

**ATTACHMENT F
EDTECH MEMO JULY 15, 2021**

MEMORANDUM

TO: ECONOMIC DEVELOPMENT AND TECHNOLOGY COMMITTEE

FROM: DAVID M. REYES, DIRECTOR OF THE PLANNING AND
COMMUNITY DEVELOPMENT DEPARTMENT

SUBJECT: POTENTIAL AMENDMENTS TO CANNABIS REGULATIONS

DATE: JULY 15, 2021

EXECUTIVE SUMMARY

The City Council has previously considered amendments to the City's cannabis regulations and directed the Economic Development and Technology Committee (EDTECH) take this issue up. At its meeting of May 27, 2021 EDTECH received a report and directed staff to return with a discussion of three key issues. This memorandum discusses those issues and identifies potential options to move forward.

ISSUE 1: Two of the City's selected candidates to operate a dispensary will likely not be able to find a code compliant location under existing rules.

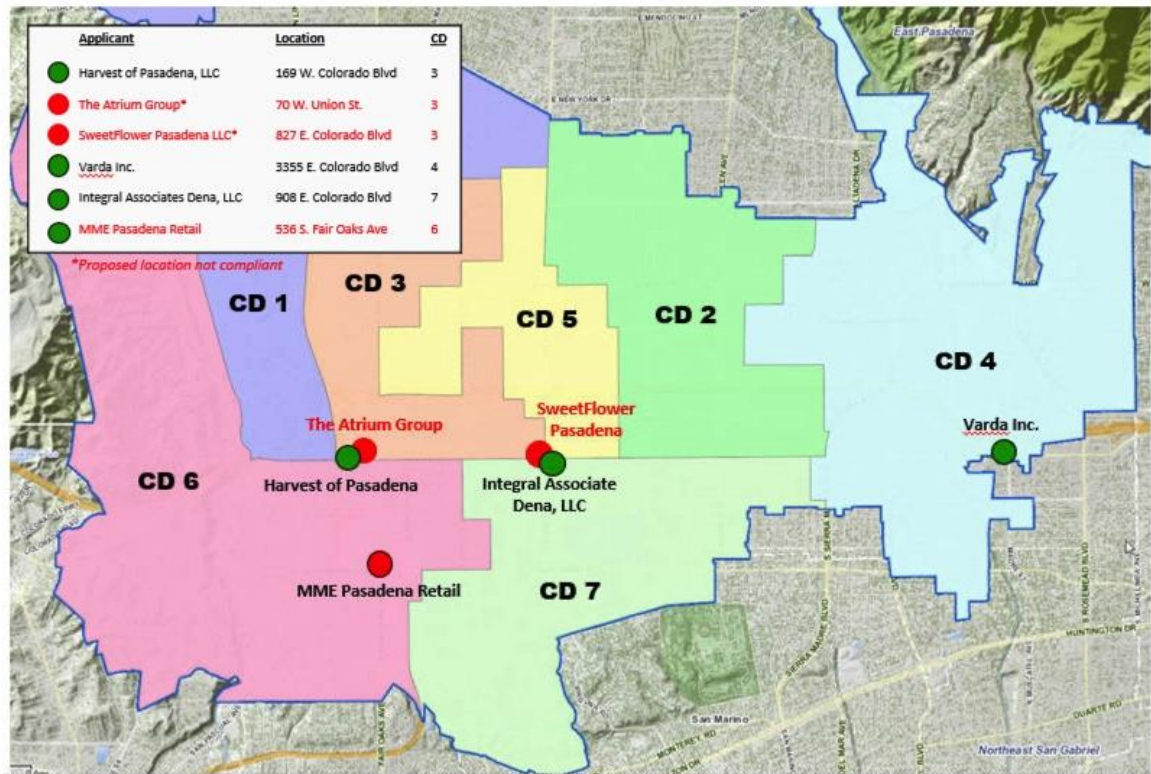
ISSUE 2: Since one of the six top scoring applicants was disqualified from the process, the 7th ranked candidate may be allowed to move-up, but if regulations are not amended, it would likely be a pointless exercise.

ISSUE 3: Consider the possibilities of a cannabis equity program.

TWO OF THE TOP SELECTED APPLICANTS CANNOT PROCEED

The table below reminds the Committee of the status of our existing permitting process.

	<i>Applicant</i>	<i>Date of Submissions</i>	<i>Proposed Location</i>	<i>Council District</i>	<i>Current Status</i>
1.	SweetFlower Pasadena, LLC	June 12,2019 June 27, 2019 July 3, 2019 August 8, 2019	827 E Colorado Blvd	3	CUP application complete. <u>Cannot be processed due to other complete applications submitted in Council District 3.</u>
2.	Harvest of Pasadena, LLC	June 12,2019	169 W Colorado Blvd	3	Cannabis Permit issued – Tenant Improvement work needed prior to opening.
3.	The Atrium Group, LLC	June 12, 2019	70 W Union	3	CUP application complete. <u>Cannot be processed due to other complete applications submitted in Council District 3.</u>
4.	Varda (Tony Fong)	June 17, 2019	3355 E Colorado Blvd	4	Retail location is open.
5.	Integral Associates Dena, LLC	June 27, 2019	908 E Colorado Blvd	7	Retail location is open doing business as Essence.
6.	MME Pasadena Retail, Inc.	September 18, 2019	536 S Fair Oaks Ave	6	Material changes to ownership – disqualified from process



Sweetflower Pasadena, LLC (Sweetflower) and The Atrium Group, LLC (Atrium) were selected as top 6 applicants out of a candidate pool of 128 applications but Pasadena's retail cannabis regulations are amongst the strictest in the nation. The table below compares our regulations to those of the state.

Pasadena - Distance Separation	State – Distance Separation
Cannabis Retailers	
600 feet to k-12 schools	600 feet to k-12 schools
600 feet to youth center	600 feet to youth center
600 feet to day care centers	600 feet to day care centers
600 feet to large/small family daycare	NONE REQUIRED
600 feet to churches	NONE REQUIRED
600 feet to libraries	NONE REQUIRED
600 feet to substance abuse centers	NONE REQUIRED

600 feet to parks	NONE REQUIRED
600 feet to residential zones	NONE REQUIRED
1000 feet from another cannabis retailer	NONE REQUIRED
1000 feet from a cannabis cultivator	NONE REQUIRED
500 feet from a cannabis testing lab	NONE REQUIRED
Not allowed within mixed use projects	NONE REQUIRED
Cap of one per Council District	NONE REQUIRED

Moreover, while the City has implemented other distance separation requirements for certain uses (e.g. alcohol, cigarettes retailers), there is no limit on the maximum number of bars or major tobacco retailers that are allowed in the City.

Given the fact that the two cannabis businesses that are legally open in the City have operated without impact to surrounding uses, it was previously recommended that minor tweaks be made to reduce the distance separation requirement from 600 feet to 450 feet and to increase the number of dispensaries permitted within each council district from 1 to 3. These changes would allow Atrium and Sweetflower to locate at their proposed locations.

However, at its May 27th meeting, the Committee asked staff to consider alternative distances than those proposed by staff. Staff used the City's GIS data to map and analyze the following (Attachment 1, Maps Showing Allowed Locations with Various Distance Separation Requirements)

As indicated by the attached maps, there are so many uses that dispensaries must be separated from, changing the distance required from each other had little impact – it did not really open up that many additional spots. Moreover, those locations that might meet the required standards may not be available for lease.

Given that the City now has two cannabis dispensaries open for business and operating essentially as high-turnover retail, staff recommends that existing distance separation requirements be amended to mirror those of the state.

THE 7TH RANKED APPLICANT MAY BE ALLOWED TO APPLY FOR CUP

The adopted regulations currently allow for up to six dispensaries to operate within the City. The City's process for selecting which applicants would be allowed to apply for a Conditional Use Permit (CUP) involved an outside consultant scoring and ranking the 128 applications. A number of scoring factors were considered, including but not limited to experience, industry knowledge, and business operations plans. Only the top six applicants were permitted to move forward and seek a cannabis permit to operate a dispensary in the City. It is worth noting that, out of a possible 1,575 total points, only a single point separated applicants 6 and 7: MME Pasadena Retail, Inc. (MedMen), the 6th ranked applicant (subsequently disqualified) scored 1,459 points and the 7th ranked applicant, The Brick & Rose, scored 1,458 points. Since MedMen was disqualified from the process, the 7th ranked applicant could be allowed to apply for a CUP. However, since existing regulations severely limit the allowable locations available to establish a dispensary, it would not be advisable to move the 7th applicant forward without amending the distance separation requirements first.

POTENTIAL FOR EQUITY PROGRAM

As previously discussed with the Committee (Attachment 2, EDTECH Memorandum dated May 27, 2021), the City may seek to expand the maximum number of dispensaries beyond the six currently permitted. The table below identifies the allowed number of dispensary permits in various cities:

City	Population	Retail Cannabis Permits	Ratio of licenses to population
Pasadena	141,371	6 4 3	23,562 35,342 47,123
West Hollywood	36,854	8	4,607
Long Beach	469,450	31	15,144
San Francisco	883,305	No limit on # of permits 37 retail permits issued to-date (estimate over 100 illegal currently operating)	No limit
Los Angeles	3,990,456	No limit on # of permits 188 retailer permits issued to-date (estimated 250 illegal currently operating)	No limit
San Diego	1,425,976	36 (additional cap of 4 per Council District)	39,610
Santa Cruz	65,021	12	5,418

Further, if the Council seeks to add additional dispensaries as part of an equity program, a new scoring and application process could be developed which

places an emphasis on factors other than those developed in the first round. Common factors considered in a social equity program include but are not limited to: local residency, existing annual income, and whether or not an applicant has been harmed by past drug policy/regulations. The legality of any suggested factors would have to be considered. Whatever factors are considered, it is certain that there will be many more qualified applicants than the number of dispensaries available so, if an equity program is to be considered, the scoring factors and application process must be clear and transparent.

SUMMARY OF ISSUES AND NEXT STEPS

There are two existing cannabis dispensaries open in the City today and a third that has obtained a cannabis permit but is not yet open. In addition, there are two other applicants that were independently scored and ranked and determined to be qualified to operate a dispensary within the City. Since one of the top six applicants was disqualified, the 7th ranked applicant could be allowed seek a CUP. The Council may also seek to expand the number of permits and establish an equity program for any new permits.

Staff recommends the following:

1. Amend the cannabis regulations to align with state law and allow the remaining two top scoring applicants to obtain a Cannabis Permit;
2. Subsequently, allow the 7th ranked applicant to move through the permitting process;
3. Provide further direction to staff regarding the establishment of an equity program after 6 dispensaries have completed the permitting process; and
4. Amend the technical error to bring consistency to distance separation for labs and cultivators.

Attachment 1, Maps Showing Allowed Locations with Various Distance Separation Requirements

Attachment 2, EDTECH Memorandum dated May 27, 2021