

CANNALICENSED CONSULTING GROUP

P.O. Box 254606
Sacramento, CA 95865
(916) 333-0601
info@cannalicensed.com

February 13, 2018

Sacramento City Council
915 I Street
Sacramento, CA 95814

Re: Response to Power Inn Alliance concerns regarding "Cannabis Production" permits within the PBID.

Council Members:

Canna Licensed Consulting Group is a Management Consultant and Property Developer that specializes in cannabis specific development projects and business operations both locally, and Statewide. Additionally, we represent a number of active development projects in Sacramento and are vested Stakeholders in the local industry. A significant number of our clients have expressed concern with some of the assumptions in the Staff report, and asked us to provide public comment.

While CannaLicensed supports the notion of providing some direction regarding the concentration of cannabis related businesses in Sacramento, we have fundamental issues with the approach as written, and believe it will have the unintended effect of *hindering* the development of this burgeoning industry.

The following is raised in response to the Power Inn Alliance's January 29th, 2018 letter to Ms. Patterson, and intended to serve as a basis to find a cooperative solution their concerns.

1. The City's Cannabis Regulatory Framework Recognizes the Need to Prevent Undue Concentrations of Cannabis Uses for FUTURE applicants.

Agreed. CannaLicensed supports continued discussion regarding the need to provide direction to **future** applicants, business owners, and investors in the City of Sacramento. That said, any potential policy change should **NOT** affect pending development projects submitted before an agenized discussion. Any change that affects applicants who are already in the cue undermines Sacramento as a stable regulatory environment that has facilitated significant innovation and investment in the local economy.

2. Utilization of a Maximum Square Footage within a Defined Geographic Area does NOT Provide Clear Guidance in an evolving industry.

- a. Square footage prioritizes First In – First Out, and is disadvantageous to large development projects.

Square footage is NOT the appropriate mechanism by which to evaluate highest and best use of land resources within the district. Cultivation was the first CUP application the City of Sacramento accepted under the revised ordinance. This was followed by manufacturing several months later, and in 2018 delivery and distribution became available. The corresponding number of applications for CUP's is directly proportional to the length of time the application has been available for submission.

Capping as a matter of policy, the existing square footage of cannabis related entitlements to what has already been approved has the potential to freeze the City into a 'version 1.0' of the industry. It doesn't provide the same opportunities for some of the newer business verticals or large development projects, which have more complex dynamics and intensive capital requirements.

3. Limiting specific uses within the PBID is not consistent with economic and employment goals.

- a. Job Growth fueled by: Cultivation, Distribution, Dispensary.

The Power Inn Alliance states on their website, they are home to 10,000 businesses, and 29,000 jobs, this is an average of 2.9 jobs per non-cannabis business. The regulation, oversight, and hands on nature of the cannabis industry necessitate a far greater employment demand per business than currently exists in the PBID. Due to the regulation, oversight, and safety requirements governing the cannabis industry, it is estimated the employment demand to be more than 2 times higher than non-cannabis based businesses. Henceforth, the continued development and construction of cannabis related projects will have a substantial positive impact on area employment.

Cultivation, Distribution, and Dispensaries do NOT employ less people per square foot than their manufacturing counterparts. Simply put, machines manufacture, and people grow. Cultivation is a labor intensive process that requires human care and attention through each stage of the plant's lifecycle. The desire to attract cannabis manufacturers through a change in policy, may not have the intended effect of bringing more jobs to the area.

4. 2.5M Square Feet may NOT be an appropriate limit within the PBID.

- a. Pending and approved CUP's **ADD** to PBID's total Square Footage.

According to the Staff report, the PBID is comprised of approximately 22.5 million feet of structural square footage. cursory review of pending and approved cannabis CUP applications indicate a significant portion of those applications contain **NEW** construction. Aside from the economic benefit the area receives from investment in new infrastructure, the end result is a series of developments that will ultimately **ADD** to the total pool of square feet within the PBID's purview.

b. What constitutes a broad diversity of industry types?

Reference is made in the Alliance's letter to "...diversity of businesses, ranging from solid waste, to construction, to pharmaceutical, to automotive...". Additional data relative to the percentage distribution of those types of uses throughout the PBID would be helpful in determining if indeed proposed cannabis uses vastly outstrip other land uses within the District.

c. PBID's request is not limited to PBID's geographic region

There is concern that the Alliance's request to include Wayne Court, (which is not in the geographical boundaries of the PBID) in the calculation of their proposed square footage CAP disadvantages property owners and applicants within the PBID. 24 Wayne Court is a 312,000 square foot new construction development project that is pending approval. It is not clear whether or not this square footage was included in calculations used to support overconcentration.

There are 11 Public Business Improvement Districts within the City of Sacramento, establishing a policy that seeks to regulate properties outside of their geographic boundaries is a dangerous precedence.

5. Development of a policy that restricts cannabis business development in the Capitol City should not strictly be land use based.

By setting a square footage cap in the City's largest warehouse district, Sacramento risks creating a location freeze, permanently locking existing facilities into their respective locations. This could make the expansion or relocation of a successful company within the district almost impossible. It also provides a climate which compromises a business owner's ability to negotiate fair rents with landlords- a concept that is all too familiar among operators.

Sacramento inadvertently created a freeze with the permitting of its medical dispensaries; it took several years before businesses were provided a means to relocate from facilities that no longer suited their needs.

Sacramento's Office of Policy and Enforcement is tasked with evaluating prospective operators to ensure that only the best, compliant, well regulated companies continue to operate in Sacramento. Any policy that affects the number and type of cannabis businesses that can locate in Sacramento, should be a coordinated effort between licensing and land use.

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Thank you for the opportunity to participate in this process. As a stakeholder and an organization that represents some truly remarkable cannabis developments, we remain supportive of Sacramento's continued efforts to refine its regulations. That said, we encourage a comprehensive discussion with stakeholders, land owners, and business owners to ensure that any proposed regulatory changes take into consideration the long term effects those decisions may have on the industry.

Sincerely,

A handwritten signature in black ink, appearing to read "Corey Travis". The signature is stylized with a large, sweeping initial letter.

Corey Travis
Managing Director
CannaLicensed Consulting Group