from threats and improving employment opportunities.
12. Transfer of administration of cannabis enforcement from LAPD to LA DCR.

Other important issues discussed in these sessions included safety from violence, product testing, and price control. Respondents felt that without unlicensed operators, their neighborhoods would improve through lower crime rates, job opportunities, community improvement, and encouragement of local cultivation.

These participants also favored fines over jail and forfeiture of property.

The City's Unlicensed Drug Enforcement Efforts. The City of Los Angeles, until 2018, maintained a long history of unlicensed drug enforcement led by the LAPD. The work dedicated to enforcing cannabis laws and regulations resulted in more arrests than for any other illicit drug.

The 2017 study “Race, Community and the Recent Disparities in Cannabis Enforcement” found that a disproportionately high number of Black residents were arrested for cannabis offenses and spent more time in detention for these arrests than any other racial group. The study states that “[b]etween January 1, 2012, and December 31, 2016, LAPD made 7,600 arrests involving a cannabis-related offense. In 68% of those arrests, a cannabis-related offense was the only charge.” These arrests were concentrated in Council Districts 8, 9, and 15, and among the unhoused. The top five zip codes for cannabis arrests with home addresses in Los Angeles were 90003, 90011, 90037, 90044, and 90043.

Despite nearly equal levels of consumption between Whites and Blacks, historic enforcement of unlicensed operators was often biased and created a system of disproportionate arrests that came down most heavily on Blacks and Latinos.⁹ Sixty percent of those arrested are individuals under 30, and 80% are people of color. Many of these arrestees work at unlicensed shops. Criminal charges can significantly impact both the individual and the community's future, in ways that are well-documented in research on incarceration and its effects on economic, health, and social outcomes. Many of these arrests were incidental to other contact with the criminal justice system (disproportionate) or related to outdoor/public use (disproportionate).

Workers in unlicensed cannabis operations typically receive a misdemeanor charge and may face community service and probation. According to the City, first-time offenders at unlicensed cannabis locations are directed to the City's Administrative Citation Enforcement (ACE) Program, where they are ticketed/fined but not charged with a crime. (See Los Angeles Municipal Code [LAMC] Section 104.15(d).) Since 2019, over 1,800 employees of unlicensed cannabis operations have avoided the judicial system through diversion to ACE.

In April 2024, to address the problem of cannabis workers unknowingly working in unlicensed dispensaries, Los Angeles City Councilmember Hugo Martinez sponsored a law to no longer charge workers with crimes in these cases.¹⁰ Integration of this into LAMC is still pending.

City of Los Angeles Investigation Standards for Racial Profiling Complaints. Beyond the war on drugs and its lasting impact, addressing enforcement requires recognizing the challenges of racial profiling in policing practices overall. An analysis of the California Department of Justice's Racial and Identity Profiling Act (RIPA) on citizen complaints data found that few complaints of racial profiling are upheld by law enforcement agencies across the state. Several proactive steps have been taken to eliminate or reduce racial disparities in stops, including detailed guidance on crime strategy, written policy, field interview cards, data collection, data analysis, transparency, and internal audits and accountability.

In response, Los Angeles City District 7 Councilwoman Monica Rodriguez stated that “racial profiling does not make communities safer and only serves to damage police and community relations.” On December 15, 2020, the Los Angeles City Council approved a motion directing the LAPD to report on the standards for investigating racial profiling complaints, provide comparative data on biased policing complaints, and provide a response and

⁹ The war on marijuana in black and white - American Civil Liberties ... Accessed September 24, 2024.

<https://www.aclu.org/sites/default/files/assets/1114413-mj-report-rfs-rel1.pdf>.

¹⁰ “La Is Still Arresting People for Weed.” LA is still arresting people for weed | City Council District 13. Accessed June 5, 2024. <https://cd13.lacity.gov/news/la-still-arresting-people-weed>.

implementation plan for the recommendations cited in the Inspector General's report, "Review of Stops Conducted by the Los Angeles Police Department in 2019," dated October 27, 2020.

Although the 2001 Federal Consent Decree referred to "racial profiling" investigations, the LAPD replaced the term with "biased policing." It expanded the definition to include biases beyond race and ethnicity, such as age, gender, and sexual orientation. As a living and evolving document, the protocols are currently being updated to leverage the technology of body-worn video cameras.

In alignment with the Federal Consent Decree, LAPD managers consider the credibility of a witness or involved party when deciding whether a preponderance of the evidence has proved misconduct. According to a recent analysis of California RIPA data by the Los Angeles Times, police agencies across the State upheld less than 2% of the roughly 3,500 allegations filed, including just 49 racial profiling complaints from 2016 to 2019. LAPD upheld only 2 of 883 (0.2%) racial profiling complaints during that period.

After discovering disparate treatment based on race, OIG made 18 recommendations across six categories: crime strategy, written policy, field interview cards, data collection, data analysis, and accountability measures.

LAPD's alternative dispute resolution strategies, including its mediation program and Alternative Complaint Resolution process, have been well-received. The mediation program has grown each year. In 2014, LAPD resolved 27 biased policing allegations through mediation; by 2020, that number had risen to 80. Overall satisfaction levels have remained high among community members and officers, and the LAPD has since proposed alternative models for processing and investigating biased policing.

Health Equity Implications of Retail Cannabis Regulation in Los Angeles County. The Center for Health Impact

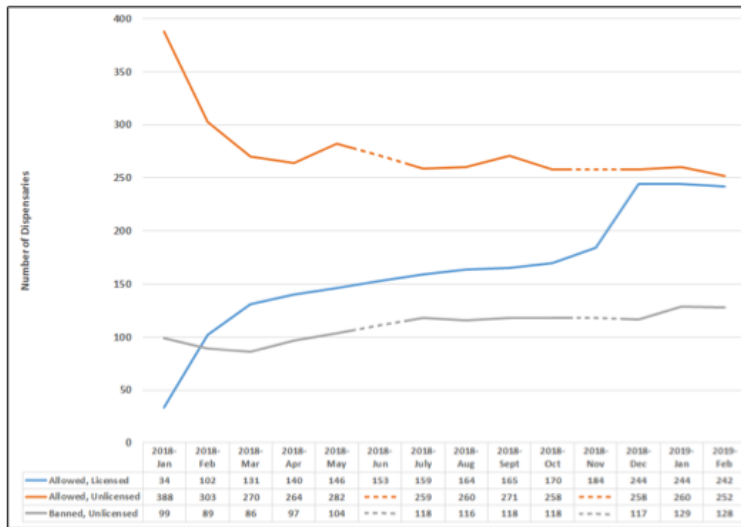
Evaluation at the County of Los Angeles Public Health assembled a county-wide group of subject matter experts to conduct a Health Impact Assessment (HIA) in July 2019. The four primary research questions addressed in the HIA examine the potential health impacts of policy and regulatory decisions related to: 1) cannabis business locations and density, 2) cannabis business practices, 3) cannabis regulatory enforcement, and 4) cannabis taxation. To address these research questions, the study utilized four primary sources of data: targeted reviews of the academic literature; statistical analyses of quantitative data; an observational survey of licensed and unlicensed dispensaries in and near unincorporated areas of LA County; and identified cross-cutting themes from key informant interviews and focus groups of dispensary operators, regulators, medicinal cannabis users, physicians, and community residents.



Findings from the HIA: ("Figure 13" is from the LA County report)

In 2018, unlicensed dispensaries were concentrated in health-disadvantaged areas and regions with high

Figure 13: Licensed and Unlicensed Dispensaries in Los Angeles County, by Whether they are in an Area Currently Banning Dispensaries, January 2018 to February 2019



Note: Dotted lines indicate Weedmaps data was not available for June and November.

Sources for both figures: Weedmaps, California Bureau of Cannabis Control (BCC)

concentrations of Latinos and African Americans, whereas licensed dispensaries were not. The DCR study you are reading found that this trend continued in 2024.

Unlicensed dispensaries were more likely to sell and promote on-site consumption of high-potency cannabis products. They were also less likely to have visible security personnel on site and were more likely to sell products designed to be attractive to use that were not in child-resistant packaging. The research team working on this DCR report found these characteristics accurate in

2024. (Though the total number of unlicensed shops is reportedly much lower, according to LAPD.)

Until the federal government eases restrictions on the pharmacological studies needed to determine potential therapeutic uses of CBD and THC, and insurance companies agree to include cannabis-derived drugs in their formularies, these patients will have to pay 100% of the costs out of pocket.

One prominent concern about the unlicensed market is that its products are not tested, which puts consumers at risk of exposure to dangerous contaminants. Pesticides are particularly concerning, given the lack of federal guidelines on pesticide use for cannabis cultivation. There is also evidence that pesticide levels can be up to ten times higher in cannabis concentrates than in flower, and that dabbing is a highly efficient method for inhaling these pesticides and other contaminants into the lungs.

In areas permitting licensed dispensaries, the number of unlicensed dispensaries decreased significantly through April 2018 and continued to decline much more slowly for the rest of the period. In contrast, in areas not permitting licensed dispensaries, the number of unlicensed dispensaries increased slightly during this same timeframe.

One of the most salient interview quotes was from a licensed operator who stated, “Now we are dealing with pesticide-laden products that cannot make it into the regulated industry. They go directly to the illicit industry. So, some products that could not pass the testing likely made it into their lungs.”

Path Forward: Building Equity and Accountability in Cannabis Enforcement. Findings from this study show that disproportionate enforcement has persisted in cannabis enforcement efforts, raising a critical question. Can we break the cycle of whack-a-mole enforcement that disproportionately harms specific communities and begin to support the newly licensed cannabis industry?

The City of Los Angeles is at a pivotal moment in its efforts to regulate cannabis while addressing the longstanding disparities in enforcement. As the City continues to refine its policies, it must ensure that future regulations are equitable, community-focused, and designed to minimize the negative impacts of previous enforcement practices. Progressive enforcement strategies, such as those discussed in town halls and recommended by critical stakeholders, offer a pathway toward a more just system.

At the same time, addressing racial profiling in policing remains a critical component of rebuilding trust between law enforcement and the community. By integrating these reforms, Los Angeles can create a regulatory environment that supports licensed cannabis businesses, protects workers, and promotes fairness in enforcement. The city's commitment to transparency, community engagement, and ongoing review of its policies will be essential in fostering a safe and equitable cannabis market.

Challenges to the Licensed Industry by Unlicensed Locations

The Problem. The Unlicensed Market Poses Risks to the Legal Cannabis Industry and Public Health in the City of Los Angeles. California's licensed cannabis industry faces challenges reflected in its declining revenue, which fell by 11% between 2021 and 2023. Decreasing revenue also diminishes the industry's ability to deliver on its promises of wealth generation, high-value jobs, and a locally run supply chain.

A well-functioning market in the world's largest cannabis industry hub, which includes medical cannabis access, could turn this into a boom for Los Angeles. Still, numerous barriers have prevented this promise from being realized.

The limited success of the licensed market can be partly attributed to thriving unlicensed operations, which create downward pressure on market prices and draw customers away from licensed businesses. An estimated 2 out of 3 purchases happen outside California's regulated market.¹¹ Untested products of unknown origin in unregulated shops pose additional risks to consumer health. Additionally, the 2018 and 2023 Farm Bills opened the door to competing cannabis products, mostly hemp-derived cannabinoids (HDCs), now being sold at smoke shops and other vendors throughout the state. Although recently passed emergency regulations by the state seek to end the sales of hemp products with detectable levels of THC.

The demand side of the equation is undeniable. Consumers looking for THC have plentiful, cheap, unlicensed options across the city.

Licensing Premiums: The Difference Between Unlicensed vs. Licensed Cannabis Businesses Product Pricing

A licensing premium is the extra amount a consumer will pay for a licensed and regulated product. Licensing premiums arise for products with an unlicensed or illicit market parallel to them. The research team aimed to compare the prices of licensed and unlicensed cannabis products in the Los Angeles area. After rigorously adhering to a collection methodology, they found that unlicensed operations still proliferate, selling products comparable to

¹¹ Commentary, Guest. 2023. "Excessive Taxes, Local Control Allows California Illicit Cannabis Market to Thrive." *CalMatters*, June 22, 2023, sec. Commentary. <https://calmatters.org/commentary/2023/06/california-illicit-cannabis-market-thrive/>.

those on regulated shelves. All areas identified from a geographically diverse selection of high- and low-income neighborhoods across the city (and adjacent areas) supported comparing products and prices.

The study examined various product classes, including raw flower in 1g, 3.5g, 5g, and one-ounce sizes, preroll packs in 1g, and Jeeters in five packs. Some limited comparisons were available for edibles. Edibles had considerable data for licensed stores, but little aligned with what was available in unlicensed shops.

Licensing Premiums in Lower Income vs Higher Income Areas

The research team compared 45 products in lower-income and 78 in higher-income areas, totaling 123. Consumers in higher-income areas of the City of Los Angeles encountered prices 121% higher in licensed stores than in comparable unlicensed stores. This figure increases to 161% for consumers in lower-income areas.

AVE LISC PREM HIGHER INCOME	121%
AVE LISC PREM LOWER INCOME	161%
ADDED LISC PREM BURDEN FOR LOWER INCOME	40%
AVE LISC PREM ACROSS L.A ALL PRODS	136%
SAMPLE SIZES	
LOWER INC LIC PROD SAMPLE SIZE (n)	91
LOWER INC UNLIC PROD SAMPLE SIZE (n)	60
LOWER INC LIC PREMIUM COMPARISONS	45
HIGHER INC LIC PROD SAMPLE SIZE (n)	110
HIGHER INC UNLIC PROD SAMPLE SIZE (n)	82
LOWER INC LIC PREMIUM COMPARISONS	78
TOTAL LICENSED PROD SAMPLE SIZE	201
TOTAL UNLICENSED PROD SAMPLE SIZE	142
TOTAL LICENSE PREMIUM SAMPLE SIZE	123

The lower-income (LI) areas surveyed included Sun Valley/North Hollywood (91601, 91606), South Los Angeles (90248, 90061, 90001), Koreatown (90020, 90004), Boyle Heights (90023, 90063), and East LA (90032).

The surveyed high-income (HI) areas included Echo Park (90026), Downtown LA (90015, 90021), Westchester (90045, 90302), Topanga (91364, 91361), and Pasadena (adjacent to LA 91107).

The price comparisons were conducted across two randomly chosen locations in the same area and revealed the price differences between comparable products.

The data was gathered through online and secret shopper activities, both virtual and in-person. Although the sample sizes are modest, the differences they reveal are unmistakable. It

is significantly more challenging for buyers to select legal, licensed, and taxed products, particularly in low-income areas.

- The difference between licensed and unlicensed products is particularly significant in South Los Angeles, where consumers pay three times the price of unlicensed raw flower for the licensed version.
- The average licensing premium for all products in *lower-income areas* resulted in licensed products being priced, on average, 161% higher than those in the unlicensed market. (Sample comparison of 45 products)
- The average licensing premium in *higher-income areas* was 121% based on a sample comparison of 78 products.
- The licensing premiums are significantly higher (40% greater) in lower-income areas, making the “buy legal” choice 40% more difficult for individuals in those parts of the City.

Licensing premiums are listed below for areas across the City of Los Angeles and adjacent neighborhoods. Licensed products were generally more expensive, except in Topanga, where they were cheaper. Traditional (non-infused) prerolls were difficult to source in the unlicensed markets in lower-income areas. This did not tangibly affect the comparisons between higher and lower income, nor the licensing premiums calculated. One product class the

research team pro-rated was the licensed versus unlicensed 100 mg edible. We came up with a close equivalent where mg offerings tended to be higher in the unlicensed markets.

<u>AREA (HI OR LO INC)</u>	<u>AVERAGE LICENSING PREMIUM</u>
• South Los Angeles (LO)	321%
• Westchester (HI)	266%
• Boyle Heights (LO)	259%
• Koreatown (LO)	185%
• Echo Park (HI)	177%
• East Los Angeles (unincorporated) (LO)	101%
• Downtown LA (HI)	93%
• Sun Valley / North Hollywood (LO)	73%
• Pasadena (LA Adjacent) (HI)	35%
• Topanga (HI)	-31%

Licensing Premiums by Product Class. We provided a guide to measuring market prices across all products for comparison. Smaller gaps between licensed and unlicensed products present an opportunity to migrate consumers to regulated products. When those differences are more significant, that goal becomes harder to achieve. To gather broader and more accurate pricing and market data, it is recommended that a proper market analysis be commissioned to understand where city enforcement can exert a reasonable influence.

<u>PRODUCTS</u>	<u>AVERAGE LICENSING PREMIUM</u>
• 1g Flower (low end)	494%
• 1g Flower (high end)	37%
• 1/8 th oz Flower (low end)	70%
• 1/8 th oz Flower (high end)	180%
• 5g Flower (low end)	97%
• 5g Flower (high end)	89%
• 1 oz Flower (low end)	282%
• 1oz Flower (high end)	104%
• Pre-roll 1g (low end)	28%
• Pre-roll 1g (high end)	168%
• Edible 100mg (pro-rated)	115%

A low-end flower weighing 1g is astonishingly five times cheaper on the unlicensed market, while a low-end ounce costs 282% more in the regulated market. This cannabis product pricing study focused on ten geographically distinct areas, eight within the City of Los Angeles and two in neighboring communities. Locations were selected to provide a wide geographic range, including five high-income and five low-income regions, partly because the accessibility and pricing of goods are believed to influence the growth of the unlicensed market. Areas with significant enforcement activities against the unlicensed market were also included, as indicated by the LAPD arrest data used in this study. Higher levels of enforcement likely indicate the presence of more unlicensed shops and disproportionate policing of those regions. The study also reviewed the areas with the lowest enforcement actions, where unlicensed shops still exist.

Identifying Unlicensed Locations. Peer-reviewed cannabis economic research analyzed price differences between licensed and unlicensed cannabis retailers using Weedmaps¹² data, which historically included both.¹³ In November 2023, Rowe Policy and Media and its affiliates replicated this process to determine price differences between licensed and unlicensed retailers in Los Angeles. Since Weedmaps no longer lists unlicensed cannabis operations, the present research team relied on other non-cannabis directories (Google Maps, Apple Maps, and Yelp) to identify unlicensed operators.

Ventures operating without a license are restricted to non-cannabis platforms for sharing their hours, addresses, and menus, which are sometimes incomplete or outdated. The research team utilized online directories to gather a robust sample of unlicensed locations. Results from each platform revealed both overlapping and unique search results. Since the features of these tools vary somewhat, the methodology was tailored to each platform:

Google Maps: The research team used Google Maps' search feature to locate a specific neighborhood or zip code and return an outline of the area's boundaries. They then use the search function with the keyword "cannabis" to generate a map of locations within the boundary lines. Operational details are provided via Google's own business directory and review platform.

Apple Maps: Although Apple Maps does not display distinct boundary lines like Google Maps, it offers a comparable keyword search functionality. Additionally, Apple Maps connects with Yelp to provide business details.

Yelp: Similar to Google and Apple, keyword searches on cannabis were conducted and reviewed. Ultimately, Apple Maps and Google Maps can be used to cross-reference credibility.

The research team identified unlicensed locations by reviewing the listing's reviews, pictures, and Weedmaps status as follows:

Reviews: A lack of reviews often indicates an unlicensed setup.

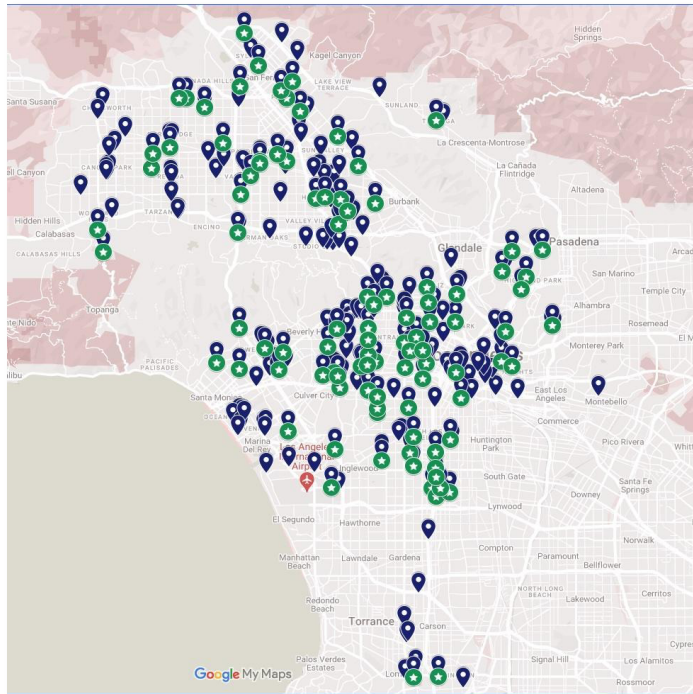
Pictures: Interior indicators include large containers filled with cannabis (usually large mason jars) and minimal decorations or branded merchandise. In contrast, exterior indicators lack a visible business name from the street view and feature a neon green cross or plus sign commonly associated with cannabis storefronts.

Weedmaps: Because Weedmaps does not list unlicensed cannabis locations, any business that does not appear on Weedmaps is assumed to be unlicensed.

¹² Weedmaps.com is an online platform that connects consumers with cannabis dispensaries, delivery services, brands, and doctors. Founded in 2008, it is a comprehensive directory and marketplace for cannabis products and services, allowing users to search for and find cannabis businesses in their local area. The website offers detailed information about each dispensary, including menus, product availability, pricing, reviews, and operating hours. It is the most comprehensive online marketplace for cannabis retailers and products in the United States.

¹³ Goldstein, Robin & Saposhnik. "Retail Prices of Licensed and Unlicensed Cannabis." 2020 Annual Meeting, July 26-28, Kansas City, Missouri, February 2, 2020. <https://ideas.repec.org/p/ags/aaea20/304279.html>.

FIGURE 15. Map of Licensed Cannabis Businesses (LADCR, 4/12/2024)



Licensed Businesses. As of this report's writing, there are 263 licensed cannabis retailers in the City of Los Angeles. A white star within a green circle in Figure 15 indicates several social equity licensees. The LADCR website also hosts a map of Businesses with Temporary Approval for Retail Storefront Commercial Cannabis Activity.

The research team utilized Weedmaps' dispensary map feature to identify licensed shop locations, selecting sites based on their proximity to unlicensed operations in the relevant neighborhoods. Each cannabis retailer provided a specific license number on their Weedmaps profile and the products and prices offered. The retailer license numbers were verified against the DCC database to ensure accuracy and legitimacy, confirming that all operators listed valid license numbers.

Data Collection for Pricing. According to DCC reports, the top four most popular cannabis items for sale are flowers, vapes, pre-rolls, and edibles. Flower is the top-selling cannabis product in California. Weedmaps' licensed products, specifically flowers, pre-rolls, and vape cartridges, were compared against unlicensed products in these areas.

Today's licensed storefronts face restrictions in sourcing licensed products, compliance requirements, and THC regulations, which gives unlicensed storefronts a financially lucrative advantage. Consumers might be drawn to unlicensed shops because these spaces foster a stronger connection with the product. In unlicensed stores, buyers can smell the buds they intend to purchase in jars or bags, whereas in licensed stores, they can only use sample jars to smell.

A consumer in the unlicensed space will find that flower, pre-rolls, and edibles are typically more affordable. The only time an unlicensed consumer would pay more is to obtain a name-brand product commonly found in licensed spaces.

Given market preferences in California, price comparisons were gathered for:

Raw, prepackaged flower is sold in 1 gram, 1/8-ounce (3.5 grams), 5 grams, and 1 ounce (28.35 grams). Flower labeled "infused" was excluded from the pricing study due to significant price variations in these products. The primary method for comparing flower pricing between licensed and unlicensed retailers relied on two key weights: 1 gram and 1 ounce. The 1-ounce weight was selected because it reflects the daily purchase limit for consumers in licensed dispensaries, while 1 gram is the smallest quantity typically available for sale. For 1-gram pricing, the research team used the listed prices or calculated the price based on the lowest quantity available to establish a range from least to most expensive. For 1-ounce pricing, the research team utilized the listed prices. If there was no pricing information for a 1-ounce flower, the team referred to the price range of the weight closest to 28 grams.

Pre-rolls are available individually as 1-gram raw flower pre-rolls, Baby Jeeters’ 2.5-gram 5-pack of infused pre-rolls, and West Coast Cure’s 3-gram 3-pack of infused pre-rolls. Although infused pre-rolls can vary significantly in flower quantity and concentrate type, the research team included these multipacks due to their brand recognition, which drives demand in unlicensed markets.

Edibles are sold in packages containing 100 milligrams of THC. The primary products selected for this price comparison included gummies produced by Kiva and Wyld, well-known brands consistently available in licensed spaces. Additional pricing was collected for each retailer’s least expensive edible with the exact THC dosage. Products that contained other cannabinoids, such as CBD, were excluded from this pricing study as they tend to increase the price. Products with more than 100 milligrams of THC cannot be classified as edibles and are instead marketed as capsules, sublingual tinctures, or cooking ingredients (like infused butter). Such “non-edibles” were excluded from this pricing study.

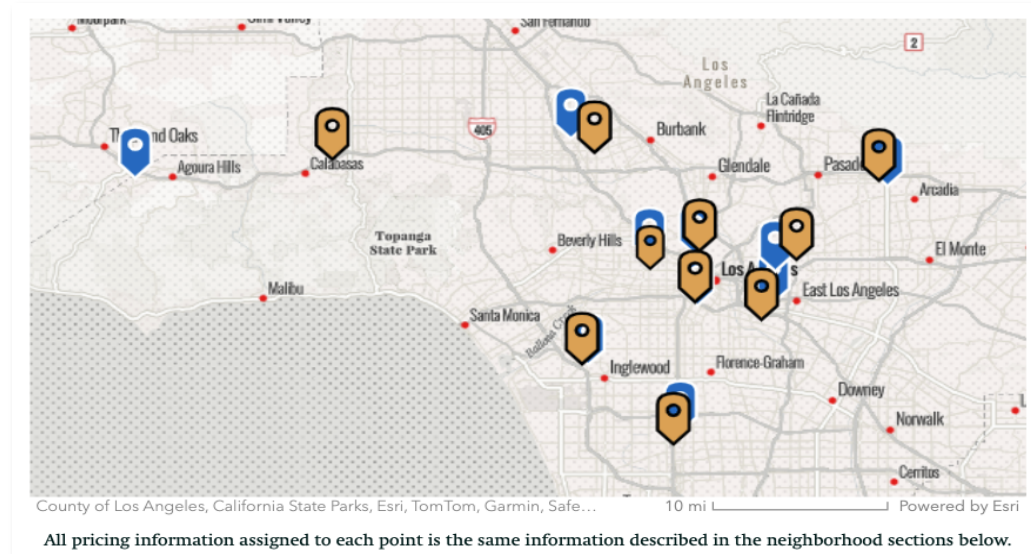
Pricing Data for Unlicensed Locations. Because these ventures operate without a license, they cannot advertise on cannabis-specific platforms like Weedmaps, which only list licensed operators. Consequently, they rely on non-cannabis platforms such as Google Maps, Yelp, and social media channels to share details about their activities, including hours of operation, addresses, and product menus. However, these listings are often incomplete or outdated, making it difficult for consumers to find accurate information. Despite this, the research team found that the advertised prices closely match the out-the-door prices charged by the unlicensed retailers.

The research team gathered pricing data through in-person site visits, images on their directory listings (e.g., on Google Maps and Yelp), social media (e.g., Instagram and Telegram), or private websites. Unlicensed shops do not impose taxes, so the listed price is the total price.

Pricing Data for Licensed Locations. Weedmaps data were collected using a comprehensive web-scraping technique, capturing all listed delivery and retail storefront operators in Los Angeles. This process collected information on over 900,000 products from the area’s 1,170 unique delivery and storefront operators.

Pre-tax prices are based on the advertised prices on the shops’ Weedmaps menu from August 2024. The price with tax includes an additional 34.5%, the estimated tax imposed on recreational cannabis consumers at licensed shops. These prices do not account for discounts, deals, or the tax exemptions that medicinal cannabis patients receive.

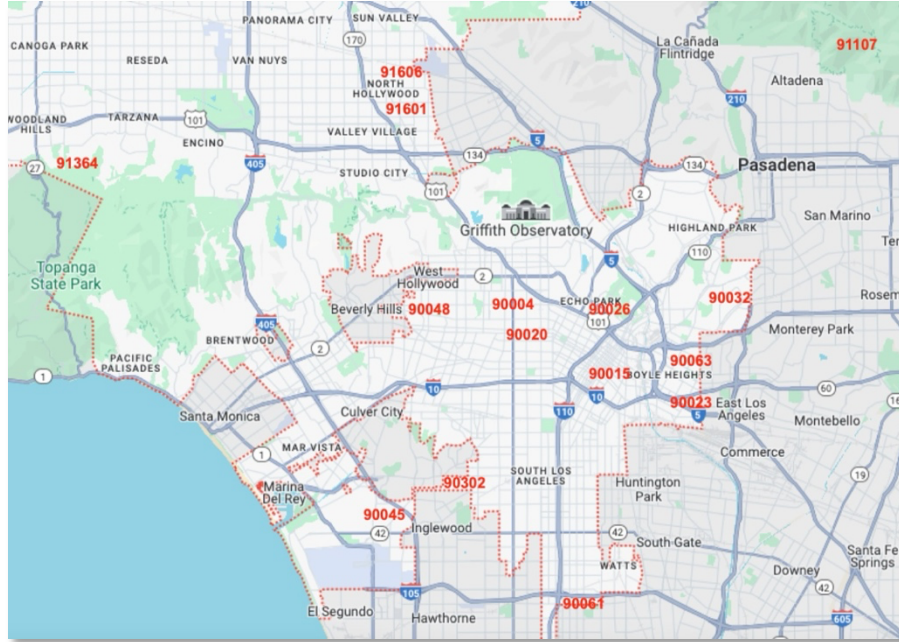
FIGURE 16. Unlicensed and Licensed Cannabis Businesses Surveyed for Price Comparisons



Securing pricing information for the unlicensed market was challenging. Unlicensed shops are relatively easy to locate via online directories, but pricing data proved to be more elusive. This involved analyzing hundreds of images from

reviews and directories, studying the images and available menus from shops' independent websites, and conducting in-person site visits to locations without access to online pricing.

FIGURE 17. Zip Code Locations for Unlicensed and Licensed Cannabis Businesses Surveyed for Price Comparisons



The research team observed differences in product offerings between licensed and unlicensed cannabis operators, noting that some unlicensed retailers had more limited selections. The team gathered a range of prices from the least to the most expensive products, except in instances where only a single price was available. The zip codes were randomly selected and evenly distributed between higher-income and lower-income neighborhoods. We examined a variety of neighborhoods across Los Angeles and collected

pricing data. The zip codes are listed below: 90004, 90015, 90020, 90023, 90026, 90032, 90045, 90061, 90063, 90248, 90302, 91107, 91361, 91364, 91601, 91606.

Flower Price Comparison. Most licensed dispensaries offer limited options for flower in 1-gram quantities. There can be a significant price difference between the least and most expensive products sold in 1-ounce and ⅛-ounce quantities. This is often due to differences in quality and the type of cannabis, such as “shake” or pre-ground cannabis, and bud size.

It is uncommon for unlicensed dispensaries to carry prepackaged flower, as they can evade the additional costs associated with sourcing flower from licensed businesses, including those arising from cannabis packaging regulations. Nonetheless, some unlicensed operators offer these products to meet consumer demand.

Unlicensed dispensaries rarely comply with the regulated weight standards for flower, unlike licensed dispensaries that utilize prepackaged flower. In contrast, unlicensed retailers most likely receive flower in bulk and weigh it out individually for each customer. The most common starting weight for flower in unlicensed spaces is 5 grams.

Cannabis flower is the most prevalent part of the market statewide and nationwide. As observed in the sample, the gap between unlicensed and licensed flower prices in Los Angeles was vast. On average, licensed prices were more than twice as high for low-priced small quantities of cannabis and 63% higher for higher-priced brands. Higher quantities continued to be significantly more expensive, regardless of where you compared licensed and unlicensed products across the city.

The stores we surveyed occasionally did not have products that matched the flower, pre-roll, or edible weight categories. Those numbers are entered as “none” in the tables.

Diverse Forms of Unlicensed Competition in Los Angeles. Unlicensed operators come in many shapes and sizes. Cultivators and manufacturers run unlicensed wholesale and direct-to-consumer events called sessions or “seshes.” The consumer patron pays a door fee and enters a secured space. Unlicensed vendors have products piled up on fold-out tables and conduct transactions in cash or with Square card readers.



Image credit: Kevin Charles Macaraeg

Elsewhere, the traditional living room cannabis seller offers a variety of products available in the licensed or unlicensed market. This dealer may also sell other drugs, be mobile, and make sales calls through text or app communication. This person likely buys wholesale from an unlicensed operation at a preferred rate. Some legitimate licensed operations produce and sell products outside the taxed, track-and-trace monitored world. These transactions are how licensed products end up in unlicensed shops. Consumers want them. If the certificate of analysis from regulated products is traceable, enforcement could draw connections between non-compliant licensed producers and unlicensed vendors.

Out-of-state products may be appearing on both unlicensed and licensed shelves. If the economics do not make sense now, they may when the federal government legalizes cannabis, multi-state commerce takes off, and standard size scaling becomes a reality. That is, if tax rates remain high in California, the path to opening and operating a licensed cannabis business will become more difficult for smaller entrepreneurs. For reference, there is a similar issue with low-cost tobacco from Sam’s Club in Wilmington, North Carolina, transported in vans to the bodegas in the South Bronx. Taxation plays a crucial role in fueling illicit trade. A Tax Foundation study found, “People respond to incentives, and sizable price markups for legal cigarettes create incentives for tax avoidance.”¹⁴

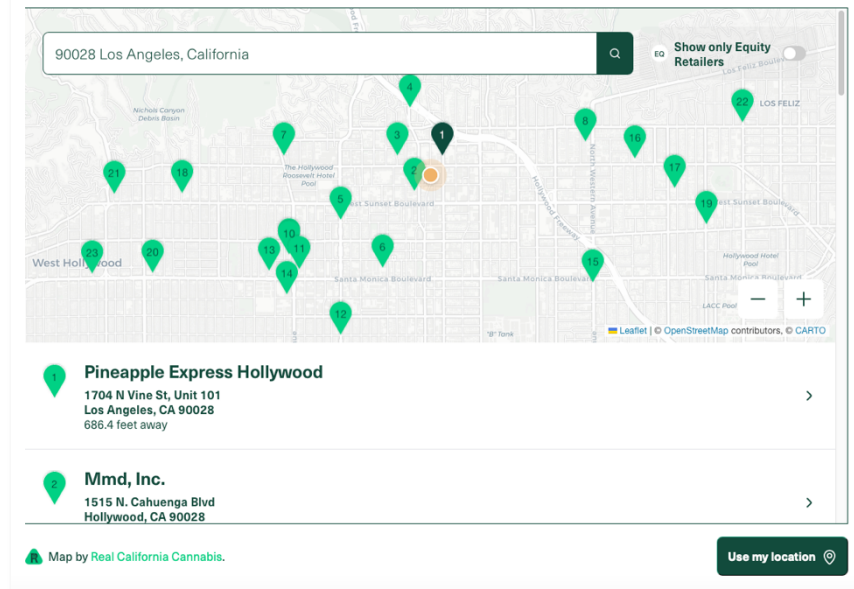
Consumer Challenges in Identifying Unlicensed Operations. Many consumers are unaware of the differences between licensed and unlicensed stores. A recent study by the California Department of Cannabis Control (DCC) revealed that 44% of respondents found it easy to determine whether a dispensary was licensed or unlicensed. In comparison, nearly the same percentage (42%) reported having difficulty.¹⁵ These findings indicate that, although some have learned to identify licensed shops, many struggle, particularly irregular or newer consumers. While

¹⁴ Kaufman, Kevin. “Counterfeit Cigarettes: Illicit Trade & Taxes.” Tax Foundation, August 10, 2023. <https://taxfoundation.org/blog/illicit-trade-taxes-counterfeit-cigarettes/>.

¹⁵ California Department of Cannabis Control. n.d. “86% of Californians Who Consume Cannabis Believe It Is Important to Shop Legally.” Department of Cannabis Control. Accessed March 15, 2024. <https://cannabis.ca.gov/2024/02/86-of-californians-who-consume-cannabis-believe-it-is-important-to-shop-legally/>.

some feel confident in their ability to assess licensure, this does not necessarily mean they accurately identify licensed versus unlicensed operations.

All Licensed Retail Locations



Consumers do have available resources. The state runs a program called “The Real California Cannabis” (<https://real.cannabis.ca.gov>), where individuals can look up stores to verify their licensure. Licensed shops also post QR codes on store windows to allow customers to look up the certification of their authenticity. In cooperation with “Real California Cannabis”, the City of Los Angeles Department of Cannabis Regulation provides a Map of Licensed Retailers at

<https://cannabis.lacity.gov/personal-activity/find-licensed-retailers>

Reducing Operational Costs for Unlicensed Operators. The tax revenue from cannabis businesses in California has dropped by 20% over the last two years.¹⁶ Unlicensed operations do not pay cannabis excise tax or possibly even sales tax to the city, which diminishes the overall tax revenue potential.¹⁷ These operations can offer cheaper products and enjoy better profit margins than licensed shops because they aren’t required to pay for a cannabis license or mandatory product testing.

Individuals who agreed to be interviewed for this report reaffirmed findings from a 2020 study that found that cannabis flower sold in unlicensed storefronts was 25% cheaper than flower sold in licensed storefronts,¹⁸:

Go shop at these illegal businesses because you will pay 30% less.

The excise tax is causing people to go underground and consumers to shop at illegal businesses. We are one of the highest tax brackets in LA County—I think we are up at 10%.

The City can call for a temporary tax break to help unlicensed operators bridge the pricing gap with licensed operators.

¹⁶ Black, Lester. n.d. “There’s a Big Fight Brewing over Legal Weed in California.” *SFGATE*. Accessed March 15, 2024. <https://www.sfgate.com/cannabis/article/major-coalition-calls-calif-increase-cannabis-tax-18938996.php>.

¹⁷ Nguyen, Jeff. 2024. “Illicit Marijuana Operations Having Negative Impact on Legal Dispensaries - CBS Los Angeles.” *Www.cbsnews.com*. January 30, 2024. <https://www.cbsnews.com/losangeles/news/illicit-marijuana-operations-having-negative-impact-on-legal-dispensaries/>.

¹⁸ “Publications.” n.d. *Giannini.ucop.edu*. Accessed March 15, 2024. <https://giannini.ucop.edu/publications/are-update/issues/2020/23/3/prices-of-cannabis-in-california-from-licensed-and/>.

The City could lower the tax from 10% to 9% or even 8.5%, or implement a tax holiday or moratorium.

Taxing money already paid by licensed businesses to the State adds an extra burden to regulated operators. It is an excise tax, and there are calls to change this practice:

The City Council needs to decide to tell the Office of Finance not to be the last collector.

Unlicensed Operators and Zoning Violations. Unlike licensed shops, which must follow local zoning regulations, unlicensed operators can set up anywhere they choose, and many quickly reappear in new locations after being shut down. A 2020 study found that, compared to licensed dispensaries, unlicensed shops were more likely to be located in lower-income areas and neighborhoods with higher minority populations.¹⁹

Other Illegal Practices Among Unlicensed Operators. Unlicensed retail outlets frequently sell cannabis products with potencies exceeding those permitted in the licensed market. Officials also report the sale of cocaine and methamphetamine, although an analysis of arrest data conducted for this study indicates these occur at a relatively low rate. To further evaluate the extent of this issue, this research team surveyed several dozen smoke and vape shops in Los Angeles. Upon entering the shop and asking, “Do you sell Delta-9 pre-rolls?” the salesperson displayed several unlicensed products. More often than not, the salesperson showcased other HDCs, psilocybin mushroom-infused chocolates, or dried psilocybin mushroom stems, none of which have been tested for contaminants or precise dosing. All the smoke shops surveyed offered psychotropic cannabinoids in some form or another.



(Photo Connor Sheets / Los Angeles Times)

Labor Rights Violations and Violence. Although worker abuse is a notable issue in the cannabis cultivation sector statewide, there is no substantial evidence to suggest that it occurs at significantly higher rates in unlicensed operations compared to licensed ones or that labor abuse in cannabis cultivation exceeds that of the broader agricultural industry. Extensive research shows that the overall agricultural industry is rife with human trafficking, which is often overlooked, primarily as it serves corporate entities. These individuals endure structural conditions that force workers to face hazardous working conditions and live on-site at industrialized farms.²⁰

¹⁹ Unger, Jennifer B., Robert O. Vos, Jasmine Siyu Wu, Kimberly Hardaway, Ada Y. Li Sarain, Daniel W. Soto, Christopher Rogers, and Jane Steinberg. 2020. “Locations of Licensed and Unlicensed Cannabis Retailers in California: A Threat to Health Equity?” *Preventive Medicine Reports* 19 (September): 101165. <https://doi.org/10.1016/j.pmedr.2020.101165>.

²⁰ A., Bhimani, S., & Maass, K. L. (2023). Disrupting labor trafficking in the agricultural sector: Looking at opportunities beyond law enforcement interventions. *Victims & Offenders*, 18(3), 473-511;

Peters, A. (2013). Disparate protections for American human trafficking victims. *Clev. St. L. Rev.*, 61, 1;

Chang, G., & Kim, K. (2007). Reconceptualizing approaches to human trafficking: New directions and perspectives from the field (s). *Stan. JCR & CL*, 3, 317.

Moyce S. C., Schenker M. (2018). Migrant workers and their occupational health and safety. *Annu. Rev. Public Health* 39, 351 - 365.

Barrick, K. (2016). Human trafficking, labor exploitation and exposure to environmental hazards: The abuse of farmworkers in the US. In *The Routledge international handbook of rural criminology* (pp. 147-156).

Routledge. Holmes, S. M., & Ramirez-Lopez, J. (2023). *Fresh Fruit, Broken Bodies: Migrant Farmworkers in the United States, Updated with a New Preface and Epilogue* (Vol. 27). Univ of California Press.



Most individual media reports of trafficking in the cannabis sector arise from high-profile incidents in Northern California. This research team did not find substantive reports of labor trafficking in Los Angeles, including in the provided enforcement data. However, this does not mean it is nonexistent or should not be considered as part of the broader issue of cannabis labor challenges faced by workers in the unlicensed sector.

As the International Labor Organization's extensive global research points out, most labor exploitation in agriculture (and, by extension, cannabis) is not technically forced. Still, it stems from a lack of other options that draw workers to these high-risk, low-wage jobs.²¹ Interviews for this study indicate that limited alternatives partly shape work in the unlicensed retail and cultivation sector. Analysis of enforcement data further suggests that areas with the most enforcement are those with the lowest income in the city and the most youth disconnected from other opportunities.

Thus, workers with few options are entering an unlicensed sector where they face potential wage theft, violence, harassment, and more, with almost no recourse. Recent research from Northern California shows that seasonal cannabis cultivation workers across regulated and unlicensed facilities exhibited significant evidence of structural violence (e.g., racism, gender discrimination, lack of safety standards, and wage theft) but little evidence of trafficking.²²

Wage Theft, Harassment. Preliminary data from one of the few primary systemic sources on California cannabis workers, the DCC-funded California Cannabis Worker Survey, show comparative rates of wage theft, gendered harassment, violence at work, and even pay rates that are relatively consistent among unlicensed and licensed retail and cultivation sectors statewide—²³where differences relate to exposure to robberies and police raids. The survey also found that people with prior legal records are often shut out of licensed markets. Across these sectors, those in the unregulated market have no recourse to support because they fear speaking to authorities and being charged criminally themselves.



Learning from similar contexts in agriculture, undocumented workers in other agricultural sectors often underreport labor violations due to fear of deportation.²³ The same applies to sex workers, who also fear police harassment and arrest themselves.²⁴ Workers specifically noted that police enforcement, including collaboration with immigration, instilled fear of reporting any labor violations. Importantly, evidence shows the need for solutions beyond law enforcement to disrupt exploitation and trafficking, which are highly relevant to the challenges faced in combating unlicensed cannabis shops.

²¹ Belser, P. (2005). *Forced Labour and Human Trafficking: Estimating the Profits*, Geneva: International Labour Office. <https://www.ilo.org/media/319686/download>

²² Beckman, S., Castañeda, X., del Rivero, V., Chavez, A., & Schenker, M. (2023). Experiences of structural violence and wage theft among immigrant workers in the California cannabis industry. *Journal of Agriculture, Food Systems, and Community Development*, 12(3), 127-140. Beckman S., Castañeda X., Rivas L., Schenker M. B. (2023). California cannabis cultivation and processing workers: A qualitative analysis of physiological exposures and health effects. *Am. J. Ind. Med.* 66, 75 - 8

²³ Shamir, H. (2012). A labor paradigm for human trafficking. *UCLA L. Rev.*, 60, 76.; Childress, C., Farrell,

²⁴ Chang, G., & Kim, K. (2007). Reconceptualizing approaches to human trafficking: New directions and perspectives from the field (s). *Stan. JCR & CL*, 3, 317.

(Photo: Brian van der Brug, LA Times)

As noted in a 2023 examination of labor trafficking solutions, “incapacitation through incarceration is often insufficient to break up more complex illicit business networks.” “Key actors in the pre-recruitment network condition phase faced criminal prosecution and incarceration without significant disruption to illicit operations, nor did they face minor fines.”²⁵ Instead, they (and other researchers similarly have) suggested looking upstream to disrupt these networks at key financial sources and transactions, including the transfer of finances, limiting the market available for goods produced via trafficking, expanding education on rights for workers and empowering them, and putting prevention efforts in place to create alternative employment opportunities.



The United Food and Commercial Worker (UFCW Local 324²⁶) and the California Occupational Safety and Health Administration (Cal OSHA²⁷), which provide workplace protections for cannabis workers, are leading efforts to improve worker conditions and encourage participation in the legal industry. The Agricultural Labor Relations Board (ALRB²⁸) protects the organizational rights of agricultural employees and labor organizations.

(Photo: Integral Ecology Research Center)

Environmentally Harmful Practices. Due to a lack of oversight, there is limited understanding of the environmental impact of unregulated shops in Los Angeles. On the cultivation side, evidence suggests that unlicensed grows may use pesticides and other chemicals that harm wildlife, pour chemicals into local water sources, and divert water for their operations. As unregulated producers primarily supply the unlicensed retail market in Los Angeles, it is reasonable to deduce that this unregulated retail market significantly contributes to environmental degradation across California. Impacts include “loss and fragmentation of sensitive habitat due to road construction, grading

²⁵ Childress, C., Farrell, A., Bhimani, S., & Maass, K. L. (2023). Disrupting labor trafficking in the agricultural sector: Looking at opportunities beyond law enforcement interventions. *Victims & Offenders*, 18(3), 473-511.

Rothman, E. F., Farrell, A., Paruk, J., Bright, K., Bair-Merritt, M., & Preis, S. R. (2021). Evaluation of a multi-session group designed to prevent commercial sexual exploitation of minors: The “My Life My Choice” curriculum. *Journal of interpersonal violence*, 36(19-20), 9143-9166.

Chang, G., & Kim, K. (2007). Reconceptualizing approaches to human trafficking: New directions and perspectives from the field (s). *Stan. JCR & CL*, 3, 317.

Bowersox, Z. (2022). Union Density and Human Trafficking: Can Organized Labor Discourage Trafficking? *Journal of Human Trafficking*, 1-14.

²⁶ UFCW Local 324. “Cannabis Division - UFCW 324.” UFCW 324, November 10, 2021. <https://ufcw324.org/cannabisdivision/>.

²⁷ California, State Of. “Cal/OSHA - Division of Occupational Safety and Health - Home Page,” n.d. <https://www.dir.ca.gov/dosh/>.

²⁸ California, State Of. “ALRB | the California Agricultural Labor Relations Board Was Created in 1975 to Ensure Peace in the Fields of California by Guaranteeing Justice for All Agricultural Workers and Stability in Agricultural Labor Relations. The Board Seeks to Achieve These Ends by Providing Orderly Processes for Protecting, Implementing, and Enforcing the Respective Rights and Responsibilities of Employees, Employers and Labor Organizations in Their Relations With Each Other,” March 5, 2001. <https://www.alrb.ca.gov/>.

and burying of streams, increased sediment delivery, and erosion.”²⁹ The process of creating synthetically derived cannabinoids, including delta-8 THC and delta-9 THC, also generates hazardous solvents and acids that can pose public health issues.

The image shows a reservoir created to supply water to an illegal growing site in California. Mourad Gabriel, a wildlife biologist from the U.S. Department of Agriculture’s Forest Service, notes that illegal growing is a concern for many other states besides California because it wastes water and releases harmful chemicals.

There are thousands of unlicensed growers in the state, and we cannot separate the unlicensed retail market in Los Angeles from this issue. The impacts are felt statewide. “We know these sites are effectively stealing billions of gallons of water each year to irrigate their plants,” states Greta Wengert, executive director of the Integral Ecology Research Center. “Not only is this a water theft or diversion issue, but it is also taking water from the public and wildlife,” Gabriel emphasizes that it is a national issue. Illegal growers are also linked to the pollution of water sources through the use of pesticides, insecticides, and fertilizers. “We are talking about water intended for reservoirs or municipalities. We are talking about water that is used by Indigenous tribes, for salmon runs, and also for recreation”.³⁰

Hemp-derived Cannabinoids (HDCs)

Circumvention of cannabis regulations and public safety norms. What are HDCs? The hemp plant is a variety of cannabis that is often cultivated for its fiber, seeds, and hemp seed oil. The 2018 Federal Farm Bill permitted the regulated production of hemp across the country and removed it from the Controlled Substances Act,

distinguishing it from marijuana.³¹



Hemp-derived products must have less than 0.3% THC by dry weight. CBD products are federally legal only if they come from hemp and contain less than 0.3% THC.³² CBD has become popular since hemp was federally legalized. Delta-8 THC is an intoxicating cannabinoid, though it is not as potent as delta-9 THC.³³ Delta-10 THC is a cannabinoid derived from hemp

CBD, and some users report that it produces a milder high than delta-8 THC.³⁴

²⁹ California Department of Fish and Wildlife, CDFW. (n.d.). *Cannabis and the Environment Habitat Loss and Fragmentation*. CDFW. <https://wildlife.ca.gov/Conservation/Cannabis/Environment#:~:text=Removing%20forest%2C%20grasslands%2C%20or%20other,increased%20sediment%20delivery%2C%20and%20erosion.>

³⁰ Torres, Lucia, Romi Castagnino, Shatabdi Chakrabarti, Julia Lima, Jeremy Hance, Tiago da Mota e Silva, Elizabeth Fitt, et al. “Legal and Illegal Cannabis: A Cause for Growing Environmental Concern.” *Mongabay Environmental News*, June 3, 2022.

<https://news.mongabay.com/2022/06/legal-and-illegal-cannabis-a-cause-for-growing-environmental-concern/>.

³¹ “For Consumers.” Office of Cannabis Management, March 3, 2025. <https://mn.gov/ocm/consumers/cannabinoid-products/faq/>.

³² “Cannabinoid Hemp Consumers.” Office of Cannabis Management. Accessed March 4, 2025. <https://cannabis.ny.gov/cannabinoid-hemp-consumers>.

³³ Berger, Eric. “What Looks like Pot, Acts like Pot, but Is Legal Nearly Everywhere? Meet Hemp-Derived Delta-9 THC.” *USA Today*, October 29, 2022. <https://www.usatoday.com/story/news/health/2022/10/29/hemp-delta-9-thc-regulation-explained/10595313002/>.

³⁴ Ferguson, Sian. “Hemp vs. Marijuana: What’s the Difference?” *Healthline*, January 31, 2025. <https://www.healthline.com/health/hemp-vs-marijuana#cbd>.

How are hemp-derived cannabinoids produced? Hemp buds are placed in carbon dioxide or ethanol containers to extract CBD, fats, terpenes, and other organic compounds from the plant. The crude oil is filtered and distilled to yield a pure CBD product. Furthermore, CBD can be chemically converted into other cannabinoids, such as delta-9 THC.³⁵

HDC products may have packaging and labeling that mislead consumers. While consumers may intend to purchase from licensed and regulated operators, they may be fooled into thinking that HDC products are such. HDCs are not subject to Certificate of Analysis (COA) requirements that support transparency in ingredient labeling. A National Institute of Standards and Technology study analyzed 53 HDC samples and found that 49 were incorrectly labeled.³⁶

Ingredients in vape cartridges, such as flavors and diluents, are of unknown safety. They are often sourced from third-party companies that do not provide transparency regarding the ingredients' origins or contents. A lab at Virginia Commonwealth University analyzed various HDC products and discovered frequent mislabeling and a lack of transparency about ingredients that might be harmful to inhale, such as ethanol.³⁷ Accidental ingestion of HDC has been linked to at least one child death.³⁸

HDCs can be sold to minors, as there is no minimum purchasing age for hemp products like HDCs.³⁹ Because these products are not subject to regulation, their packaging can resemble that of candies commonly consumed by children. In 2023, the FTC sent cease and desist letters to several HDC companies with packaging that mimicked popular candy.⁴⁰ According to the most recent Monitoring the Future Survey, 11.4% of twelfth graders reported using delta-8 THC in the past year.⁴¹ The issues created by the opportunities opened by the 2018 and 2023 Farm Bills may be beyond the scope of LADCR to address. However, this state and nationwide problem could be mitigated locally through City cannabis regulation.

HDCs can be sold anywhere. They are often sold online with nationwide shipping, making them more accessible and convenient for consumers. HDC companies also have access to social media promotion in ways that licensed cannabis brands and businesses do not. For example, one HDC company claims to have featured its product on outlets like ESPN, ABC News, and Rolling Stone.⁴² Shopify Help Center states that vendors can sell hemp and hemp-derived products. This ease of marketing is not allowable for licensed products containing THC.⁴³

Smoke shops with HDCs are near pizza parlors and sneaker shops at significant intersections. They carry vapes, flower, pre-rolls, candies, wax, and shatter. They do not observe buffer zones from sensitive sites like public schools

³⁵ Johnson, Brooks. "What Exactly Is Hemp-Derived THC? And How Is It Different from Marijuana?" *Star Tribune*, September 19, 2022.

<https://www.startribune.com/what-exactly-is-hemp-derived-thc-and-how-is-it-different-from-marijuana/600208221>.

³⁶ "Study Reveals Inaccurate Labeling of Marijuana as Hemp." n.d. National Institute of Justice. <https://nij.ojp.gov/topics/articles/study-reveals-inaccurate-labeling-marijuana-hemp>.

³⁷ McNeill, Brian. n.d. "VCU Lab Testing delta-8 Products Finds Misleading Labeling, Lack of Safety Standards." *VCU News*. <https://news.vcu.edu/article/2021/12/vcu-lab-testing-delta-8-products-finds-misleading-labeling-lack-of-safety-standards>.

³⁸ "Virginia Mom Charged in 4-Year-Old Son's Overdose Death Won't Face a Jury, Takes Plea Deal." 2023. *Wusa9.com*. June 12, 2023. <https://www.wusa9.com/article/news/investigations/dorothy-clements-plea-deal-delta-8-death-4-year-old-child/65-4cab3737-ac0a-4422-a4d4-2062ba13dab1#:~:text=Virginia%20mom%20charged%20in%204>.

³⁹ Harlow, Alyssa F., Adam M. Leventhal, and Jessica L. Barrington-Trimis. 2022. "Closing the Loophole on Hemp-Derived Cannabis Products." *JAMA*, November. <https://doi.org/10.1001/jama.2022.20620>.

⁴⁰ "FTC Sends Cease and Desist Letters with FDA to Companies Selling Edible Products Containing delta-8 THC in Packaging Nearly Identical to Food Children Eat." 2023. Federal Trade Commission. June 30, 2023. <https://www.ftc.gov/news-events/news/press-releases/2023/07/ftc-sends-cess-desist-letters-fda-companies-selling-edible-products-containing-delta-8-thc>.

⁴¹ Harlow, Alyssa F., Richard A. Miech, and Adam M. Leventhal. 2024. "Adolescent Δ 8-THC and Marijuana Use in the US." *JAMA* 331 (10): 861 - 61. <https://doi.org/10.1001/jama.2024.0865>.

⁴² Leas, Eric C. 2021. "The Hemp Loophole: A Need to Clarify the Legality of delta-8-THC and Other Hemp-Derived Tetrahydrocannabinol Compounds." *American Journal of Public Health* 111 (11): 1927 - 31. <https://doi.org/10.2105/ajph.2021.306499>.

⁴³ "Hemp and Hemp-Derived Products." n.d. Shopify Help Center. Accessed March 15, 2024. <https://help.shopify.com/en/manual/compliance/legal/hemp>.

and parks. One of the shops the research team visited for this study was located across the street from a prominent high school in Los Angeles. The researcher watched parents managing the carpool line for band practice pick-up on the south side of Melrose. At the same time, across the street, 50 yards away and within eyesight, three teenage students entered the shop and purchased THC products indistinguishable from those sold at licensed stores.

HDC brands do not pay cannabis taxes or licensing fees. Similar to unlicensed dispensaries, those selling HDC products are exempt from paying licensing fees and testing costs, allowing for healthier margins and the ability to offer lower prices. This also promotes the use of cheaper materials that would not meet cannabis industry testing requirements. For example, Curaleaf, a licensed cannabis producer, sells a package of gummies with 100 mg of THC for \$25. An HDC producer, 3Chi, sells a package of gummies containing four times that amount, 400 mg of delta-8 THC (a popular HDC), for \$29.99 online.⁴⁴

HDC products are not tested and may contain toxic pesticides and chemicals. They are not subject to mandatory testing or good manufacturing processes and often contain toxic pesticides and chemicals. A study from the University of Rochester tested 27 HDC products and found that none included the amount of delta-8 THC that they claimed. Furthermore, all 27 had potentially harmful byproducts.⁴⁵ Dangerous products have no way of being recalled from the public. Moreover, unlike licensed cannabis programs, there are no safeguards for informing the public about potentially hazardous products.⁴⁶

According to the FDA, between December 2020 and March 2022, there were 104 reports of adverse events involving delta-8 THC. Between December 2021 and March 2022, Poison Control Centers received 2,362 calls about adverse reactions to delta-8 THC, with 41% of these cases involving minors under 18 and 70% requiring healthcare facility intervention.⁴⁷

National and State Response to HDC Challenge. Cannabinoid hemp is any product processed or derived from hemp that is used for human consumption, including for topical application, for its cannabinoid content, and does not contain more than 0.3% THC. These products possess intoxicating levels of cannabinoids and can be sold on the technicality that, by weight, they are under 0.3% THC. This loophole misleads consumers and makes dosing nearly impossible.

The 2018 and 2023 US Farm bills aimed to sell “rope, not dope.” Legislative leadership, such as Senator Mitch McConnell, intended to free CBD nutraceutical, apparel, and fuel companies to profit from hemp cannabis plants. They did not intend to create a parallel cannabis market that drives compliant, tax-paying cannabis businesses into the ground. However, that is what they have brought into being. Politically, the Los Angeles Department of Cannabis Regulation, or LACDPH, could lobby the California State Legislature or emphasize to state regulators the importance of protecting their licensed industry and public health.

⁴⁴ Berger, Eric. 2022. “Hemp-Derived delta-8 Skirts Marijuana Laws and Raises Health Concerns.” KFF Health News. September 23, 2022. <https://kffhealthnews.org/news/article/hemp-delta-8-marijuana-laws-health-concerns>.

⁴⁵ Smith, Dana G. 2022. “How delta-8 THC Works, and Why Experts Are Worried about It.” *The New York Times*, July 1, 2022, sec. Well. <https://www.nytimes.com/2022/07/01/well/mind/delta-8-thc-marijuana.html>

⁴⁶ Harlow, Alyssa F., Adam M. Leventhal, and Jessica L. Barrington-Trimis. 2022. “Closing the Loophole on Hemp-Derived Cannabis Products.” *JAMA*, November. <https://doi.org/10.1001/jama.2022.20620>.

⁴⁷ “5 Things to Know about delta-8 Tetrahydrocannabinol — delta-8 THC.” 2021. FDA, September. <https://www.fda.gov/consumers/consumer-updates/5-things-know-about-delta-8-tetrahydrocannabinol-delta-8-thc>.

In the fall of 2024, the California Governor’s office announced emergency regulations to ban THC-containing hemp products and create stronger state protections to safeguard California’s children from the dangerous effects of unregulated THC. Through a “Finding of Emergency” (DPH-24-005E-Emergency Regulations for Serving Size, Age, and Intoxicating Cannabinoids for Industrial Hemp), products containing hemp-derived intoxicating cannabinoids are now illegal in California after the Office of Administrative Law (OAL) approved Gov. Gavin Newsom’s regulations on Sept. 23, 2024. The new regulations require that industrial hemp food, beverage, and dietary products intended for human consumption have no detectable THC or other intoxicating cannabinoids per serving, create a minimum age of 21 to purchase hemp products, and limit the number of servings of hemp products to five per package. The press release for the action stated, “Studies show that use of these products can negatively impact cognitive functions, memory, and decision-making abilities in developing brains.”



Department of Cannabis Control CALIFORNIA

Nicole Elliott, Director of the Department of Cannabis Control, responded, “These rules are a critical step in ensuring the products in the marketplace align with the law’s original intent, and we are committed to working with our state partners to enforce state law.” The public statement added, “These regulations will take effect

immediately upon approval by the Office of Administrative Law. Sellers must begin to implement purchase restrictions and remove consumable hemp products containing any levels of detectable THC from shelves. State regulators, including the Department of Public Health, the Department of Cannabis Control, the California Department of Alcoholic Beverage Control (ABC), the California Department of Tax and Fee Administration (CDTFA), and state and local law enforcement officials, will begin immediate enforcement action.

The State’s tax collection authority stated that, “Our cannabis and tobacco inspectors are out in the field every day so that consumers can know that the items on store shelves are legal in California, properly tested, labeled, and taxed,” said Nick Maduros, Director of CDTFA. “We will continue working with our colleagues at the state and local levels to educate retailers and enforce California law.”

A court rejected a legal maneuver to prevent enforcement of California’s emergency regulations banning THC-containing hemp products that harm the public, especially children. The ban remains in effect after the court affirmed that the potential harm to Californians justified the need for the regulations.⁴⁸

Researchers involved in this project have conducted a small survey of vape and smoke shops in Los Angeles to ensure compliance with the Governor’s order. Approximately half of the stores visited continue to carry Delta 8 and Delta 9 vapes, gummies, and infused flowers. Many shops still sell psilocybin or other “proprietary” mushroom extracts with labels claiming that three of the mushroom gummies will put the consumer “in God mode.”

Some hemp and CBD industry groups are threatening litigation against California;⁴⁹ the City of LA should monitor state progress and, once laws are established, act in the best interest of Angeleno consumers.

Monitoring and customization of this state ruling should be tailored to the needs of Los Angeles if necessary. These products are available nationwide in smoke shops and gas stations. Nebraska, Florida, Tennessee, South Dakota,

⁴⁸ California, State of. “Court Shuts down Industry Attempt to Block Enforcement of California’s Hemp Regulations.” Governor of California, October 11, 2024. <https://www.gov.ca.gov/2024/10/11/court-shuts-down-industry-attempt-to-block-enforcement-of-californias-hemp-regulations/>.

⁴⁹ Adlin, Ben. “Hemp and CBD Groups Threaten to Sue California over Governor’s New Rules Restricting Cannabinoid Products.” Marijuana Moment, September 13, 2024. <https://www.marijuanamoment.net/hemp-and-cbd-groups-threaten-to-sue-california-over-governors-new-rules-restricting-cannabinoid-products/>.

Arkansas, Alaska, and Virginia have all opted to “redefine and restrict products containing potentially intoxicating cannabinoids derived from hemp other than delta-9 THC.”⁵⁰

LAPD Arrests: Quantitative Data Analysis

Several issues have arisen from enforcing the unlicensed industry in lower-income areas of the city. Some community impact issues include the **disparate historic enforcement against** Black, Latino, and other non-White communities, and low-income residents of Los Angeles have historically faced disproportionate impacts from cannabis law enforcement. In 2016, the ACLU published its findings that in Los Angeles, black people were cited for cannabis possession infractions four times more often than white people.⁵¹



These issues persist, and **disparate enforcement continues**. Arrest data shows that enforcement after 2018 continues to focus on a small number of zip codes that are primarily low-income (below the federal poverty line), Black, Latino, or non-White, and have disconnected youth (not in school or employed). These few zip codes experience **hundreds of enforcement actions, while others see far fewer**, even if unlicensed operations exist elsewhere. Low-income neighborhoods have a higher ratio of unlicensed cannabis retailers to licensed retailers for complex reasons, including licensing barriers, even though cannabis consumption spans the city.

Enforcement actions have **long-lasting repercussions for employees**. Raids on unlicensed shops primarily affect employees when arrests occur. Law enforcement uses a wide range of charges that go beyond cannabis-related laws, which shifted after 2016. These include “drug

house” felonies/misdemeanors (HSC 11366), gun charges, and numerous offenses that significantly impact formerly incarcerated individuals or those on probation. These charges exceed eligibility for the City’s Administrative Citation Enforcement (ACE) Program, which is designed to offer a non-criminal approach to handling minor offenses.⁵²

In both unlicensed and licensed industries, there is a **perception of bias**. Workers, along with some community and industry stakeholders, believe that minorities are targeted first by police, that seizures are linked to corruption, and that those owners/operators and landlords who profit the most do not face the direct consequences of arrests.

Workers in the unlicensed industry may face suboptimal, compromising, exhausting, and **unsafe conditions**. Despite this, many choose to remain for personal or cultural reasons or due to barriers, such as having been formerly incarcerated or a lack of opportunities elsewhere. Some of these workers earn more than they would in the licensed market. Working in the unlicensed market means the employees do not pay taxes, allowing them to take home more of what they earn. A job in the regulated industry entails withholding and being subject to state and



⁵⁰ Hernandez, Selden. “Hemp Industry 2024: State and Federal Changes.” McGlinchey Stafford PLLC, June 12, 2024. <https://www.mcglinchey.com/insights/hemp-industry-2024-state-and-federal-changes/>.

⁵¹ “Marijuana Enforcement Disparities in California: A Racial ...” Marijuana Enforcement Disparities In California: A Racial Injustice. Accessed September 28, 2024. https://www.aclu.org/wp-content/uploads/2016/05/CA_Marijuana_Infractions_FINAL.2016.05.pdf.

⁵² “Administrative Citation Enforcement Program (ACE Program).” Administrative Citation Enforcement Program (ACE Program) | City Attorney. Accessed September 28, 2024. <https://cityattorney.lacity.gov/administrative-citation-enforcement-program-ace-program>.

local income tax. If unlicensed shops are permanently closed in the city, hundreds to thousands of people will **lose their jobs**.

The LA DCR Social Equity program could provide an off-ramp to industry licensure and jobs for these individuals. The effort to conceive of a program like this and have it in place before closing the remainder of the unlicensed shops would mitigate some unemployment uncertainty created through enforcement.

Methodology for Quantitative Data Analysis

Table: LAPD Enforcement Actions by Zip Code, 2018-2024

Zip codes	Total Investigations
91352 Sun Valley, Shadow Hills	162
90003 Florence, Avalon Gardens	129
91605 Laurel Canyon, Satcoy	105
90047 Gramercy Park	102
90015 Downtown LA	84
90019 Picfair Village, Arlington Heights	74
90021 Olympic and Alameda	74
90044 Vermont Knolls	71
90037 Exposition Park	64
91331 Hansen Hills	63
90011 Historic South Central	62
91040 Shadow Hills	58
91342 Lake View Terrace	59
91344 San Fernando	49
91601 Toluca	48
91335 Tarzana	46
91343 North Hills	45
90043 Windsor Hills	41
90007 USC	38

The research team collaborated with the LAPD Gang and Narcotics Division, Cannabis Support Unit, to obtain data on cannabis enforcement actions and cannabis-related crimes. This encompasses felony and misdemeanor arrests, cash seizures, recovered firearms, seized cannabis products, utility disconnections, search warrants, and civil cost recovery. The data spans reports submitted to the enforcement portal and routed calls and actions from 2018 to 2024. This research includes information on cease-and-desist letters, warrants served, arrests made, and confiscated weapons and cannabis products.

Only singular enforcement actions linked to search warrants were analyzed. This limitation arose from changing data recording and collection forms. These may encompass numerous potential actions, including initial inspections, padlocking, utility disconnection, and ultimately, raids to shut down the facility.

Some locations were visited multiple times, which means this data does not represent the individual cases from any enforcement action. Some actions may have included one or more arrests (some included as many as 10), but reporting on the individual number of cases varied and was not always consistent. Therefore, the effects on individuals from a community may be amplified.

This section enhances our understanding of the enforcement-related data provided by LAPD in coordination with LADCR's Compliance and Enforcement Division (CED). This data was used to assess the CED's ability to measure the success or failure of enforcement actions, identify which actions or combinations of actions are the most effective, and pinpoint areas for improvement in enforcement outcomes.

This study identifies administrative and criminal measures to reduce unlicensed markets. It maps vital findings to determine the concentration of unlicensed locations over time, enforcement actions taken against them, and outcomes to enhance enforcement efforts.

This analysis also identifies deficiencies in data collection, variables, or methods that could enhance enforcement efforts and analysis. The study measures the efficacy of the tools used by the City of Los Angeles against the cost of their implementation. This analysis

enables an inventory of City departments involved in enforcement actions, including the LAPD's authority with sworn officers, the Los Angeles City Attorney's Office regarding cease-and-desist orders, and warrant service.

Enforcement Actions by Zip Code. LAPD data revealed a notable concentration of enforcement activities in specific zip codes. The City of Los Angeles encompasses 95 zip codes. The top four, 91352, 90003, 91605, and 90047, had over 100 enforcement actions between 2018 and 2024. These areas correspond to South Los Angeles and the North Hollywood/Sun Valley/Shadow Hills region, as shown in Figure 1, LAPD Cannabis Enforcement by Zip (2018-2024). They represent working-class communities of color that have long been the target of enforcement activities. Additionally, nine other zip codes had between 99 and 50 enforcement actions, while the remaining 82 encountered only 1 to 2 enforcement actions each.

Investigations and Enforcement Actions by Demographics

Investigating Poverty Levels. Examining correlations among demographic and economic factors reveals a substantial relationship between *the number of investigations by zip code* and *the percentage of the population below the federal poverty level (FPL)*. This is indicated by a significant curve showing that arrests increase as the federal poverty level rises, as seen in Figure 2. The small, shaded area highlights minimal deviation from the trend, while the considerable clustering in the middle underscores the consistency of this correlation.

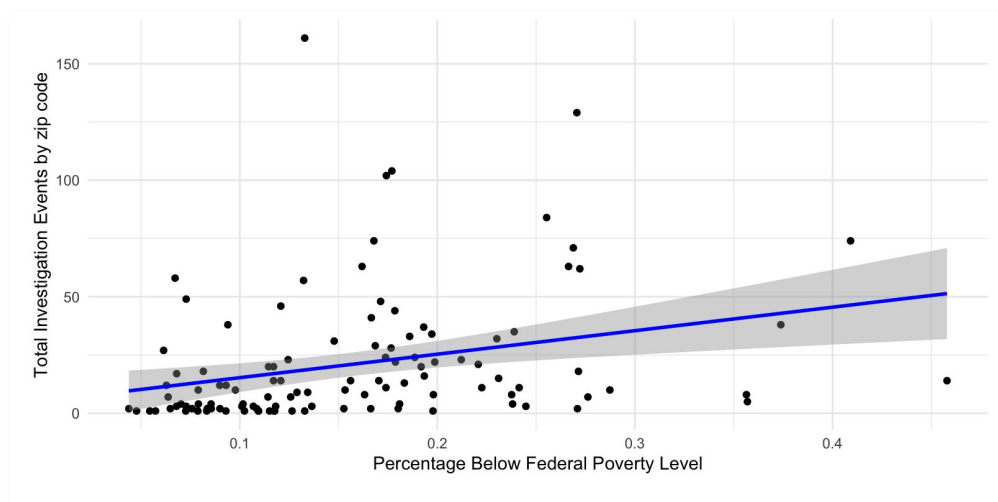


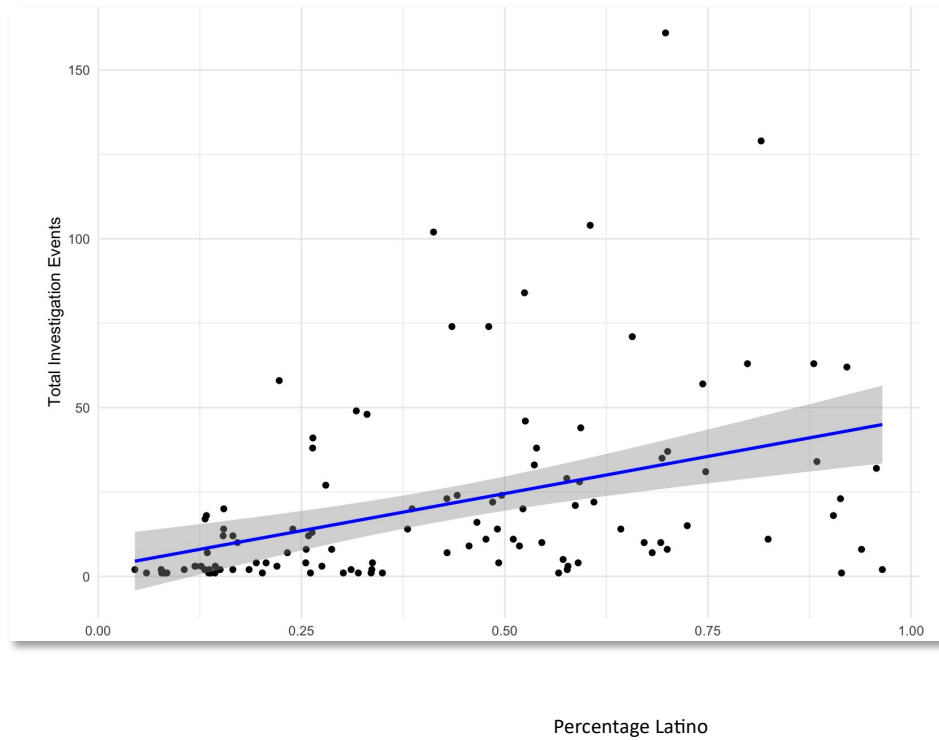
Figure 2: Total Investigations per Zip Code as a Percentage Below the Federal Poverty Level

The Federal Poverty Level (FPL) represents extreme poverty and falls well below California's cost of living.

In 2024, the FPL is \$20,440 for a household of two, whereas research indicates that the threshold for low-income status in Los Angeles is an income of \$80,750 or less for a household of two (in 2023).⁵³ Numerous researchers utilize 200% or more of the FPL to define low income. This suggests a strong correlation between areas of economic distress and enforcement actions, indicating a potential need for economic opportunities to replace the proliferation of such operations.

⁵³ California Department of Housing & Community Development. 2023 State Income Limits. See <https://www.hcd.ca.gov/sites/default/files/docs/grants-and-funding/income-limits-2023.pdf>

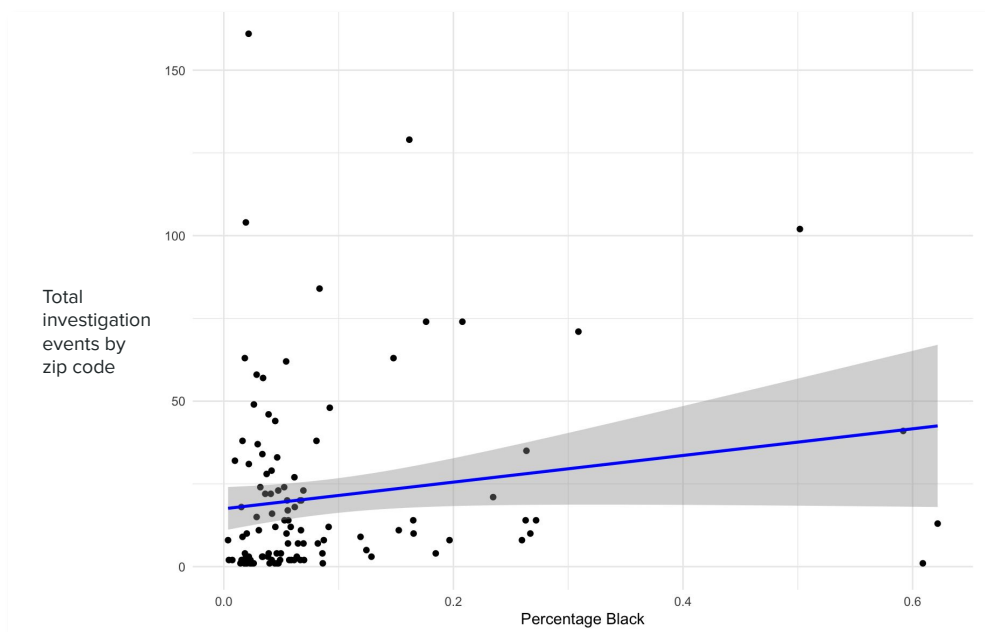
Figure 3. Total Investigations Compared to Percentage of Latino Population



Investigations in Predominantly Latino Areas

There is also a strong correlation between areas with Latino and Black populations and those targeted for enforcement. The data demonstrate clear trend lines in regions with higher percentages of Latino populations, with more areas showing over 30 investigation events as the percentage of Latinos increases above 50%.

Figure 4. Total Investigations Compared to Percentage Black Population



Investigations in Predominantly Black Areas

The flatter lines and sparse representation in areas with higher percentages of Black populations are partly shaped by the displacement of these communities. However, many areas where 20% or more of the Black population have experienced investigative events remain underexplored.

Figure 5. Total Investigations Compared to Percentage Non-White Population

Investigations in Predominantly Non-White Areas

The positive correlation between investigations and the percentage of the minority population is also evident in the trend lines among the non-White population.

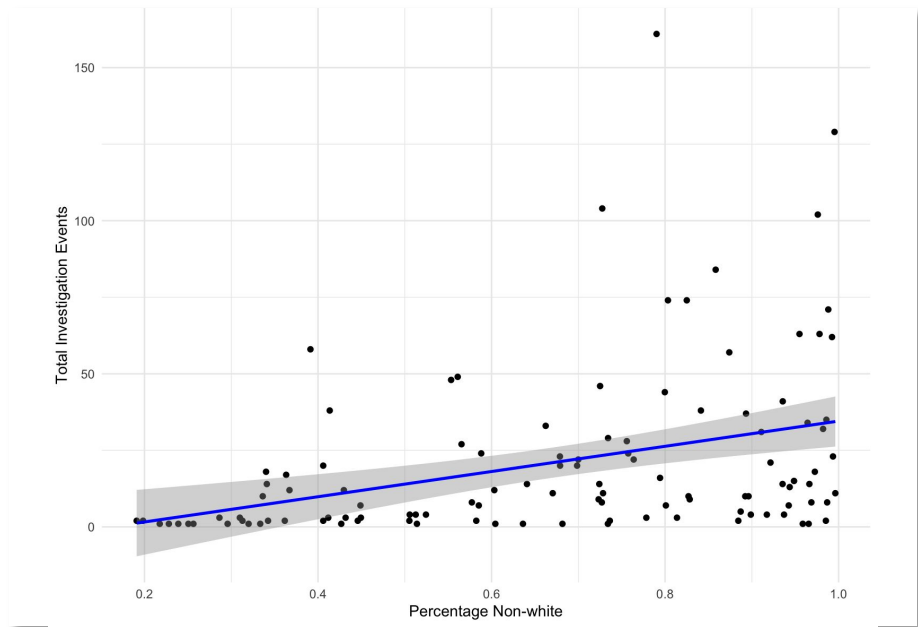
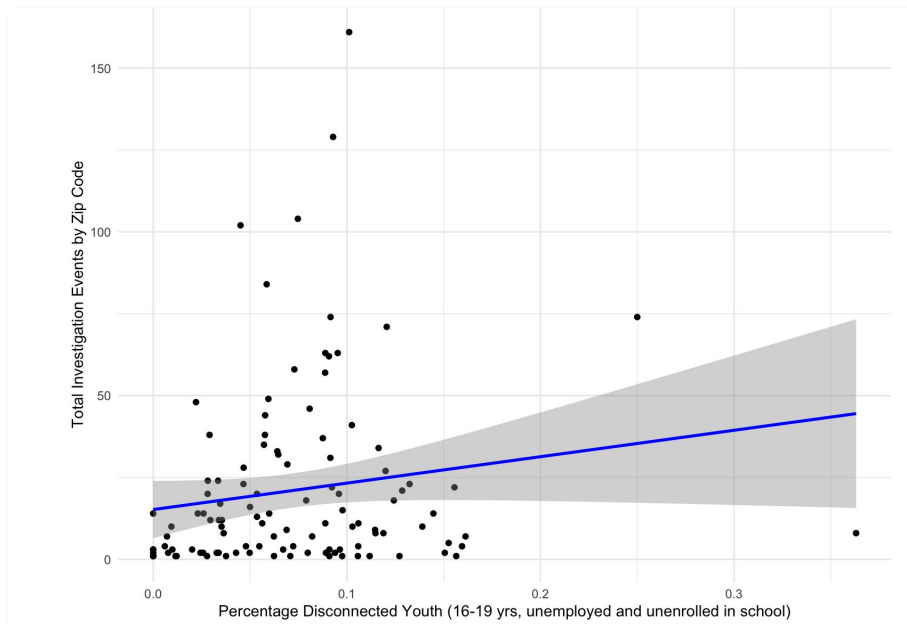


Figure 6. Investigations per Zip Code vs. Percentage Disconnected Youth

Investigations in Areas with Disconnected Youth (DY)



To explore the connection between younger people seeking opportunities in the local cannabis industry and “disconnected youth”—those who are not employed or enrolled in school—the research team examined the relationship with “disconnected youth.” Findings indicate that areas with higher concentrations of disconnected youth tend to experience more investigation events. One possibility is that DY are participating in the unregulated market out of

a need for economic opportunities. The City may be able to promote legal, high-road, and middle-income opportunities for these residents.

Enforcement Actions and Guns. As shown in Figure 7, most enforcement actions did not yield guns. About 15% of investigation actions yielded one gun, and very few yielded two or more. Figure 7 demonstrates that more than 1878 incidents had no guns recovered; 352 had one gun recovered, and 130 had two or more guns recovered. Additionally, Figure # shows that the total number of guns seized yearly has declined since 2019.

The *median* number of guns recovered per action was .34, with a standard deviation of 1.28. This indicates that, generally, the range remained between 0 and 1.5 guns. However, this average is inflated due to one exceptional incident where 27 guns were recovered.

The *median* value for guns recovered is 0.

This represents a significant departure from the generalized discussion of unlicensed dispensaries as hotbeds of crime and gun trafficking. However, it appears no different from trends seen in licensed shops having armed security.

Figure 7. Investigations by Total Guns, Consolidated (2018-2024)

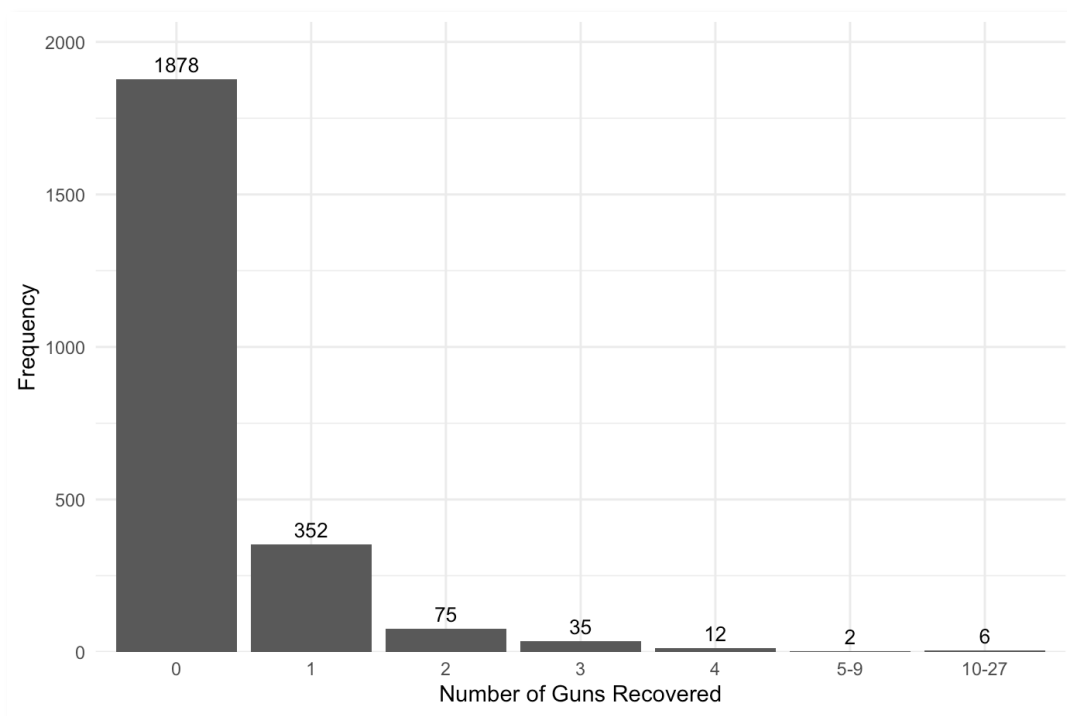
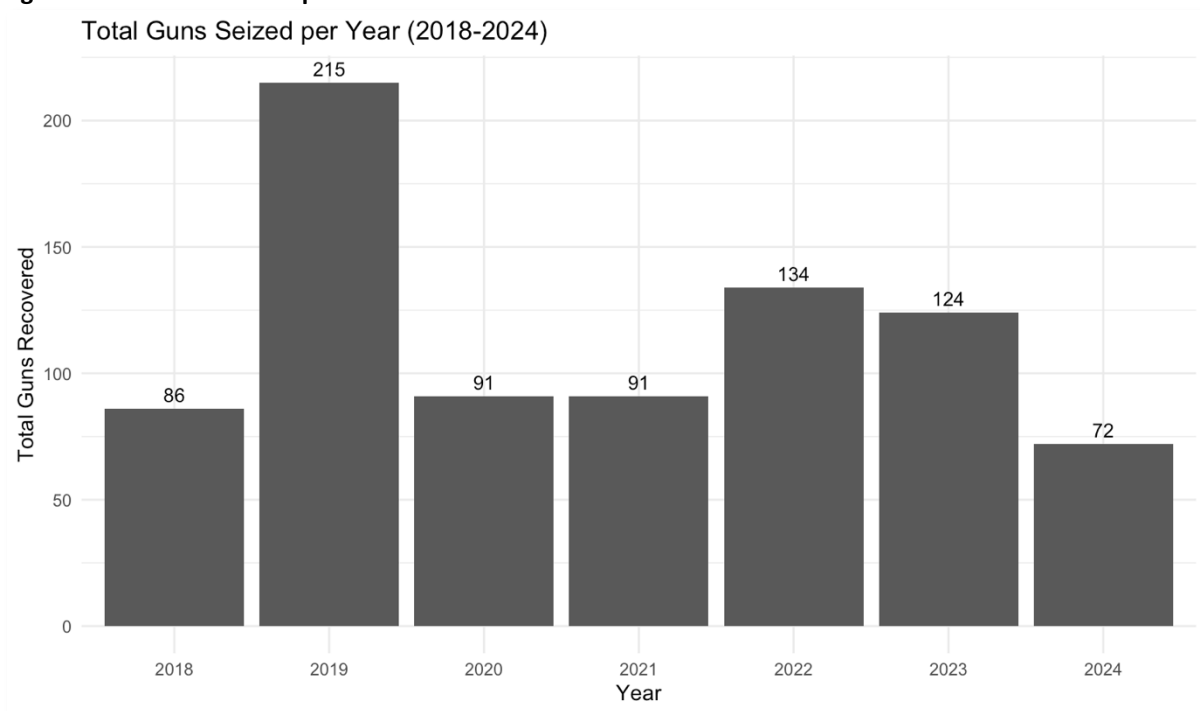


Figure 8. Total Guns Seized per Year



Enforcement Actions and Arrests

Enforcement incidents have focused less on felony and misdemeanor charges.

Figure 9. Number of Misdemeanor Arrests per Investigation (2018-2024)

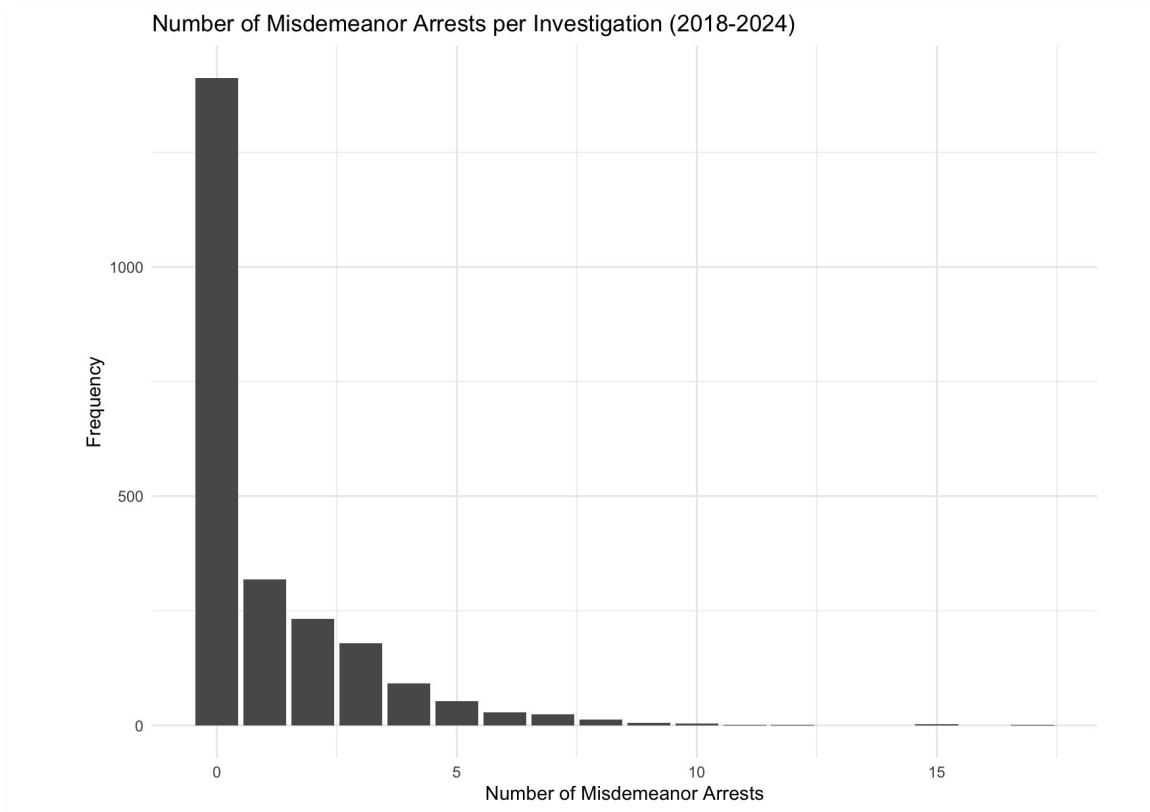
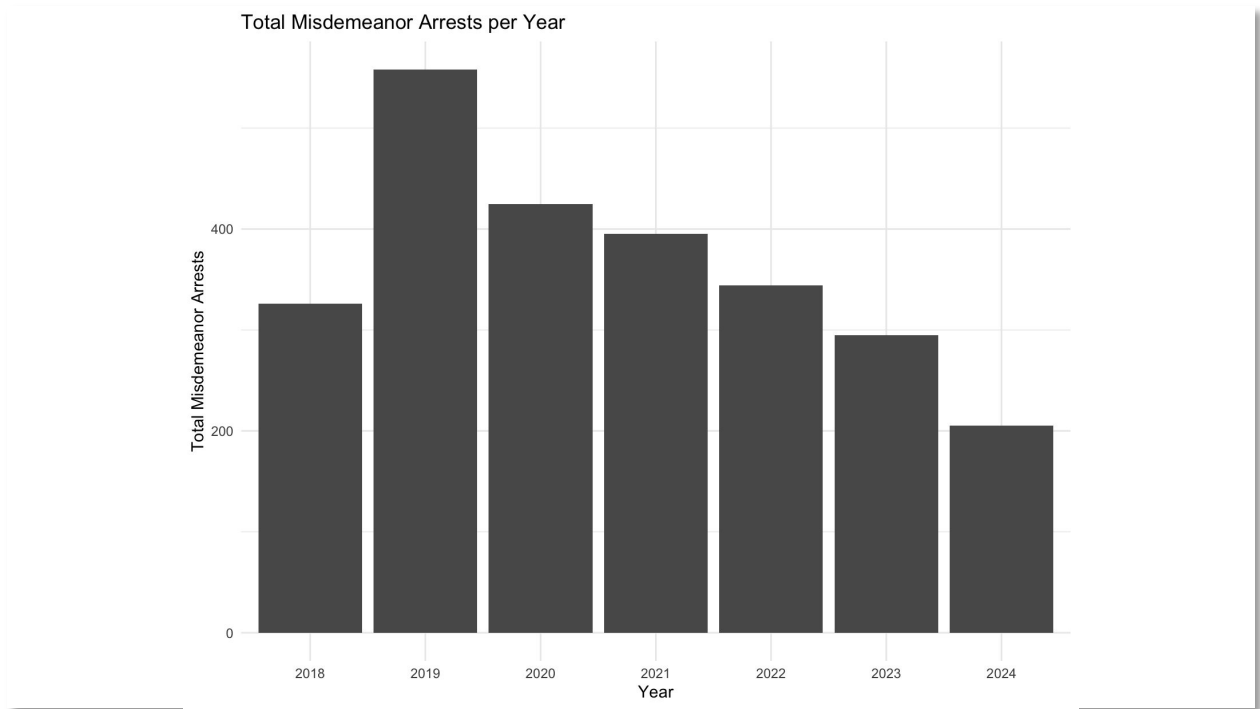


Figure 10. Total Misdemeanor Arrests per Year



The declining trend lines in this may be partly influenced by the absence of data on active investigations, and later years may encompass more of these. It also indicates that LADCR and the DA's focus on diversion and non-arrest solutions is effective.

Figure 11. Number of Felony Arrests per Investigation (2018-2024)

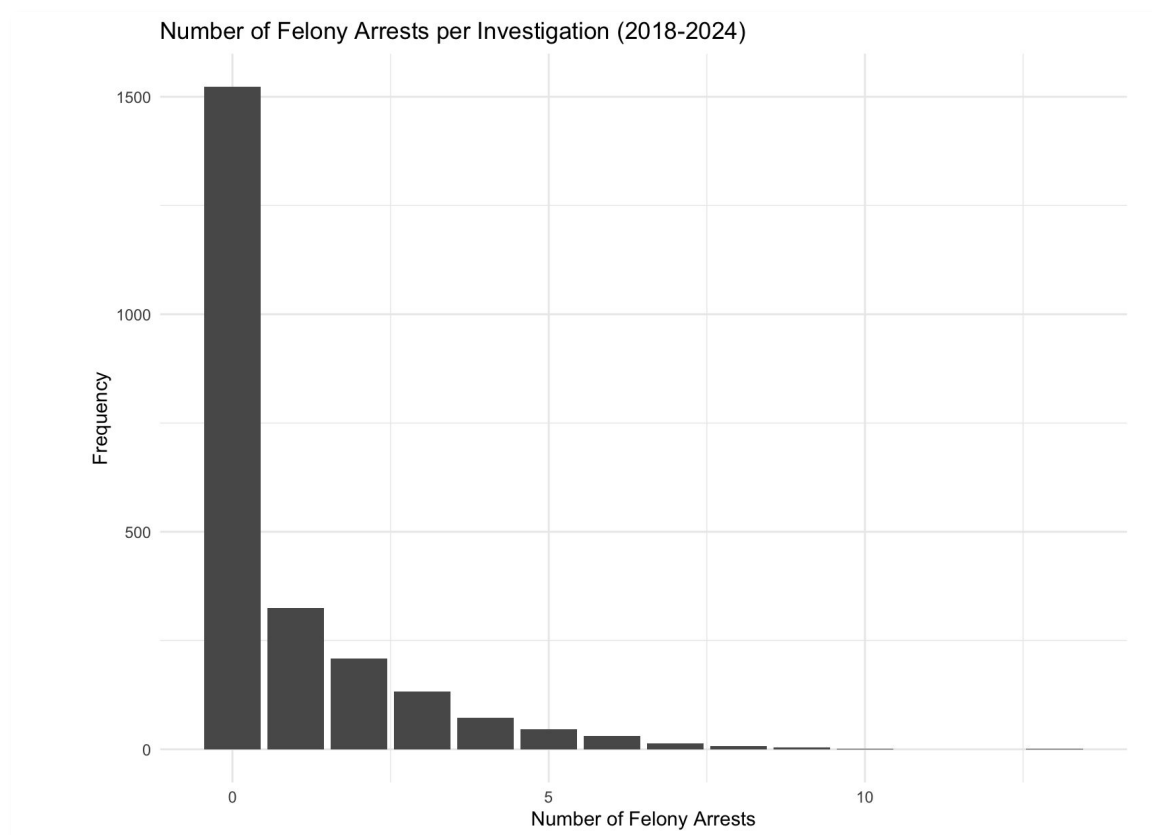
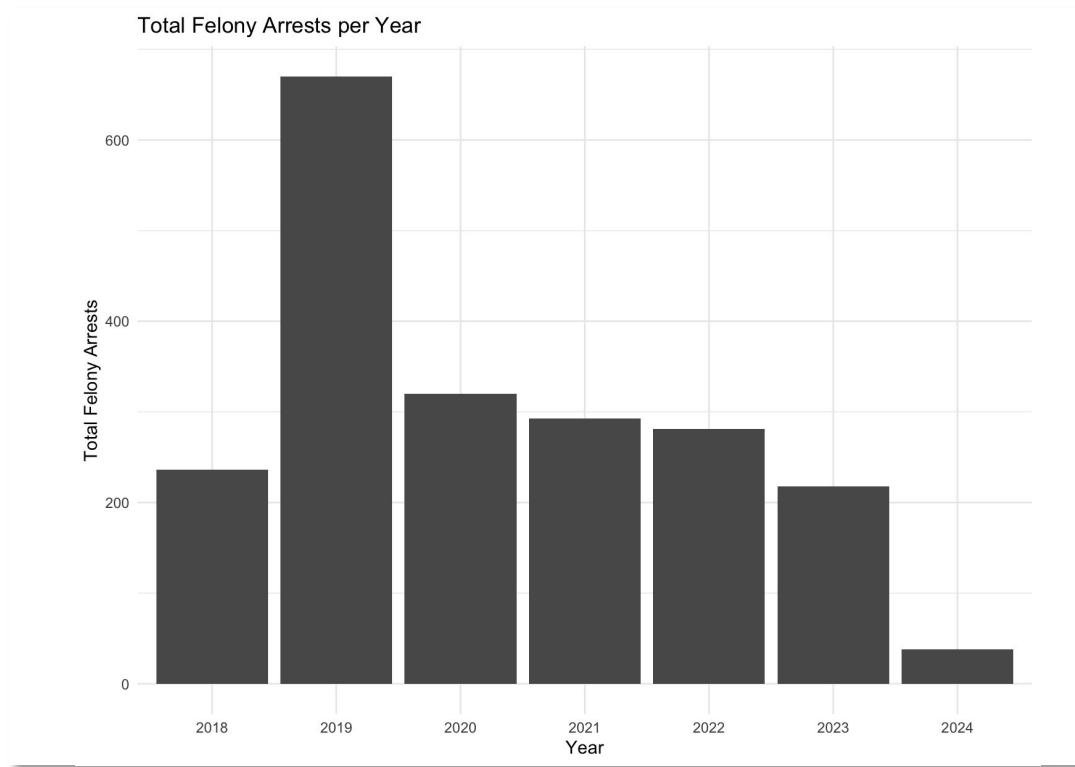


Figure 12. Total Felony Arrests per Year



Felony Codes Used. LAPD data showed a wide variety of specific felony and misdemeanor charges. Not all were recorded similarly across precincts; at times, broader category codes were used, while at other times, subcodes were employed. The structure of the California Health and Safety Code, Penal Code, and municipal codes is such that related charges are grouped. To understand the overall trends in the types of cannabis-related charges, our team aggregated subcodes under the broader category code. For example, California Health and Safety Code (HSC) Section 11351.5 specifies the years required for punishing the sale of a controlled substance. Simultaneously, HSC Section 11351 defines the sale of a controlled substance. Both appeared in the data and were coded under the same umbrella, HSC 11351, sale of a controlled substance.

The most prevalent felony codes were those for operating or maintaining a drug house (HSC 11366; 508 incidents), possession of cannabis for unlawful sale (HSC 11359; 38 incidents), and felon in possession of a firearm (CPC 29800; 37 incidents). According to the LAPD, the most frequently occurring code (HSC 11366) was used to target crack houses in the 1980s and 1990s. It is known as a “wobbler,” a code that can be charged as a misdemeanor or felony, with most treated as a misdemeanor. This raises the question of why felony charges are being entered with the knowledge they will be downgraded and why this particular code is so overwhelmingly prevalent compared to a cannabis-specific set of laws.

Several charges related to firearms on the premises specifically targeted individuals on probation or with prior convictions. This raises questions about breaking the cycles of incarceration. A significant number of firearm and drug charges involved those with prior records, which may have arisen when cannabis was criminalized just a few years ago. This indicates that formerly incarcerated individuals who possess a handgun for security or are in cannabis locations where handguns are present risk felony charges in the unregulated sector and generally face an increase in almost any charges. How, then, can punitive cycles be altered? Are there opportunities in the regulated sector for formerly incarcerated individuals and pathways out of the probationary system?

While there are no widespread cases with other drugs, charges were also related to methamphetamine production/sales, controlled substance possession, and even a specific deportation order for one found with a controlled substance.

There was a smaller range of misdemeanor charges, mostly tied to municipal and state code violations related to cannabis. This suggests that the newer changes in the municipal code are being used in some cases. Again, this raises questions about the LAPD's ongoing use of charges that seek to connect involvement in the unregulated sector with a harsher felony, despite the establishment of these newer municipal codes stemming from a mandate via Prop 64 and other laws to move away from employing felonies for those involved in this legalized sector.

Table 2. Felony Codes Used (2018-2024)

Felony Code	Description	Frequency
HSC 11366	Operating or maintaining a drug house	508
HSC 11359	Possession of cannabis for sale unlawfully	38
CPC 29800	Felon in possession of a firearm	37
HSC 11360	Illegal transport or import of cannabis	25
HSC 11370	Possession of a controlled substance while armed	20
HSC 11378	Possession of methamphetamine with the intent to sell	20
CPC 498	Theft of utility services	19
HSC 11379	Sale or transport of methamphetamine	18
CPC 25850	Carrying a loaded firearm	15
HSC 11358	Unlawful possession/cultivation/sale of cannabis (under 18)	14
CPC 25400	Carrying a concealed firearm without a permit	14
CPC 182	Conspiracy to commit a crime	8
HSC 11351	Possession of a controlled substance with the intent to sell	7
CPC 30605	Possession of an assault weapon	5

Figure 13. Felony Codes Used in Cannabis Related Arrests by Year (2018-2024)

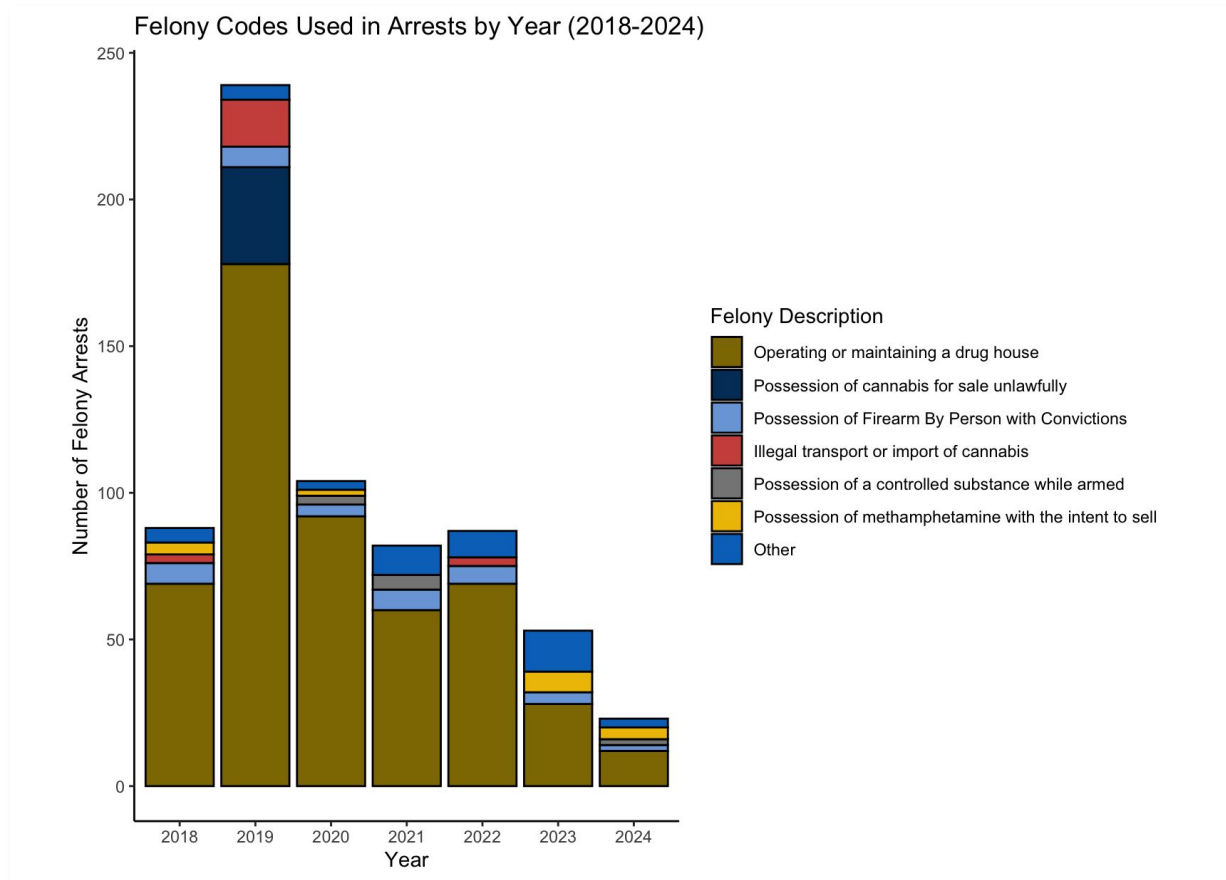
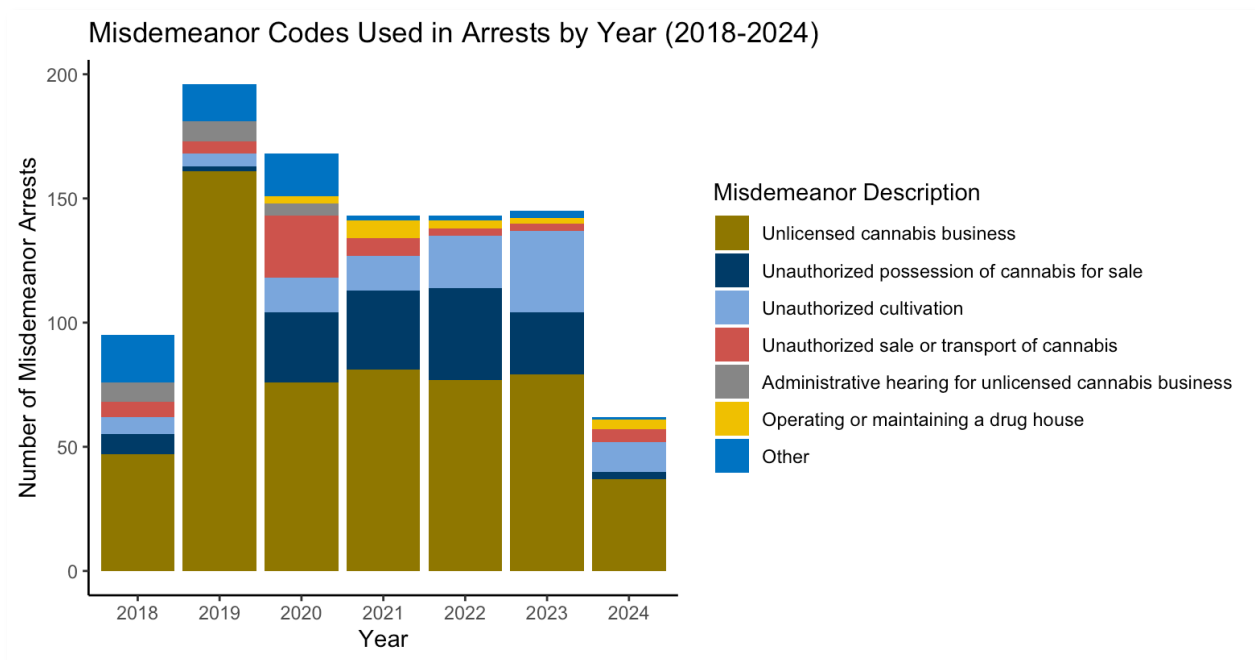


Table 3. Misdemeanor Codes Used (2018-2024)

Misdemeanor code	Code description	Frequency
104.15	Unlicensed cannabis business	558
11359	Unauthorized possession of cannabis for sale	135
11358	Unauthorized cultivation	106
11360	Unauthorized sale or transport of cannabis	54
104.14	Administrative hearing for unlicensed cannabis business	21
11366	Operating or maintaining a drug house	19
498	Illegal diversion of utility	9

104.01	Cannabis license related	8
11350	Possession of a controlled substance	7
25850	Loaded firearm related charges	5
148	Giving false ID to officer	4
11377	Possession of unauthorized prescriptions	3
29800	Felon in possession of a firearm	3

Figure 14. Misdemeanor Codes Used in Arrests by Year (2018-2024)



Qualitative Data Collection and Analysis

Methodology for Interviews with Key Stakeholders

The research team conducted interviews with key stakeholder groups to gain a clearer understanding of the challenges in reducing the negative impacts of unlicensed cannabis operations. Those interviewed included:

1. Operators of unlicensed cannabis locations
2. Consumers of unlicensed cannabis products
3. Community stakeholders, leaders, justice advocates, licensed social equity operators, and commission appointees.
4. Los Angeles Government Regulators, enforcement, support agencies, and California State partners.
5. Regulatory, enforcement, watchdog, and advocacy groups beyond Los Angeles—specifically, those involved in cannabis enforcement outside of Los Angeles City—

The research team conducted 62 individual interviews, each lasting 60 minutes, via the Zoom web conferencing platform, all recorded and transcribed. The interviews with experts included 15 community stakeholders, 10 unlicensed operators, five unlicensed consumers, 15 representatives from Los Angeles government and partner agencies, and 17 representatives from California (non-LA) and national (non-CA) government agencies. Researchers also held feedback sessions with LA government representatives and community stakeholders, who provided feedback through email or group webinar formats.

After each interview, a research team member reviewed the transcripts and entered responses to every question into a spreadsheet for further analysis. The team then examined all responses to generate themes and highlight key quotes.

Interviews with Agencies Involved in Los Angeles City Cannabis Enforcement

Departments and Partner Agencies Involved in Cannabis Enforcement in the City. Many offices and departments work together to identify and enforce unlicensed cannabis operations in Los Angeles comprehensively. Under the purview of DCC, a network of local, county, and state agencies collaborates to manage compliance for licensed cannabis ventures and mitigate the harms of the unlicensed cannabis industry. Under the terms of California's Proposition 64 (passed in 2016) and Los Angeles City's Measure M (passed in 2017), city departments (including LAFD, LASAN, and the Los Angeles City Attorney's Office) work alongside county and state departments to provide support for health inspections, tax collection, environmental regulation, social equity, and law enforcement.

The Los Angeles Department of Cannabis Regulation (LADCR) oversees the management of the licensed cannabis industry within the city by collaborating with law enforcement and other public agencies. The LADCR Compliance and Enforcement Division (CED) oversees commission support, records management, compliance, and enforcement. Once LADCR approves a licensee, the Los Angeles Office of Finance assists LADCR by managing business registrations, validating books, and collecting fees and taxes.

Our role in finance is not to act as regulators. However, we support the Department of Cannabis Regulation, which issues permits and conducts or reviews applications, among other responsibilities. All of these responsibilities have associated costs. Therefore, as the Office of Finance, we are responsible for collecting fees for the Department of Cannabis Regulation. Once a business is approved or receives temporary approval from the Department, it can conduct business legally in Los Angeles, as it is now recognized as an entity engaged in business here.

Los Angeles Police Department (LAPD) Gangs and Narcotics Division detectives coordinate with LADCR and other reporting agencies as a cannabis support unit across 21 reporting areas.

The Cannabis Support Unit coordinates with the 21 geographical narcotics units throughout the city. We are the subject matter experts; most cannabis-related inquiries are directed to our office. If enforcement action is necessary, we will advise the respective division. Additionally, we collaborate with the LADCR, Building and Safety, Department of Water and Power, and the City Attorney's Office.

The **Los Angeles Fire Department (LAFD)** Fire Prevention Bureau reviews architectural plans and monitors fire alarms and sprinklers. The **Los Angeles Sanitation Department (LASAN)**, through the Industrial Waste Division, permits new cannabis businesses and estimates that there are currently 1,000 permitted cannabis businesses. They manage business wastewater permitting and can enforce violations under the U.S. Environmental Protection Agency's Clean Water Act of 1972, which established the basic structure for regulating pollutant discharges into water. The act grants the City the authority to discharge water through the National Pollutant Discharge Elimination System and requires compliance with City standards that have evolved since 1972. Wastewater may not be an issue for most cannabis retail businesses, but cultivators and manufacturers of edibles must adhere to these standards.

"Anybody that's making cannabis products, food, or beverages, we issue them a permit, and anybody selling cannabis materials that they are not processing anything. Still, there would probably be waste byproducts if they do floor cleaning or whatever else that might enter the waterway. We also have cannabis bakeries; if it is one of those businesses, we issue them a permit." (LASAN)

The **California Department of Tax and Fee Administration (CDTFA)** collects taxes and administers penalties for non-payment. It also communicates with employees of both licensed and unlicensed operators and supports the LAPD when they handle a complaint. The **Los Angeles Department of Building and Safety (LADBS)** permits and enforces the Los Angeles Municipal Electrical, Plumbing, and Heating Code. They address building code violations when the LAPD requests support.

The building code covers all construction. The use and permitted use fall outside of the zoning code. We prefer to refer to it as the zoning code, but it is the Los Angeles Municipal Code. Moreover, it informs you of what you can do in which zone and what type of use is allowed in that building. (LADBS)

We get contacted by the LAPD. They say, 'Hey, we are taking this action.' We assist them in examining the building code and use violations on the properties. The difference between us and them is that when they go out, they address the people selling the stuff. We address all of our issues to the property owner. (LADBS)

The **Los Angeles County Department of Public Health (LACDPH)** oversees odor management, sanitation, cultivation, edible safety, food processing and handling, and record-keeping.

If edible manufacturing processes exist, we examine food handling, food processing, facility sanitation, and record-keeping.

The **Community Protection Branch** of LACDPH currently reviews only 58 cannabis business licensees, primarily in retail, as requested by the City of Los Angeles. LACDPH also faces challenges with non-licensed facilities since there is no city enforcement against facilities operating without permits, resulting in little incentive to obtain state or county permits.

There is no city enforcement regarding facilities that do not have a permit. There is no pressure in this area. Therefore, the facility lacks an incentive to obtain a state or county permit. There are no consequences for operating such a business. Thus, that is the kind of discussion we are having with LA City and within our county department. Who will take the lead on this enforcement? (LACDPH)

The Los Angeles City Attorney's Office represents LADCR as a client. The Los Angeles Office of Finance is non-regulatory and only works with licensed cannabis businesses through its in-house collection process and collection agencies. It also provides support with proper filings and can flag businesses headed for collections for follow-up.

For the most part, it is just our tax compliance officers observing that there is a business, and then they look at our records and discover that it is not registered. They do not interview; they do not interact with the customer. They observe that there is a common sign of a cannabis business. Moreover, that information is reported through the complaint portal, LADCR, with all the details they have observed. (LA Office of Finance)

The California Department of Cannabis Control (DCC) collaborates with all licensing cities and counties across the state and coordinates with the Unified Cannabis Enforcement Task Force. The Los Angeles City Controller's Office conducts performance audits of city programs, including a one-year performance audit of cannabis regulation.

Our tools are our audits that highlight the deficiencies in various departments. Thus, we pointed out that unlicensed cannabis constitutes a land use violation. Nowhere in the city is it zoned or allowed unless it has been specifically licensed and approved by the Department of Cannabis Regulation.

Los Angeles City Cannabis Enforcement Workflow. In Los Angeles, city, county, and state employees coordinate to identify and enforce unlicensed cannabis operations. The research team reviewed the interrelationship of City enforcement efforts with those of the State, including but not limited to the California Department of Cannabis Control (DCC), **California Environmental Protection Agency (CalEPA)**, **California Department of Food and Agriculture (CDFA)**, and California Department of Tax and Fee Administration (CDTFA).

The system for identifying non-compliant licensed or unlicensed operations, conducting investigations, and enforcing regulations is a multi-step process involving several agencies:

1. Initially, an agency such as the Office of Finance will refer a licensed business not in good standing to LADCR, which has the authority to oversee compliance and renew or revoke licenses.
2. Suspicious locations will then be referred to the LAPD. Suppose the police department determines that a location sells cannabis through secret shopping, surveillance, or undercover purchases. In that case, it will send the business owner a cease-and-desist letter and deliver one to the property before any enforcement activity.
3. For repeat offending operations, the LAPD will surveil the operation, noting who is coming and going to differentiate between workers and customers. They will then raid the business when customers are least likely to be present, seizing all cannabis and cash on the premises and detaining all workers and operators.⁵⁴
4. From there, LADBS, LADWP, and LAFD will be called in to issue code violations, padlock the property, and shut down the utilities, often with LAPD present to protect city workers from potentially belligerent operators. These measures are often the most effective way to close unlicensed cannabis shops.

⁵⁴ Working at an unlicensed cannabis business is decriminalized in Los Angeles. These arrests will not show up on an individual's permanent record but may be visible to law enforcement.

If they continue, and the vast majority continue, they will start disconnecting the power. So, we are a joint task force with the Department of Water and Power, Building and Safety, and the City's Attorney's Office. We all work together, but they'll do a disconnect form, and then they will go out and serve a search warrant. They will seize all the illegal cannabis, and then the Department of Water and Power will come out and disconnect the power, and then that is to shut them down, hopefully. (LAPD)

5. Usually, unlicensed operators will return and open their doors again. At this point, the LAPD will accompany the LADWP in disconnecting power to the premises. LADBS may also visit the site to padlock and board up the location, effectively getting the operation to close its doors 80-90% of the time.

Now, sometimes, we encounter problem locations. They will come in afterward, use an angle grinder, take everything down, and then open back up again. And then you keep doing enforcement (LAPD)

Existing Statutes Underlying Current Enforcement Mechanisms. Various agencies enforce statutes concerning licensed cannabis operations under their respective purviews. Local agencies such as LAFD, LASAN, LADWP, LADBS, and LACDPH focus on food safety, workplace safety for workers and first responders, and environmental concerns. Enforcing these statutes may impact unlicensed cannabis operators and result in law enforcement involvement to shut down operations.

Though the Los Angeles City Attorney's Office can levy criminal charges and penalties against landlords and operators who violate cannabis-specific regulations, multiple municipal, county, and state agencies and departments have statutes that apply to criminal or administrative enforcement against unlicensed operators. Most tools consist of non-criminal, low-level misdemeanor charges and code infractions.

They are all infractions or misdemeanors. There are only a couple of felonies, and specific reasons why they would be charged with a felony. If charged with the felony section, they are automatically referred to the City's Attorney's Office and switched to a misdemeanor. Because it is a wobbler, it can be both a felony and a misdemeanor. However, there are no cannabis felonies anymore that are being charged or filed. Everything is a misdemeanor or infraction. (LAPD)

As of 2018, the Los Angeles Office of Finance monitors the under-reporting of cannabis business tax.

We follow our business tax statute of limitations, technically three years. Moreover, if underreporting or substantial understatement exists, we go back an additional three years. So, there is a possibility it could be a six-year audit instead of a three-year one, but the statute alone will be about three to six years. (Los Angeles Office of Finance)

Interview participants shared that the LAPD primarily focuses on possession and transportation statutes, treating almost all infractions as misdemeanors, with only a few being felonies. In cases involving a felony charge, these are referred to the City Attorney's office and often downgraded to a misdemeanor. It is important to note that there have been no enhancements since 2022 due to long-term reform efforts highlighting the disproportionate effects of gang enhancements on communities of color. Our LAPD data analysis revealed a complex picture of the types of charges applied, particularly the frequent use of HSC 11366: Operating or Maintaining a Drug House. This felony charge is often downgraded to a misdemeanor in practice.

As most cannabis licensees enter existing buildings rather than new ones, LAFD enforces Chapter 3 of the City of Los Angeles Building Code for hazardous use in general use, assembly, business, education, institutional,

residential, high-rise, and airport areas. Chapter 5 describes the building uses allowed based on construction and whether sprinklers are installed.

Again, the underlying justification is that people need to be able to get out safely. So, depending on how many people are in the building, the building needs to be sufficiently robust to allow that. (LAFD).

LAMC Section 104.1 addresses the enforcement of unlawful cannabis businesses, imposing criminal penalties on operators and landlords. The Cannabis Administrative Prosecutor Program (CAPP) Unit utilizes this code to prosecute and initiate utility disconnections in cooperation with the LADWP.

I believe municipal code in section 10415 has criminal penalties for operators and their landlords, which the CAPP unit would utilize for prosecution. Additionally, I'm sure you have heard all of this before. Still, there are utility disconnects outlined in 104151, the following section that allows DWP to come in and disconnect the utilities. (Los Angeles City Attorney's Office)

State and local laws grant the Los Angeles City Controller's Office the authority to enforce against unlicensed operations, and that authority is well-established. DCC does not require permission to initiate a state-level criminal case; however, when collaborating with city attorneys, they will refrain from pursuing criminal charges for cannabis. The aim is to encourage cooperation between state and local agencies.

The governor created the Unified Cannabis Enforcement Task Force, which is primarily composed of state entities. However, we partner with the federal government and maintain a very open door for locals to unite, coordinate enforcement, develop operations, and ultimately see those through whatever finish line we want them to get through. (DCC)

Due to limited resources, DCC focuses on pursuing investigations against large organizations while prioritizing the prosecution of organized crime, leaving local infractions to municipalities.

Our focus is much more on significant organized criminal enterprises, cartels, Chinese syndicates, large-scale quasi-legal activities, and outright unlicensed actors, where they move millions of dollars a day. These will be the ones we concentrate on, as we have limited resources. If you break it down, we have fewer than one detective per county in the state. Thus, we must focus on where we can achieve the best bang for our buck with an investigation. (DCC)

Regulators' Assessment of Enforcement Tool Effectiveness. While some agencies express satisfaction with enforcement, the LAPD claims to have reduced the number of unlicensed storefront operators to just 50 in the city after aggressively targeting operators and landlords to shut down these unlicensed operations. Other governmental bodies are frustrated by the lack of progress in combating the illegal cannabis trade.

State regulators expressed frustration that enforcement is ineffective against unlicensed operators. This is partly due to gangs and organized crime participants who will not disappear until financial incentives do. Consequently, many unlicensed operators reopened unlicensed operations even after the LAPD and municipal agencies shut them down. Additionally, the LADCR feels its current staffing levels are insufficient to regulate operations out of compliance. They emphasized the need for specialized inspectors.

The LAPD claims an 8 out of 10 tool efficacy rating, stressing the productivity of its crackdowns on unlicensed operators since enforcement began. Police officials believe they could shut down even more, if not most,

unlicensed storefronts if arrestees were held more accountable. Part of the challenge is political will. One City official is frustrated by the lack of proactivity in regulatory and enforcement efforts.

Because nothing is proactive or preventative, that is not how we operate here in the City. We react to everything. God forbid if we put some money into preventative measures.

State officials have noted that unlicensed operators frequently reopen even after the LAPD and LADWP seize products and shut down operations. Success relies on local government agencies collaborating to enforce codes and building violations, issue red tags, obtain search warrants, and ultimately cut utilities to the operation and padlock the premises. Shutting down unlicensed delivery vendors is even more complex because it can be challenging to ascertain how much business they conduct.

There is a large group of illegal delivery services, which has become more challenging to monitor. We are aware of them and usually let others handle it because we cannot understand the extent of their business. However, we can obtain that information from a third party if they use Shopify or another method to record illegal deliveries. We successfully used that to identify the illegal delivery principals and conducted a tax assessment against them. (CDTFA)

I do not have time to get into the illegal deliveries because of the volume of work versus staff and capacity. But is it a problem? Absolutely. (CDTFA)

LADBS handles zoning violations and misdemeanors that are referred to criminal court. A letter of non-compliance from LADBS also initiates a letter from the Los Angeles City Attorney's Office to the offender. This effort has yielded results.

I don't notice much on the front end, like when we go out on an initial warrant or something like that. Maybe 50% of the property owners respond to our orders and want to deal with them. Regarding the padlocking, when PD or we have contacted the property owner and they want to be proactive, those cases have been more successful than the non-responsive ones. The ones there the day we are boarding it up kind of retake control of their property. (LADBS)

The DCC rates overall enforcement success at 2 or 3 out of 10, stating that law enforcement's ineffectiveness directly results from the money made in the unlicensed market. The DCC expresses frustration that many high-volume criminal elements have not seized the opportunity for legalization provided by Proposition 64, and the agency simply does not have the resources to address it properly.

The initial impression everybody had was that it would only require a minimal investment of law enforcement resources to deal with this problem. Their idealism is enviable, but we are all paying the price for it on the back end now because the unlicensed market is many times the size of the legal market. So, we are still struggling with resources across the state, and it is not just us; it is everyone. (DCC)

The State has made a concerted effort to address shortcomings, with the DCC growing to a staff of 500, including accounting officers, attorneys, environmental scientists, information officers, researchers, and special

investigators⁵⁵ Based on an internal audit, the Los Angeles City Controller's Office feels its effectiveness is 2.5 out of 10, claiming that the LAPD and LADBS choose not to use some existing tools.

In places where the operators did not mind the raid, they would return repeatedly. It would just be this pattern of raids. When LAPD brings other city departments into the fold, such as the Fire Department or Department of Building and Safety, they are constrained by their limited role in identifying the building deficiencies that may or may not be related to the unlicensed cannabis activity. (Los Angeles City Controller's Office)

Meanwhile, the Los Angeles City Attorney's Office emphasizes that their best intentions to simplify the process iteratively are often complicated by the bureaucracy inherent in the system as defined by Proposition 64.

The ordinances and the licensing process are always a work in progress. Admittedly, we have tried things that have failed in the past and have had to switch gears. The nature of Prop. 64 divides it into state and city, requiring you to navigate two different licensing processes simultaneously at two agencies. Some inherent complexities are simply unavoidable; we can do nothing. (Los Angeles City Attorney's Office)

City Department Perception of Most Effective Enforcement Tools. All City departments and partner agencies utilize various tools to mitigate the impact of unlicensed cannabis operators on the licensed market and neighborhood safety. Officials identified multi-departmental cooperation as an asset in achieving these goals. LADCR's ability to play a central role in coordinating among agencies may accelerate the elimination of the unlicensed market in Los Angeles.

LAPD cites search warrants as a crucial tool. These warrants allow the LAPD to enter premises, seize all products and related cash, and identify the workers involved. This approach also serves as a deterrent, as identification disincentivizes employees and management who wish to continue working in the cannabis industry. Being named in an unlicensed cannabis operations search and seizure may hinder their options for legitimate market employment.

I believe this is one of our better tools: to go in, cite everyone, take their product, and rinse and repeat if necessary. (LAPD)

LAFD believes that plan reviews with prospective operators are the most effective tool for enabling prospective licensees and their advisors to learn about front-end compliance, as experienced officials can walk through the codes and ordinances with them. LASAN credits "canvassing and word of mouth from the other city groups like the Bureau of Engineering, LADCR, the work that they do, talking to these people" and notes that cooperation between the agencies is most effective, allowing licensees to be forewarned that proof of a wastewater permit is necessary and providing the proper procedures and inspections before opening for business.

CDTFA views its "one-stop shop" nature as its greatest asset:

⁵⁵ Department of Cannabis Control - State of California. "Work for DCC." Department of Cannabis Control. Accessed September 29, 2024. <https://cannabis.ca.gov/about-us/work-for-dcc/#:~:text=More%20than%20500%20people%20work%20for%20The%20Department.>

[We] can start and initiate a case, investigate, audit, enforce, and collect on it, all within our same unit. That usually does not happen. If the city often needs to enforce a legal collection case, it must go through the court.

If properly prosecuted, the Los Angeles City Controller's Office believes that the code violations identified by LADBS could generate millions of dollars in judgments against landowners, but this is rarely accomplished. LACDPH, however, regards LADBS as their most helpful partner in cultivation oversight and code enforcement for retail and cites the department's central contacts' strong relationships with municipalities as a key to their success. DCC advocates for a holistic, multi-agency approach as the most effective.

There is no single most effective tool. The simple reality is that every tool, whether law enforcement, administrative, or civil, must be considered. (DCC)

Respondents from various agencies recognized that valuable resources were available outside their agencies. They were eager to highlight cost-effective options; however, they believed that law enforcement, financial forensics, and collaboration with civil and criminal prosecution remained essential components, even with the higher costs associated with enforcement.

The Los Angeles Office of Finance believes that the CDTFA and DCC are strong, essential partners to the City. The CDTFA believes that LAPD's ability to red-tag a building enables law enforcement to utilize trespassing statutes to prevent access to the building and effectively shut down unlicensed operations.

Even though a search warrant or a till tap warrant is effective, I still believe red-tagging a building administratively is probably the best tool available. (CDTFA)

The Los Angeles City Attorney's Office finds that shutting off utilities at unlicensed business sites is more effective than filing misdemeanor charges. The Office highlights that on-site investigations enable multi-departmental action.

It is a bigger slap on the wrist than a misdemeanor. It is a huge inconvenience (Los Angeles City Attorney's Office)

The DCC commends the CDTFA, highlighting the long history of utilizing tax enforcement to apprehend criminals.

CDTFA is extraordinarily impactful in the enforcement space. We have lessons to learn from them, and historically, we should be learning from them. They are the ones who have taken down some of the biggest criminals using their tax powers. (DCC)

The DCC also notes that local district attorneys and code enforcement have essential tools for success. They collaborate with OSHA to support workers, many of whom find themselves in unsafe, unprotected environments with little understanding of the organization's structure. Sometimes, those workers serve as valuable sources of information for enforcement.

They are not actual suspects. They are excellent sources of intel if they provide information for the prosecution or other locations, but often, they do not know how the place is run. There is no point in prosecuting them. It is more of an educational process. Saying, 'It would be best if you did not work here. This is a bad place. These places get robbed, and people get shot all the time. You are putting yourself in a bad position. (DCC)

The DCC also highlighted Kern County as a success story for efficacy, where cases would be filed civilly and criminally and pursued, calling this “the most effective methodology.” They emphasized that in such a high-volume industry, achieving cash flow is more effective than anything else in disincentivizing the production and sales of unlicensed products.

City Department Perception of Least Effective Enforcement Tools (in Agency). In the current political and budgetary environment, departments feel that regulatory and enforcement tools might be inadequate to influence unlicensed behavior. The situation is worsened by a lack of resources and a reluctance among agencies to cooperate. Enhancements in auditing and the collection of more substantial targets may generate funding to make enforcement more self-sustaining.

The LAPD Gangs and Narcotics Division believes that inconsistent, delayed, and overwhelming data among the LAPD’s 21 stations is its “biggest hurdle.” This documentation effort largely falls on detectives, who are stretched thin managing a wide array of enforcement tasks.

Sometimes it feels like pulling teeth to get information (LAPD GND)

Despite accessibility concerns, the statistics are satisfactory for certain essential bureaucratic functions, such as justifying requests for additional funding.

CDTFA cites its limited jurisdiction as an impediment to building cases for investigation and enforcement agencies. LACDPH expresses concern about the department’s ability to suspend permits due to a reactionary and volatile industry sensitive to overregulation. It states that further enforcement “is going to be tricky.”

The Los Angeles City Attorney’s Office believes that the current penalties lack deterrence.

It is barely anything to be fined a few hundred dollars or sent to the ACE program. I understand the merits of diversion, but I think diverting cannabis employees at an unlicensed place to ACE, where maybe they face a couple of hundred dollars in fines, is not a severe deterrent.

The Los Angeles City Attorney’s Office also questions the ACE program’s priorities, which focus on targeting employees rather than the operation owners. However, in February 2023, the Los Angeles City Council voted to decriminalize working at an unlicensed cannabis operation, effectively removing this aspect of enforcement.⁵⁶

The Los Angeles City Attorney’s Office also believes that the more hardened legacy operators find penalties, probation, or even small amounts of time behind bars, insignificant to their decision to comply with cannabis regulations. The Office sees the potential for levying hefty fines against landlords and operators, but is pessimistic about collecting them, calling it “near impossible.”

⁵⁶ “LA City Council Has Voted To Decriminalize Cannabis. But What Does It Mean?” Perez, Nate. LAist. February 15, 2023. <https://laist.com/news/politics/la-city-council-has-voted-to-decriminalize-cannabis-but-what-does-it-mean>

Seizures of cash and cannabis products have shown diminishing effects. In the early years following licensing, the LAPD and California Highway Patrol (CHP) were able to seize a considerable amount of products, firearms, and cash. However, offending ventures adapted and began to retain smaller quantities of these items at retail locations. They started bringing in only what they needed from the warehouse.

The LAPD believes that unlicensed cannabis operations have adapted to enforcement seizures and robberies by no longer keeping large amounts of cannabis and cash on the premises; instead, they are bringing in smaller amounts more frequently.



Photo Kindel Media

The property division sends the first 30 pounds seized to the evidence locker, while anything over that is sent to the dump. CDTFA agrees that seizures have decreased as unlicensed operators have utilized cash and product enforcement actions.

The smaller yields have been a source of frustration for CDTFA. CHP infrequently holds auctions of seized property, withholding some portion for services and the balance to pay down the operators' tax debts. DCC feels that the outcome partially depends on the locals, LADA, and the level of involvement from code enforcement. The Los Angeles City Controller's Office believes that seizures are merely a cost of doing business and not a significant deterrent.

LADBS expresses frustration at the ineffectiveness of the tools available to them, stating they must "chase people working on their houses without permits just as severely as these people who are renting their places out to unlicensed cannabis locations." They also cite weak cannabis laws and the unwillingness of the Los Angeles District Attorney's Office to prosecute as factors in their inability to crack down harder on unlicensed operations.

They know they will not go to jail or serve any significant jail time in L.A. So, if they enforce the laws people are breaking, that will probably make a difference. But we are not in that environment. (LADBS)

City Department Perception of Least Effective Enforcement Tools (Outside of Agency): Officials from multiple departments complained about LADCR's lack of communication and cooperation. Many also expressed frustration that existing civil penalties for deterrence and mitigation are not being implemented to their full potential.

LAFD and LASAN reported difficulty obtaining necessary licensee data from LADCR, with longer-than-expected wait times due to claims that location sharing would jeopardize protected information. They both emphasized that they cannot enforce code violations or conduct inspections without cooperation and information from LADCR, which one interviewee noted "took over a year asking."

The Fire Department is responsible for ensuring that all these facilities are safe, but we cannot evaluate information we do not have. Therefore, the inspectors whose job it is to visit these places cannot do so if they do not know where they are. (LAFD)

We did not receive the location because they were hesitant to provide it to us.

The Los Angeles City Controller's Office believes that the City's use of civil penalties is lackluster. Substantial fines of "several thousand or tens of thousands of dollars per day" issued against non-compliant operators are often not collected and could be pursued more effectively.

It is intended to be a big hammer, but it is not used often. Civil lawsuits are complex to fight and win. Perhaps this is simply how civil cases operate, but if so, it is not very effective.

The Los Angeles City Controller's Office expressed pessimism about the efficacy of other tools used to combat unlicensed operators:

The current tools being used include police raids, building and fire citations, and criminal and civil lawsuits. For the City Attorney, these are merely misdemeanors. Thus, the question was which of these four was the most effective. The answer: none of them. (Los Angeles City Controller's Office)

Public and Industry Response to Enforcement. Interviewees acknowledged the frustration of licensed operators, stemming from what is often perceived as a lack of results. However, one area where the industry expresses appreciation is when tax authorities pursue unregulated setups.

The lack of enforcement creates frustration for people who do it right, and it is just a sort of nihilism. What is the point of all of this? Am I spending all this money to follow all these stupid rules, while the store right next to me does not care about any of those things, and they are doing way better as a business than I am?

Before 2018, it was the unregulated operators against the government; three generations where all we were doing was taking their plants, taking them to jail, and taking their money. Some of those people will never trust the government. The industry does not understand how weak the City's tools are in eliminating the unlicensed market.

These licensees on the ground express their frustration about competing with the unlicensed market and the various bureaucratic hurdles they face.

Interviewees provided various responses regarding the industry's perception of the effectiveness of cannabis enforcement efforts, reflecting a blend of frustration and gratitude.

It is mixed. The legal stores are frustrated with the LAPD asking, 'Why can't you shut these places down?' They come up and give us tips all the time and say, 'Hey, this place is selling illegally. Can you guys shut them down?' And we will.

Inspectors will encounter a facility with volatile extraction, which is never allowed in the city. Dozens or hundreds of operators believe they are above board and operating correctly with the proper permits. Moreover, as it turns out, they are not.

Word travels fast in this industry. Whether you engage in legal or illegal activities, people are aware of what you are doing and recognize your efforts.

Root Causes of Persistent Unlicensed Operators. The persistence of unlicensed operators results from economic incentives, weak disincentives, and a lack of pathways to legitimacy.

Some operators do not want to transition to revealing cash flow. You can make \$200,000 with your unlicensed shop and \$75,000 if you follow all the rules. The moral math loses out.

The problem escalated significantly during the medical marijuana days, and now we are simply trying to catch up.

I do not believe many criminal penalties would deter the economics of it.

Licensed operators participating in unlicensed product sales frustrate regulators as well. Officials stress that existing laws are not enforced effectively, and no real deterrent exists for those who wish to operate illegally in “an industry where they are so far out of compliance, this is a phenomenon not only at the local level but at the state level.”

“It would be great to see the City and DCC take away their license so that they would have a real threat over their heads. They see that as minimal risk and will go through administrative hearings. They can probably skate out of it with something short of being forced out of business.

LACDPH expressed frustration that cooperation among agencies often concludes with completing the licensing process, resulting in gaps in the system concerning enforcement.

No infrastructure compels the various agencies to collaborate and comprehend each other’s work throughout the facility’s lifecycle.

Innovative Enforcement Tools and Regulations Learned from Other Jurisdictions. Officials across agencies noted several regulations and practices used in other jurisdictions that have effectively curtailed the unlicensed market. One controversial measure in Washington State imposes severe penalties for workers in unlicensed operations. Los Angeles may be moving away from this practice due to the City Council’s vote in early 2024 to decriminalize working in an unlicensed cannabis venture. This draft ordinance has yet to be codified as of July 2024 and awaits approval from the City Council and the Planning and Land Use Management (PLUM) Committee.

Another suggestion was to employ more code enforcement officers at the ground level rather than inspectors. This adjustment would streamline the chain of command and create a more efficient pathway to penalties such as fines or utility disconnects.

Multiple respondents noted that empowering code enforcement officers for LADBS might be more effective than confining their role to inspections.

I am sure our department would be much more involved if we were officers, but we have never been in that capacity. We have always been inspectors. Our primary goal is to prevent illegal use and construction, safety hazards, etc. In smaller jurisdictions, it seems like they leverage code enforcement officers, and they will probably be a branch of the police department.

City officials point out that the City of Pasadena utilized code enforcement officers to collect evidence of unlicensed cannabis activities and found that approach particularly useful in combating the local unlicensed market. Departments echo one another, however, noting that LADBS officials are not interested in stepping beyond inspections into code enforcement, citing “worker safety.”

Cross-department and interjurisdictional coordination. Multiple participants emphasized the significance of a collaborative approach among municipal, county, and state agencies, pooling resources and reducing the burden on the agency responsible for leading enforcement efforts; the overarching theme was, in effect, “[strengthened enforcement] when everybody is together.”

If we could take that approach for permitting cannabis facilities across law enforcement, fire, and all issues be addressed comprehensively, I think there would be less fear among all the agencies because they are not taking enforcement alone; they are taking enforcement collectively as a city, a county, or as an oversight entity.

California officials have demonstrated their cooperative mettle previously, particularly during natural disasters like the 2018 Woolsey Fire.

All the permitting agencies in the county had to work together to help 1,100 people rebuild their homes. 1,100 homes. It is a huge task.

Other officials echoed the need for protocols to facilitate multi-agency coordination, including expectations for regular communication, streamlining the permit process, and collaborating on inspections to ensure that all parties are simultaneously connected with licensing. This would allow for parallel processing and could be enabled by digital checklist tools. LADCR stresses that part of their department’s job should be “not only to help and consolidate the building permit issuance but also to explain it so it can be streamlined and people can understand it.” A centralized oversight body and the Mayor’s Office of Public Safety’s Cannabis Enforcement Taskforce would be designed to coordinate the City’s efforts against unlicensed commercial cannabis activity.⁵⁷

We needed to have a cohesive mission regarding cannabis. Moreover, I believe the Mayor made an effort when he assembled the task force, bringing all the department heads together. However, it did not go far enough. It began, and nobody kept it on track to hold all the departments accountable.

The Los Angeles City Attorney’s Office agreed that reconvening the Mayor’s Task Force is a good start and a step in the right direction, noting, “it takes a village.”

Feasibility of Sharing Information or Resources Across Jurisdictions. As the system currently exists, participants observe that while some information is shared among agencies during bi-monthly meetings, confusion persists in agencies that lack clearly defined roles in enforcement and among licensees, who are often uncertain about which agencies handle specific steps in the permitting process.

The information hang-ups are hypothesized to be caused by external bureaucratic red tape, corruption concerns, or leaks from sister agencies. These indicate a lack of trust between officials overseeing different aspects of the

⁵⁷ “General Overview.” General Overview | Cannabis Regulation. Accessed September 29, 2024. <https://cannabis.lacity.gov/licensing/licensing-information/general-overview>.

enforcement pipeline. Collaboration is further hindered by administrative hurdles, such as inconsistent data formatting and retention systems, or by legal protections and protocols designed with information security in mind.

Interviewees stressed collaboration as necessary but noted a lack of political will for enforcement. Despite some information sharing and collaboration, multiple interviewees observed limitations during an ongoing investigation due to legal restrictions. “Sometimes lawyers get in our way,” notes LACDPH.

We cannot share data during enforcement, when there is an ongoing investigation. Other agencies cannot share data, as building the case is challenging. We may have evidence or data that someone else needs to make decisions, but the legal process prohibits us from sharing.

Bi-monthly interagency meetings occur between LADCR, the County of Los Angeles, and other public agencies, “where different entities or departments involved in cannabis share information, including outside of the city,” the Los Angeles Office of Finance notes.

Interviewees stated that efforts to increase cross-departmental and interagency collaboration through shared reporting processes and joint inspections would enhance initiatives. However, some officials expressed “concerns about operational security” and leaks from within municipal or state agencies. They highlighted examples of raids compromised by “a leak somewhere” and law enforcement arriving at an unlicensed operation only to find “they are scorched and were cleaned out the night before.”

We are working on our investigation. We are willing to share information on the back end because we fear it would jeopardize it. All law enforcement thinks that way, but we now see the cost of sharing information beforehand.

LADCR acknowledges awareness of law enforcement’s reluctance to share information with other agencies due to concerns about leaks of compromised intel:

You all have to be present in one place instead of doing things on paper, so that it will take much more coordination. Moreover, it will probably require a memorandum, such as an MOA, a memorandum of agreement between agencies regarding information sharing, and an ID, where you get attorneys involved.

Officials did not demonstrate a solid, shared understanding of the current chain of command and process. One noted that cannabis business licensees and applicants expressed confusion regarding each agency’s role.

Every so often, we will get somebody who comes in for a wastewater permit for cannabis, and they will tell us that BOE sent them over, and they will tell us that they need some kind of form or something, which we usually never find out exactly. They are usually confused about what they are supposed to be getting, and it is not actually from the Industrial Waste Management Division that they want something. So that is always fun. (LASAN)

The Los Angeles City Attorney’s Office noted administrative hurdles to information sharing, specifically that historical data formats are not easily shared. Many agencies still utilize paper files or a combination of paper and electronic files without an organized, searchable database. This outdated process often leads to someone being tasked with basically going through their file cabinets and finding names and addresses,” a time-consuming and arduous task with thousands of files in play.

Given the current attitude toward information sharing, one official with LADCR noted that initial data-sharing agreements may be more acceptable and easier to manage if they prioritize the permitting process.

Now that I have brought these people into this fold, into the permitting, I am getting them involved that way; I think it will be a good transition to start talking about the compliance side because this is what we have permitted. Now, let us talk about compliance. (LADCR)

Political Will and Los Angeles' Critical Role in California and the U.S. Sophisticated unlicensed players are taking advantage of Los Angeles' critical position at the center of the California and national cannabis markets. Public health and the future of the market are at stake. Communication and coordination are crucial to enforcing this effectively.

Everything goes back to LA for manufacturing, retail sales, or distribution. That will still be the centralized hub for all of California, which means it is a centralized hub for the United States. However, it is LA where they have to worry about the homicides. They have to worry about the white dope.

Licensing and enforcement tools can significantly impact outcomes, depending on public awareness and political will, particularly among policymakers.

Communication is key. Coordination and surveillance are critical to identifying and targeting the owners. We can collaborate with PD; progress stalls when PD resources gradually diminish.

We are trying to protect children's access to it, underage access to cannabis, and then marketing cannabis products to minors, to try to saturate these areas.

There are competing dynamics that lead to lower saturation of cannabis availability, especially for children, and insufficient licensed retail capacity to eliminate unlicensed operators.

If we were oversaturated with legal business, there would not be any illegal business. We still have about 100 licenses left. [Unlicensed operators] are finding a gap. There should be more of a correlation between renewing a license and the level of compliance. Right now, there is no nexus.

I hope this study will raise sufficient awareness among those who can make a difference, particularly our policymakers.

I am hearing from our operators that bigger operators in our market are very good at exploiting loopholes or lacking compliance. They take the money made in their gray market activities and invest it back into scaling their brands in the legal market and extending into other states.

Recommendations from Agencies Involved in Los Angeles City Cannabis Enforcement. Participants agreed on two overarching pathways to address the root causes of the unlicensed market: easing the transition to the licensed cannabis industry and expanding enforcement against those who support unlicensed operations or continue to operate outside of compliance with regulations.

There are insufficient permits, and some unlicensed operators are trying to maximize their profits before they are shut down. There are too few stores, and people are reluctant to drive across town; they will simply go to the unlicensed shop.

Participants proposed various solutions to tackle the root causes of the unlicensed cannabis industry. The Los Angeles City Attorney's Office mentioned potential changes in how taxes are levied, including lowering taxes on legitimate cannabis businesses and imposing high taxes on unlicensed operations. It cited a "huge loophole in our system that you only pay the high cannabis taxes if you are licensed." The City could utilize the Internal Revenue Service (IRS) and the California Franchise Tax Board (FTB) to establish a tax basis and collect outstanding debt.

You must still have a BTRC (business tax registration certificate) in the City of LA. That is like your vehicle to pay taxes on anything you are selling. Moreover, if you have what they call a J code, whatever it is related to your licensed cannabis business, you are taxed significantly more than the general sales tax for a shoe store. If there were a way to tax unlicensed operations, it would help eliminate the economic disparity between the licensed and the unlicensed.

Officials across agencies agree that expanding partnerships beyond the permitting and licensure space and more transparent communication and coordination between agencies would be incredibly beneficial. Clarifying the licensure process, including timelines and differences between license types, would also simplify and incentivize the transition from the unlicensed space into the licensed market.

Between LA City not allowing enough retail and LA County sitting on its hands and knowingly not proceeding with a viable commercial pathway, there is no way you will ever have an atrophy of illegal activity in LA, full stop.

Among the calls for increased resources and support—technical, legal, and financial—to simplify the process for licensees, job boards and workforce development could bolster the licensed businesses already operating and further encourage the transition from the unlicensed to the licensed market. Enforcement can serve as an effective disincentive, but it is a fundamental tool that falls short of addressing the repercussions of shutting down operations.

I do not necessarily believe that the police are very progressive. They just shut the shit down.

Beyond the technical, financial, legal, and workforce support already offered, participants noted the necessity of ensuring that the licensing and permitting process is as transparent and straightforward as possible. The Los Angeles City Attorney's Office agreed that "the best that we can do from the license side is to make it easy," noting a need to clarify timelines and costs by license type better.

Others called for treating cannabis like other businesses and agriculture in California, again simplifying the process to make engagement and enforcement easier on already stressed resources. The City could free up resources by enacting harsher penalties on unlicensed operators, especially property owners, and shifting enforcement costs onto them. Several interviewees felt that treating cannabis businesses like other businesses would reduce some of the undue burden placed on these operators and further support the transition to the licensed market. They noted that the federal scheduling of cannabis ties their hands to a certain degree.

[Cannabis businesses] have enough challenges apart from the licensing system just to get banking and payroll services, and they do not have access to commercial loans or business tax deductions. These are all things that a regular business selling any other widget would be able to do, and tobacco and alcohol businesses can do. There are so many hurdles posed by federal prohibition that I think it is out of our hands.

Multiple participants noted that while existing efforts to assist unlicensed operators in transitioning to compliance with licensed cannabis business operations were present, there remained opportunities for improvement. One specific opportunity lies with LADBS and its capacity to expedite manufacturing and extraction through communication with licensees.

Not many permits have been issued because people do not know. The manufacturing and extraction process involves fire and the installation of fire sprinklers, which is expensive and time-consuming.

The Los Angeles City Controller's Office suggests "taking a tougher, more hardline stand against property owners who allow this to happen on their properties, especially those who knowingly allow or even participate in letting these operations happen." This includes passing enforcement program costs onto the property owners, possibly through a lien on the affected properties.

"[Decriminalizing employment at an unlicensed shop] focuses the liability, the criminal liability, on the owner, the operator. However, as we know, the owner and the operator are nebulous in the challenge. So at least when LAPD is conducting their enforcement efforts, it will not be the folks in the community working there taking the brunt of the enforcement."

The City may also impose heavy fines on landlords who lease space to unlicensed cannabis ventures, disincentivizing them financially. LAMC 104.15(c) already provides for this work. The provision offers a \$20,000 daily fine for anyone guilty of violating LAMC 104.15, including landlords. More frequent assessments of penalties and collections on these fines could accelerate the mitigation of unlicensed operators in the City.

Imposing heavy fines on landlords would significantly help eliminate these unlicensed dispensaries. This unlicensed business continues operating daily, facing only a \$1,000 fine or something similar. We should enforce stricter penalties to ensure compliance.

However, there is pessimism about whether an infrastructure exists to track enforcement costs and effectively pass those along to offenders. Other proposals include simplifying and lowering taxes to incentivize licensing, prioritizing enforcement funding with an eye on ramping up property seizures and utility disconnections, and even the so-called "corporatization" of cannabis while focusing on social equity.

Some officials highlighted the necessity for greater transparency and improved cooperation among enforcement agencies. The City could tackle this weakness by prioritizing white-collar investigations and prosecutions that affect higher-level individuals.

This will result in better collaboration between DCC, us, and the city. I've always said if you can get the three of us to work together on a location, we could probably make it problematic [for unlicensed operators] to continue operating. (CDTFA)

With numerous concerns regarding communication between agencies and through DCC, officials across departments agree that collaboration and clearly defining priorities and the chain of command would benefit all parties. CDTFA, in particular, emphasized the need to establish a transparent chain of command and role delineation between agencies with a common goal and shared priorities for “centralizing the enforcement,” a sentiment echoed by other officials.

LADBS acknowledges its limitations and seeks to defer to LADCR on cannabis enforcement matters. LACDPH, LAFD, and LADBS establish a baseline from which other departments can operate. Many officials concur that addressing loopholes and remedying cannabis licensees’ lack of Certificates of Occupancy through interagency collaboration would be a significant achievement and should be prioritized.

There should be more enforcement because the department’s name is the Department of Cannabis. We are the building department. We are happy to write up two-by-four toilets, electricity, HVAC systems, and other things we are experts in. We are not cannabis experts. (LADBS)

During our audit, [LADBS] stated that they were only responsible for the building aspects and were not involved in cannabis matters (Los Angeles City Controller’s Office).

Meanwhile, the CDTFA believes that more specific regulations would help agencies collaborate more effectively, particularly with the police and the Los Angeles County Sheriff’s Department.

Ideally, we would coordinate that together. However, this is difficult as the LAPD has 21 stations operating independently. I enjoy going out with the LAPD on cases and working alongside them. I just wish we were better coordinated. (CDTFA)

Again, the topic of resources arose, emphasizing the prioritization of enforcement funding. The Los Angeles City Attorney’s Office pointed out that “LAPD has had its budget cut for when it comes to that cannabis support unit almost every year,” making it difficult to carry out some of the raids and utility disconnects that many agree are the most effective tools in battling unlicensed consortiums.

The scariest thing is having LAPD come in and destroy all your products. You have to make it inconvenient for them. So, they are either having to constantly move because their utilities are getting disconnected, or they are getting their products seized, or their supplier is getting them seized, such that it becomes too much of a burden. (Los Angeles City Attorney’s Office)

In addition to the importance of collaboration between the CDTFA, DCC, and the City of Los Angeles, officials suggested that more transparent and open communication with the public would help. This would include a public relations campaign aimed at consumers on the dangers of the unlicensed cannabis market. One official at the DCC suggested that a public relations campaign on the evils of the unlicensed market may sway consumers to shop at licensed shops despite the price disparity.

You can show them all the dead bodies associated with the unlicensed market and the fact that— I think this would impact a lot of them more — the fact that the grow dogs are often abused. There is animal abuse; there is the kid component with the drug-endangered children. A lot of this money is associated with the Chinese syndicates. (DCC)

The DCC laments, “The problem with the education component is it requires people to want to be educated.”

The corporatization of the cannabis industry, which is 20 to 30 years away, is what will drive out the majority of the crime. The unlicensed market and its international cartels will not be able to compete at scale. (DCC)

Interviews with Unlicensed Operators and Consumers of Unregulated Cannabis

Interviews with unlicensed cannabis operators, employees, and consumers reveal a complex and multifaceted market that extends beyond typical enforcement narratives. This underground market includes a diverse range of small producers, farmer markets, cooperatives, and networks often tied to other drug markets. For many participants, particularly those involved before Proposition 64, the unlicensed market offers avenues to meet consumer demands, provide medical access, and sustain increasingly inaccessible livelihoods in the licensed sector. These voices highlight the need for an equitable approach that addresses economic opportunity, consumer safety, and the broader impacts of enforcement, especially in communities historically marginalized by the war on drugs.

State of the Market

A significant part of the unregulated market's appeal to consumers is its low cost compared to regulated shops. In addition to cannabis taxes, the price of complying with various regulatory models is also passed on to consumers. Some continue to purchase unregulated products due to the affordability and inaccessibility of regulated alternatives. Depending on their financial situation or product availability, they may switch between regulated and unregulated markets.

Unlicensed shops are popular due to their lower prices, lack of taxes, wider range of products (including mushrooms), and 24/7 availability, particularly in communities of color and working-class neighborhoods. Additional factors driving consumers to unlicensed shops include distrust of the regulated lab testing system and limits on smaller-quantity purchases.

The dense market of the City of Los Angeles attracts unlicensed operators. For years, statewide and national supply chain relationships have relied on interpersonal connections rooted in cannabis culture. Interviewees cited the importance of relationships, especially with legacy cultivators.

I knew many of the growers around there, and how we connected with others through those growers.

Workers and operators assert that the further expansion of the unregulated market arises from operators being forced out of the licensed market or encountering overwhelming barriers to entry, such as predatory behavior by landlords, access to capital or investors, lawsuits, and other challenges.

I have seen many more people switch to gray market areas because of how they are being taxed and the constant changes in regulations, or whatever it is.

Many observe this and recognize the limited benefits of pursuing licensure:

When they went legal, I said, 'Are you guys making money?' Moreover, 18 months in, they said, 'We have not got a paycheck yet.' So it was like the grass looked green [on the unregulated side].

Others stressed that many operators continue to "cut even" in the unlicensed space, which is extremely difficult in the regulated market at this time and often involves small-scale production. This counters some narratives of

significant profits, and these traps and other unlicensed shops are flush with cash. It is essential to note that “cutting even” is much better for operators than the debt-laden experience of regulated markets.

Some are cutting even, so they are playing the part; some just stop doing that and get a little side job. Some are trying to stick to it because they took out a loan and must repay it. Some are starting little co-ops with other growers, from the Bay to LA type of co-ops, and trying to bring some of that product into certain shops. Some people started their brands, and one of my homies has his own thing. Moreover, he is just traveling around the world trying to connect with other growers and putting out excellent natural weed products for people to smoke with a small quantity of his heritage.

Folks are leaving the [legal] business because they can no longer pay their bills, which is what it boils down to. It is less scary. Everything is less, including the price you will get paid.

A key finding was that unlicensed and licensed operations often coexist, indicating a less clear distinction between them.

Your question is, ‘Is this fully licensed? Or you just have the license to sell but are growing on the side?’

I would be willing to bet that half the people with regulated stores in LA have unregulated stores that are funding the regulated stores, and that is a widespread problem: unregulated operators are regulated operators as well.

Many emphasized the market's diversity and its dependence on small-scale operations, which is a stark contrast to the criminal drug dealing depicted by the media.

The misconception just happens to be the people working on it. They might be considered bad people, but they are just regular people like you and me, trying to make a living. Yeah, there might be bad groups and stuff like that; I know many people in the unlicensed market, and they are good stand-up people, just family people. Unfortunately, they do not have another opportunity, and they are good people who want to give back to and take care of their community.

Many people think that all the unlicensed markets are big drug dealers with money, and the cartels are all the more prominent money players. However, this is not the case. A significant portion of the unlicensed market consists of individuals who are passionate about cannabis and enjoy being involved in the space. They love to grow, they love to sell, and they love to be around it.

Policymakers probably think the unlicensed market is just a criminal enterprise, and it’s not necessarily. It is just people who are holding onto the old ways of these old-school growers. They think I will grow and sell it, which is how I live. Many people go up north to the farms, and those who do not ever leave the farm. They just sit up there and grow weed, which they have done yearly for 30 years.

Others noted that some elements are connected to larger drug operations and that the push underground further fosters this kind of connection. Those linked to other drug markets often face the greatest danger and risk of violence.

It is doing worse because the criminal element has dug its claws in much deeper. I remember when mushrooms started popping up there; giant jars of mushrooms were on the table. I was like, wow, these people are daring to have mushrooms right out in the open, but I know that is the norm.

The unlicensed market is built on high demand across the City of Los Angeles, the State of California, and the entirety of the United States. Prices have been rising again recently, according to several interlocutors, especially for unregulated actors. To some extent, this reflects the market's significant dependence on consumption outside of California and other trends (supply, demand), rather than being directly affected by enforcement efforts.

It is getting better. The market is creeping upwards from a complete dip, just from the saturation and the oversupply of the last two years. However, the supply has decreased this year, so the demand remains. The prices have gone up a little bit. They are starting to climb from where they were. However, I think there is still a healthy market out there. Like I said, it is in high demand.

Several emphasized how much demand from out of state, along with transport, drives the unregulated market, including those in the regulated space:

There is always a sale to be made. There are always people looking to buy in bulk and take it to wherever they are from, out of state, whatever.

California, we supply the rest of the nation. As long as you move your feet, do good business, and do not burn people, you will always be able to make money because we are in the metropolis of it. We are in the spot where everybody comes to get it. We set the bar when it comes to quality and trends. There are always shoes to be filled within the supply chain in California. There is money to be made as a cultivator, as a distributor, as a collector, as a manufacturer. There is still money to be made.

One critical loophole exists in the hemp/CBD/tetrahydrocannabinolic acid (THCA) market, which allows people to transit across state lines and integrates into the unregulated market.

The feds need to get that clamped down ASAP because all that is just illegal weed traveling all over the United States. That weed, the test results will be with it. I have seen it. It will say 80-something percent moisture, but it is bone dry. It is only 10%. That is the point. Moreover, that is helping the cannabis industry stay alive in California because a lot of these big greenhouse growers are now calling their shit THCA and sending it all over the United States.

Others noted that part of what makes the unregulated market possible is consumer demand and the variety of outlets now providing it:

Maybe the consumers are the ones who do not know what they are getting. For example, Weedmaps has been out since before it was legal, and they have always advertised everything. However, when it became legal, we now have licensed shops there. We have unlicensed shops there, too. The licensed shops pay a monthly fee to have their businesses on Weedmaps, yet they are still not getting business because they compete with unlicensed shops. They are getting all the money because they are not taxing people.

There is still too much illegal activity to this day. There is just not enough incentive for the public to go in and spend their heart and money in a dispensary, even though retailers are available. I think it would be exciting to take a poll of the population and ask, 'Where do you get your cannabis from? Do you still call Joaquin or go on Telegram, and somebody ships it to you?' Or 'Do you go to your neighborhood LED cross, or do you go into your licensed retailer?'

Even if they were to knock down all the illegal retailers, there is still a surplus of unlicensed deliveries that advertise by placing QR code stickers all over town, on flyers, or on your Instagram. They pop up and then link you to a Telegram. Then, the next thing you know, you are in someone's shop on their Telegram, looking at whatever you can think of. Whatever you see at the stores, they sell the same things online. Thus, I am not saying that it is impossible; it will be challenging, but until they slow some of that down, you do not give the population an incentive or a reason to buy from legal shops.

Self-Reported Consumer Demand and Preferences

Consumers of unlicensed cannabis products reported using these primarily to address chronic pain, treat cancer, alleviate anxiety, and manage ADHD, as well as to handle other addictions such as alcohol.

Black and Brown folks depend on cannabis as medicine because they are underinsured, and they simply cannot afford to purchase at licensed dispensaries.... the patients have been very much ignored in legalization. This whole process and cannabis are inaccessible primarily to folks on fixed incomes.

The types of outlets they frequent include trap shops" and vendor-based "seshes" or cannabis swap meets. Consumers typically access products like flowers to make edibles, especially in larger wholesale purchases. Vapes are also popular due to multi-pack deals; however, many consumers avoid them because of issues like leakage and harmful products.

Very often, they are paying \$200, \$300, \$400, \$500 a month to get [cannabis] through a licensed dispensary because they also are more likely to care about the quality of the medicine. Does it have heavy metals? Was this processed in an organic pathway? Has this been tested? Medical patients have a higher threshold of desire to get a 'clean', licensed product, and that is a word that's very often used amongst my patients.

The ideal shop scenario for consumers includes safe, accessible medicine, focusing on affordability. They would appreciate home-grown programs that enable them to participate in minor, affordable purchases and foster a



Photo RDNE Stock Project

pressure, farmers with knowledge of medicine, and greater accessibility of retail locations. Many customers do not necessarily see the difference between shops.

greater connection to clinicians or social workers who can guide the process. Consumers also seek worker training on medical needs, education about products beyond THC (e.g., cannabinoids, terpenes), and pricing models that could qualify for insurance. They favor a farmer's market model where they can interact directly with producers and advocate for price controls that expand access.

Risks associated with unlicensed products include inaccurate THC levels in flower and erratic dosages in edibles and vapes. Some consumers experience inaccurate weight measurements, feel less safe, and note that access is more difficult for women. Despite these concerns, many appreciate the community-focused nature of larger event-style spaces and are willing to move on to the following unlicensed location if one is shut down.

Many customers see little value in marketing and the high costs associated with logos and advertising done by licensed shops. Instead, they prefer the other preferred characteristics of unregulated shops.

These include the ability to dialogue with budtenders under less

Many people do not know the difference between legal weed and what is not. Everything came from the grey and underground, then went regulated. However, the grey is still around. People who do not understand the situation have no idea. They might just look at two shops: the one with the Green Cross and then Cookie's store, which has a beautiful \$2 million storefront. They may think, 'Oh, these are the same, but that owner just spent more money on his location while this guy just kept it tossed out.'

Part of what makes the unregulated market's diversity possible is the innovative use of technologies and spaces for new outlets, from quickly opening unregulated shops and websites to Telegram Messenger (a cloud-based, cross-platform social media and instant messaging service commonly known as Telegram) to "seshes."

Fairness and Equitable Enforcement

Addressing the market's complexity does not necessarily mean exploring it extensively. Each aspect refers to specific conditions and market participants who struggle to find their place in the legal market. Listening to these voices contributes to finding an equitable and progressive way forward.

Workers and consumers alike welcome safety measures and regulations. However, some note that the state's chosen method to enforce this marketplace is arbitrarily costly and largely disconnected from the realities of cannabis cultivation and sales. The regulation seems to have the opposite effect of the intended purpose by raising demand for non-regulated cannabis.

Some believe that the law enforcement approach has not improved worker protections in the regulated market but has made unregulated workers more susceptible to exploitation. In contrast, regulated employers exhibit a variety of mixed practices beyond this.

Enforcement strategies continue to portray operators in the unregulated market as criminal enterprises. However, they rarely acknowledge that their choices are heavily influenced by overregulation and barriers to entry.

I have known many good people in this market who could not survive. They are now operating very underground because they cannot afford to operate in a way that's not. I think that is the perception: that they are just criminal masterminds who are trying to endanger the public and would steal from you the moment they look at you.

Some suggested enforcement seems entirely arbitrary and is mainly based on complaints from intrusive neighbors rather than actual practices within the facility.

Many legalized shops are doing things incorrectly and illegally. However, they are not being reprimanded; they are not being called out. It's just a strange system that's happening. It makes no sense to me. Sometimes, I don't understand who or why they are being targeted. They are usually house calls from a "Karen," saying many people are parking there. Do you know what I mean? Nevertheless, the shop right next door, which is not near her parking area, is mistreating all its employees.

Interviewees noted that workers are often arrested in raids for activities from which they did not profit significantly. Some of those detained even believed they were working for licensed shops. When violations occurred in a licensed operation, workers were more likely to be released with protections, leading to an unequal stigma even as owners navigate both regulated and unregulated markets:

We were all brought in for court, and they tried to charge us even though they let us leave. We told them specifically, 'We are just workers. We have nothing to do with this operation.'

I have a misdemeanor for something not involved, but I get it. We were there. We should not have been there if they were not running up to par. Nevertheless, the person who had connected us verified and told us everything was good. I remember seeing their licenses.

Very intense, scary, like, god damn, I have people I know in there, and I do not know what is going to happen. Suppose they are going to be arrested, frightened. I do not want to be arrested, leave them behind, and try to figure out the situation. Did I just lose a job, or is it something minor?

Legal operations are less hectic because you can simply say you are a worker; it is not yours. Then, they will dismiss you and let you go.

I have seen people who were just like, 'You are shit out of luck, that is on you,' and then I have seen other places where they take care of things.

The City felt that it was an oversimplification and shared that employees who are first-time offenders and are eligible for ACE are routed to ACE (under LAMC 104.15(d)), and therefore, are not charged and generally not even arrested. At the same time, arrest data show significant ways in which charges are compounded beyond those eligible for ACE and may specifically affect prior offenders who have been caught on previous iterations of the drug war or who may not have other opportunities.

Regarding the effects of raids, there is ambivalence about whether people will widely throw in the towel and leave. Some higher-risk workers often leave after the event; others remain in the industry and move to another shop. Again, trust and relationships play a critical role in whether workers choose to return to work or stay in the industry.

Some left, while others remained due to their strong connection with the owners. The undocumented individuals departed.

Others noted that the enforcement focus causes operators and workers to avoid seeking help from law enforcement during safety incidents or robberies, occasionally resulting in devastating consequences such as loss of life:

That is unfortunate because I have also seen people have accidents, and I have known people who have had lab accidents and have unfortunately perished in fires because responders did not come to try to help them. The police just painted them as criminals. One of my friends who passed away in 2020 was involved in a fire in a facility, and he ran back in to save two of his team members and got burned and died.

The way he was painted resembled that of an evil criminal, despite being a chemist. This man pursued chemistry in school. Furthermore, that mentality has prevailed among law enforcement everywhere: 'You are just a bunch of criminal do-nothings, so we are not concerned if anything happens to you; we are not in a rush to help you. We do not care, and how can we punish you? You did this to yourself.'

Entering the Unlicensed Market: Work and Entrepreneurial Opportunities Outside Regulation

Economic opportunities such as mobility, security, side hustles, and entrepreneurship all contribute to participation in unlicensed cannabis operations. One operator aptly noted that the mass opportunity created through Proposition 215 was just as suddenly made inaccessible, with the expectation that all the work, relationships, and equity would disappear.

We treated the market like we were just going to clear away what had become a massive pipeline to opportunity during [Proposition] 215. Still, these had to persist for people to survive.

Very few people intentionally enter the underground market. Some might not have realized they would end up there. Some small businesses and ventures within a legal enterprise can quickly leak into a non-legal enterprise without much expectation or a master plan. Many continue to bounce between both as workers or work in them simultaneously, just as owners offload products and work on both sides of the law.

Some individuals described their past experiences as patients seeking medicine and care, finding engaging in the unregulated market easier. Others have been involved in the market for years and find transitioning to the regulated space challenging. Several noted that they discovered mobility opportunities before 2016 and operate in unlicensed markets.

Cannabis has offered economic stability in LA's expensive and uncertain job market.

I remember when I lost my job in October last year. It was a little side hustle, but it provided a small income. When I lost that job, we had just bought the house, so I was freaking out. I asked, 'What should I do with this trap stuff full-time?'

The underground provided those with limited options a chance to advance, gain recognition, and eventually own a stake in the industry where they worked. However, these opportunities have not been adequately accessible for workers or small operators in the licensed market.

My boss noticed that my extracts differed significantly from his, so he promoted me to a more managerial position. I completely took over within two and a half to three years.

The original Proposition 215/nonprofit model enabled many to establish businesses that have since been abruptly closed. Under Prop. 215, there existed a caregiver model of cultivation, but no state licensing was necessary for any level of cannabis activity.

California was one of the first states to have laws on the books that allowed us to grow and provide cannabis without a tightly regulated market. The non-profit model can recover operational costs and overhead. I thought that was a great model, and I just wanted to be able to grow cannabis and exist as a medical cannabis patient legally.

Risks and Realities of Unlicensed Operations. The unlicensed cannabis economy is fraught with mistrust. Extends beyond unlicensed markets and facilities.

You do not trust anyone, regardless of how nice or well-dressed they are. I always know to watch out for myself and my coworkers.

Unlicensed operators and workers face numerous personal risks, including the risk of robbery. However, some acknowledge they are the only ones serving specific sectors of the market (for example, unhoused patients):

It is scary that your business doors open to anybody as an unlicensed trap shop. There is a risk, but there is also a beauty to that, so it is scary. Everyone is at risk. It just sucks because the hours are so late, and there are only three people in the whole shop that are working. The owners are never there.

Workers recognize the considerable risk of accidents, especially in operations like extraction, which training can help mitigate:

The fact that you do not have formal training is a considerable risk. Working in a licensed facility, for example, all of your (power) outlets have to be positioned much higher off the ground because it turns out butane is heavier than air, so it will sink to the floor, which means you could start an electrical fire pretty quickly in an unlicensed facility that just has average sort of outlets. In contrast, you have explosion-proof lights in a licensed facility. Even those are explosion-proof. That is not a thing in an unlicensed facility.

You have a lot more risk because there are many more things they are not concerned about, so you could have crazier accidents. There is no prevention and no prevention plan.

Some people view the possibility of raids as a daily risk:

The thought of being raided and possibly facing prison if anything were to happen.

You can and will still get shut down. Even if they do not charge you, their goal is to bankrupt you. There were other guys that I was working with before in Sylmar, and they were supposedly pre-ICO. Then, when things were regulated, I guess they did not do everything correctly, and were not regulated. They got busted at their store and had vast amounts of product. If the police can take your bankroll, they can take your product and stuff. They are hoping you are going to be too weak to be able to open back up.

Several accounts of significant loss from being robbed or raided:

We built relationships, but it was very nonchalant. It was not legal. You would drive up to these mountains on the back roads, and anything could happen, and nobody would know. You took many chances. You built relationships. With this particular boss, I returned from Thanksgiving break and showed up. He was very depressed because he had been robbed by his workers there, who were there at the time. It was an interesting story because they were a part of his brotherhood. [An aneurysm due to stress led to this man's untimely death.]

After power shutdowns or raids, some described even more dangerous conditions when people tried to reopen.

Those with unregulated operations do not expect anyone to come inside and check them out. I was working with one that got red-tagged. All services were shut off, and the power company came and said, 'It is not safe, blah, blah,' shutting it all off. I went into the office, which was typically their office. I opened the door, and there were just car batteries in there, 20 of them [powering the operation].

Several workers also recounted various other workplace labor violations, including long hours, no breaks, and being compelled to dress provocatively:

That thought lingered in my mind daily: feeling disposable, pressured to look a certain way, getting ready, and trying to look cute—or whatever.

It is all about your looks, and you are a slave, and you are working crazy hours, and you cannot have a break. Yeah, and then people can do whatever they want to you. I do not know if they can harass you in those spaces. Yeah.

When I was hired, I was supposed to work eight hours daily. I did not know if lunch (break) was even offered. That changed quickly. There were probably four or five girls on the schedule, and eventually, they either got fired or left. It ended up just being the three of us working at a shop. Their hours were from 8:00 AM to midnight, with only three of us on the schedule.

Benefits of Operating in the Unlicensed Market. Strong relationships help define the advantages of unregulated work. They foster trust and create a shared experience and passion for cannabis. In some cases, this involves pooling resources for operational expenses or housing:

We all lived together. Our codependence was unhealthy, but it was perfect for business. There were always at least two of us together, going here and there and always doing the same thing. We organized house shows and similar events, another reason people knew about us.

Just because I love cannabis and have it so prevalent all the time, I could always get a new batch. Moreover, it was not even about smoking or tasting. It was more like being a connoisseur of different strains and being able to show somebody something different, showing them two different strains side by side.

For some, this sense of trust involves feeling more protected and cared for than in corporate cannabis environments. Some believe they would also be (or have been) safeguarded by owners during a raid.

I feel safe. The misconceptions and stories pile up, making it seem dangerous, but it's not. I believe I have been cared for better at my non-trap shop than in regular nine-to-five jobs that supposedly run their establishments safely, following the rules, the laws, and people's rights.

If it were to happen today, I would feel comfortable and safe with the owner being there for me as their employee. I trust them a hundred percent, and that is hard to do. It means it is your life.

For owner-operators, a key benefit of operating in the unregulated market is the ability to avoid what many consider unnecessary regulations and taxes that do not reflect the industry's realities.

You do not have to pay the exuberant amount of taxes. Moreover, you do not face unreasonable regulations because many rules do not make sense. There are numerous laws imposed on the cannabis industry that are not applied to other industries, including those related to food production. You do not have to contend with that if you operate unlicensed.

They think that the reason why they are unregulated is that they want to cut corners or break the law. Furthermore, I feel like the only law they are breaking, if anything, is the law where they do not have to sign up to be part of this nonsense of whatever the state is trying to make people fall in line with. Moreover, it is not because they are trying to be safer; it is just because they want people to follow their rules so that they can make money (tax revenue).

Others view the risks as a necessary tradeoff to preserve the sense of community and shared values that defined the pre-Proposition 64 market. This ongoing sentiment also clarifies why individuals continue to operate without a license:

Every day, I think about what it would be like if I had a celebrity smoking the shit that I just rolled for them or being out there with the big names and stuff? Nevertheless, I am constantly reminded that it takes a community for me at the end of the day. I also believe that having a foundation centered around community building and resistance is essential.

Few have noted that they are making substantial profits in the unlicensed market. Simply making ends meet is more appealing to owner-operators than the debt and failure associated with the licensed market and is worth the risk:

They are cutting even. Even when you have first-generation people who want to be part of that piece of the pie, does that fulfillment work at the end of the day? It is hard to grasp what fulfillment work is when your bills are being paid at the end of the day.

I believe that the benefits of working with an unlicensed company would result in greater profits. They can offer prices that allow us to achieve our desired income, especially when the product is of lower quality.

Similarly, some workers reported moderately higher pay in unlicensed jobs than in licensed facilities, although this varied by shop.

The pay was quite decent at the time. Additionally, I was very hardworking, which meant most people would continue hiring me for other jobs. I kept to myself, usually listening to music, working, and avoiding drama.

I was paid cash under the table weekly, which was pretty good. In addition, I received my tips. I made decent money. That's it. There was cheaper weed, along with little samples here and there. I didn't have to spend more on these things beyond this. Yeah, that's why I kept going.

Some workers recognized opportunities for mobility in the commercialization of budtender roles, where there was no comparable path in the licensed market.

As a budtender, especially in a regulated marijuana business, I do not want to hear what you have to say. They are like, 'You are just a budtender. You are just going to do your job.' They do not expect you to try to move up. I did not put myself out there the same way, which was another thing.

Barriers to Operating with a License

One barrier to participating in the licensed market is the new technical knowledge required for safety standards, which operators and workers may not possess, finding it burdensome and costly to acquire.

I would say that many people do not necessarily have the skill set to take them into a licensed facility because they hang on to that trap mentality. They hang on to that, 'No, you do it this way because this is how you do it.' No, that is dangerous, so you must do it this way. Everything needs to be pressure tested.

The only barrier I have seen is that you may not have that full-on lab experience, right? You might just have, well, this was technically a lab. Still, it was in someone's garage or the back of a warehouse building, so you may not be as concerned about safety precautions or have ever been concerned about having anything heated in an extraction room. You might never have been concerned about something as simple as having your phone in an extraction room. Those are all things in a licensed facility. Well, your phone can cause a spark. A spark can cause an explosion, so anything like that is usually the most significant barrier to safety regulations.

Capital is a crucial and persistent barrier for owner-operators.

Money is going to be at the top of that list. There are some social equity-type situations where if you are from certain city areas, such as East LA or South LA, I think they had different plans to try and give you a better look or a fairer shake than someone else. Alternatively, if you have been incarcerated for cannabis, you are supposed to get extra points on your application. Nevertheless, without grant funding, these permits and whatnot, money will always be the obstacle, in my opinion. It is just the most challenging thing.

Financial issues persist across the regulated market in various ways: customers, investors, and others who fail to make payments restrict the capital and funding available. Many operators are embroiled in lawsuits, while the unlicensed market serves as a means of survival. Landlords are often mentioned as benefiting from cannabis rents,

yet they also contribute to the downfall of bankrupt operations. Numerous predatory but legal investment factors prevent operators from entering the regulated market. Rather than risking their livelihoods, these operators may seek refuge in the unregulated market.

The transition from the unlicensed markets is due to the shadiness, people not following through, and people not paying. You transfer to a licensed market, and it remains the same. You deal with licensed people who do not pay out to people. You could demand more because there is a little more legal aspect to it.

You had your enthusiasts and activists like me who believed in it, but then you also had the predators coming into it, just looking to get paid as moonlighters. That was coming in just because of the rush. Moreover, I partnered with someone who intended to capitalize on the opportunity and then use someone like me as social equity to obtain the licensing and other necessary things, to get things going, and to leverage my expertise. Furthermore, it ended in a nasty lawsuit that lasted nearly three years, drained my finances, and made it impossible to do any work, even to launch the business. Between the lawsuit, the market, all the red tape, and the operating overhead costs, I am surprised I lasted as long as I did. Last year, in June, we vacated the building and had to leave it due to the verdict on the lawsuit.

A common perception is that there is a focus on communities and people of color in cannabis enforcement, including the racialized perception that participants are “gang members” or trafficked migrants. Interviewees felt it seems natural for some to assume that anyone of color making money in the industry is tied to a criminal enterprise.

I believe that even today, if you are a person of color and you are smoking, it remains dangerous. It does not matter where you smoke; you could be in your yard.

You may face significant targeting depending on your appearance as a gang member.

They probably think we are merely criminals or members of gangs or are being smuggled from other countries.

“People of color, especially those with business licenses, are targeted first because they want to know where you got it from and who you are talking to. They also want to see if they can find someone else who is unregulated or whatever they are trying to do. They are just trying to find someone doing something wrong to recon everybody else and take your money. It is just that the legal system in California is so diabolical and low-key.

It is meant only to let the richest succeed. They do not want you to get rich if you do not start rich. Furthermore, cannabis is an easy way to get rich. Knowing how to treat people and manage a business is a straightforward way to get rich. They do not want you to succeed because then you will be right next to them, and then you will have to be at board meetings with these kinds of people, and they do not want that. They do not want to have to talk to somebody who is a part of the community. Because most people working in cannabis are part of the community, they know people who go outside and talk to others.

Allegations of Corruption within Law Enforcement. Many of those interviewed viewed law enforcement as being associated to some degree or another with corruption, especially regarding the seizure of products and cash and the “taxation” of the operation. Specifically, many interviewees claimed there are few methods to hold police accountable for actions outside the law’s scope. These interviewees suggested that some shops were excluded from enforcement attention due to connections and bribes.

Law enforcement is significant, and accountability indeed lies with them. They will do so if they choose to act unethically, and there is no way to hold them accountable.

Law enforcement will build connections with certain people and say, 'Okay, well, we have this agreement, and if you keep to it, we will just kind of turn the side eye and let it be.' Moreover, those who do not will then exercise that authority if they are not compliant.

Several interviewees described a significant problem regarding the seizure of products and cash, and how these actions create suspicion toward law enforcement rather than trust. One person compared these raids to robberies, both forms of "pirate" behavior. Some respondents also suggested that the focus of seizures is on shops with higher volumes to maximize the cash taken. Others indicated that some police officers are involved in skimming cannabis for themselves from raids.

It is just dealing with pirates, getting robbed, and dealing with people you do not know. I do not think most of the people dealing cannabis without licenses are worried about the police, just because Los Angeles is like Gotham City. Right now, LA is just lawless. Moreover, people who are dealing in cannabis are looking at it as if it is nothing. People operating with large amounts of cash are concerned because some task forces go into these places to seize large amounts of products and currency.

They said they did take some weed. Cops, they will take a small quantity of something off.

LAPD responds to the claim that, under any search warrant, they must seize property related to a public offense. LAPD further states that in cannabis search warrants, the cannabis, cash, guns, and any related products must be seized and either booked or destroyed, and the public can access records to verify.

Prioritization of Law Enforcement Efforts. Some believe police are not interested in prosecuting cannabis but feel compelled to do so, leading to a challenging situation for all. Others question the resources spent and the emphasis placed on cannabis, considering the wide range of public safety and social issues faced throughout Los Angeles:

I think the police do not care much about cannabis. They are just forced to, and they are happy they do not have to spend much time enforcing someone smoking a joint. They do not want to waste their time on it. It is a low-level crime; there are all kinds of property crimes and violence. It is California. They could be concerned about all kinds of actual crimes.

The number of issues that could be addressed, yet you are worrying about cannabis. On that same corner, there is a homeless person who has not been housed for six to eight months, and they are starving. Moreover, you are concerned about the wrong things. It is just ridiculous. You could be helping.

Recommendations from Unlicensed Operators and Consumers. As noted previously, unlicensed cannabis shops are often not necessarily controlled by expansive, organized crime networks. Interviewees expressed concern that policing continues to target communities of color, where these shops fulfill a critical market need. Some interviewees noted that there are indeed elements linked to larger drug operations and that the movement underground often arises from a lack of licensing opportunities, which further facilitates these connections. Interviewees emphasized that the issues identified, such as instances of trafficking, are not exclusive to the cannabis industry.

Many noted that raids, shutoffs, and other measures do not address the root problems; instead, they create the potential for accidents, a lack of training, harassment, or robberies. Stigmatization, inequality, and criminalization are key factors driving the persistence of the underground market.

Solutions must shape regulation and enforcement to reflect the market's nature, accommodating a variety of operation sizes, fostering trust within these communities, and providing training and educational outreach for operators, workers, and consumers, regardless of their licensure status, on matters of safety, medicine, and more.

Some unlicensed operators were not aware of the current license types offered by the state, including the event license.

We need to create more revenue-generating opportunities for our legal businesses, such as licensing special temporary events to sell at a Puff Con, a Coachella-type festival, or one of these massive festivals in the city, similar to how people can buy alcohol.

To host a cannabis event, you must obtain two licenses: a license for a cannabis event organizer and a temporary license for a cannabis event.

Many proposed solutions reframe how to involve legitimate actors trapped in the unregulated market, including creating intermediary pathways for smaller producers to survive, such as farmers' cooperatives or other small-scale licensing. The best way to direct enforcement within a community is through a partnership. It is important to note that these suggestions pinpoint the problem as the labor practices and networks of exploitation, rather than cannabis itself.

Some suggested focusing less on everyday "traps" and directing enforcement more towards operations that consistently harm the community (including via trafficking).

There is trapping; there are people with sources and clientele. Some individuals are operationalizing methods to counteract government or capitalism, particularly in the unlicensed market. In those situations, individuals are placed in danger. Sometimes, human trafficking is involved. Therefore, we must critically assess dispensaries that engage in this behavior within our community. Furthermore, this issue extends beyond dispensaries; it encompasses various forms of human trafficking within the workforce. I believe that these operations cause significant harm.

Harm reduction solutions involve training and educating workers in the unregulated market to help them make informed decisions while safeguarding against further harm, exploitation, and accidents. This may also encourage movement toward the regulated market or reduce damage in the underground market.

As owners, they should be able to help their employees gain more education and knowledge by providing courses like that or offering specific programs for which they are willing to pay. It should not be much anyway since they are risking their lives and their rights at a shop for them. The least they can do is offer them an education and proper knowledge so that they can grow from it in the future.

Others recommended investing in consumer-side solutions that empower individuals to make informed decisions, as well as pursuing long-term investments in care that impact drug use and the market:

It is essential to invest in care rather than policing. We must develop resources and spaces that provide information and hotlines regarding specific drugs and related topics. I am fortunate to have trusting and transparent relationships with people, and if we cultivate an economy and a society that includes strong ethics concerning drug use and drug sovereignty.

And is it going to take the police to address that? We need to think of alternative ones. I think of the Zapatistas in Mexico and other Indigenous groups, or not even Indigenous. Community members armed themselves against the cartels because they had lost hope in the government. Even the local gangs have had to organize themselves. An element of that is how community members organize to understand safety, address violence, and create systems of care and protection for those individuals at the end of the day, versus just prison or deportation.

A vital intervention frequently repeated involves improving access to licensing and reducing economic barriers, such as fees and taxes. Landlords are often noted as profiting from these operations, and addressing this may also be part of the effort to tackle the issue at its root.

I would suggest a more accessible pathway, something more sustainable for them to purchase their license. I was saying that the federal government is intervening, like having people have their whole location looked at. They will come to Needles, and the police and the sheriff's department will come in. They will walk around your entire place and ensure everyone is certified. That would make it safer and more accessible to ensure that things are not being done under the table. It is also safer for the consumer and the person wanting to be part of the industry. It would be the best opportunity in California if it were more affordable, creating more jobs for many people.

Regarding the license fees, social equity should not have to pay such high amounts for their annual, state, and city licenses and taxes. This is excessive. They cannot recover these costs due to market margins. Furthermore, nothing is left after covering everyone's expenses, including the product, taxes, employees, and rent. The only parties profiting are the state, the city, and the landlords.

Interviews with Community Stakeholders. Participants across groups consistently emphasized several critical concerns regarding enforcing unlicensed operators. They pointed to a general lack of familiarity and understanding of enforcement efforts, described current tactics as ineffective, and highlighted the significant challenges faced by the licensed market. This situation has led to unintended consequences, including the perception that Black and Brown neighborhoods continue to be disproportionately targeted. Participants also noted a lack of public education on the differences between unlicensed and licensed operators and shared their visions for a fairer, more equitable, and progressive enforcement system.

Community Perceptions of What Drives Consumers to the Unlicensed Market. Community stakeholders echoed findings from interviews with consumers of unregulated cannabis:

Due to their proximity and financial constraints, patients often purchase from unlicensed operators. Fraudulent packaging complicates the distinction between authentic products and imitations.

Consumers struggle to differentiate between licensed and unlicensed operators. Some brands intentionally operate in both markets, including the "gray market," or face counterfeiting and selling their packaging illegally.

The unlicensed market's lower prices skew consumer perceptions of licensed retailers, exacerbating frustrations over high taxes and markups. Overall, community members frequently opt for underground unlicensed marketplaces, "seshes," due to significantly lower prices, reflecting a broader need for more effective and equitable cannabis enforcement and regulation.

They think we are marking it up because we are making a lot of money. That could not be further from the truth.

Barriers to entering the market exacerbate the unlicensed market. Community stakeholders expanded on why cannabis locations may choose to operate without a license, highlighting significant barriers stemming from stringent regulations and high costs. The current regulations in California create a challenging environment for profitability, making it difficult for licensed businesses to break even or provide high-quality products. Obtaining local and state licenses is burdensome, with a high bar set for compliance. This issue is worsened by a lack of understanding among city council members and law enforcement, who often view cannabis through a stigmatized lens.

[LA]DCR could advocate for a study on overregulation. Regulations may create unnecessary barriers without enhancing public safety and health. An unbiased study could be beneficial, allowing those who obtain a license to secure funding without facing excessive overhead that is not essential.

A significant barrier is the scarcity of compliant property, as there is no way to compel landlords to lease to licensed cannabis businesses. Limited availability of commercial space in areas with commercial square footage and compliance with buffer zones further complicates matters, often leading to landlord exploitation.

A landlord illegally evicted me after charging me three times the rent. Then I didn't have the money to pursue them.

... some landlords either do not want to lease to you or can't because they have federal loans.

Furthermore, professional networks, legal support, and education regarding the licensing process are insufficient. Small, "mom-and-pop" retailers are disproportionately impacted, struggling to meet the costs of licensed operations. Individuals of color encounter additional obstacles, making high fees and taxes overwhelming. This pushes many toward the unlicensed market, which provides the same products without the financial strain.

The only people who can exist in the regulated space can incur a loss.

Currently, prior illegal cannabis activity is a reason for denying an application for a license. The policy rationale was to prevent rewarding bad actors who have not tried to enter the licensed marketplace already.

The high costs associated with licensing fees, taxes, and compliance discourage entry into the licensed cannabis market, making the unlicensed market more appealing due to lower prices and fewer restrictions. Overall, the regulatory landscape creates a significant barrier to entry, leaving many potential operators without viable options to enter or sustain their operations in the licensed cannabis market.

I am on the verge of losing my opportunity again because the licensing fees are too steep. ... They make it too difficult to enter the market, but they do not have any problem taking the tax revenue from you.

Familiarity with Shutting Down Unlicensed Operators. Overall, there is a significant lack of familiarity and clarity regarding the shutdown process. Many respondents express doubts about the effectiveness and timeliness of

current enforcement efforts. Most respondents feel that the process is lengthy and inconsistent. While many know specific thresholds for complaints that trigger enforcement actions, others are unsure whether shutdowns occur.

In some cases, shutting down an unlicensed retailer can take a long time, with estimates ranging from three months to over a year, indicating a need for due process.

Some participants mentioned instances where unlicensed retailers were quickly shut down, particularly under pressure from politicians or if a nearby licensed business prompted faster action. However, this appears to be more of an exception than the rule. The variability in response times and the ability of certain unlicensed retailers to continue operating under the radar contribute to the perception of an ineffective and inconsistent enforcement system.

I hear that cannabis regulation has not been very effective; the number of unlicensed stores keeps popping up very quickly, and it takes a long time to shut them down.

I hear complaints about illegal operations and how they will shut down, and they move two blocks away. They hand out flyers saying, 'Hey, here is where we will be next.' Thus, there is a sense of bravado because they understand that the enforcement is not a strong presence in the city. We still hear complaints of the presence [of unlicensed operators] in the city and how they do not seem to die; they just move on and multiply. Previously, only two LAPD officers were dedicated to dealing with citywide enforcement. So that is not going to be a very effective way to deal with illegal cannabis operators.

Familiarity with the Process for Seizing Cash, Cannabis Products, Guns, and Property. Interviewees expressed a need for more precise and consistent enforcement procedures. They perceived the current system as vague and poorly enforced. The City questions whether the system is inconsistent, if people do not understand it, whether it needs tightening, whether more public education is necessary, or both.

Respondents' familiarity with the process for seizing and destroying cash, cannabis products, guns, and property varies widely, with many possessing limited knowledge or merely general awareness from news articles. There is a consensus that a cannabis task force supervises these activities in collaboration with the LAPD and other agencies, including the Los Angeles Department of Building and Safety (LADBS). Respondents believe complaints typically originate with a call to the DCC or by checking the LADCR website for licensure verification.

According to the LAPD, the first step is to send a cease-and-desist letter to the owner, which is either delivered to the location manager or posted at the site. The LAPD Narcotics Supervisor for that area oversees this process. After a reasonable amount of time (at least one week), the utilities are shut off if the operation continues, and a search warrant is executed.

Some respondents mentioned that recovering stolen goods from the Los Angeles County Sheriff's Department (LASD) is more accessible than from the LAPD, provided lawful activity can be proven. There is also a broader perception that conservative police departments sometimes justify raids by citing federal laws, even in states where cannabis is legal, which leads to a profit-driven seizure of products and cash.

Unlicensed retailers often continue to operate until they become a significant nuisance or hazard, prompting raids and seizures. Some interviewees highlighted the process of escalation, in which unlicensed operators are notified and cited before utilities are cut off and goods are seized.

Participants also noted the involvement of waste management in destroying seized products, and landlords were fined for allowing unlicensed operations. However, these measures are not consistently enforced. Auctions of seized goods take place but are sparsely attended and regarded as ineffective in addressing the problem.

Perceived Effectiveness of Cannabis Enforcement Procedures. Community perceptions of current cannabis enforcement procedures reflect various concerns and frustrations. Overall, the enforcement procedures are viewed as ineffective for both unlicensed cannabis operations and the licensed market, with a consensus that current methods are failing and a need for a more effective and sustainable approach. There is widespread apathy toward enforcement, as many believe that shutting down one retailer merely leads to another opening. Current enforcement efforts have disappointed many, as unlicensed retailers often continue to operate without facing consequences.

Enforcement efforts have united two main groups: those who depend on the industry for their livelihood and seek regulation without further harm to communities, and abolitionists who criticize the regulated market's limited pathways for participation. South and East Los Angeles desire safety and quality products but oppose excessive policing and unnecessary retail closures.

I understand that there is a desire not to over-police cannabis because of the history and the War on Drugs. However, when we have a legitimate industry, we are obligated to those who have legitimately signed up to address these obstacles and barriers to competitiveness and profit.

Some unlicensed operators view the effectiveness of cannabis enforcement procedures in the City of Los Angeles as inadequate. Despite ongoing enforcement efforts, the number of unlicensed operators continues to rise, with many retailers reopening shortly after being shut down, often in the exact locations.

The unlicensed market remains strong, with operators discovering methods to bypass enforcement, including landlord arrangements.

It is economically beneficial for landlords to lease to illegal shops and become partners. ...My landlord tried to charge me \$18,000. Another landlord wanted \$28,000. When shops shut down, they will be leased to somebody else. Nobody will go after them.

Enforcement processes are viewed as ineffective because they cannot prevent illegal sales to minors and the ongoing availability of unregulated products, including those sold on platforms like Amazon. The current licensing system fails to meet consumer demand, allowing unlicensed retailers to continually "pop up."

There are also systemic issues with reporting and tracking complaints about unlicensed operators. The LADCR complaint portal is not widely known or used consistently, making it challenging to receive updates on the status of cases. The lack of broad adoption of the complaint portal also skews attention towards unlicensed operators who are a nuisance to neighbors or competitors, rather than focusing on public health or safety concerns for the community. LAPD's Narcotics Enforcement Division prioritizes other narcotics over cannabis-related issues, further limiting the effectiveness of enforcement efforts.

Interview participants perceived a significant trust gap in some lower-income neighborhoods, where residents are more comfortable with familiar unlicensed dealers than with licensed businesses. Many community members view tax reform as a more effective solution than enforcement. The displacement of legacy operators by high-priced retailers generates resentment, particularly when compared to the more discreet appearances of older licensed retailers.

Unlicensed operators often display a sense of bravado, openly marketing new retailers after their previous ones are shut down, indicating a lack of deterrence. There is also a notable presence of unlicensed marketplaces or “sesh” events, which continue to provide untaxed cannabis products to a large audience.

General Sentiment Toward Cannabis Enforcement Processes and Outcomes. Overall, the LAPD’s involvement in cannabis enforcement remains controversial, with calls for more restorative justice approaches and better relationships between enforcement agencies and licensees. A widespread sentiment exists that the current enforcement processes are flawed and often perceived as unjust. Increased transparency, fairness, and a focus on key contributors to the unlicensed market are essential to enhance the system and ensure equitable outcomes for all stakeholders in the cannabis industry.

General feelings among unlicensed operators toward cannabis enforcement processes and outcomes are mixed, though they lean toward a sense of unfairness. Many believe that enforcement is neither fair nor impartial. They emphasize that shutting down small “mom-and-pop” retailers is misdirected and that addressing more significant issues, such as unlicensed cultivators and manufacturers, would be more effective.

Proposition 64 says it is going to fight the war on drugs and stop taking people to jail and all these things, but it is disproportionately impacting these over-policed communities, specifically Black and Brown communities. So it is kind of messed up that we would use cannabis tax revenues to turn around, then wage a War on Drugs 2.0.

The unlicensed cannabis industry tends to grow in response to absent or uneven enforcement, which some feel can resemble a “War on Drugs 2.0.” There is a consensus that enforcement has disproportionately targeted communities of color, resulting in many individuals being incarcerated or losing jobs for activities that are now part of a lucrative licensed market. The lack of transparency in enforcement procedures and outcomes, particularly regarding LAPD, exacerbates these concerns, making it difficult for the public to assess the fairness of these actions.

... the War on Drugs was not just about violence; it is also about economics. Thus, if we have agencies levying steep penalties and seizing, and all this stuff, that will continue to perpetuate things, especially if there is a bias on who is being enforced against.

Licensed operators participating in the community stakeholder feedback sessions are frustrated by competing with unregulated entities that benefit from avoiding compliance and regulatory costs. Many call for greater enforcement against unlicensed operators in the spirit of fairness. However, there is also a recognition that regulation should not lead to recriminalization, suggesting that while a process is necessary, it should aim to support rather than penalize individuals.

The involvement of law enforcement in these actions is somewhat terrifying and re-traumatizing for individuals affected by the war on drugs, as they continue to face consequences from these recent efforts to shut down unlicensed shops in our city.

Perceptions of Historically or Disproportionately Enforced Neighborhoods. Overall, community stakeholders believe that less affluent and predominantly Black and Brown neighborhoods are targeted more for cannabis enforcement, leading to increased harassment and arrests, which exacerbate racial and socioeconomic disparities. The sentiment is that inequitable treatment has not only perpetuated racial disparities but has also deepened the distrust between these communities and law enforcement.

You are using tax money generated from cannabis taxes to implement more enforcement in the communities from which people come? That does not make any sense to me. It seems like a cycle of the wrong thing.

Historically, areas such as South Los Angeles, East Los Angeles, Boyle Heights, Skid Row, and Watts have experienced heavy law enforcement, leading to a disproportionate impact on Black and Brown populations. It is perceived that older residents often prefer stricter enforcement, while younger individuals support more lenient policies that promote personal agency in cannabis purchasing.

Enforcement practices have led to an over-policing of lower socioeconomic neighborhoods, where unlicensed retailers thrive due to easier and cheaper access. In contrast, affluent areas like Beverly Hills attract tourists with successful licensed retailers offering high prices and facing minimal enforcement issues. Unlicensed retailers typically avoid these areas, instead establishing themselves in neighborhoods with higher crime rates and limited police resources.

The perception is that racial disparities are stark, with Black and Brown individuals disproportionately arrested, convicted, and prosecuted for cannabis-related activities. These arrests have far-reaching consequences, affecting their ability to secure housing, education, and employment. Unlicensed retailers in heavily enforced areas exacerbate the issue, as police are already handling other crimes and may not respond promptly to complaints.

If these communities are still being disproportionately targeted, then all the creative solutions we are coming up with will still target the same communities and not put the onus on programs that can create more successful businesses to begin with.

Impact of LAPD on Cannabis Enforcement Activities and Reporting Procedures. The impact of the LAPD on cannabis enforcement activities and reporting procedures has been met with mixed perceptions and significant challenges. Many applicants and licensed operators hesitate to engage with the LAPD due to past traumas and mistrust. They often avoid initial inspections and do not report break-ins to prevent unwanted attention. This hesitation is particularly pronounced among legacy operators who have faced imprisonment due to raids, leading to a deep-seated lack of trust in the police.

People of color have been disproportionately affected by police enforcement, exacerbating ongoing trauma from the War on Drugs. Despite cannabis legalization, these communities still face increased scrutiny and enforcement actions. Interviewees stated that the LAPD's role in cannabis enforcement has not been significantly effective, with unlicensed retailers proliferating and only a few officers assigned to cannabis enforcement in the city. They assert that the limited presence has failed to curb unregulated dispensaries effectively.

Addressing this concern, the LAPD states that when the City initiated the Cannabis Task Force, there were over 300 unlicensed locations in the city. The LAPD also claims it will reduce the number to 50 by 2024. While they acknowledge that unlicensed shops continue to emerge, they believe that if the LAPD's efforts were ineffective, the total would significantly exceed 300.

Interviewees express concerns about the lack of transparency and data regarding the LAPD's enforcement efforts. The published information on enforcement is often presented at a high level, with insufficient details to offer comprehensive insights. The LAPD states that it can only provide detailed data from closed investigations. As a result, open investigations remain off-limits to avoid hindering their progress.

The LAPD has considerable autonomy in choosing which neighborhoods to surveil and which behaviors to target, leading to inconsistent enforcement practices. For instance, the community perceives that South Los Angeles experiences a heavy police presence, while other areas see minimal intervention.

Licensed operators experience increased difficulties when unlicensed dispensaries operate in their communities. They frequently feel unsupported by law enforcement. While some individuals have formed personal connections with local officers, this is not a common remedy.

Recommendations from Community Stakeholders. Envisioning cannabis enforcement in a more progressive system involves creating pathways for unlicensed operators to transition into the licensed market while ensuring equitable and non-punitive measures. Enforcement should focus on education and support, implementing an amnesty program for legacy operators to help them obtain licenses without immediately disclosing their current operations. Community stakeholders described this type of enforcement as:

Enforcement should prioritize community response and accountability, rather than relying solely on law enforcement.

There is a centralized public portal for complaints and a dedicated enforcement team within LADCR to streamline efforts. Increasing awareness of this resource and encouraging its use could be vital for notifying unlicensed operators. The system should provide economic opportunities for those impacted by cannabis criminalization, focusing on young Black and Brown individuals working in unlicensed retailers and pathways to success.

Shutting down unlicensed operators should be efficient, ideally taking no longer than six months. At the same time, unlicensed operators should receive advance notice and opportunities to comply with licensing requirements before being shut down (though this would require a change to LAMC 104.04: Denial of a License, Suspension of a License, or Disqualification). Of course, these opportunities should not be afforded to individuals involved in violent crimes or severe criminal activities; their locations should be shut down immediately, and their products, guns, and properties should be seized and disposed of according to the law.

Interviewees strongly felt that unlicensed operators should face fines rather than imprisonment, and their finances should be held until they legalize or exit the industry. The LAPD offered some context to this concern. They stated that most violators are only issued fines; if someone is booked at unlicensed locations, they are immediately released unless there is cause to keep them in jail (e.g., felony warrant or other open charge). Reducing taxes and regulations can make the licensed market more competitive with the unlicensed one.

Progressive enforcement should avoid a new War on Drugs by applying measures similar to those used for liquor or restaurants, ensuring fair repercussions without jail time. Federal laws could be reformed to deschedule cannabis as a dangerous drug, and enforcement should differentiate between medical and recreational cannabis to ensure that medical patients have affordable access to products.

Many of us have worked hard to figure out pathways to help the community heal, but if we do not emphasize a sense of urgency, we are hurting another generation.

Landlords who lease to unlicensed operators should face significant penalties, such as daily fees, to encourage them to stop operating unlicensed enterprises. In extreme cases, landlords could potentially lose their property. The City and State could also offer tax breaks or rebates to encourage landlords to lease to licensed operators.

Some community stakeholders also suggested that the City allocate funding to encourage customers to select licensed operators over their unlicensed competitors:

... One of the incentives could be a funded discount [for medical consumers]. When I say a funded discount, I refer to a discount financed by the City, the State, or another entity, ensuring that the business does not lose profit.

Key Partners to Foster Progressive Enforcement. In a more progressive system, cannabis enforcement could be coordinated among several key entities to ensure comprehensive and fair management. The Mayor's Office of Economic Development and the Los Angeles County Department of Economic Opportunity (DEO) should play significant roles, and increased funding could empower LADCR to establish a dedicated enforcement arm.

This consolidated approach avoids bureaucratic delays and positions Los Angeles as a restorative justice and economic development leader. To support this effort, the state should initiate tax reform, and mandates from the state should hold local jurisdictions accountable with penalties for non-compliance, ensuring consistency and cooperation.

DCC could ideally lead enforcement by focusing on legality and licensure at the local level while potentially involving the CDTFA. According to the LAPD, its forensic labs only test narcotics associated with a crime and seized by the LAPD. When necessary, testing of seized cannabis products would need to be contracted out to an external lab.

LADCR should partner with or establish a community oversight commission to maintain checks and balances and ensure that communities are not re-traumatized. Perhaps a specialized enforcement group familiar with the cannabis industry should be created to oversee the process impartially and effectively.

Coordination among the Los Angeles Mayor's Office, LAPD, Los Angeles City Attorney's Office, and other city agencies is crucial. Efforts should focus on operators and property owners who permit unlicensed activities. Additionally, business owners and entrepreneurs with industry knowledge should be engaged to ensure practical and informed enforcement practices. This collaborative and multi-faceted approach fosters a fair, transparent, and supportive regulatory environment for the licensed cannabis industry.

In a more progressive system, the LAPD's role in enforcing unlicensed cannabis operations should be carefully balanced to ensure public safety while avoiding the heavy-handed tactics associated with the War on Drugs. Operators should adhere to clear rules, similar to other regulated industries, with the LAPD providing support rather than leading enforcement efforts.

...the green police...[with] no guns, nothing...some kind of alternative division from LAPD, ...where [LA]DCR is working on enforcement and not necessarily LAPD itself.

Special training for the LAPD is crucial for safely and non-violently managing cannabis-related situations, emphasizing community engagement and reassurance. The LAPD should primarily act as a backup when compliance issues escalate, involving other agencies such as the Los Angeles Department of Water and Power (LADWP) for instances of non-compliance.

Enforcement should prioritize education and restorative practices, reduce criminal penalties, and focus on maintaining public safety. Additionally, the LAPD's involvement should be limited to necessary security measures during enforcement actions, allowing other regulatory bodies to manage compliance. This approach ensures a fair, supportive environment for licensed cannabis operators while maintaining the market's integrity.

Recommendations for a Progressive Enforcement Approach to Seizing the Assets of Unlicensed Operations. In a more progressive system, the process of seizing and destroying cash, cannabis products, guns, and property would prioritize community benefit and restorative justice. Potential solutions include:

Repurposing cannabis product seizures: When cannabis products are seized, the City could test them for safety, repackage those that pass, and then donate them to compassionate use or community organizations serving low-income individuals, people with disabilities, and medical patients. A funding source for qualifying recipients, testing products, and managing the distribution of cannabis would need to be identified. Nevertheless, this approach ensures that the products benefit those in need rather than being wasted.

Reallocating confiscated funds: Confiscated cash should not be destroyed; instead, it should be allocated to a fund that offers legal advice and services to licensed operators. Other suitable uses include community development programs, harm reduction initiatives, and compassionate donation programs.

Destroying weapons: The preferred method of dealing with firearms is destruction, involving melting down seized guns to prevent their further use in criminal activities.

Auctioning seized property: Auctions of seized property can generate funds for social equity programs, infrastructure projects, and support for communities disproportionately affected by the War on Drugs. To promote fairness and restorative justice, any funds generated from enforcement activities should assist community programs rather than return to police and prison systems.

Recommended Support Modalities for the Transition to the Licensed Market. Several solutions have been suggested to facilitate the licensed cannabis industry's entry process. Local licenses should be sufficient for state requirements, or the city and state should unify criteria to allow simultaneous applications. Education is essential for addressing the stigma associated with cannabis, and policymakers should attend educational sessions to understand the industry better.

There is still a large amount of stigma, which stems from how these businesses are forced to operate.

Regulations should aim to help operators achieve compliance by assisting with paperwork and necessary supplies without penalizing them for minor oversights and responding promptly to licensee queries. Taxation should be fair and support small businesses, providing grants to offset initial operating costs. The City should establish realistic expectations and pathways for acquiring licenses. These may include ongoing technical support, similar to that offered through business licensing and compliance in coordination with LADCR's Social Equity Program (SEP).

The goal of cannabis regulation should be to help operators reach compliance. That means assisting operators in completing the necessary paperwork and acquiring the supplies/items (e.g., commercial-grade locks) needed for the license application. Operators should not be discouraged or penalized for missing information/documents. This process should also be conducted promptly.

In defining success for cannabis businesses, community members stated that operators and regulators often have conflicting perspectives.

I feel like the regulators have a definition of success, and then the operators have a different definition of success ... My definition of a cannabis operator would be operating a profitable business. A regulator considers a successful business a business that complies.

Setting clear goals for transforming unlicensed operations into legitimate businesses within a specified timeframe could provide a replicable roadmap for low-information applicants and recent licensees. Lowering the cost of entry and providing clear, accessible pathways to licensure are critical, especially for those criminalized by past enforcement. Stakeholders noted that success for operators extends beyond mere compliance—it encompasses financial stability and growth.

If we are defining the success of these businesses, we also have to highlight what success does not look like... I know several people who operate these businesses, and they can only pay for their staff. They have gone years without even getting any money. What is the point if you are the one with all the responsibility and you cannot generate profit by putting your kids through school or paying your rent on time?

LADCR's Social Equity Program collaborated with populations most affected by cannabis criminalization, offering technical skills, training, and business support to ensure equitable participation.

Cannabis businesses could benefit from a paradigm shift towards regulating cannabis as an agricultural commodity instead of a hazardous chemical. Unlicensed operators should receive guidance and support for transitioning to the licensed market, and successful operators should offer opportunities for education and technical assistance.

Finally, enforcement agencies should provide practical assistance, such as skills training and funding, to support new industry entrants.



(Photo: Christina Morillo)

Recap: Community Stakeholder Recommendations

1. **Reduce barriers to entry** and licensing challenges in dual licensing systems. Local licenses should suffice for state approval; if not, both criteria should align, allowing simultaneous application.
2. **Improve public education** about cannabis. Educate the public on licensed/unlicensed cannabis operations and the known public health impacts.
3. **Educate policymakers** about enforcement activities. Policymakers and regulators should receive further education on cannabis enforcement actions and outcomes.
4. **Shift the regulatory focus toward supporting compliance and fair taxation.** The regulatory focus should be on assisting operators in complying rather than penalizing them, and fair taxation should favor small and local businesses.
5. **Provide access to banking** and financial support. Operators should be able to access banking services and receive grants to offset business costs.

6. **Develop realistic pathways to licensure.** Operators should be provided realistic pathways to enter the licensed market and supported in licensing and compliance.
7. **Provide support for formerly incarcerated** and systems-involved persons. Programs should be implemented to provide technical skills and support for individuals previously criminalized due to cannabis enforcement.
8. **Provide support for unlicensed operators** in entering the licensed market. Guidance and assistance should be provided to unlicensed operators, especially those who have been most harmed by the war on drugs, to transition to the licensed market.
9. **Provide financial support** and education for applicants. Grants and education opportunities should be provided to applicants, with guidance from successful operators.
10. **Provide support through enforcement agencies.** Enforcement agencies should offer skills, classes, and funding to assist in acquiring licenses.
11. **Develop a complaint portal that works across multiple city departments** to provide end-to-end transparency. Promote the LADCR complaint portal and ensure it is transparent to the public. It works across various departments to follow the complaint process.
12. **Support community benefit and restorative justice policies.** Seized cannabis products that pass safety tests should be repurposed for compassionate donation programs, while funds from enforcement activities should support community programs rather than police and prison systems. Confiscated cash should be redirected to legal services for licensed operators, community development, harm reduction initiatives, and compassionate donations.
13. **Issue stricter financial penalties for landlords.** To incentivize them to cease leasing to unlicensed operators, landlords should face significant penalties, such as daily fees. In extreme cases, landlords could potentially lose their property.

Interviews with Cannabis Enforcement Experts Beyond Los Angeles

To gain a deeper understanding of how other jurisdictions have approached enforcement against unlicensed operators, the research team conducted in-depth interviews with individuals involved in cannabis regulation and program management outside the City of Los Angeles. This information is expected to inform the city's strategy and offer insights into how these issues are tackled in other adult-use markets.

Continued Reliance on Law Enforcement to Combat the Unlicensed Industry. The city has taken significant steps to listen to the community and its workforce across various departments. The DCR has established coordination among key agencies that can employ administrative codes, fines, and other noncriminal measures to discourage unlicensed activities. There is still much to accomplish based on the foundation that has been set. Enhancing and implementing a system with enforcement capabilities while avoiding unnecessary entanglement of individuals in the criminal justice system can effectively address the issue.

The issues in California stem from 20 years of inaction at the state level following the passage of Prop. 215 in 1996. This allowed unlicensed activity to gain a foothold in the market. Cannabis is currently overregulated in California, making it difficult for licensed businesses to survive and creating a market for unlicensed products. Counties that have banned cannabis should recognize that they are perpetuating the violence associated with unlicensed activity. They could regulate and use those tax dollars to launch public health campaigns promoting safe, responsible consumption.

Despite legalization and a shift away from viewing cannabis as a criminal justice issue, interview participants noted that many jurisdictions still depend on law enforcement to address unlicensed cannabis activity.

Many localities and states use non-cannabis violations, such as building codes, as leverage to issue cease and desist letters and impose fines.

Those involved in enforcement in other jurisdictions elaborated on how their department operates in conjunction with law enforcement:

We have a great partnership with our law enforcement partners. We do not act against non-licensed locations; we leave that to law enforcement. We partner with them by having a 24/7 supervised call center. Our law enforcement partners can call and verify whether a business is licensed daily. It is a two-way street. If we receive a complaint from our agency, we forward it to local law enforcement or the drug team. In turn, they call our agency. We have a dedicated law enforcement line.

We typically send numerous warning letters or cease and desist orders on the city side if we become aware of any unpermitted cannabis activity. Moreover, we request an inspection. The inspections generally depend on someone providing consent, but if they do not, we could obtain a search warrant, depending on the issue. It is rare in the cannabis context for the City or police department to obtain search warrants. I struggle to recall an example from recent times.

Property Owners and Non-Cannabis Code Violations in Cannabis Enforcement. Many respondents agreed that fines and administrative fees do not deter unlicensed cannabis operations because owners incorporate those costs into their business expenses. Interview participants reported greater success in curtailing unlicensed cannabis operations by involving property owners and enforcing non-cannabis code violations. This success is partly due to the difficulty in identifying the owner of the venture, while the property owner is more visible. Additionally, property owners are more likely to take action to prevent their buildings from being impacted or fined for activities occurring within their properties.

The City passed a public nuisance ordinance around 20 years ago. This ordinance essentially authorizes administrative fines for violating any other municipal code section.

In nuanced situations that involve other code violations (civil or potentially criminal), or other jurisdictions, the following steps related to issuing a Notice of Violation, imposing an order, or placing a lien on the property.

When we issue violations, if we have the property owner's contact info, such as an email address usually listed in the application, we can retrieve it through the property records with the City. We will also send that violation if we have an email or physical address. It is not attached to them, but we tell them, 'Hey, this is your property. This is what is going on there.' They can then decide how to handle that tenant beyond what we already do. If any unpermitted work is done to the location, those violations or liens are on the property owners themselves.

Challenges in Seizing Unlicensed Products. Some respondents felt that seizing unlicensed products was beneficial because it sends a message to unlicensed operators, builds trust within the licensed industry, and removes untested products from the market:

Seizures resulting from cannabis-related enforcement actions send a strong message to unpermitted operators that the City is watching and doing its due diligence to root out unregulated operations. They function as a deterrent. In addition, they help our office build trust and confidence with our legal and compliant operators that we are working to maintain an equitable and just industry by reducing unpermitted competitors. Finally, seizures also work to remove the supply of untested and unsafe cannabis products that otherwise pose public health and safety risks.

However, others believed it was ineffective because excessive profits in the unlicensed market undermine its effectiveness, and the practice is too expensive.

Seizures do not occur due to the cost of destruction. They have also been ineffective against the unlicensed market.

Seizures have insufficient impact because the potential profit in the unlicensed market is too great to discourage their operation.

Cannabis Enforcement Support and Expectations. Respondents felt that those involved in the licensed cannabis industry are generally supportive of enforcement efforts because unlicensed operations create unfair competition and can undercut prices. One interview participant noted that the licensed cannabis businesses in their jurisdiction actively support enforcement efforts by promptly reporting questionable business practices:

Because our city is so tightly packed with retail stores, if another one pops up that is illegal, I fully anticipate that any of them would let us know so that we can take our administrative actions towards that business. The cannabis industry is a tight community. If unlicensed operators are popping up, let us know if there is any shady behavior. A couple of things alert us to what is going on. It is just a sense that there is so much bias about cannabis operations that those who want to represent a solid business foundation do not want unlicensed behavior, such as giving a bad name to those trying to follow the rules and regulations.

Doctors are struggling to trust the cannabis market. The lack of guidance and accurate labeling leads to hospitalizations.

However, while supportive, respondents also believed that the general public might expect immediate action and not understand the time required to initiate enforcement after a complaint is made.

Like other types of investigation, building a case with probable cause requires significant time and effort before any actions can be taken. The confidentiality of investigative activities, which ensures the effective resolution of each case, limits our ability to share information. The general public, including the legal cannabis industry, may not fully understand these efforts and might assume that only a few enforcement actions are being taken against unpermitted cannabis business activities.

The public thinks we have a hammer and can take immediate action, but unfortunately, as a regulatory agency, we do not have the same tools as law enforcement. Even law enforcement sometimes takes months to get the information they need to execute a warrant and charge somebody. That is where we are administratively, too, where we cannot immediately act.

Economic factors and consumer demand fuel the unlicensed market. Respondents identified several root causes for operating without a license: the significant profits unlicensed shops can generate, the high financial barriers to entering the licensed market, and the strong consumer demand for low-cost products. Specifically, respondents noted that by avoiding taxes and licensing fees, unlicensed operations could significantly lower their operational costs, enabling them to offer more competitive product pricing and attract greater consumer demand:

I think all the challenges the licensed market faces are economic barriers. And then, I guess, with cannabis, you have an existing traditional unregulated market that can offer an alternative and less costly alternative. Historical disparities in access to capital and property are some of the fundamental things you need to run a business legally.

... With prohibition, those willing to risk operating in this gray or unregulated market could make a living and not have to pay taxes and all that stuff off what they are making. Thus, you suddenly have these additional barriers you must overcome with legalization. If that is combined with the lack of movement, transitioning from the unregulated to the regulated could be difficult. Moreover, especially if an existing customer base does not care or prefers something cheaper because it is not taxed.

It is a business in the front and a party in the back. So, you are not being regulated; you are not being taxed. You can ship out of state, to the East Coast, dramatically increasing the amount you receive for the product.

Recommendations from Cannabis Enforcement Experts Beyond Los Angeles

Respondents suggested combining incentives and enforcement to tackle the root causes of the unlicensed market. Proposed solutions included providing financial relief, simplifying the process for entering the licensed market, and offering tax adjustments to support licensed businesses.

Maybe adjust the fees and taxes associated with being within the regulated market. They have to pay the taxes across the board. They do not get any breaks from the federal government as a business when paying their taxes on top of the added sales tax. In some areas, the businesses say they are too high and are breaking even. They are not making any money, especially if the market is oversaturated, which drives down the product's price. The cannabis program with our city provided struggling cannabis businesses with the first type of emergency relief funding in the country to help businesses throughout COVID-19, with increased vandalism and increased crime. So, we can do stuff like that, lift those small local businesses, and help them succeed and thrive in the industry where the state does not provide those services.

We have got to allow these people to make more money. Again, they may revert to the unlicensed market if they go out of business. So that is always the risk. The City says you have to be 700 feet from the sensitive use. Why is the city 100 feet over the state mandate? Why? I do not know. Let us revert to the 600. We have six more sensitive uses than the State for buffer zones.

They emphasized the importance of stricter enforcement against unlicensed shops and educating the public about the risks of unregulated products to reduce demand and promote compliance within the market:

Our office can address these root causes by conducting outreach to inform unpermitted operators that there is a legal pathway to obtaining permits for different cannabis business activities [e.g., cultivation, manufacturing, distribution]. Simultaneously, we can continue to take enforcement actions against unregulated operators to send a strong message that unlicensed cannabis operations supplying untested and unsafe products will be held accountable. Lastly, educating the general public about the dangers of consuming unregulated, untested products can help reduce demand in the unlicensed market.

Be more progressive in finding ways to enforce against stores selling intoxicating cannabinoids.

We have mentioned several different strategies they can utilize. Still, the most significant thing they would have to do, and I do not want to encourage or get them to do this, is to change the state law to create criminal sanctions for those not participating in the tax and regulate the market.

Respondents agreed that successful enforcement requires a multi-faceted approach involving various offices and departments. While enforcement may be the most powerful tool, it is insufficient. Civil enforcement can also serve as an effective instrument, but only if it is cost-efficient, streamlined, and employs strategies that influence the targets.

There has to be a balance between public health and safety, tax revenue, and market success. We need to do a better job of supporting businesses, shutting down unlicensed ones, and determining how the tax rate and licensing costs disincentivize consumers and businesses from participating in the legal market. It may be counterintuitive because of the drug war propaganda. Still, regulators must understand that regulating a substance is a much better way to address public and community health than banning it. Enforcement should be reserved for criminal activity and actual bad actors; everyone else should be supported in getting into the legal side of the industry.

Many respondents reported that their success in addressing the unlicensed market is influenced by their ability to collaborate with other departments (e.g., police, fire, building, and safety) and their state cannabis agency. This teamwork enables innovative enforcement strategies, multi-pronged approaches, and increased efficiency and effectiveness of enforcement activities.

I enjoy working with our partnering agencies. They are always quick to answer any compliance issues about whether it is a medical growth, and they assist in answering our questions about locations. They are always happy to go on a joint inspection with us. In full disclosure, I wish there were perhaps more collaboration and communication from that state partner, but I would say that we still work in conjunction with each other. It helps us be a united front with those cannabis businesses that are out of compliance.

We have established a great relationship with our state enforcement team, and we can flag any enforcement items for the team. We also coordinate with different city departments, such as the Fire Department, the Department of Building Inspection, and the Police Department, for their enforcement items. Having a point of contact for each department is helpful for inter-departmental and inter-jurisdictional coordination.

We have a regularly scheduled compliance meeting, and all the agencies work on compliance-related activities in the cannabis industry. So, we do have the water masters; we have a fire marshal's office because of the extraction, processing, and whatnot; some can be hazardous. Thus, they are looped in and on board. We have the Department of State Lands involved; we have the Department of Agriculture. The Department of Revenue is involved. We partner with them. I would say that the state agencies all work well together since we are all under the Department of Administrative Services; essentially, we all work for one employer.

Conversely, those without such partnerships expressed frustration about its negative impact on their ability to address the unlicensed market successfully.

It is a resource issue. They can resolve some matters without having to issue a fine or hold a hearing, which is resource-efficient. However, stopping all unpermitted cannabis activity would require hearings and product seizures, which would also trigger individuals' rights to hearings. This is why utilizing the tools and resources of other agencies would be beneficial.

We need increased enforcement staffing to dedicate more time to relationship building and establishing better partnerships with local entities and community groups.

Every city, town, and county in our state, and even the state, has its law enforcement agencies with their priorities. It depends on the jurisdiction. It is up to the jurisdiction whether they will go after marijuana: Different priorities, different strokes, different folks.

States and localities involved in collaborative efforts and aligned with their state office reported more success with enforcement than those that worked in isolation. While these departments may have different views on cannabis and its use, as one respondent said:

For a program to work, everyone must be invested in it, regardless of their views on cannabis. You also have to deal with people from both sides, so you must put your views aside.

A Case to Update and Expand Medical Cannabis in California

California's current cannabis market under Prop 64,⁵⁸ prioritizes revenue from adult-use recreational sales over patient care, indicating a need for reform. California is the world's largest cannabis economy, boasting more than \$4.7 billion in adult-use and medical cannabis sales in 2024.⁵⁹ With medical patients still present within this adult-use market, Los Angeles has a unique opportunity to demonstrate its commitment to and understanding its patient population. By providing medical cannabis patients with tax incentives, the city can enhance its legislative pushes for clinical research and a cannabis-inclusive healthcare framework.



(Photo: Randall Benton / Sacramento Bee)

What serious medical condition(s) must a patient have to qualify for an MMIC? According to the California Department of Public Health's branch of research and analytics,⁶⁰:

A serious medical condition, as defined by Senate Bill 94 (Chapter 27, Statutes of 2017), includes the following: AIDS; anorexia; arthritis; cachexia (wasting syndrome); cancer; chronic pain; glaucoma; migraine; persistent muscle spasms (e.g., spasms associated with multiple sclerosis); seizures (e.g., epileptic seizures); severe nausea; or any other chronic or persistent medical symptom that significantly limits a person's ability to perform one or more major life activities as defined in the federal Americans with Disabilities Act of 1990, or, if not alleviated, may result in serious harm to the person's safety, physical, or mental health.⁶¹

How much does it cost to apply for an MMIC? The California Department of Public Health's branch of research and analytics also provides:

Fees cover all administrative costs associated with the Medical Marijuana Identification Card Program at the county level. Proposition 64 (The Adult Use of Marijuana Act, 2016), Health and Safety Code Section 11362.755, mandates the county program to establish application fees for individuals seeking to obtain, renew, or replace identification cards.

According to this law, county programs may charge an amount not to exceed \$100 per Medical Marijuana Identification Card (MMIC) application or renewal, must provide a 50 percent reduction per card to Medi-Cal-eligible applicants, and waive fees for indigent patients who are eligible for and participate in the County Medical Services Program. The counties have the authority to cover their expenses through the application fees; therefore, established fees will vary by county.

⁵⁸ Baldassare, Mark. "California's Marijuana Majority." *Public Policy Institute of California*, 16 Dec. 2016, www.ppic.org/blog/californias-marijuana-majority/.

⁵⁹ (Lange, Tony. 2024. "11 States Projected to Be Billion-Dollar Cannabis Markets in 2024." *Cannabis Business Times*. September 16, 2024. <https://www.cannabisbusinesstimes.com/us-states/arizona/news/15686436/11-states-projected-to-be-billiondollar-cannabis-markets-in-2024>.)

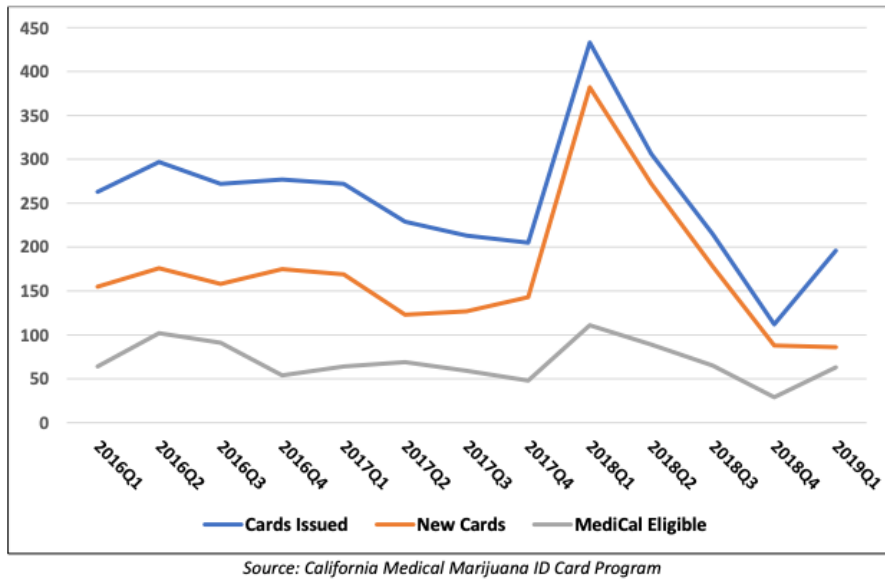
⁶⁰ Health, Department of Public. "Rab Medical Marijuana Identification Card Program - FAQs." RAB Medical Marijuana Identification Card Program - FAQs. Accessed February 28, 2025. <https://www.cdph.ca.gov/Programs/CHSI/Pages/MMICP-FAQs.aspx>.

⁶¹ 2022-0110 DCR community listening session final ... Accessed August 4, 2024. <https://cannabis.lacity.gov/sites/g/files/wph1726/files/2023-01/DCR%20CYC%20Final%20Report%202023.pdf>.

From “Health Equity Implications of Retail Cannabis Regulation in Los Angeles County

After Prop 64 was legalized, the number of Medi-Cal-eligible patients remained stable.

Figure 21: Total and New Medical Marijuana ID (MMID) Cards Issued in Los Angeles County by Quarter, January 2016 to March 2019



This core group may represent a constituency that the City of Los Angeles and the State of California could target for a pilot project to improve access.

Currently, California ranks last among all states that have legalized medical cannabis in the United States regarding medical cannabis card participation. In 2024, there were only 2,800 cardholders, or approximately 0.01% of the state’s population, according to the Marijuana Policy Project.

City Name	Total Taxes	Local Taxes		County Taxes	State Taxes	
		Excise	Sales	Sales	Excise	Sales
Bellflower	29.5%	5%*	0%	2.25%	15%	7.25%
Culver City	25%	0%	0.5%			
Huntington Park	25.25%	0%	0.75%			
Long Beach	33.5%	8%	1%			
Los Angeles	34.5%	10%	0%			
Malibu	27%	2.5%	0%			
Maywood	34.5%	10%	0%			
Pasadena	28.5%	4%	0%			
Santa Monica	25.5%	0%	1%			
West Hollywood	24.5%	0%	0%			

*Bellflower excise tax increases to 7.5% in 2020 and 10% in 2021

Sources: City Municipal Codes and Ballot Measures

As the tables below from “Health Equity Implications of Retail Cannabis Regulation in Los Angeles County Health Impact Assessment” show, medical cannabis consumers currently receive an effective tax break of about 10% across Los Angeles County. In the City of Los Angeles, that break is nearly 15%. However, according to the licensing premiums identified in this DCR report, that break is insufficient to cover the price hike for purchasing legal cannabis from the recreational system.

Patients working with doctors to achieve their medical and mental health goals may deserve better tax breaks. This would greatly benefit these dedicated consumers and could serve as an essential tool to convert hesitant medical consumers to the licensed and regulated medical cannabis system.

The tables in “Health Equity Implications of Retail Cannabis Regulation in Los Angeles County” show the taxation of adult and medical use in LA County.

The city’s public health gains would manifest in reduced exposure to toxins and more reliable products for people

with disabilities. Appropriate dosing, including higher THC limits in some cases, would help patients access their medicine from the state-regulated system. Substantial tax benefits and a professional access system would help stabilize treatment, especially for price-sensitive, lower-income Angelinos. This system could involve allowing medical professionals to co-locate on-site to offer confidential consultations and recommendations to patients seeking access in cannabis retail locations.

Table 6: Tax Regimen for Cannabis Retail Sales—MMID Card Holder						
City Name	Total Taxes	Local Taxes		County Taxes	State Taxes	
		Excise	Sales	Sales	Excise	Sales
Bellflower	20%	5%*	0%	0%	15%	0%
Culver City	15%	0%				
Huntington Park	15%	0%				
Long Beach	21%	6%				
Los Angeles	20%	5%				
Malibu	17.5%	2.5%				
Maywood	25%	10%				
Pasadena	19%	4%				
Santa Monica	15%	0%				
West Hollywood	15%	0%				
*Bellflower excise tax increases to 7.5% in 2020 and 10% in 2021						

Sources: City Municipal Codes and Ballot Measures

Concept of Patient vs Consumer

Although cannabis is a legitimate, safe, and effective medicine for patients, Prop 64 has increased the inconvenience of buying it legally. With its high taxation and lack of clinical guidelines, Prop 64 has created a culture of fallible self-medicating. If cannabis were treated like the legitimate medicine that it is, within a healthcare framework comparable to traditional medicine, patients could receive proper guidance, leading to better health outcomes. This relationship between the medical provider and the patient should adhere to the mores of traditional medicine practiced in California.



The American Medical Association's code of ethics

The practice of medicine, and its embodiment in the clinical encounter between a patient and a physician, is fundamentally a moral activity that arises from the imperative to care for patients and alleviate suffering. The relationship between a patient and a physician is based on trust, which creates physicians' ethical responsibility to prioritize patients' welfare over their interests or obligations to others, to apply sound medical judgment on patients' behalf, and to advocate for their patients' welfare.

This beneficial relationship could be supported by a series of medical-grade cannabis products that would stem from the creation of a legitimate medical cannabis regime.

Cannabis retail contributes to this effort. They can identify individuals who seek to be treated as patients with proper training. This may lead to a referral to a qualified health care professional who can address the patient's needs. This training can take the form of accreditation or ongoing education programs for retail workers. The National Certification Board⁶² currently offers accreditation to budtenders, as do Oaksterdam University⁶³ and others. These programs could easily be expanded to include protocols for identifying customers with medical needs.



A public health benefit from this encounter with medical professionals could also enable Screening, Brief Intervention and Referral to Treatment (SBIRT), which is an evidence-based approach to identify individuals who use alcohol and other drugs (substances) at risky levels.⁶⁴

All listed adjustments would legitimize medical cannabis and enhance consumer interaction with budtenders. They would also create a pathway for introducing medical-grade products and the accountability that comes with a

⁶² "Cannabis Budtender Certification (CCBT)." Cannabis Budtender Certification (CCBT) | National Career Certification Board. Accessed February 28, 2025. <https://nccboard.org/certification/cannabis-careers/cannabis-budtender-certification-ccbt>.

⁶³ "Budtending & Retail Work Certification." Oaksterdam, February 25, 2025. <https://oaksterdam.com/product/budtending-retail-work-certification/>.

⁶⁴ "SBIRT: Screening, Brief Intervention & Referral to Treatment." Office of Addiction Services and Supports. Accessed February 28, 2025. <https://oasas.ny.gov/sbirt>.

genuine doctor-patient relationship. These adjustments would further contribute to a workforce essential to the well-being of thousands of Angelinos.

Partners in this reimagining and in establishing authorizing policy could include the American Medical Association (AMA⁶⁵), the Food and Drug Administration (FDA⁶⁶), and the Division of Labor Standards Enforcement (DLSE⁶⁷), which combats wage theft and protects cannabis workers from retaliation.

⁶⁵ “Patient Rights | AMA-Code,” n.d. <https://code-medical-ethics.ama-assn.org/ethics-opinions/patient-rights>.

⁶⁶ Office of the Commissioner. “FDA Regulation of Cannabis and Cannabis-Derived Products, Including Cannabidiol (CBD).” U.S. Food And Drug Administration, July 16, 2024. <https://www.fda.gov/news-events/public-health-focus/fda-regulation-cannabis-and-cannabis-derived-products-including-cannabidiol-cbd#:~:text=FDA%20treats%20products%20containing%20cannabis,products%20containing%20any%20other%20substance>.

⁶⁷ Enforcement, Division of Labor Standards, and State Of California. “Division of Labor Standards Enforcement - Home Page,” n.d. <https://www.dir.ca.gov/dlse/#:~:text=Labor%20Commissioner%27s%20Office-,Labor%20Commissioner%27s%20Office,robust%20enforcement%20of%20labor%20laws>.

CONCLUSION

"Lessons Learned and Best Practices for Progressive Enforcement of Unlicensed Cannabis Operations" was produced for the Los Angeles Department of Cannabis Regulation. It examines the challenges posed by the unregulated cannabis market in Los Angeles, which impacts public safety, licensed businesses, and tax revenue.

The report was created through quantitative analysis of arrest data, literature reviews, and interviews with stakeholders, including unlicensed operators, consumers, community members, and regulatory agencies.

Key Findings:

Market Characteristics: The unlicensed cannabis market thrives due to its lower operational costs, broad product selection, and higher potency options. Unlicensed operations frequently offer cheaper and more accessible products that attract consumers, particularly in low-income areas.

Consumer Challenges & Safety Concerns: Consumers find it difficult to distinguish between licensed and unlicensed businesses, leading to unintentional purchases from unregulated sources. The unlicensed market may pose safety concerns due to untested and mislabeled products, with some shops offering other substances, such as HDCs (Hemp-derived Cannabinoids).

Regulatory & Enforcement Trends: The city's enforcement actions have historically targeted lower-income, Black, and Latino communities. Although there have been fewer arrests recently, enforcement continues to be unequal and challenging, as many unlicensed ventures persist or reopen quickly after being shut down.

Key Recommendations:

1. **Financial Mechanisms:** The report recommends offering tax holidays or moratoriums, prioritizing tax collection from unlicensed operators, and using financial tools like liens and audits against landlords benefiting from these operations.
2. **Transitioning to Licensed Markets:** The city should facilitate more licensing opportunities, especially in low-income areas, streamline the licensure process, and create pipelines for unlicensed workers to transition to the licensed market.
3. **Equitable Enforcement:** A dedicated enforcement arm within LADCR should be established, focusing on taxation and administrative penalties over arrests. Coordination between departments and the public should be improved, ensuring transparent enforcement and minimizing disproportionate targeting.
4. **Policy Implications:** The study suggests that some participants in the unlicensed market may be driven by economic necessity, with disconnected youth seeking job opportunities and access to low-cost medicinal cannabis.

5. Consumer Education: It is crucial to educate consumers on the risks of unlicensed products and support community outreach to guide consumers toward licensed retailers. Additionally, public messaging should address tangible health and community risks rather than moral panics.

6. Multijurisdictional Coordination: The report calls for better coordination with state and federal agencies to share information, focus on deterrence, and conduct comprehensive market research to regulate unlicensed sales effectively.

This comprehensive approach aims to support the legal market, promote equitable enforcement, and improve public health and safety by addressing the complex dynamics of the unregulated cannabis market in Los Angeles.

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APPENDIX

Addendum with Acknowledgements

Please refer to the footnotes for extensive source material that provides comprehensive references and additional insights. These footnotes at the bottom of each page in this report substantiate the findings and discussions presented. They include a variety of sources, such as academic articles, industry reports, and relevant legal documentation, ensuring that the information in this report is well-supported and thoroughly researched.

Restatement of Project Goals and Objectives with Assessments of Effectiveness

The Rowe Policy and Media research team met the criteria established by the BSCC Board for state funding, which include:

1. **Review the City's cannabis enforcement efforts through a robust analysis of enforcement-related data collected by the Cannabis Support Unit (LAPD)** and other departments with enforcement authority over the licensed and unlicensed cannabis industries.

This task was completed after evaluating department data shared with the research team. The investigation concluded that significant disparities exist in enforcement attention across the city and that outdated criminal codes are being used to arrest and process unlicensed cannabis operators. Additionally, it revealed trends in gun and other drug charges that are useful for designing future enforcement strategies. The data collection and analysis enabled the team to achieve its objective of understanding enforcement since 2017.

2. **Review and analyze existing materials from the LAPD, the LA City Attorney, the LA City Controller, various literature, and City research content on enforcement disparities.** The studies examined include the Cannabis Social Equity Analysis Report (submitted to the LA City Council on October 18, 2017), the Expanded Cannabis Social Equity Analysis Report (submitted to the LA City Council on June 16, 2020), and Health Equity Implications of Retail Cannabis Regulation in Los Angeles County (July 2019), along with "Los Angeles Investigation Standards and Racial Profiling," "Cannabis in Your Community," and the "DCR Progressive Enforcement Summary." All these documents were received from the City and assessed. Each study effectively informed the study's starting questions and assumptions. They illustrate a concerted effort by the city to understand better the dynamics of race and inequality and their impact on the cannabis industry and its consumers.

Researchers reviewed these critical reports. This document offers a policy analytic review of each study. Please see "Existing Disparities: Los Angeles City and County Reports Addressing Biased Enforcement."

3. **Create an inventory of best practices from other enforcement agencies to identify and assess which strategies minimize disparities and inequalities in enforcement efforts.**

A qualitative investigation of nationwide regulatory and enforcement bodies enabled researchers to identify clear objectives to minimize disparities in cannabis law enforcement. These interviews offered a contextual lens for understanding local efforts and challenges. Please refer to the sections titled "Interviews with Agencies Involved in Los Angeles City Cannabis Enforcement" and "Interviews with Cannabis Enforcement Experts Beyond Los Angeles."

4. **Collect and analyze data accumulated from 2010 to the Present and monitored through traditional and progressive enforcement coordination efforts. Formulate an enforcement analysis that includes actions (warrants, investigations, arrests, etc.), outcomes, locations (letters sent, warrants served, arrests, etc.), dates of actions, locations of actions, and results of arrests to develop equity-centered enforcement strategies that reduce community harm.**

The RPM research team collaborated with the LAPD to gather and analyze cannabis-related arrest data from 2010 to the present. The findings revealed a significant effort to mitigate the effects of the unlicensed market. The collected data encompassed actions, outcomes, and locations. Additionally, the data indicate the use of outdated arrest codes, a lack of weapons or human trafficking, and disproportionate arrest trends favoring lower-income areas of the city. For a thorough review, please refer to the section titled “LAPD Arrests: Quantitative Data Analysis.”

5. Assess social equity (SE) licensee and applicant impacts attributable to the illicit market.

Throughout the report, historical perspectives and new insights from interviews with local stakeholders and advocates highlight the link between fostering equitable ownership and employment opportunities in the commercial cannabis industry and its overall success. The adverse effects of unlicensed competition on licensed social equity operators are also evident. For a more detailed analysis and interview excerpts on this topic, refer to the review of the “Cannabis Social Equity Analysis Report,” interviews with unlicensed operators and stakeholders, and the “Supporting Transition to the Licensed Market” section.

6. Assess the ability to identify potential structural enforcement breaks, such as the enactment of Proposition 64 in January 2018.

The passage of Prop 64 and its subsequent incorporation into state and local laws have profoundly impacted enforcement and community expectations. LAPD enforcement actions have shifted from criminal to administrative penalties, and the reprioritization of regulatory resources over the past six years has reshaped the industry and the lives of those who depend on it. For a more in-depth look at these changes, please refer to the section of this report that reviews arrest actions, “LAPD Arrests: Quantitative Data Analysis,” and qualitative feedback from those managing regulatory and enforcement departments in Los Angeles and other cities.

7. Assessed DCR Progressive Enforcement Strategy.

Large cities are entering a new era post-COVID, following George Floyd’s death and the rise of the Black Lives Matter movement. Enforcement is often seen as a regrettable necessity at best. Officer morale is at a historic low, making recruitment for law enforcement particularly challenging. Given this context, designing a progressive enforcement strategy to eliminate unfair competition from establishments selling unregulated products could enable the City of LA to establish an effective system and adequately staff it. Discussions outlining this approach and executive-level insights from other cities and states can help build a pragmatic vision for LA DCR. Success will be evident when licensed businesses no longer worry about being undercut by the unlicensed store down the street, and consumers feel confident purchasing safe and effective products at a reasonable price.

8. Data Flow Management: Securely formalize data flow from other departments and establish DCR as the City Department responsible for this data for public use. Identify potential partners for future data collection and develop innovative enforcement actions. RPM will request data and seek updates. RPM will retain all project-related data for three (3) years.

Assessment of the effectiveness of this activity:

9. Observe and participate. Attend upon request: Remote attendance in regular Mayor’s Office of Public Safety Cannabis Task Force meetings.

These meetings did not occur, though Rowe Policy and Media was able to present preliminary research findings to the Los Angeles Cannabis Commission and take questions in 2024.

10. Deliver Quarterly Progress Reporting in anticipation of DCR submissions to BSCC (Quarterly)

These reports were delivered as requested, in collaboration with LADCR and the legal department.

11. Provide recommendations for developing an enforcement data dashboard informed by enforcement analysis insights and departmental data flows.

An enforcement data dashboard that consolidates data from various departments would significantly support the need to reduce the presence of unlicensed cannabis operations.

Designing and executing this research in consultation with community groups and social equity-minded researchers would meet these objectives.

Evaluation Design and Models, including Process and Outcome Variables

The study employed various methodologies to address questions regarding the enforcement of the unlicensed cannabis industry in the City of Los Angeles. It was structured into seven main tasks.

- 1. Task 1: Collect and Synthesize Lessons Learned Across Key Los Angeles Stakeholder Groups.** The goal of Task 1 is to inventory the current enforcement tools used in Los Angeles and assess their effectiveness. Additionally, this task aims to map and gain insights into the interagency enforcement process. It will also explore the new challenges presented by Prop 64 and Los Angeles's Measure M. Furthermore, Task 1 seeks to understand the root causes, barriers to entry, and community stakeholders' perceptions of enforcement. Critical path tasks include:
 - a. This work involved accessing city enforcement and regulatory personnel, conducting 15 interviews with the DCR, LAPD, City Attorney's Office, City Controller's Office, LA Office of Finance, LADWP, DBS, and Sanitation, as well as partner agencies like CDTFA, DCC, and LA County Public Health. The researchers used twenty questions to evaluate the interviewees' expertise, enforcement processes, perceptions of efficacy, public opinion, root causes for the persistence of the unlicensed market, and views on current and potential inter-jurisdictional cooperation and data-sharing feasibility.
 - b. The team interviewed nine unlicensed operators. These participants received gift cards as compensation for their involvement and were asked how they started, located, and managed their unlicensed operations. The questions focused on their views regarding enforcement risks, the advantages and disadvantages of operating outside the regulated market, barriers to obtaining a license, reasons for leaving the licensed market, and their opinions on enforcement.
 - c. The researchers contacted unlicensed consumers and conducted five interviews. The questions explored their consumer experiences, product acquisition methods, ability to differentiate between licensed and unlicensed shops, and interactions with law enforcement.
 - d. Fifteen interviews were conducted with community stakeholders involved in criminal justice reform advocacy, public safety, healthcare, and industry. They were asked about their understanding of cannabis law enforcement in the city, the process for shutting down an unlicensed business, and their opinions on disproportionate enforcement. Additionally, they

discussed what progressive enforcement solutions should include and who might participate in that effort.

- e. The interviews reviewed enforcement tactics, including asset seizures (products, cash, guns), code violations (fines), cease-and-desist letters, padlocking and boarding up properties, city service citations, utility disconnects, charges for non-payment of taxes, raids, the emblem program, the complaint portal, nuisance abatement, search warrants, property possession, and building code violations (e.g., unpermitted electrical work, HVAC systems, light fixtures, etc.). They also covered compliance orders, municipal code and zoning violations, health and safety regulations, employee practices, odor management, record-keeping, till taps, tax warrants, personal property seizures, and tax assessments.
 - f. This task involved reviewing the existing studies listed in the report below. These include the Cannabis Social Equity Analysis Reports from 2017 and 2020, the Expanded Cannabis Social Equity Analysis Report, the Health Equity Implications of Retail Cannabis Regulation in Los Angeles County, the Los Angeles Investigation Standards and Racial Profiling, Cannabis in Your Community, and updates on DCR Progressive Enforcement.
2. **Task 2: Develop an Understanding of Best Practices for Controlling Illicit Retail Outlets in Comparable Cities through the Lens of Fair and Effective Enforcement.** Objective: The primary goal of Task 2 is to establish a consensus on enforcement best practices that are fair and effective in reducing unlicensed retail outlets in cities similar to Los Angeles. Target cities for interviews included California cities such as Fresno, Oakland, San Francisco, and Santa Ana, as well as rural counties in California. Researchers engaged with regulators and enforcement leaders in Oregon, Denver, Las Vegas, Washington State, and Connecticut, extending beyond the state. Seventeen interviews were conducted to evaluate tools, assess perceptions of their effectiveness, and explore the potential for collaborative enforcement of cannabis laws across jurisdictions.
- a. The team developed a semi-structured script from this work, concentrating on understanding best practices for progressive enforcement.
 - b. The research team established a framework for continuous information sharing and collaborative enforcement beyond the City of Los Angeles.
 - c. The interviews helped us understand California and Los Angeles's unique position in the landscape of influence exerted by the unlicensed market. This insight highlighted the need for a swift and prioritized effort to reduce and eliminate the city's unlicensed locations.
3. **Task 3: Analyze Historic Cannabis Enforcement Data.** Objective: Task 3 involved a comprehensive analysis of enforcement-related data collected by the Los Angeles Police Department and the Compliance and Enforcement Division (CED) at DCR to produce findings on the effectiveness of enforcement efforts against unlicensed cannabis operations.
- a. This task emphasizes the analysis of historical data. We utilized available criminal enforcement data to evaluate the effectiveness of these efforts; however, we lacked access to administrative enforcement data.
 - b. The data team requested and received historic criminal justice data from LAPD covering cannabis-related arrests from 2010 to the present. Rowe Policy and Media entered a data contract with LAPD regarding Data Analysis Services (agreement C-145266) to conduct an equity analysis of cannabis enforcement activity in the City, studying enforcement disparities to identify, assess, and eliminate any inequalities that may exist within the City's current cannabis enforcement efforts. This analysis aims to enable evidence-based evaluations of the enforcement of illegal commercial cannabis activity and to develop lessons learned and best practices for future enforcement.
 - c. The data was received, secured, protected, cleaned, and analyzed based on identified criminal strategies that undermined the unlicensed market. Although the data to pinpoint concentrations
-

of unlicensed operations over time was unavailable through this work, the team focused on patterns of arrests throughout the city. The team concluded that a future data collection system, which considers the entire lifespan of a case—from the identification of suspicious activity through court proceedings and sentencing—would enable the city to measure the success of its enforcement initiatives.

- d. The costs of enforcement and ROI are significant factors to consider. Without sufficient data to evaluate success rates, the City cannot effectively compare the cost-effectiveness of these tools or conduct a benefit-cost analysis. Various City and partner agencies collaborate to deter unlicensed cannabis operations, including the Department of Cannabis Regulation (Lead Agency), along with the resources and efforts of the LAPD, LADWP, LADBS, Office of Finance, Office of the City Attorney, and Sanitation. Each agency has a role, with some providing support regardless of the operation's licensing status. For instance, the Department of Building and Safety does not differentiate between a licensed, compliant edibles manufacturing facility and an unlicensed extraction site. Their inspections focus solely on compliance with safety regulations related to the structures and their impact on preserving life and property.
 - i. These efforts are discussed in Task 1 during interviews with Los Angeles City regulatory and enforcement staff.
 - e. Some departments appear responsive and cooperative with the Department of Cannabis Regulation's efforts, while others do not. This discrepancy may arise from a lack of overlapping missions and funding among various agencies. Obtaining budget allocations tied to specific enforcement actions would require a government accounting audit linking actions to outcomes. Interviews indicate that this level of data is not consistently collected or maintained. Requests for summary data on administrative and financial actions, such as cease and desist orders, tax assessments, and code violations, were raised but likely denied due to insufficient data collection, lack of resources or mandate, and limited analysis by multiple departments. We were advised to submit public information requests for the data. However, this effort and follow-through fell outside the scope of this project. Easy access to this information is crucial for effectively evaluating the shift toward progressive enforcement and achieving the mandate for success and equity. This process would be a valuable undertaking for future research.
 - f. The team could not evaluate some historical success rates of enforcement actions because the outcomes (final disposition) of cases referred to the City Attorney's office were disconnected from those brought up by LAPD and DCR, leaving no comprehensive view of enforcement actions and their outcomes. Additionally, the team could not determine the persistence of unlicensed operators (often referred to as "whack-a-mole") due to insufficient data linking owners (rather than the business entities) to potential relocations. Consequently, the research team could not use statistics to assess the success or failure of enforcement actions, identify which actions or combinations of actions are most effective, and highlight areas for improvement in enforcement outcomes. This work was addressed in the interviews conducted during tasks 1 and 2 to showcase the most promising efforts.
 - g. Identifying unlicensed operations requires opening investigations, obtaining warrants, and shutting down enterprises. This may involve administrative actions (such as mail notifications and utility shutoffs), fees, tax scrutiny from state authorities, and fines (imposed on operators and landlords). Additionally, city agencies might utilize the padlock ordinance.
- 4. Task 4. The literature review used academic, medical, policy, and legal resources. The recommendations for further research are emphasized throughout the report.
 - 5. Task 5. The market analysis was conducted across Los Angeles. Researchers conducted pricing efforts from the valley to downtown, South Los Angeles, and West LA.

6. Task 6. Interviews and listening workshops were conducted via Zoom with participation from a diverse range of stakeholders in a confidential format. Some stakeholders responded to our questions via email instead of participating in the community workshops. The workshops fostered productive discussions that further refined our findings and recommendations.
7. Task 7. The report was drafted from the fall of 2024 to the spring of 2025. Relevant members of the Department of Cannabis Regulation and LAPD had the opportunity to provide meaningful feedback.
8. Task 8. Closeout activities included reporting to state funders and detailing the objectives and accomplishments of the Rowe Policy and Media team in executing this project.

Discussion of Final Outcomes of the Program

All project components pushed the boundaries of the data and access provided to the research team. The project was completed with weekly feedback from Rocky Wiles of the Department of Cannabis Regulation. The program's outcomes will depend on adopting and implementing the content and recommendations in this report.

Project Leadership and Contributions. The leadership of the department responsible for funding and administering this grant is:

Los Angeles Government

Michelle Garakian serves as the Executive Director. She collaborates with city partners and community and industry leaders to implement a Social Equity Program, develop supportive policies for the cannabis industry, and lead the Policy and Community Engagement team. Previously, she was the Director of Legislative Policy in Mayor Eric Garcetti's Office of Legislative and External Affairs.

Rocky Wiles oversees the newly established Compliance and Enforcement Division (CED) of the City of Los Angeles Department of Cannabis Regulation (DCR). Ms. Wiles joined DCR in 2019 and has collaborated with the licensing and legislative policy teams to advance DCR's mandates and achieve its mission. As Division Chief of the CED, Ms. Wiles engages with operators to monitor and ensure compliance with DCR's commercial cannabis operational standards through various educational resources.

Cat Packer, former Executive Director, was the first Executive Director of the Department of Cannabis Regulation. In this role, she advised the City of Los Angeles on cannabis law, policy, and regulation, and oversaw the City's licensed commercial cannabis market.

The City of Los Angeles Department of Cannabis Regulation (LA DCR) Enforcement Division has led the commitment to this research and remains at the forefront of these endeavors. Their work exemplifies the leadership and collaboration that are necessary for navigating the regulatory landscape and ensuring compliance within the industry.

Study Interviewees. The contributions of our interviewees from across the nation have been invaluable. These generous public servants dedicated countless hours to sharing real-time policy developments related to the challenges of addressing unlicensed cannabis operators. Their insights have profoundly enriched our understanding of the complexities involved in regulation and enforcement.

The teams comprised key stakeholders from city agencies who collaborated closely to tackle these issues. Their dedication and expertise have been instrumental in shaping effective strategies and policies. Their collective efforts have profoundly impacted Los Angeles, various cities across California, the broader United States, and Canada.

These contributions highlight the importance of cross-jurisdictional cooperation and sharing best practices. By engaging with operators and offering various educational resources, these public servants are fostering a compliant and well-regulated cannabis industry. Their efforts pave the way for a more equitable and sustainable future.

The research team presents this report, which integrates multiple methodologies and employs an interdisciplinary approach to objectively analyze the industry, its regulation, and the concurrent unlicensed operations. This work effectively reveals practices and phenomena not previously recognized in the literature.

Research Team. The LA DCR assembled the following team to address the questions presented in this report. Each member possesses the subject matter expertise and skills necessary to effectively respond to the central question of how to catalog current cannabis law enforcement activities against unlicensed operators.

Brad Rowe, M.P.P., is the Project Research Lead and Head Administrator. He is a lecturer and researcher collaborating with UCLA and the City of Los Angeles on drug policy projects. Rowe is also the founder and executive director of Rowe Policy and Media, Inc., the contractor for this research project. He authored “Cannabis Policy in the Age of Legalization” for Cognella Publishing, the first university-level course focused on Cannabis Policy in the United States. Rowe has advised numerous cities, counties, and state departments nationwide. His courses, “Cannabis Policy and Society” and “Criminal Justice and Drug Policy,” have broadened the curriculum and research areas for UCLA, the NYU Marron Institute of Urban Management, and Pepperdine University. Rowe and his research teams have assessed systems related to youth incarceration, the school-to-prison pipeline, reentry programs, dropout factories, and, most recently, the cannabis industry in California (a socioeconomic study) and an examination of the feasibility of potency taxation in the state. He has appeared as an expert in the media, on various panels, for elected commissions and councils, and as a featured presenter at conferences on enforcement, industry, social equity, and education. Rowe has also developed dozens of hours of focused content for social equity licensees and applicants for the Los Angeles Department of Social Equity through a contract with the Los Angeles Metropolitan Churches 501(c)(3).

Dr. Amanda Reiman, PhD, is the Chief Knowledge Officer at New Frontier Data and an expert in cannabis, policy, and social justice research. She has worked as a social worker and qualitative researcher for over twenty years, studying the relationships between people, cannabis, and society. She has created content and web episodes focused on cannabis products, philosophy, and consumers. She is the founder of Personal Plants and a former Director of Research for the Berkeley Patients Group. She holds a Doctorate in Philosophy and Social Welfare from UC Berkeley.

Dr. Robert Chlala, PhD, is an Urban Policy and Geography researcher focused on Economic Justice, Policing, Race/Gender/Power, emphasizing Workers’ Voice, Cooperative, and Community Reinvestment. He is a Visiting Researcher at the UCLA Labor Center and was the Senior Program Manager for the Neighborhood Funders Group. Chlala has concentrated on building a cannabis industry that addresses the harms of the war on drugs while creating pathways for wealth generation and reparations in communities of color. Chlala holds a Doctor of Philosophy in Sociology from the University of Southern California.

Dr. Dilara Üsküp, PhD/PhD, is a scholar, consultant, and activist. She has led research projects for the UCLA Department of Family Medicine on the sociodemographic elements of the California cannabis industry, collaborated with the County of Los Angeles on public health equity, and empowered the city’s social equity cannabis licensees. Üsküp received dual doctorate degrees in Philosophy and Theology from the University of Chicago.

Antonio Frazier, M.B.A., is a senior lab testing consultant and an expert in cannabis compliance. Frazier has a background in the aerospace and nuclear power industries and is a Board Member of Americans for Safe Access. His notable past work includes serving as President of Sonoma Lab Works and, before that, at CannaSafe. Frazier

earned a Bachelor of Science from Clemson University and an Executive MBA from Quantic School of Business and Technology.

Elijah Baker, M.A., is a Public Policy Data Analyst and project manager focused on environmental sustainability and research. He is also the Environmental Program Manager at the CUNY Graduate School of Public Health and an Environmental Justice Researcher at UCSB. Baker holds a Master of Environmental Science and Management degree from the University of California, Santa Barbara.

Raffaele Sindoni, M.A., is a PhD candidate at Yale University specializing in Environmental Justice. In 2017, he conducted research on the price differences between licensed and unlicensed cannabis. Sindoni has also served as a Geographic Information Systems (GIS) Fellow. He holds a Bachelor of Arts in Economics from UCLA and a Master of Environmental Management from Yale University.

Madison Hernandez, B.A., is a quantitative surveyor and an experienced data specialist in energy and cannabis. Hernandez is a Youth Leadership Fellow at the Social Impact Center and holds a bachelor's degree in Sociology from Mount Saint Mary's University.

Dr. Lisa Jonsson, PhD, is the CEO of Underscore Research and a PhD Candidate at the RAND Corporation. She has also served as a Senior Consultant for strategic, data-driven analysis at PricewaterhouseCoopers (PwC) and as a Presidential Management Fellow at the US State Department. Jonsson participated in critical pre-project administration and research flow design for this project. She holds a Master of Public Policy from Pepperdine University.

Jade Stuart, B.S., has been published for her work on a Medical Student Initiative to Improve Quality of Life (QOL) for nursing home residents. Stuart was the Lead Administrator for Pre-Production and Phase 1 Production for the DCR study. She was awarded distinction for her scholarship and excellence in leadership and public service at the University of Texas at San Antonio.

Kirby Johnson, MPH, is a strategic operations and communications expert with over 12 years of experience optimizing processes across public health initiatives. With a Master of Public Health from California State University, Fullerton, she specializes in leading cross-functional teams to develop precise, impactful communication tools that align with organizational goals. She has co-authored and edited multiple governmental reports and publications. As a team member, Johnson played a key role in project management and content development, leveraging her expertise in planning, stakeholder engagement, and technical editing.

Dr. Ann Laudati, PhD, lectured on qualitative fieldwork and natural resource conflicts at UC Berkeley. Her research centers on the intersection of natural resource use and social welfare, focusing on the implications of global processes for local livelihoods. Recent and ongoing work has included qualitative studies to understand the unlicensed cannabis industry in California. Laudati graciously contributed to understanding unlicensed operators in California for this study.

BONUS CONTENT. REVISED CHAPTER ON ILLICIT MARKETS

A Broad Overview of the Unlicensed Cannabis Market in California and Los Angeles

This bonus section is an essential primer for measuring and managing unlicensed cannabis markets. It is a revised version of the original chapter from the university textbook “Cannabis Policy in the Age of Legalization” (Cognella Publishing 2024), authored by one of the researchers on this team, Brad Rowe, M.P.P. The chapter outlines key public policy, legal, and economic principles in addressing a dominant and a co-existing unlicensed market within jurisdictions that have legalized cannabis manufacturing and sales. Today, the unlicensed market in California reflects a remnant of the Compassionate Care medical cannabis days dating back to 1996.

Excerpts from “Cannabis Policy in the Age of Legalization” (Cognella Publishing, 2024). California continues to face ongoing challenges in reducing unlicensed cannabis markets. Authorities employ a combination of administrative enforcement, compliance incentives, and targeted penalties to integrate unlicensed operators into the legal system. Their efforts include seizing illegal products, enforcing zoning laws, cutting off power and water at illegal operations, providing transition pathways for unlicensed businesses, consumer education campaigns, such as QR code verification, and directing buyers to legal retailers.

Cannabis regulators and researchers nationwide highlight the economic realities of legalization by likening the cannabis market to craft beer. They argue that significant price differences between craft and mainstream cannabis products hinder consumer uptake. Additionally, they caution against unrealistic economic expectations for minority-owned businesses in the cannabis sector, noting that many entrepreneurs invest their savings with minimal returns. Experts recommend establishing broader economic programs rather than relying exclusively on cannabis-related social equity initiatives.

The unlicensed market dominates California’s cannabis industry, with most sales occurring outside the legal framework. Unlicensed operators undercut legal businesses due to lower costs and their avoidance of taxes and regulations. The government aims to shift the market by lowering compliance costs, increasing enforcement against illegal retailers, and making legal products more competitive. Historical examples, such as alcohol regulation post-Prohibition, suggest that eliminating unlicensed markets requires enforcement and incentives.

Challenges persist in addressing unlicensed cultivation, oversupply, and economic viability. Many legal growers face financial difficulties, which leads some to revert to the illegal market. Researchers highlight regulatory loopholes that have allowed large-scale cannabis agribusinesses to dominate, adversely affecting smaller legacy operators. Federal legalization could consolidate the industry, reduce prices, and threaten the viability of unlicensed production.

Other public health and safety experts caution against high-potency cannabis products and advocate for tax policies based on THC levels to prevent overconsumption. He predicts that federal legalization will accelerate price declines, further challenging unlicensed markets. Los Angeles’s approach combines enforcement, licensing reform, consumer education, and economic incentives to reduce unlicensed operations while ensuring public safety, tax revenue, and social equity. Nevertheless, balancing regulation, economic opportunity, and public health remains a persistent challenge.

Dealing with Unlicensed Cannabis Business Operators in California

The government must address the persistence and growth of unlicensed cannabis markets in California. Authorities can uphold the rule of law by implementing several strategies to reduce the current unlicensed market for these operations. These include sending explicit messages, utilizing administrative enforcement methods, avoiding criminal code enforcement whenever possible, and collaborating with California State authorities to develop innovative, targeted sanctions and rewards.

Other supply-side strategies involve integrating unlicensed operations by providing affidavits and obtaining commitments from unlicensed operators to transition into the licensed and regulated sector. The complete toolbox may include currency and cannabis seizures, search warrants, thorough investigations, cannabis-related arrests (both felony and misdemeanor), securing locations with padlocks, and issuing cease-and-desist letters. Outcomes may also involve the recovery of handguns, shotguns, and rifles.⁶⁸

Andrew Freedman made history in 2014 when then-Governor John Hickenlooper appointed him as Colorado's cannabis czar. He launched the world's first adult-use cannabis market and has since advised 17 governments on developing their cannabis regulatory frameworks.

Freedman draws parallels between the cannabis market and the craft beer industry while addressing broader concerns about economic opportunities, consumer behavior, and the potential risks of over-commercialization. His work and research focus on pricing, market sustainability, and the unintended consequences of cannabis legalization, particularly for marginalized communities historically affected by the War on Drugs.

One of the main concerns he raises is the pricing of craft cannabis compared to mainstream commercial products. He argues that for cannabis to succeed as a craft product, its premium pricing cannot be excessively high. The craft beer industry may serve as a model, noting that while craft beer is somewhat more expensive than mass-produced beer, the difference is usually around 10-15%, rather than an extreme markup. This pricing strategy allows craft beer to maintain a loyal customer base without alienating casual consumers. "The craft price has to come close - the premium cannot be outrageous." The challenge, however, is whether cannabis can follow the same path or if it will remain a niche luxury market without mass appeal.

A significant portion of the discussion focuses on the economic realities of the cannabis industry, particularly about social equity programs. While many legalization efforts have included provisions for minority-owned businesses and communities impacted by the War on Drugs, the interviewee argues that cannabis may not represent the best economic opportunity for these groups.

Freedman warns against the narrative that cannabis is a wealth-generating industry for marginalized communities, emphasizing that many individuals have invested their personal savings and family wealth into cannabis ventures, often with little to no return. "Cannabis has unfortunately gained a reputation as a potential economic generator, but it has not materialized that way. That is a harm in and of itself." This statement underscores the broader issue of unrealistic expectations surrounding the industry and the financial risks that small businesses face.

Additionally, the interview discusses the role of politicians in promoting cannabis as an economic opportunity. While not accusing them of malicious intent, the interviewee implies that some politicians have misrepresented the industry's potential, leading individuals to invest based on false hope. They contend that public funds would be better allocated to broader economic programs than cannabis-specific initiatives. "For every dollar spent on that, there are likely many better uses that would have a greater impact on a community." This perspective challenges the notion that cannabis should be central to economic justice efforts and suggests that supporting a wider range of industries could lead to more sustainable outcomes.

Freedman predicts that the cannabis industry will evolve toward more socially acceptable products that are milder, fast-acting, and emit less potent odors. They anticipate a shift toward cannabis products that integrate more seamlessly into social settings, allowing consumers to engage without needing to be surrounded by other cannabis users. This would parallel trends in alcohol consumption, where different products cater to varying levels of intoxication and social interaction.

⁶⁸ GND Monthly Activities Report, Cannabis Support Unit, Los Angeles Police Department and LA Department of Cannabis Regulation.

Freedman highlights the tensions within the cannabis industry—between commercialization and responsible use, economic opportunity and financial risk, and social equity and market realities. While cannabis has significant potential to become a mainstream product like craft beer, considerable challenges must also be addressed to ensure its long-term success and sustainability.

Unlicensed Market Policies

Removing unlicensed participants from any industry can be challenging. Some individuals may not intend to obtain a license, while others may want to but have yet to grasp the process. Cities and states can assist by providing communication and technical support to aspiring and new licensees.

The former California Bureau of Cannabis Control issued cease and desist letters as an initial measure against unlicensed operators, urging them to obtain a state-sanctioned license. The state has also established tip lines for enforcement purposes.

Compliance Flows Upstream: Licensing and compliance work upstream. Shelf space occupied by licensed and regulated retail products results in licensed and regulated distribution products supplying licensed manufactured products, ultimately leading to licensed and regulated cultivation.

Helping the industry stay competitive is another step toward eliminating unlicensed markets. The alcohol industry adopted this strategy after Prohibition. The goal is to create significant downward pressure on prices, primarily through open operations, sometimes at a larger scale, or by supporting business activities, in contrast to the upward pressure on prices resulting from taxes and regulations.

As John Hudak from the Brookings Institution noted, federal legalization will have dual effects. It is still uncertain whether the overall impact will enhance the competitiveness of licensed products compared to the unlicensed market.⁶⁹

Enforcing regulations early can yield future benefits, even though this approach is unpopular in today's climate of decarceration and the rejection of the "bad old days" of the War on Drugs. A higher likelihood of penalties, administrative fines, or other consequences leads to fewer violations. Theoretically, it shifts the system toward a lower violation equilibrium, which requires fewer enforcement resources to maintain.

Demand-side consumer education efforts include the state's QR code campaign, which places a compliance logo at the entrance of any retailer. Empowering consumers to make informed choices about purchasing regulated and taxed products benefits the industry. It also dramatically improves public health since unlicensed products are primarily untested and have questionable labeling claims.

Advancing research on medical cannabis to address public health challenges, such as the opioid crisis, will shape public opinion toward a regulated market. This initiative could also help diminish unlicensed markets for heroin, diverted prescription pills, and other substances that empower small-time dealers and larger trafficking organizations.

Support for Prop 64 focused on addressing the adverse effects of law enforcement on disproportionately impacted communities and the costs that taxpayers have incurred. Policies that reduce involvement in the criminal justice system and enhance social determinants of health offer immediate and long-term benefits, including improved employment, housing, education, and public health outcomes.

⁶⁹ Interview with John Hudak of the Brookings Institute with Brad Rowe, October 2022

Accelerating the expungement of offenses locally is essential for eliminating barriers to complete reintegration. Tax credits and various incentives can assist formerly incarcerated or convicted individuals in reentering the workforce and fully engaging in the local economy and tax base.

California has the highest rates of recidivism in the country, partly due to the enforcement of probation and parole violations. As of 2020, about 46% of offenders released in California are reconvicted within three years of their release, and even more are rearrested. Cities could disrupt the cycle of community supervision that leads to unlicensed jobs by moderating local ordinances and practices that worsen recidivism.

Local enforcement of administrative codes may prove effective. Disconnecting utilities or imposing sanctions based on inspections of building, zoning, and fire codes can influence the system. Some cities oversee power and water utilities, while others do not. The enforcement division of the City of Los Angeles Department of Cannabis Regulation has collaborated with LADWP to coordinate utility shutdowns while ensuring the safety of sworn LAPD officers.

Prioritizing and informing the worst offenders can effectively encourage violators to take action. Standard zoning and approval inspections can strongly indicate to unlicensed operators that compliance is the best option.

To enhance optics and establish legitimacy, especially within minority communities, police and inspection departments could benefit from tracking punitive measures, arrests, prosecutions, and revocations by race, gender, and age. They should also monitor for bias and transparently adjust their approach when necessary.

Local civil rights, academic, and watchdog organizations can collaborate on these initiatives, as demonstrated by Sacramento's Cannabis Opportunity Reinvestment and Equity (CORE) Program and other programs nationwide.

Sacramento CORE. On November 28, 2017, the City Council authorized staff to develop a program to address the negative impacts stemming from the disproportionate enforcement of cannabis-related regulations in Sacramento prior to the adoption of Proposition 64. The Council also instructed staff to return with a resolution to establish the program.

On August 9, 2018, the City Council adopted Resolution 2018-0323, which established the program, set a zero-dollar fee, and allocated funding for business permits for CORE participants.⁷⁰

Creating a positive and supportive regulatory environment can boost tax revenue, benefit communities, and reduce the number of unlicensed operators in the area. The city or organizations like the United Way can bring together the local Chamber of Commerce and other business groups to assist new cannabis owner-operators and improve compliance with standards.

New York Social Equity. In March 2022, the New York Times (Jesse McKinley) reported on the state's plans to prioritize social equity licensees in the cannabis industry by allocating half of the new licenses and supplies of locally grown flower to social equity applicants, as well as providing them with storefronts leased by the state. This opportunity is available to you if either you or a family member has been convicted of a marijuana-related offense or if you belong to a community impacted by the nation's decades-long war on drugs.

The State's Office of Cannabis Management announced that by prioritizing "those who would have otherwise been left behind," New York was in a "position to achieve something unprecedented."

Governor Hochul proposed this year's budget to support emerging businesses by allocating funds for locating, securing, and renovating retail storefronts. Efforts to clear cannabis-related criminal records for applicants are just

⁷⁰ City of Sacramento. Cannabis Opportunity Reinvestment and Equity (CORE) Program. <https://www.cityofsacramento.org/City-Manager/Divisions-Programs/Cannabis-Management/Core-Program>

the beginning. The state is reinvesting cannabis revenue into communities, public schools, and drug treatment and education programs.⁷¹

Overcoming the stigma and obstacles faced by those with a conviction is crucial for finding housing and securing job opportunities. A New York Times article recently highlighted a man working to become a drug counselor and the challenges he faced due to a past drug conviction. This issue mainly impacts minorities, especially Black males. Officials plan to reserve the first 100 or more retail licenses to sell marijuana in New York for individuals convicted of related offenses or their relatives.⁷²

Some proponents argue that social equity licensing is a misguided gift, pointing out that many states lack a genuine plan to dismantle the unlicensed market. Competing with the unlicensed market presents challenges due to taxes, zoning and building regulations, labor laws, and procedural requirements. Some have described the lack of adequate protection and support for social equity licensees as a slap in the face.

Unlicensed Markets in California

Rising Use, Growing Unlicensed Markets. A 2018 BDS Analytics study found that twenty-nine percent of adults in California reported using cannabis, an increase from 23 percent the previous year. This⁷³ corresponds to approximately 9 million individuals in California currently consuming \$12 billion worth of cannabis, averaging \$1,300 per adult consumer. However, only about \$300 is taxed and regulated, while the rest benefits unlicensed operators. The State of Massachusetts similarly faced challenges, as sales began in 2018, yet 77% of products are still sourced from the unlicensed market (BDS).



Photo Cal Matters January 2022

These operations overlook labor and environmental standards and rely on extrajudicial methods to resolve disputes. Involvement in this market will ensure security for workers, the community, and consumers within a regulated system. It may seem straightforward, but without attracting a single new cannabis consumer, California's cities could potentially triple their tax revenue and job prospects by integrating the unlicensed market. City councils throughout the state possess the most effective tools to eradicate the unlicensed market, paving the way for new entrants and currently unlicensed operators to join the taxed market.

Cities can enact ordinances that provide incentives or penalties to encourage the shift from the legacy to the licensed market and discourage consumers from choosing unlicensed products. These measures could include taxes, fees, fines, enforcement mechanisms, and administrative actions against unlicensed operators, which have also demonstrated effectiveness. Padlock ordinances and affidavit options to facilitate the transition to licensing have also shown to be effective.

⁷¹ Courtney Connley, "Cannabis Is Projected to Be a \$70 Billion Market by 2028-Yet Those Hurt Most by the War on Drugs Lack Access," CNBC (CNBC, July 1, 2021), <https://www.cnbc.com/2021/07/01/in-billion-dollar-cannabis-market-racial-inequity-persists-despite-legalization.html>

⁷² NY Times: New Yorkers With Marijuana Convictions Will Get First Retail Licenses

⁷³ BDS Analytics study

Non-arrest actions are overwhelmingly preferred since almost no municipalities wish to revert to warrants, arrests, prosecutions, or incarceration. These actions incur high costs, distract from more pressing challenges, and inevitably lead to disproportionate enforcement against minority communities.

Medicinal users represent a significant portion of both the medical and adult-use markets. County health departments can address non-licensed operators by creating the necessary infrastructure for patients to obtain medical cannabis identification cards swiftly.

The retail phase is where the most considerable markups occur; consequently, it is the source of the highest profit and tax revenue. Compliance extends upstream as well. To protect their licenses and reputations, licensed retailers are more likely to source from compliant, Track and Trace-monitored distributors, who, in turn, obtain products from licensed manufacturers, and so forth. Furthermore, licensed manufacturers only utilize licensed cannabis testing labs, which further encourages absorption strategies. Therefore, targeting unlicensed operations at the end of the supply chain is where cities and states can significantly limit unlicensed sales.

One of the main reasons for regulating illegal delivery, beyond suppressing unwanted competition, is to protect consumers from untested products.

The cannabis plant absorbs significant amounts of pesticides and metals found in the soil. When smoked or vaped, these substances can pose harmful effects, particularly for individuals with weakened immune systems or compromised respiratory function.

The extraction process concentrates adulterants, which can also find their way into edibles. During the EVOLI vape crisis, none of the products that made users sick came from the licensed and tested cannabis ecosystem in California. The testing standards for California products are more stringent than those for organic produce in the state.

CannaSafe: Composition of Unlicensed Vape Cartridges



In mid-2019, CannaSafe examined the crisis related to vaping-associated illnesses. Sales data indicate that patients prefer vaping as a delivery method over smoking flower, consuming edibles, or taking pills.⁷⁴ This is corroborated by the CDC and Americans for Safe Access. The 2019 CannaSafe report, "Vitamin E Acetate Report," examined vape products acquired from legal, regulated, and unlicensed markets.⁷⁵

Photo American Chemical Society March 2014

- a. Licensed: One hundred legal, regulated vape products tested met the label claims of THC% and did not contain Vitamin E Acetate or pesticides.
- b. Unlicensed: Out of 12 unlicensed vape products tested, 9 contained Vitamin E Acetate
- c. All of them had detectable levels of pesticides, including toxic chemicals.

⁷⁴ CannaSafe, Vitamin E Acetate Report. October 2019. ASA Creates Patient-Focused Recommendations in Light of the Vaping Crisis. https://csalabs.com/wp-content/uploads/2019/10/CannaSafe_VitaminEAcetate_Report.pdf

⁷⁵ CannaSafe, Vitamin E Acetate Report. October 2019. ASA Creates Patient-Focused Recommendations in Light of the Vaping Crisis. https://csalabs.com/wp-content/uploads/2019/10/CannaSafe_VitaminEAcetate_Report.pdf

- d. All seven unlicensed vape products that made a THC% label claim tested false.

Metals from poorly constructed vape coils and containers can also leach into the oil.

Cities employ various strategies to curb illegal storefront retail, most of which do not involve arrests. Law enforcement officers are shifting their traditional role from drug warriors to guardians of a licensed cannabis industry. In 2019, the Los Angeles Times reported that the state Bureau of Cannabis Control had “begun increasing enforcement in recent weeks and, in conjunction with local authorities, served search warrants on 24 unlicensed pot shops. They seized \$8.8 million in cannabis products, confiscated 9,885 illegal vape pens, and took \$128,742 in cash.”⁷⁶ Hundreds of letters were sent to property owners, warning them that tenants seemed to be operating illegally and that landlords could face fines of up to \$30,000 per day.⁷⁷

Much of the local cannabis enforcement code has shifted from criminal penalties to administrative ones. However, certain status offenses, such as underage use or use on campus, along with other restrictions, can still lead to criminal action. Cities can utilize existing resources to shut down illegal retail storefronts and publicize these efforts. The City of Santa Ana took a very aggressive stance against the unlicensed market by closing locations through a padlock ordinance.

Cities can notify unlicensed operators of violations and may eventually fine landlords. Power companies now monitor unusual power usage at unlicensed locations and, if directed, can cut off power and water to these operators. San Francisco permitted unlicensed operators to transition to licensed status by signing an affidavit promising to act responsibly in the upcoming months. As some cities aim to use law enforcement for low-level cannabis offenses, avoiding arrests in this context makes good fiscal and social sense.

Unlicensed delivery operations are particularly vulnerable to disruption. They depend on websites and phone numbers to interact with customers. Tactics aimed at interrupting these connection points could render the unlicensed product uncompetitive, more than offsetting the premium consumers pay for licensed items. As we observed from efforts to suppress open-air drug markets, once a connection point between the consumer and

seller is severed, it does not naturally reestablish itself.



Decoy purchase strategies, such as harassing unlicensed deliveries, slowing shipments, and confiscating unlicensed products, may prompt unlicensed outfits to reconsider packing up or relocating. Once a city has pushed the market into a low-violation equilibrium, the likelihood of getting caught per enforcement resource increases, and fewer resources are needed to maintain that low level. Again, no arrests are necessary to drive them out.

Photo Medium Prajay Karkhanis, April 2020.

Education campaigns and tax incentives encouraging consumers to buy licensed products are in demand. The city can help consumers distinguish between unlicensed, licensed, and regulated products through signage and other

⁷⁶ McGreevy, Patrick. “California Now Has the Biggest Legal Marijuana Market in the World. Its Black Market is even Bigger.” LA Times, August 15, 2019. <https://www.latimes.com/california/story/2019-08-14/californias-biggest-legal-marijuana-market>

⁷⁷ McGreevy, Patrick. “California Now Has the Biggest Legal Marijuana Market in the World. Its Black Market is even Bigger.” LA Times, August 15, 2019. <https://www.latimes.com/california/story/2019-08-14/californias-biggest-legal-marijuana-market>

consumer awareness initiatives, such as promoting the BCC's QR (quick response) Code Campaign.⁷⁸ This campaign encourages consumers to scan and verify licensed cannabis retailers using QR codes placed in visible locations.

This assumes that buyers have licensed businesses to choose from. Here, we will address some significant hurdles to city licensing, including concerns about public safety and the lingering stigma against cannabis use and sales.

Public Safety and Stigma

City councils must determine the best course for their communities while ensuring safety when granting licenses. Introducing the cannabis industry to the area may evoke fear of the unknown and conjure images of unsavory or incompetent operators.



This research team's experience working with numerous cities across the state and consulting with operators and regulators nationwide suggests that this characterization is misplaced.

California-licensed operators have strict compliance requirements that mandate the presence of security personnel, cameras, lighting, and product chain of custody protocols. Thus, these businesses are less desirable targets for criminal activity than others.

(Photo: Los Angeles Times, 2023)

One explanation for the excessive attention from the press may be that this industry is unfamiliar to most communities. A city leader from a central California city remarked, "No one cares that the Apple Store was robbed for the third time this year, but if someone robs a cannabis retailer, it makes the news."

Long-term data, such as the 2014 study by Robert Morris (U.S. state panel data from 1990-2006), did not show any crime exacerbation effect from the legalization of medical marijuana (MML) on any Part I offenses. The study noted that MML may be linked to a decrease in homicide and assault rates, accounting for other covariates. In contrast, the 2018 Trangenstein study found that even a 10% increase in access to alcohol outlets was associated with a 4.2% rise in violent crime exposure. Researcher Bridget Freisthler from Ohio State discovered that during her study of 481 census block groups in Denver over 34 months (2013–2015), "marijuana outlets resulted in similar levels of property crime as bars, liquor stores, and restaurants serving alcohol; however, alcohol-selling businesses were associated with significantly more violent crime than marijuana outlets."

Using data from Sacramento, Freisthler investigated the link between the density of medical marijuana dispensaries and found no statistically significant relationship with violent or property crime.⁷⁹

Driving under moderate cannabis influence is generally much less dangerous than driving at or near the legal alcohol limit. The estimated average increase in crash risk is between 28% and 42% (Rogeburg, 2018), similar to the risk associated with using a hands-free phone. In contrast, for alcohol, the relative risk of being involved in a fatal crash as a driver is 4 to 10 times higher, equating to a 400% to 1000% increase for drivers with blood alcohol concentrations (BACs) between .05 and .07 compared to those with a .00 BAC.⁸⁰

⁷⁸ BCC Launches QR Code Campaign, published Dec 19, 2019 Sacramento, CA. <https://cannabis.ca.gov/2019/12/19/bcc-launches-qr-code-campaign-encouraging-consumers-to-scan-and-verify-licensed-cannabis-retailers/>

⁷⁹ Evaluating the Geography of Medical Cannabis Dispensaries on Crime, Price and Use. ResearchGate. Freisthler, B. et al, 2012. <https://www.researchgate.net/project/Evaluating-the-Geography-of-Medical-Cannabis-Dispensaries-on-Crime-Price-and-Use>

⁸⁰ The effectiveness of reducing illegal blood alcohol concentration (BAC) limits for driving: Evidence for lowering the limit to .05 BAC. Fell, J. and Voas, R. 2006. https://www.researchgate.net/publication/6959778_

The disparity may be explained by the significant decrease in speed among young adults, with no apparent effect of smoked cannabis on lateral control (Brands, 2019). Additionally, young adult drivers who used cannabis in the Brown 2019 study “drove slower and made significantly fewer steering and accelerator pedal inputs than drivers who did not use cannabis.”⁸¹ Public health researchers at Statistics Canada report that, after legalization, fewer Canadians reported being passengers in a vehicle driven by someone who had used cannabis within two hours of driving.

Enforcement on Unlicensed Operators

Social equity cannabis businesses in California face a significant competitor: the unlicensed market. With an astonishing 2-to-1 ratio, the unlicensed market captures a substantial share of the industry statewide.⁸² Thousands of minor participants, operating for decades, have fueled an unlicensed economic engine that undercuts prices and exports billions of dollars’ worth of products out of state.⁸³ These operations evade taxes, skip product testing, and disregard the many regulations that legal businesses must adhere to. Consequently, they can and do compete on price.

We observe the following licensing premiums, or price differences between licensed and unlicensed products in California:⁸⁴.

- Prices for dried cannabis flower from licensed retailers are, on average, 11% higher than those from unlicensed retailers.
- Licensed stores have prices that are 25% higher than those at unlicensed storefronts.
- Prices at licensed delivery services are 7% higher compared to unlicensed ones.

Reducing or eliminating these differences to attract price-sensitive consumers will require either lowering the prices of legally produced products or increasing the price or inconvenience of unlicensed products. A nudge could suffice with higher-quality, labeled, and tested products available to consumers. Driving unlicensed operators out of business could help shift consumers and employees to the existing regulated and protected businesses.

Unlike their unlicensed counterparts, whose operations and finances remain concealed, licensed operations benefit from scaling and maintaining transparency. If start-up costs, taxes, and regulatory burdens were lowered, licensed businesses could compete more effectively with the unlicensed market.

Implementing stronger enforcement measures, such as administrative codes, fines, and threats of forfeiture against landlords, as well as product seizures (instead of arresting workers and owners), would address the challenges posed by the unlicensed market while conserving valuable criminal justice resources.

Doing this work up front can push the targeted enforcement area into a low-violation equilibrium. Enforcement swamping (or using a large amount of enforcement upfront) increases the probability of detection and action and, historically, would push many “bad actors” out of the market. When enforcement reduces the number of violators in each area, it requires fewer resources to maintain that state.⁸⁵

⁸¹ Links to these studies are available for review in the Appendix.

⁸² Jan Conway, “Legal vs Illicit Cannabis Sales in California, U.S. 2019-2024,” Statista, May 24, 2022, [statista.com/statistics/1075946/legal-vs-illicit-cannabis-sales-california-us](https://www.statista.com/statistics/1075946/legal-vs-illicit-cannabis-sales-california-us).

⁸³ Syed Mahamad and David Hammond, “Retail Price and Availability of Illicit Cannabis in Canada,” *Addictive Behaviors* 90 (2019): 402-408, doi.org/10.1016/j.addbeh.2018.12.001.

⁸⁴ Robin S. Goldstein, Raffaele Saposhnik, and Daniel A. Sumner, “Prices of Cannabis in California from Licensed and Unlicensed Retailers,” *ARE Update* 23, no. 3 (2020): 1-4, giannini.ucop.edu/filer/file/1582050153/19556.

⁸⁵ Mark A. R. Kleiman, *When Brute Force Fails: How to Have Less Crime and Less Punishment* (Princeton University Press, 2009).

Even if suppressed, a smaller version of the unlicensed market could persist. Cannabis grows rapidly, and personal cultivation remains legal. Small-time dealers could undoubtedly survive, but with ongoing investigations and enforcement, more visible operations might end up like the bootleggers of alcohol did.

Recommendation: Regulatory Departments should revoke the licenses of any businesses found to be selling buying or otherwise *engaging* in the *illegal cannabis* market. The City should *also increase* pressure *on* property owners who *permit* or *overlook* illegal cannabis operations.

Non-compliant and unlicensed operations are pushing the industry to the edge. Reducing the unlicensed market is essential for balancing public health considerations, tax generation, and other public goods against low taxes and regulations. High-quality, tested products come at a cost, and taxes designated for social benefits drive tax rates higher. Increased taxes and regulations push both operators and consumers into the unlicensed market.

The industry opened to great fanfare, and the “green rush” was on, with ready, eager investors and new businesses eager to please. Conventional wisdom pushed for capturing market share, and money was poured into achieving just that. Cultivation and manufacturing capacity grew rapidly, but retail shelf space did not keep pace in states like California. This created a significant bottleneck and a surplus of flowers and products that needed to be moved elsewhere. Instead of eliminating the unlicensed market, legalization led to a growing one.

Researcher Dominic Corva has examined this phenomenon and found:⁸⁶

1. This excess caused a market crash that began around 2021 and, for instance, swiftly decreased Humboldt County’s licensed businesses from approximately 2,500 to 1,000.
2. A loophole in California’s cultivation law allowed for the swift rise in overproduction. The law specified that no large cultivation licenses would be issued from January 2018 to January 2023, and that only one medium grow was permitted. However, there was no limit on the number of small cultivation licenses a person could hold. As a result, groups in Santa Barbara began “stacking” licenses next to one another to create large-scale agribusiness operations.
3. With only 2% of licensed owners, Santa Barbara accounted for over 15% of cannabis cultivation, with two growers dominating nearly half of the city’s canopy. In contrast, with 21% of owners, Humboldt controls 14% of the canopy.

Alberta Gaming, Liquor, and Cannabis (AGLC) prepares for first national legal adult Use. Jay Shukle, Senior Director of Cannabis at Alberta Gaming, Liquor, and Cannabis (AGLC), reflected on the challenges and evolution of Canada’s legal cannabis market since its inception. He describes how significant supply chain issues quickly dampened the early excitement surrounding legalization in 2018, leading to initial product shortages. This, in turn, disrupted business forecasts and investor confidence. However, as the market matured, it faced the opposite problem—an oversupply that resulted in plummeting prices and a “race to the bottom.” “The big launch came, and we had no product. It started the businesses off on the wrong foot. All this investment entered the marketplace, and all the financial forecasts went out the window.

⁸⁶ Dr. Dominic Corva, Cal Poly Humboldt Sociology presentation of (preliminary) findings UC Davis. April 2023.

Shukle notes that similar issues are unfolding in the U.S., where oversupply creates unsustainable market conditions for licensed producers. To complicate matters further, Canada's excise tax model was structured based on higher anticipated prices, meaning that even as cannabis prices have dropped, taxes remain fixed, squeezing producers. He emphasizes the need for market balance and warns against overcorrection that could lead to future shortages.

According to Shukle, a significant regulatory challenge is Canada's strict federal limits on THC in consumer products such as beverages and edibles. He believes these restrictions have hindered the growth of alternative cannabis product categories beyond dried flower and pre-rolls. Although Phase Two of legalization in 2019 allowed for concentrates, edibles, and topicals, these markets have not expanded as expected due to stringent regulations. "Am I allowed to have a cannabis beverage when I go out for a meal instead of a glass of wine? We in the industry look forward to implementing these regulatory changes."

Shukle also notes that a persistent stigma still surrounds cannabis consumption, particularly in public places. He believes that as regulations evolve, public attitudes and policies will likely shift to embrace more normalized consumption habits, such as permitting cannabis beverages in restaurants. Meanwhile, unlicensed markets continue to flourish in Canada, partly due to regulatory obstacles that hinder the competitiveness of legal products.

Looking ahead, Shukle sees an industry in transition, working to stabilize supply and demand, navigate regulatory barriers, and shape future policies that align with consumer behaviors.

California Market Research Insights, DCC, and Cannabis Tax Funded Research. Conducted by UCLA's Department of Family Medicine, the CaliCann study is a sociodemographic examination of the cannabis industry that posed the following questions: "What does the cannabis industry look like? How are businesses addressing the challenges? What do operators recommend for state changes?" Both studies evaluate how the aspirations of the cannabis industry have developed following California Proposition 64. These aspirations included:

1. Reduction of unlicensed markets.
2. Provision for reliable, safe, tested products.
3. Building generational wealth
4. Generation of reliable tax revenue for community programs.
5. Reversing the harms from the War on Drugs through support to social equity licensees.

Implementing a referendum, such as CA Prop 64, can often be more challenging than the text implies. California has a 25-year-old, largely unregulated Compassionate Care medical market. An entirely unlicensed market has been a regional and national player since the 1960s. You cannot simply wish them away, and these players have little room in a highly regulated, commercialized market. Enforcement would need to be intensified to discourage participation; however, this would have to be achieved through non-criminal sanctions, and the economics would need to stop making sense.

This means the licensed market must make products cheaper and more convenient to encourage consumers to transition. However, this is difficult due to high taxes, burdensome regulations, and federal prohibition, which creates risk premiums for supply chain service and product providers.

Building Generational Wealth. Undercapitalized entrepreneurs from marginalized communities gravitate toward the industry to earn money and challenge affluent white male owners/operators. The social equity programs that have arisen to support this group of enterprising licensees may provide false hope. With financing, technical, and legal assistance, the cities backing these programs can only hope to provide minimal support to a few operations. These programs may create unrealistic expectations for those who can least afford them. Although the calculations have not been conducted, social equity entrepreneurs likely face high failure rates, potentially losing more savings and generational wealth than these programs generate.

Generation of Reliable Tax Revenue for Community Programs. Tax revenue decreases as the value of the products sold declines. Cultivation, manufacturing, and distribution have experienced a collapse in prices, and the price of THC per unit has plummeted by 90% over the last two decades. Ad valorem taxes, which are based on the sale price, are diminishing. Potency or weight-based taxes could stabilize revenue, but may be politically unpopular.

Addressing the Damages Caused by the War on Drugs.

See the challenges above related to building generational wealth. Cannabis tax revenue represents a small financial stream



that may only slightly alleviate the damage inflicted by the War on Drugs. Educational and social programs that could significantly reduce some of that damage would require broader sources of tax revenue. If these community programs depend solely on tax revenue from cannabis sales, the necessary rates to generate adequate funds will render licensed products uncompetitive compared to the unlicensed market. Furthermore, cannabis use is more prevalent among individuals of lower socioeconomic status, and the initiation age for use is significantly younger than it was even a decade ago, suggesting that with the market's growth, we may be concentrating problematic use among low-income teens.

A Sense of Hopelessness for Growers. Given the state of market prices, very few cannabis owners and operators speak positively about the industry's direction. There is also a noticeable sense of hopelessness in interviews conducted for California Department of Cannabis Control-funded studies during 2022-2023.⁸⁷ In these studies, growers, manufacturers, and distributors expressed feeling underpaid and frustrated, resorting to the unlicensed market to supplement their revenue, and experiencing whiplash from an overwhelming number of oversight rules and procedures.

The Emerald Triangle of Humboldt, Mendocino, and Trinity Counties in northern California is the cradle of the nascent cannabis industry. The small, remote plots where cannabis was grown may no longer have a place in the current agribusiness production market. Environmental regulators want farmers to adjust the width of the drainage ditches on their properties, and the fire department requires them to widen the roads for emergency vehicle access—changes that could cost hundreds of thousands of dollars, a burden many cannot fathom managing. “How can I pay for these changes when drowning?”

It is hard to imagine that the legacy version of cultivation and distribution in the Emerald Triangle has not yet ended. Still, depending on how these operators are treated, they may remain in the shadows.

A Smaller Front Door. Creating a smaller front door with penalties to reduce entrants helps control unlicensed markets. Non-criminal or progressive enforcement and suppression can be achieved through product seizures, harassment of delivery operations, and other administrative means, including cease-and-desist letters, fines for landlords, and padlock ordinance enforcement.

A Larger Back Door. Creating a significant back door with incentives can encourage migration from the unlicensed market to the licensed market. Expedited licensing, eliminating application requirements, low or no-fee applications and renewals, and technical support can be effective inducements. Grace periods for compliance, tiered taxation that favors small operations, and protections for small retail are relatively straightforward tools available to localities and states.

⁸⁷ Potency Tax Feasibility study and California Cannabis Count study, DCC / UCLA 2022-2023

According to Mark Kleiman's "When Brute Force Fails," the most effective strategies involve enforcing regulations early and vigorously driving the market toward a low-violation equilibrium. Additionally, enforcing and sustaining a market where fewer violators are likely to be detected and punished is more cost-effective.

Close the Price Gap. One of the most effective strategies for eliminating unlicensed markets is providing consumers with economic incentives. When price and convenience favor the licensed market, the unlicensed market becomes less appealing and will gradually decline, except for its most loyal customers.

To achieve this, the licensing premium for legitimate products must be reduced to nearly zero or even a negative number. Tax moderation, increased licensing, and effective oversight of testing laboratories can ensure adequate retail access, high-quality tested products, and competitive prices.

The licensed market will also have to manage the wide variety of products available through the 2018 Farm Bill, including hemp-derived derivatives, Delta 8, THCP (which is 30 times more potent than Delta 9), THCO, and other intoxicating synthetically produced products.

There are lessons to be learned from states like Washington and provinces in Canada that have effectively absorbed unlicensed markets. In Washington, this was achieved by shifting the market to large corporate operators who swiftly reduced costs, despite the state's tax rate of 37%, one of the highest in the nation. However, this ultimately pushed out small and legacy operators—a benefit/cost that remains to be determined.

South African Off-Market Cultivation. Cannabis that supports a society where private consumption is permitted but cultivation remains illegal fosters an unlicensed market of growers. In South Africa, most of this supply is grown domestically. Dr. Howell of the University of Cape Town explains:

"It is all grown locally. It grows like a weed in South Africa... very easy to grow. If seeds fall out of your pocket, they will probably grow. Traditionally, it was grown by marginalized communities in the Transvaal, a rural part of South Africa, and transported to the urban areas.

In the last ten years, growth patterns have been expanding. While people have been developing in various areas, it is primarily through natural means. Due to the weather, it is not cultivated hydroponically and is expensive; many people simply cannot afford it.

Unlicensed Markets, Public Harms, and Cannabis Potency. Beau Kilmer, Director of the RAND Drug Policy Research Center, provides insights into the complexities of unlicensed cannabis markets, price dynamics, and concerns regarding high-potency cannabis products. He emphasizes that reducing the size of an illegal market takes time, particularly in regions like California, Oregon, and Washington, where cannabis has been illegally produced for decades. While legal markets in states like Colorado have captured a significant share of consumer demand, unlicensed production continues due to the patchwork of state and federal laws. "It takes time to significantly reduce the size of an illegal market, especially in the case of cannabis... Eventually, the legal price becomes so low that it makes it much harder for illegal grows to compete."

Kilmer forecasts that federal legalization could quickly speed up market consolidation. At present, prohibition obstructs interstate cannabis trade, causing inefficiencies in production. He estimates that the entire U.S. cannabis supply could be produced on just a few dozen industrial farms if federal restrictions were lifted, which would further lower prices and make unlicensed production less competitive. However, he acknowledges that some level of illegal cannabis sales—similar to moonshining in the alcohol industry—will likely continue.

Another major issue Kilmer discusses is the rise of high-potency cannabis products, mainly concentrates and vape oils that can exceed 80% THC. He notes that research raises concerns about youth exposure and the health effects



of these products. Unlike edibles, which often have THC limits, high-potency concentrates remain largely unregulated in most markets. Some jurisdictions, like Illinois and New York, are experimenting with progressive taxation based on THC content to discourage excessive potency. "The other approach you could take is potentially limiting THC by taxing cannabis as a function of its THC content... Illinois has a crude THC tax, while New York's is more sophisticated. It is going to be fascinating to see how this plays out."

(Photo: RAND Photography)

Kilmer emphasizes the need to differentiate between medical and non-medical cannabis when addressing high-potency products, as some patients require more potent formulations for therapeutic purposes. He also advocates for improved research into daily cannabis consumption patterns, suggesting that understanding the frequency and quantity of THC consumption is more valuable than merely monitoring whether someone has used cannabis in the past month.

Ultimately, it is evident that the cannabis market is rapidly evolving, with states experimenting with various regulatory approaches. Taxation, product restrictions, and research into usage patterns will all be crucial in shaping the future of legalization.

Appendices for Mapping Unlicensed Operations

Retail Pricing by Neighborhood

These maps highlight critical neighborhoods from the zip code frequency map and contrast pricing to explain why a consumer would choose an unlicensed shop over a licensed one.

FIGURE 17. Sun Valley / North Hollywood

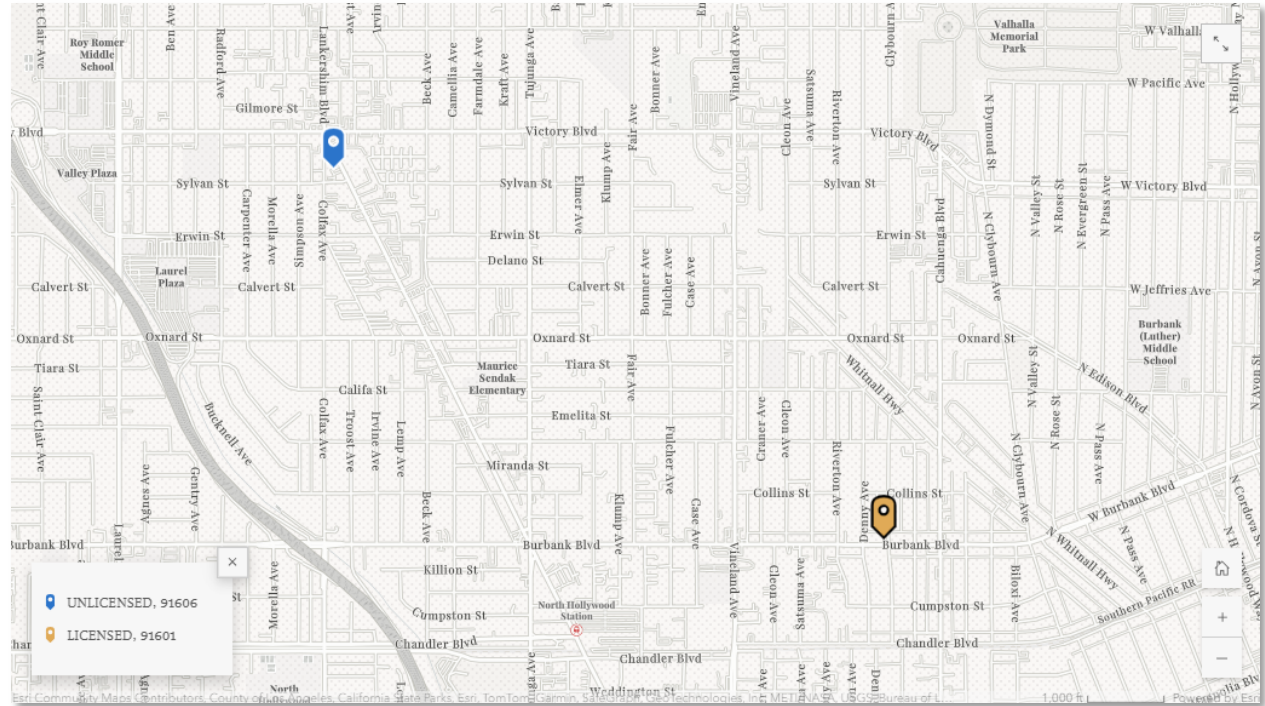


FIGURE 18. South Central

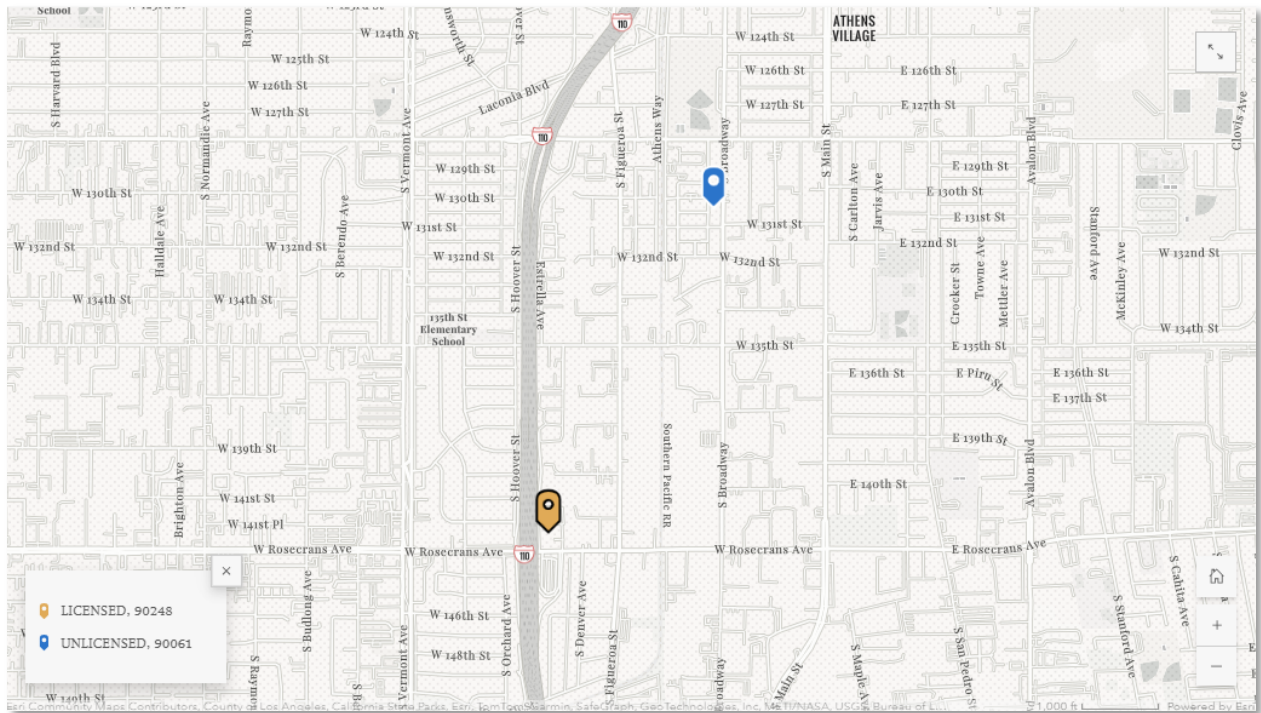


FIGURE 19. Koreatown

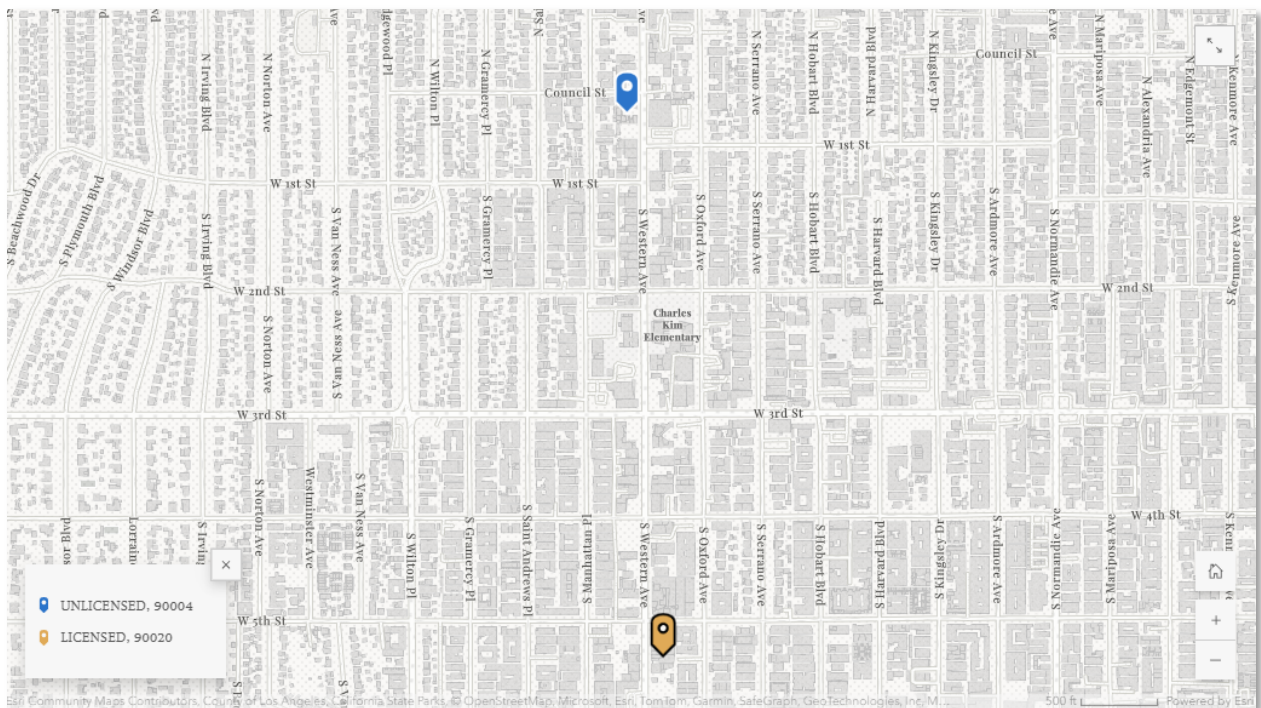


FIGURE 20. Boyle Heights

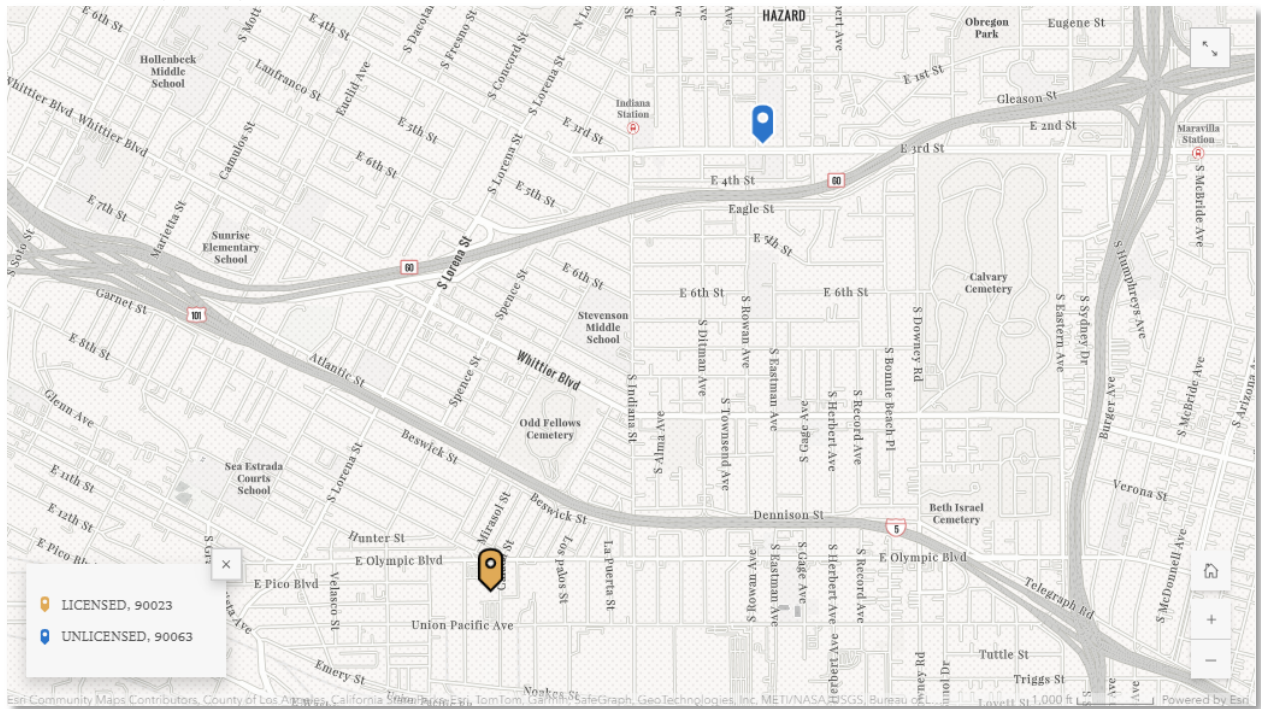


FIGURE 21. Echo Park

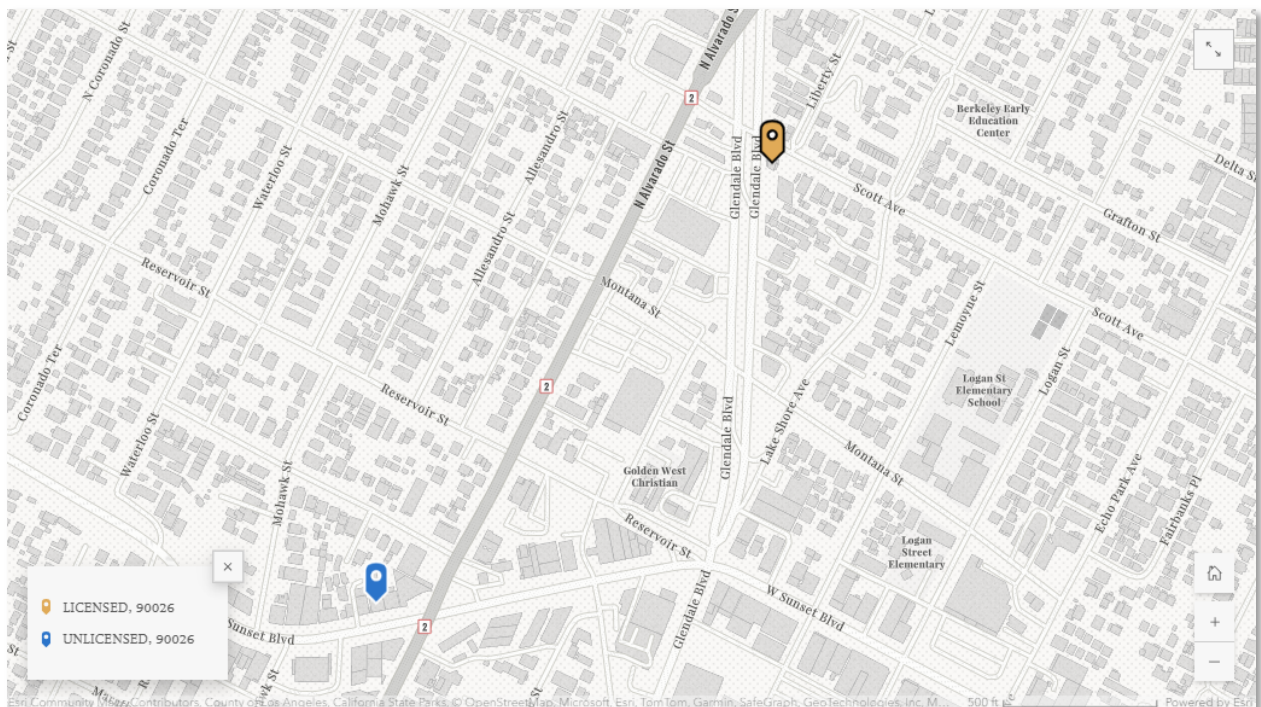


FIGURE 24. Topanga — Thousand Oaks/Woodland Hills

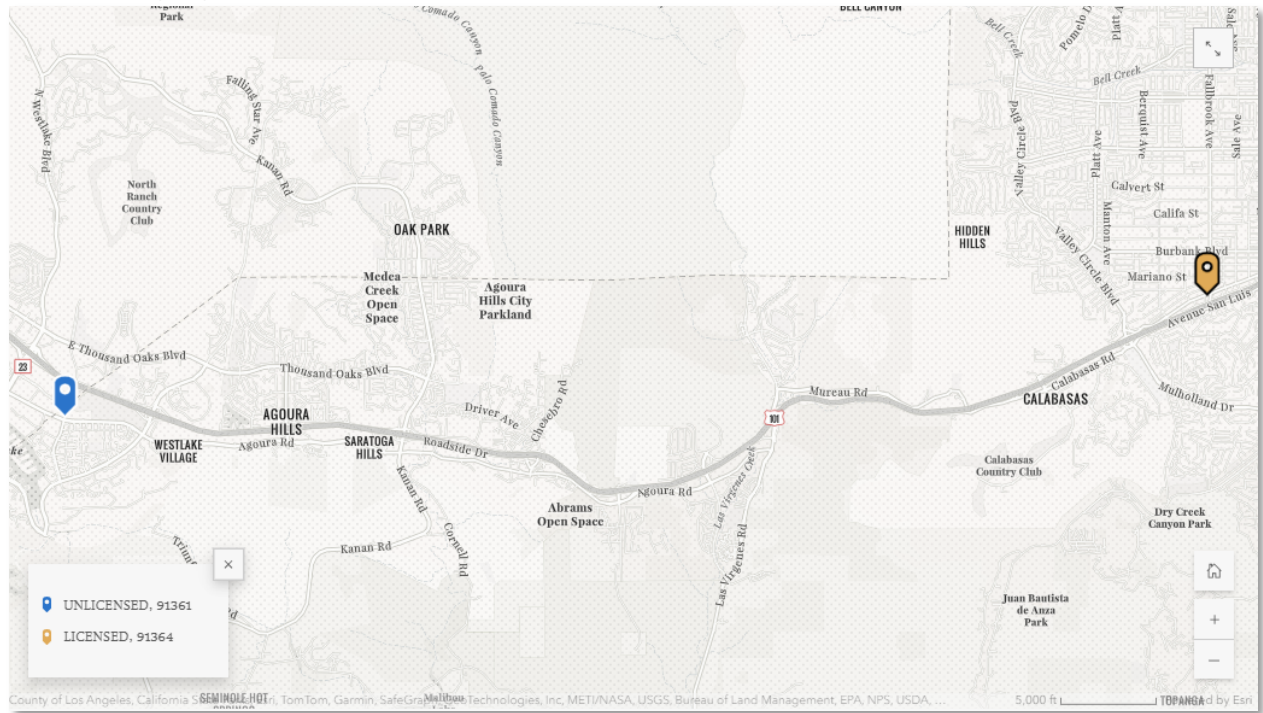


FIGURE 25. East Los Angeles (Unincorporated)

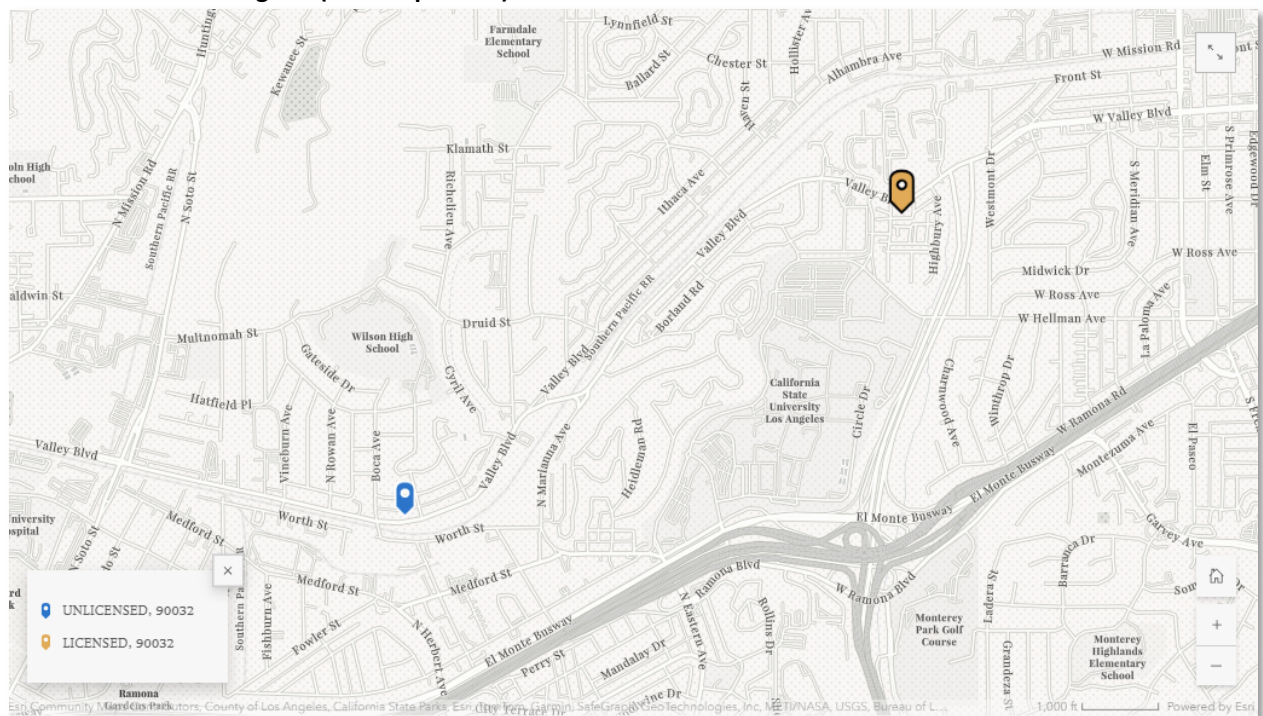


FIGURE 26. Pasadena



Acronyms and Abbreviations

ACE: Administrative Citation Enforcement
CalEPA: California Environmental Protection Agency
CAPP: Cannabis Administrative Prosecutor Program
CDFA: California Department of Food and Agriculture
CDTFA: California Department of Tax and Fee Administration
CED: LADCR Compliance and Enforcement Division
CHP: California Highway Patrol
CPC: California Penal Code
COA: Certificate of Analysis
DCC: California Department of Cannabis Control
DEO: Los Angeles County Department of Economic Opportunity
DOJ: California Department of Justice
EPIC: Eradication and Prevention of Illicit Cannabis Program
EWDD: City of Los Angeles Economic and Workforce Development Department
FDA: U.S. Food and Drug Administration
FPL: Federal Poverty Level
FTB: California Franchise Tax Board
FTC: Federal Trade Commission
HDC: hemp-derived cannabinoid
HSC: California Health and Safety Code
IRS: Internal Revenue Service
LACDPH: Los Angeles County Department of Public Health
LADA: Los Angeles County District Attorney's Office
LADBS: Los Angeles County Department of Building and Safety
LADCR: City of Los Angeles Department of Cannabis Regulation
LADWP: City of Los Angeles Department of Water and Power
LAFD: City of Los Angeles Fire Department
LASD: Los Angeles County Sheriff's Department
LAMC: Los Angeles Municipal Code
LAPD: City of Los Angeles Police Department
LASAN: City of Los Angeles Sanitation Department
OIG: Office of the Inspector General
PLUM: Los Angeles City Council's Planning and Land Use Management Committee
RIPA: Racial and Identity Profiling Act
SEP: LADCR Social Equity Program
TRUE: Tax Recovery and Underground Economy
UCETF: California's Unified Cannabis Enforcement Task Force

Main Themes by Question

1. Can you walk us through the process of identifying a location for enforcement and then pursuing the enforcement of that location?
 - a. Use of law enforcement
 - b. Use of cease and desist letters and fines
 - c. Complaint line
 - d. Discovery through other agencies for unpermitted work
 2. What are the current authorizing statutes and resources that support these enforcement tools that you know of?
 - a. The existence of codes at both the local and state levels
 - b. City codes that include cannabis as part of other, more general code violations (e.g., unpermitted work, public nuisance)
 - c. Buffer zones are included in compliance
 - d. Timelines for businesses to become licensed
 - e. Community input regarding business location
 - f. Taxes to fund enforcement
 3. On a scale of 1 to 10, with 1 being ineffective and 10 being very effective, how would you rate the effectiveness of the tools available to your agency?
 4. What are the most effective enforcement tools you have at your disposal *in your agency/department* (if any)? Why?
 - e. Ability to go after property owners and make them aware of violations against businesses on their properties.
 - f. Strong regional/state partnerships
 - g. Consistent improvement of codes
 - h. Outreach and communication
 - i. Complaint portal
 5. What are the most effective enforcement tools the City uses *outside your agency* (if any)? Why?
 - a. Non-cannabis compliance measures (e.g., land use compatibility, fraud, unfair business practices, nuisance)
 - b. Working with law enforcement
 - c. Inter-department/local-state strategy and collaboration.
 - d. State traceability system
 - e. 311 Complaint Line
 6. What are the least effective enforcement tools in your agency/department (if any)? Why?
 - a. Enforcement is a resource issue
 - b. The state's traceability system
 - c. Fines against business owners or operators
 7. What are the city's least effective enforcement tools outside your agency (if any)? Why?
 - a. Ticket writing for the hemp industry
 - b. Criminal-based legal action because the US attorney will not prosecute it
 8. From your perspective, what are the outcomes of seizures, storage, cataloging, and destruction of cash, cannabis products, guns, and property regarding the enforcement of cannabis laws against unlicensed retailers?
 - a. Seizures are beneficial:
-

- b. They send a strong message
 - c. Help build trust and confidence among licensed operators
 - d. Remove untested products from the market
 - e. Seizures are not beneficial:
 - f. The unlicensed market is still too profitable.
 - g. It is too costly and ineffective against the unlicensed market.
 - h. Seizures are not happening due to cost and resource issues.
 - i. Confiscated cannabis is destroyed.
 - j. Cash goes into a dedicated city fund.
9. In your opinion, what do you think is the perception of cannabis enforcement from the legal cannabis industry?
- a. The licensed industry supports enforcement:
 - b. Do not want unlicensed businesses to give them a bad name
 - c. Unfair competition
 - d. Tight-knit community
 - e. May not be aware of all enforcement activities due to confidentiality
 - f. Want more vigorous enforcement against the hemp market
10. What do you think is the perception of cannabis enforcement among the broader residents of the city?
- a. The public expects immediate action and may not understand that the process takes time.
 - b. Public perception is good when the public has a hand in developing the rules.
 - c. The proliferation of unlicensed stores makes the public want more enforcement.
 - d. The legacy of the War on Drugs still plays a role in feelings about enforcement.
11. What do you think are the root causes of the persistence of unlicensed operators?
- a. Economics
 - b. There are no taxes and no licensing fees in the gray market.
 - c. Cheaper gray market created by the 2018 and 2023 US Farm Bills
 - d. Lack of access to capital to become licensed
 - e. Consumer demand. People want cheaper products
 - f. Already existed in the gray market before legalization
 - g. Lack of enforcement
 - h. Restrictive licensing and complicated local/state licensing systems
 - i. Mistrust of the government
12. What can your agency do to address these root causes?
- a. To make it easier for unlicensed operators to enter the licensed market
 - b. Remove or moderate caps on the number of licenses, especially retail
 - c. Reduce taxes and compliance costs
 - d. Conduct outreach to help them transition
 - e. More enforcement with police involved (including against HDCs)
 - f. Educate the public about the risks of untested products.
 - g. Exclusive licensing is available for those impacted by prohibition and those from lower-income areas.
13. What can other city agencies and policymakers do to address these root causes?
- a. To make it easier for businesses to become licensed
 - b. More grant funding
 - c. Eliminate license caps
 - d. Reducing barriers to entry
 - e. Lower taxes
-

- f. More vigorous law enforcement, including criminal rather than civil penalties
 - g. Inter-departmental coordination
 - h. Educating the public on the risks of consuming untested products
- 14. What innovative enforcement regulations have you learned from other jurisdictions or organizations that would make a difference?
 - a. Going after property owners
 - b. State-run labs
 - c. Online tools to track violations of other city codes
- 15. How could the city better coordinate with county or state agencies? Are there specific agencies you think we should connect with?
- 16. What is working
 - a. Significant relationship between the state and local teams
 - b. All under one department, which helps cohesion
 - c. Having a point of contact for each department is helpful
 - d. What is not working
 - e. Need to be able to tap into the resources and tools of other agencies
 - f. We must increase enforcement staffing and devote more time to relationship-building/establishing better partnerships with local entities and community groups.
 - g. Better inter-department coordination (PD, FD, Building, etc.)
 - h. Each jurisdiction handles it differently, making the state program disjointed and leading to much buck-passing at the local and state levels.
- 17. What do you think is the inter-jurisdictional feasibility of sharing information or resources?
 - a. There is a lack of communication. Localities try to get information about where a business is in the licensing process, and states do not want to release data for security or proprietary reasons.
 - b. Enforcement facilitates collaboration between police and fire departments.
 - c. Process of being granted permission for inspections and receiving requests for data
 - d. No explicit communication exists on whether training programs outside the department have happened.
- 18. Other non-question themes that emerged from interviews.
 - a. Oversupply of flower and products leads to a bottoming out in price.
 - b. Local control has led to a feast or famine situation.
 - c. More unlicensed activity is happening at the producer and retail levels.
 - d. For a program to work, everyone has to be invested in it, no matter their personal views on cannabis; one must put one's views aside to deal with people from both sides.
 - e. Because of the criminal sanctions, those who open up gray market businesses stay very hidden and are not open about it because of the risk.
 - f. Those facing criminal sanctions often take plea deals, and rarely does anything go to trial. These folks had no plans to enter the licensed market, so banning them from participating does not affect them.
 - g. The competition from the unlicensed markets makes raising funds and expanding complex.

Appendix D

Updated Logic Model

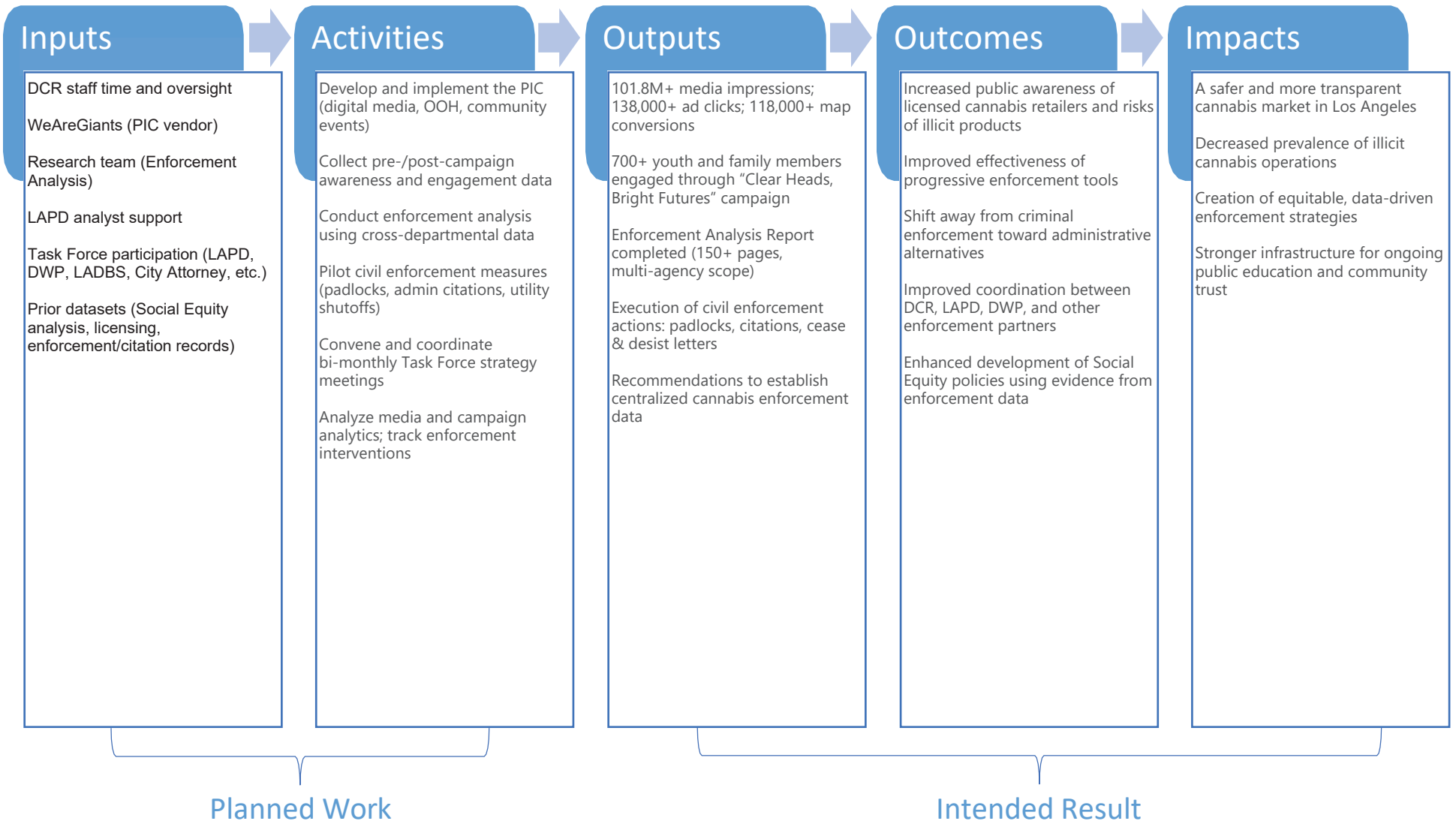
Logic Model Template A

Project Goals:

Goal 1: Develop and implement a Public Information Campaign (PIC).

Goal 2: Partner with a research team to perform an enforcement analysis.

Goal 3: Collect data from City partners and support the City's Progressive Enforcement Strategy.



Appendix E

Grantee Highlight Page

Grantee Highlight: Building Public Trust Through Education & Equity-Driven Enforcement

City of Los Angeles Department of Cannabis Regulation

Grant Period: May 1, 2021 – October 31, 2024


Funding Source: Proposition 64 Public Health and Safety Grant Program (Cohort II)


Campaign Success Story: Educating Los Angeles at Scale

In 2024, the Los Angeles Department of Cannabis Regulation (DCR) launched its first-ever citywide public education campaign on legal cannabis, led by local firm WeAreGiants. Titled “**From the Neighborhood, For the Neighborhood**”, the campaign used bilingual, equity-focused messaging to teach Angelenos how to identify licensed dispensaries and understand the risks of unlicensed cannabis.

Campaign Impact:

- **101.8 million total media impressions**
- **138,000+ ad clicks** and **118,000 map conversions**
- DCR website traffic **tripled** during the campaign
- Social engagement reached **44,063+ users**

 At in-person events like CicLAvia and the LA Youth Expo, DCR’s sub-campaign “**Clear Heads, Bright Futures**” engaged **700+ youth and families** through interactive exhibits, educational flyers, and bilingual prevention materials.

 Targeted efforts focused on Council Districts 8 and 14—areas disproportionately impacted by the illicit cannabis market—ensuring that outreach supported both **public health** and **social equity goals**.

Enforcement Reform in Action: Data-Driven Disruption of the Illicit Market

In parallel with public education efforts, DCR commissioned an **Enforcement Analysis**, evaluating past and present enforcement strategies and their equity impacts. Partnering with researchers and multiple City departments, the report examined arrest patterns, complaint data, and the performance of progressive enforcement tools like **padlocking**, **cease-and-desist letters**, and **utility shutoffs**.

Key Findings:

- Enforcement outcomes remained **geographically and racially uneven**
- **Non-criminal enforcement tools** were more effective and less punitive
- Recommended consolidating data collection and creation of a **central enforcement data dashboard**

These findings directly informed ongoing Task Force strategy and laid the groundwork for a more transparent and equitable enforcement framework citywide.

Why It Matters

The City’s multi-pronged approach demonstrated how **education and data—not just punishment—can reduce illicit market activity** while building public trust.