

FW: San Jose Cannabis Equity Program

City Clerk <city.clerk@sanjoseca.gov>

Mon 6/17/2024 2:57 PM

To:Agendadesk <Agendadesk@sanjoseca.gov>

From: Ernie Arreola <[REDACTED]>
Sent: Monday, June 17, 2024 2:00 PM
To: City Clerk <city.clerk@sanjoseca.gov>
Subject: San Jose Cannabis Equity Program

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Allowing an additional five retail storefronts bringing the total to 10 will further negatively impact the existing businesses in San Jose. Five storefronts is plenty for the time being.

Sales have decreased in 2021, 2022, 2023 and now in 2024 per the CDTFA.

Now is not the time to be adding to a saturated San Jose.

Thank You,

[REDACTED]
Ernie Arreola

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FW: Item 2.29 Amendment to Chapter 6.88

City Clerk <city.clerk@sanjoseca.gov>

Mon 6/17/2024 3:04 PM

To:Agendadesk <Agendadesk@sanjoseca.gov>

From: Sharmi Shah [REDACTED]
Sent: Monday, June 17, 2024 1:31 PM
To: City Clerk <city.clerk@sanjoseca.gov>
Subject: Item 2.29 Amendment to Chapter 6.88

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Hello,

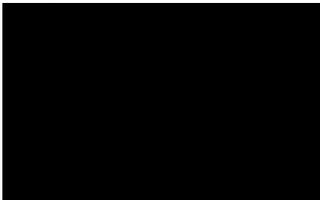
I am legal counsel for several registered cannabis businesses in San Jose. My clients object to an increase in the number of equity retail storefronts/dispensaries. The DCR did not reach out to the existing businesses before making this unilateral and detrimental recommendation. My clients' businesses are already suffering financially due to the increase in illegal cannabis and hemp product sales in San Jose. Some San Jose cannabis businesses have seen sales decrease approximately 20% in the last 2 years.

Per the CDTFA, sales in Santa Clara County have decreased over 8% between 2021 and 2022 and almost 9% between 2022 and 2023 – this was an 16.46% decrease between 2021 and 2023. For Q1 2024, sales are down an average of 9.61%. See <https://www.cdtfa.ca.gov/dataportal/dataset.htm?url=CannabisSalesByCounty> from which the following data was extracted; see also https://www.washingtonexaminer.com/news/business/3033458/cannabis-sales-stall-by-the-millions-in-san-francisco-as-dispensary-owners-bemoan-black-market-operations/?utm_source=ground.news&utm_medium=referral.

	Year	Quarter	Per Capita	Total Taxable Sales by Quarter	Total Taxable Sales	Average	Increase/Decrease by Year	Average Increase/Decrease	
Santa Clara	2019	1	\$22.41	\$43,586,992					
Santa Clara	2019	2	\$24.60	\$47,844,550					
Santa Clara	2019	3	\$25.70	\$49,985,898					
Santa Clara	2019	4	\$24.52	\$47,690,601	\$189,108,041	\$47,277,010	50.12%	12.59%	
Santa Clara	2020	1	\$24.88	\$48,189,961					
Santa Clara	2020	2	\$24.76	\$47,960,987					
Santa Clara	2020	3	\$27.97	\$54,175,826					
Santa Clara	2020	4	\$28.45	\$55,104,459	\$205,431,233	\$51,357,808	8.63%	8.63%	
Santa Clara	2021	1	\$29.42	\$56,308,942					
Santa Clara	2021	2	\$30.15	\$57,712,062					
Santa Clara	2021	3	\$28.82	\$55,168,373					
Santa Clara	2021	4	\$28.32	\$54,217,056	\$223,406,433	\$55,851,608	8.75%	8.75%	
Santa Clara	2022	1	\$27.60	\$52,327,911					
Santa Clara	2022	2	\$27.70	\$52,526,190					
Santa Clara	2022	3	\$26.34	\$49,940,193					
Santa Clara	2022	4	\$26.49	\$50,228,496	\$205,022,790	\$51,255,698	-8.23%	-8.23%	
Santa Clara	2023	1	\$25.18	\$47,922,386					
Santa Clara	2023	2	\$25.19	\$47,935,128					
Santa Clara	2023	3	\$24.89	\$47,379,015					2021-2023
Santa Clara	2023	4	\$22.80	\$43,394,896	\$186,631,425	\$46,657,856	-8.97%	-8.97%	-16.46%
Santa Clara	2024	1	\$22.15	\$42,173,372				-9.61%	

Allowing an additional five retail storefronts will further negatively impact the existing businesses in San Jose.

Sincerely,
Sharmi Shah, Esq. (she/her)
Founder/Principal
Sharmi Shah, Attorney at Law, A PLC
Campbell Office Center



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FW: No to additional equity locations in San Jose

City Clerk <city.clerk@sanjoseca.gov>

Mon 6/17/2024 3:02 PM

To: Agendadesk <Agendadesk@sanjoseca.gov>

 1 attachments (357 KB)

No to additional equity stores.pdf;

From: Angela Long [REDACTED]

Sent: Monday, June 17, 2024 2:43 PM

To: City Clerk <city.clerk@sanjoseca.gov>

Cc: nate [REDACTED] Kim Hoang [REDACTED] Josh Santaga [REDACTED]

Subject: No to additional equity locations in San Jose

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Hello,

This letter is for the city council meeting to be held 6/18/24 with DCR. Please find attached our letter not in support of additional equity locations in San Jose/

Thank you.

Angela Long
Operations Manager
[REDACTED]

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June 17, 2024

To San Jose City Council,

I, Nathan Lessard, am one of the owners of [REDACTED] Dispensary, one of the original 16 dispensaries which is now down to 14.

I am writing in opposition to opening additional equity ran dispensaries in San Jose.

What would be the point of hurting existing dispensaries sales and those that have stuck with this process since the beginning. These will not be run by equity owners, they will be run by big businesses, fronted by equity owners. It happens in every situation where equity licenses are 49% controlled by big business and charge heavy management fees that suck up all the company's money, leaving the equity person with very little. I object to an increase in the number of retail storefronts/dispensaries. The DCR did not contact the existing businesses before making this unilateral and detrimental recommendation. My business is already suffering financially. I have had a decrease in sales of 35% in 2024. Allowing an additional five retail storefronts will further negatively impact my business.

Also, signing this in support of the statements above are Joshua Santaga (Owner), Angela Longm (Operations Manager) and Kim Hoang (Inventory Manager).

I appreciate your consideration in this matter.

Sincerely,

[REDACTED]

6/17/24

Nathan Lessard

[REDACTED]

Date

6/17/24

Joshua Santaga

[REDACTED]

Date

6/17/24

Angela Long

[REDACTED]

Date

6/17/24

Kim Hoang

Date

FW: Purple Lotus Comments on Agenda Item 2.29 for the June 18 City Council Meeting – Amendment to Title 6 of the San Jose Municipal Code for Cannabis Regulatory Program

City Clerk <city.clerk@sanjoseca.gov>

Mon 6/17/2024 4:48 PM

To: Agendadesk <Agendadesk@sanjoseca.gov>

From: Dan Georgatos <[REDACTED]>
Sent: Monday, June 17, 2024 4:38 PM
To: City Clerk <city.clerk@sanjoseca.gov>
Subject: Purple Lotus Comments on Agenda Item 2.29 for the June 18 City Council Meeting – Amendment to Title 6 of the San Jose Municipal Code for Cannabis Regulatory Program

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Honorable Mayor Mahan and Councilmembers:

Thank you for taking the time to review these comments on the proposed Amendments to Title 6 and San Jose's Cannabis Regulatory Program.

My name is Dan Georgatos and I represent Purple Lotus, who operates registered cannabis retail locations in the City of San Jose.

Purple Lotus is wholeheartedly supportive of the Social Equity program in San Jose. In fact, Purple Lotus' owners would have qualified as social equity owners at the time they launched their business in 2010—as would many of the small businesses that were initially registered in 2014. But we are concerned with Recommendation (a)(2) of the proposal: and that allowing ten (10) retail storefronts instead of the currently allotted five (5) will have a negative and detrimental impact to all involved in the City's Cannabis Regulatory Program.

Therefore, we suggest maintaining the current course and awarding five (5) Social Equity retail storefront opportunities and five (5) Social Equity delivery only opportunities in the upcoming lottery.

As you may know, legal retail sales of cannabis have been down in San Jose and the State of California since their peak in 2021. This has been true for the whole market and retailers on an individual basis. Large and small businesses alike in the legal cannabis market have been failing as of late, including two storefront retailers here in San Jose.

Meanwhile, the illicit cannabis market, smoke and vape shops, and outside delivery services, both legal and illegal, continue to saturate San Jose's cannabis market with little to no oversight from SJPDCR or the Finance Department. These operators are not registered with SJPDCR and do not pay the 10% Cannabis Business Tax even though they routinely operate in the City.

This competitive disadvantage that already exists for the registered businesses will persist for the Social Equity businesses. Doubling the number of allowed equity storefronts will further saturate the Santa Clara County market, making success for the social equity applicants less likely. The legal cannabis market is not growing and adding ten (10) new storefronts (instead of five (5)) may cause a number of the existing registered businesses to fail as their market share inevitably drops.

Furthermore, other California jurisdictions who have implemented similar programs have had issues with Social Equity applicants entering disadvantageous deals with investor partners. These deals usually conceal the true nature of ownership of the business. Awarding ten new retail storefront licenses

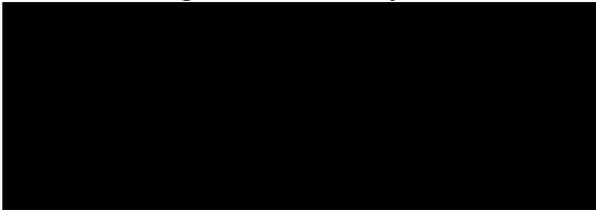
immediately will likely exacerbate the problem of lack of transparency in who really owns and profits from the social equity business.

Therefore, Purple Lotus respectfully requests removal of Recommendation (a) (2) while maintaining the current structure of the Social Equity program in awarding five (5) retail storefront opportunities and five (5) delivery only opportunities.

Thank you.

Regards,

Dan J. Georgatos, Attorney at Law



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