

Re: Public Comment
Council File: 13-1493

Title: Street Vending / Special Sidewalk Vending
District Program

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A street vendor verification process to be used by the City for determining potentially eligible, not just for any medical marijuana dispensary proposed in Council File Council Files: 14-0366-S1, 14-0366-S2.

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Taxing illegal pot shops targeted

Two council members want L.A. to stop profiting from stores that don't meet city requirements.

BY EMILY ALPERT REYES

Two Los Angeles lawmakers are pushing to end a controversial city practice of issuing tax registration certificates to medical marijuana shops without determining if they are allowed to operate under a voter-approved crackdown on the businesses.

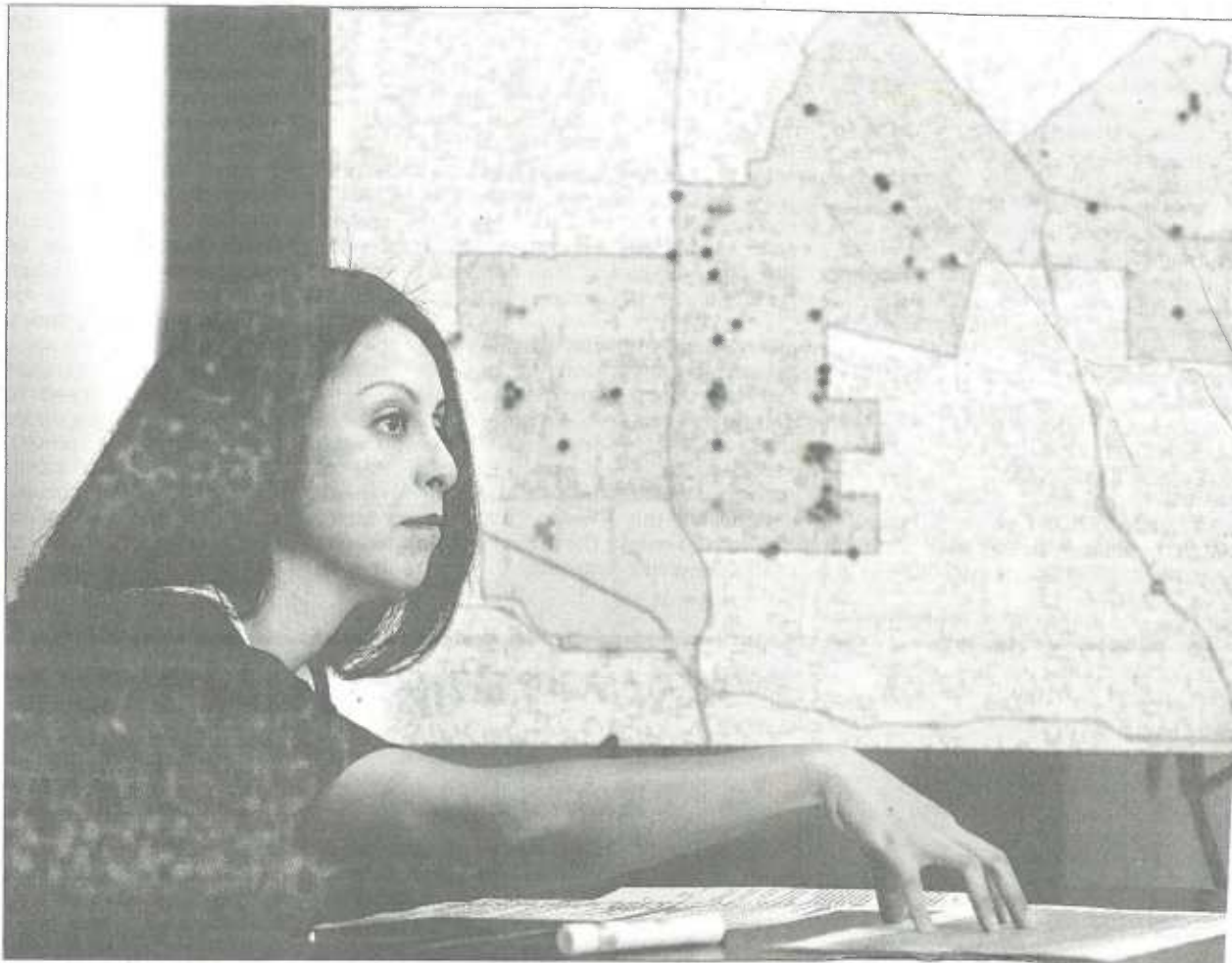
Councilwoman Nury Martinez and other critics complain that pot shops that do not comply with city requirements have used the documents to persuade customers and landlords that they are lawful. And the city is guilty of "the biggest hypocrisy" by reaping tax income from businesses that flout the law, the San Fernando Valley lawmaker said.

"While our city continues to profit from these illegal businesses, my residents and my neighborhoods and my district are paying the price," Martinez told City Council colleagues Tuesday, as she announced a proposal to halt the issuance of the tax certificates to shops that don't meet requirements.

Councilman Jose Huizar, who coauthored the proposal, said it can take months to investigate and shut down an unlawful pot shop once it is opened.

Under their proposal, Martinez and Huizar want the city to create a verification process to check which shops comply with city rules — and prevent shops that don't from obtaining the certificates.

"This is going to be a much easier way to stop it at the front end," Huizar said.



FRANCINE ORA/Los Angeles Times

L.A. COUNCILWOMAN Nury Martinez wants the city to stop issuing tax registration certificates to unlawful medical marijuana shops. On the wall is a map showing shops that she is investigating.

Under Proposition D, which was approved by city voters last year, medical marijuana businesses and the landlords who lease space to them can be prosecuted if the shops don't meet several requirements, including being registered with the city in the past and operating a specified distance from public parks and schools.

When the law was passed, city officials estimated that fewer than 140 medical marijuana businesses — a fraction of the estimated total — would qualify to continue operating.

But this year, more than 450 medical marijuana shops renewed their paperwork to pay business taxes, according to city officials. Hundreds more remained actively registered with the city.

L.A. reaped roughly \$2.1 million from medical marijuana businesses that renewed their tax paperwork this year, the Office of Finance said earlier this year.

At a June hearing, a city finance official told lawmakers that city workers don't generally consider the legality of a business when it registers to pay taxes.

'This is going to be a much easier way to stop it at the front end.'

— JOSE HUIZAR,
councilman and coauthor of proposal to withhold tax registration
certificates from illegal medical marijuana stores

Bemused, Councilman Mike Bonin asked if someone could register to pay taxes for selling whale meat, heroin or Cuban cigars.

Yamileth Bolaños, president and founder of the Greater Los Angeles Collective Alliance, a trade organization for medical cannabis providers, said it was "ridiculous" for the city to issue tax documents to shops that don't meet Proposition D's requirements.

It's especially frustrating for shops that follow the rules, she said.

"When we're trying to run the way that the city wants us to run, and someone else gets a [business tax registration certificate] and opens up across the street and they don't give a damn, it gives those of us that are trying to do it correctly and legally a bad name," Bolaños said.

City Atty. Mike Feuer, whose office says it has shut down more than 400 marijuana businesses since the law went into effect, has stressed that a tax registration certificate is not a city permit — a point underscored in writing on the document. Martinez and Huizar want to make that even clearer, possibly with bigger type.

The city has to tread carefully in the face of federal law that outlaws marijuana sales, said David

Welch, an attorney who represents medical marijuana businesses.

Los Angeles could face a thorny legal situation if it becomes "an active participant" in deciding which businesses qualify under city rules, he said.

That could make it appear that the city is promoting violations of federal law, Welch said.

Martinez pointed out that the city has a list of shops that meet some Proposition D requirements, saying that it could be used to help verify which businesses can be registered.

But that list was removed from a city website months ago "to eliminate any confusion" about what it meant, said Feuer spokesman Rob Wilcox.

Feuer's office has said that only a court can decide if a medical marijuana business is complying with all city rules.

To some neighbors annoyed about new, unallowed shops that continue to crop up, registering such businesses to pay city taxes makes no sense.

"It goes against everything that the voters voted for," said Howard Benjamin, vice president of the Van Nuys Neighborhood Council.

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