

MOM TR, Inc. 300 Higuera Street San Luis Obispo, CA 93401

September 5, 2021

Dear Honorable Mayor and City Council,

RE: Item 4 on the Tracy City Council September 7, 2021 Agenda

On behalf of MOM TR, Inc. dba Megan's Organic Market (MOM Tracy), we submit the following comments regarding the City's cannabis business permit application procedures and guidelines, commercial cannabis activity ordinance, and cannabis business permit issuance process.

MOM Tracy was one of the four companies which received a conditional Cannabis Business Permit awarded by the Chief of Police in June 2021. MOM Tracy urges the Mayor and City Council to consider and support staff report Option #3, which would help to improve the development of a sustainable, robust, and successful City of Tracy cannabis program by allowing for more local distribution, cultivation, manufacturing, and testing operators - but not increasing the number of retail operators above four retail operators, at this time.

Option #3 provides for the expansion of the non-retail license types. At the same time, this approach allows for a prudent and calculated expansion of retail operator opportunities in the City of Tracy cannabis program after the City's initially selected retail operators begin operating for some time and the City can observe and evaluate implementation of its current cannabis retail program before expanding on it. MOM Tracy's analysis of the options presented in the staff report leads to a conclusion that Option #1 and Option #2 have a high probability of detrimentally affecting the short-term and long-term development of a sustainable, robust, and successful City of Tracy cannabis program. Accordingly, MOM Tracy respectfully requests the Mayor and City Council consider adoption of staff report Option #3.

The adoption of staff report Ordinance Changes Option #1 (increasing the number of retail permits to ten) or Option #2 (increasing the number of retail permits by four annually) would fundamentally alter the economic viability of MOM Tracy's proposed project and likely that of other quality cannabis operators in the City. Cannabis retailers are subject to high compliance and operational costs as well as a heavy Federal tax burden due to IRS Section 280E, which limits the ability of cannabis retailers to write off ordinary business expenses. Therefore, companies who operate at the highest regulatory, customer, employee, and community standards and who properly pay all Federal, State, and Local taxes, require relatively high revenue thresholds to maintain operations.

Adopting Options #1 or #2 and increasing the number of retailers in the City of Tracy could result in licensed operator revenue dropping below the revenue threshold that create conditions

for quality and compliant operators to conduct business in a sustainable manner. While it is clear that the City of Tracy should explore expansion of its retail cannabis program in a manner that is compatible with its growth plan, mission, and vision, it seems prudent to implement the current retail cannabis program and revisit the issue of expanding the cannabis retail program with the benefit of experience and data from operations of the City's first four cannabis retail operators. With that experience and data in hand, it seems to follow that this Council will be best equipped to consider and adopt expansion measures to the cannabis retail program that seek to meet the community need for access, and maximizes the City's potential tax revenue receipts - all within a framework of stewarding the City of Tracy cannabis retail program and its development in the City of Tracy in a manner compatible with the character, vision, and plan of the City.

Further, the Community Benefit Proposals submitted by applicants were based on the assumption that four City cannabis retail operator permits would be issued. Adopting measures now to increase the number of retail cannabis permits awarded in the immediate term, before the initially selected retail operators even open, would seem to violate fundamental rules of fairness. Further, making a premature move to increase the number of cannabis retail permits in the City may render some of the commitments in the applicants' Community Benefit Proposals impossible or unduly onerous to fulfill as a direct result of the number of operators being increased above the number of permits assumed when developing its projections and commitments; in the same manner that the City thoughtfully considered its cannabis retail program, applicants' thoughtfully considered their projections and commitments. Of course the City must have flexibility and has the authority to implement its programs to benefit its residents and further its goals; however, our analysis clearly indicates that the City's best course of action for its residents, tax revenue opportunity, and long-term robust participation in the California cannabis economy is to support Option #3 and revisit expansion of the cannabis retail program after implementation and observation of the four cannabis retail operators already selected by the City.

The most appropriate approach would be to adopt Ordinance Changes Option #3. Option #3 provides for the potential of more non-retail operators in the City in the near-term and deferring the decision to increase the number of retail operators until after the four selected retailers have been open and operating. At that time, the City will have been able to gather far more information about the number of retailers that are compatible and viable with the City of Tracy.

MOM Tracy strongly supports the development of a robust local supply chain and advocates that the Council allow for scoring by cannabis business type, rather than combining and mixing all reviews. This approach could allow the City the opportunity to approve additional distribution, cultivation, manufacturing, and testing operations within the City, which in turn would boost tax revenue, economic benefit, and make it possible for the four storefront retailers awarded permits to source hyper-local products and support those local distributors, producers, and service providers. MOM Tracy respectfully requests that the Council focus on finding ways to develop a

strong local supply chain by expanding the non-retail cannabis operator opportunities in the City of Tracy rather than making changes to the storefront retail process.

MOM Tracy is honored to be selected as one of the City's first retail operators and we look forward to building a lasting relationship with the City of Tracy and its community. The City, its residents, and its leaders have laid out a clear vision for the City and the City's cannabis program. It is understandable that unsuccessful retail applicants would raise all available arguments; however, the courts and relevant agencies have repeatedly deferred to the discretion and authority of local jurisdictions, especially in cases such as this where the City of Tracy has developed, implemented, and maintained a fair, equitable, and legal process. MOM Tracy encourages the City to focus on bringing to fruition the clear vision laid out for the City's success. Thank you for allowing MOM Tracy to be a part of your community.

Sincerely,

DocuSigned by: Mark Cardona DBE40199594D4D2..



Mark Cardona Chief Legal Officer Megan's Organic Market mark@megansorganicmarket.com From: Pamela Epstein <

Sent: Tuesday, September 7, 2021 2:33 PM

To: Nancy Young <Nancy.Young@cityoftracy.org>; Veronica Vargas <veronica.vargas@cityoftracy.org>; Dan Arriola <Dan.Arriola@cityoftracy.org>; Eleassia Davis <eleassia.davis@cityoftracy.org>; Mateo Bedolla <mateo.bedolla@cityoftracy.org>

Cc: Web - City Manager <CM@cityoftracy.org>; Web - City Clerk <CityClerk@cityoftracy.org> **Subject:** Public Comment for 9/7/21 City Council Meet Item 4 - Cannabis Business Permit Process Review

Dear Ms. Richardson, The attached letter is submitted on behalf of GOE-Tracy, LLC, C.H.C.C. Inc. (Tracy Cannabis Collective), Bowtie Wellness, Inc., and Jiva TCY LLC (collectively, the "Appellants") in response to the Special Hearing to Review the City's Cannabis Business Permit Application Procedures and Guidelines, Commercial Cannabis Activity Ordinance, Cannabis Business Permit Issuance Process, and Provide Direction to Staff.

Yours Truly,

Pamela Epstein

Pamela N. Epstein, Esq., LL.M
www.EdenEnterprises.com
 www.EdenEnterprises.com

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City of Tracy Mayor, City Councilmembers, City Manager 333 Civic Center Plaza Tracy, CA 95376 Transmitted via Electronic Mail

Re: <u>Support with Comments in Response to the Special Meeting to Review the City's</u> <u>Cannabis Business Permit Application Procedures and Guidelines, Commercial</u> <u>Cannabis Activity Ordinance, Cannabis Business Permit Issuance Process, And</u> <u>Provide Direction to Staff.</u>

Dear Hon. Mayor and Councilmembers:

I. Introduction

This letter is submitted on behalf GOE-Tracy, LLC, C.H.C.C. Inc. (Tracy Cannabis Collective), Bowtie Wellness, Inc., and Jiva TCY LLC (collectively the "Appellants"). Each of the Appellants submitted timely applications during the City of Tracy's (the "City") competitive Storefront Retail Commercial Cannabis Business Permit Application process (the "Process"). The Appellants were all among the Final Applications; however, none were selected among the final four. The Appellants appreciate Council's express directive to staff to bring back the cannabis item at the August 17, 2021 City Council hearing. The Staff Report in preparation of the September 7, 2021 Special City Council Meeting (the "Report") provides various options for the City to address the issues and challenges with the Process. The Appellants strongly support Council to direct staff to prepare a resolution approving amendments to the Tracy Cannabis Ordinance and Guidelines to allow all qualifying Final Applicants to move forward with the Condition Use Process ("CUP").

II. The City Should Move Forward With Modifications to the Cannabis Business Permit Process to Address Outstanding Stakeholder Concerns Related to the Process, and Increase Transparency and Public Participation.

Appellants appreciate Staff's recognition of the problems associated with the City's cannabis retail application Process. However, Staff's well-intentioned desire to cure issues related to the Process for future permitting cycles is beyond the scope of the present situation. Whereas changes to a future application process are merely hypothetical, Appellants have been waiting for months, and are presently injured through time cost, financial expense, and uncertainty as a result of the pending retail cannabis issues on appeal. As a result, we urge Council to narrow the focus of today's meeting to create a path forward to provide redress for the existing Process and pending appeals leaving future issues to be addressed at a later date.

It is with focused attention that the Appellants strongly recommend Council direct staff to prepare a resolution to modify the cannabis ordinance in alignment with Staff's Option 1 - "Increase the number of Retail storefront (dispensary) permits to another number, for example 10, to match the number of applications that progressed through Phase 3 of the City's review process."

Pursuant to §TMC 6.36.040 subsection (b) ".. at any time in the City Council's discretion, the City Council may reassess the number of cannabis business permits which are authorized for issuance. The City Council, in its discretion, may determine by ordinance whether the number of commercial cannabis permits should change." (Emphasis Added).

It is with this authority the Appellants urge Council to approve the following amendment to the TMC 6.36.040 Maximum Number and Type of Authorized Commercial Cannabis Businesses Permitted as follows:

- (a) Maximum Number and Type of Authorized Cannabis Businesses Permitted. The number of each type of cannabis business that shall be permitted to operate in the City at any one given time shall be as follows:
 - (i) Cultivation (Indoor Only) no maximum number.
 - (ii) Distribution no maximum number.
 - (iii) Manufacturing no maximum number.
 - (iv) Microbusiness no maximum number.
 - (v) Retailer Non-Storefront (Delivery Only) no maximum number.
 - (vi) Retailer Storefront (Dispensary) a maximum of four (4) ten (10) storefront retailers.
 - (vii) Testing Laboratory no maximum number.

While the Council would increase the total maximum number of cannabis businesses that can operate in the City, this action should not be construed as a guarantee that the City will ultimately have the maximum number of cannabis businesses operating. The City would merely be addressing the inequity and lack of transparency in the review process by providing the ability for all of the Final Applicants to engage in the CUP process, provided that application materials remain accurate and compliant with the City ordinance and State laws.

The CUP process is public, allowing residents to voice their opinion, support and/or concerns over the individual projects. The Planning Commission is under no obligation to issue rubber stamp approvals. Furthermore, the City existing timeframes would apply to all Applicants, specifically the requirement to identify property within 90-days. The Council could further include a deadline by which Final Applicants must submit a completed CUP package for processing for example, within a one-year.

The City taking the above direction will provide the equitable remedy to Appellants, without incurring the time and expenditure to the City, the Appellants, and ultimately to the Taxpayers. The other options provided by Staff fail to properly address the challenges and issues with the Process and will result in continued legal action including appeals and potentially a writ process.

III. Conclusion

Appellants strongly urge the Council to move forward with Option 1 directing Staff to bring forth a resolution to amend the Tracy Cannabis Ordinance, Guidelines and Application Process to allow all Final Applicants to move forward with the Condition Use Process. For the reasons stated herein, option 1 is the only equitable solution that provides transparency, removes the arbitrary and capricious nature of the decision on retail licenses, reduces exposure to further legal action, and increases public participation. We look forward to working through this item with the Council this evening. Thank you for your time and consideration.

Respectfully Submitted,

-Docusigned by: Ariana Van Alstine

Ariána Van Afstine, Esq. Attorney On Behalf Of C.H.C.C. Inc. dba Tracy Cannabis Collective ariana@aavaconsult.com M: (831) 566-6423

Rajiv "Raj" J. Pottabathni Jiva TCY LLC Managing Director Raj@JivaLife.org M: 732.801.6300 -Docusigned by: Pamela Epstein

Pamela N. Epstein, Esq., L.L.M. Authorized Representative GOE Tracy, LLC dba Garden of Eden pamela@edenenterprises.com M: (520) 904-1482

DocuSigned by: Robert Thomas

Robert Thomas Alamont Wellness, LLC dba Bowtie Managing Partner rpthomasemail@gmail.com M (916) 812-6627

From: S. Sitnik

2.9 Acres For Sales 1007 E Pescadero Ave. Tracy, CA

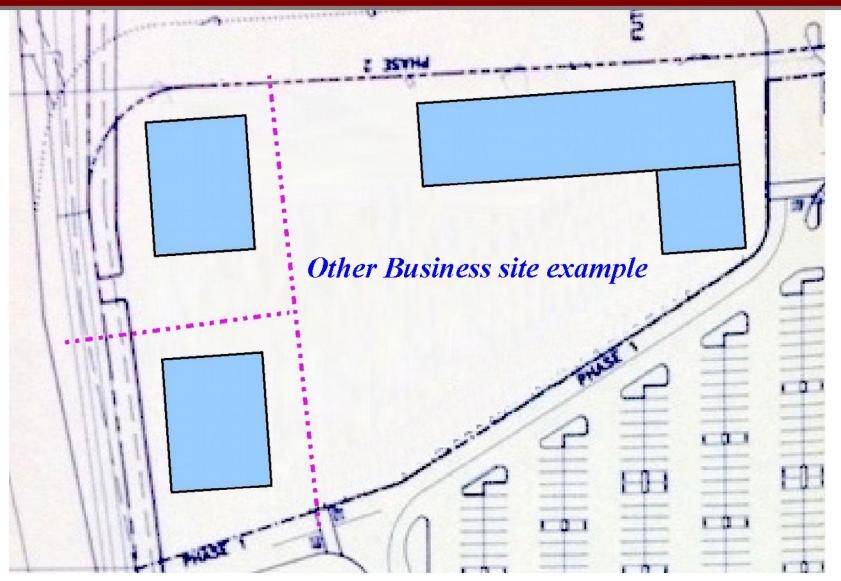


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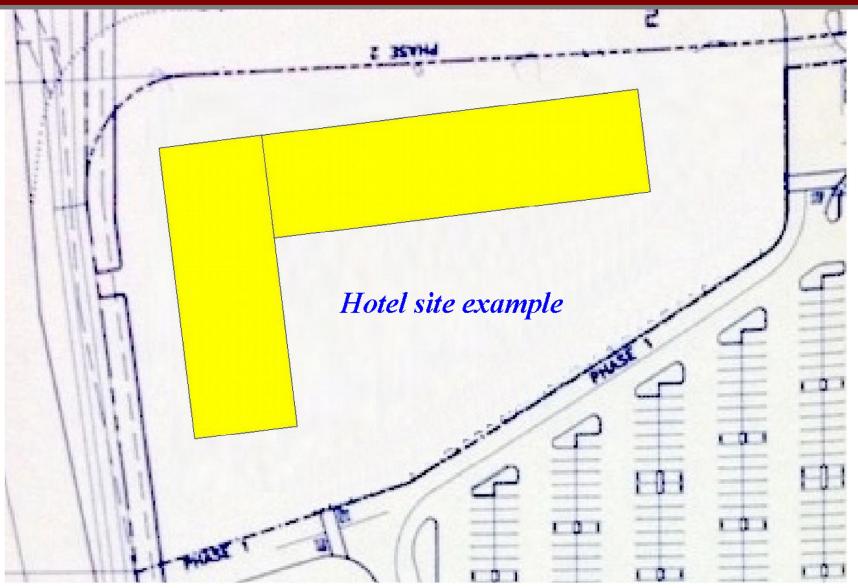
- For Sales at \$4.0M
- Shared ingress with NorthGate Village, a 161,000 sq-ft mall
- Synergy with many future development plans in the area
- Distribution centers for HopeDepot, Orchard Supply, McLane Global, Restoration Hardware, Amazon, Pepsi, LePrino, Crate & Barrel, etc.
- Tracy has more commercial buildings in the plan

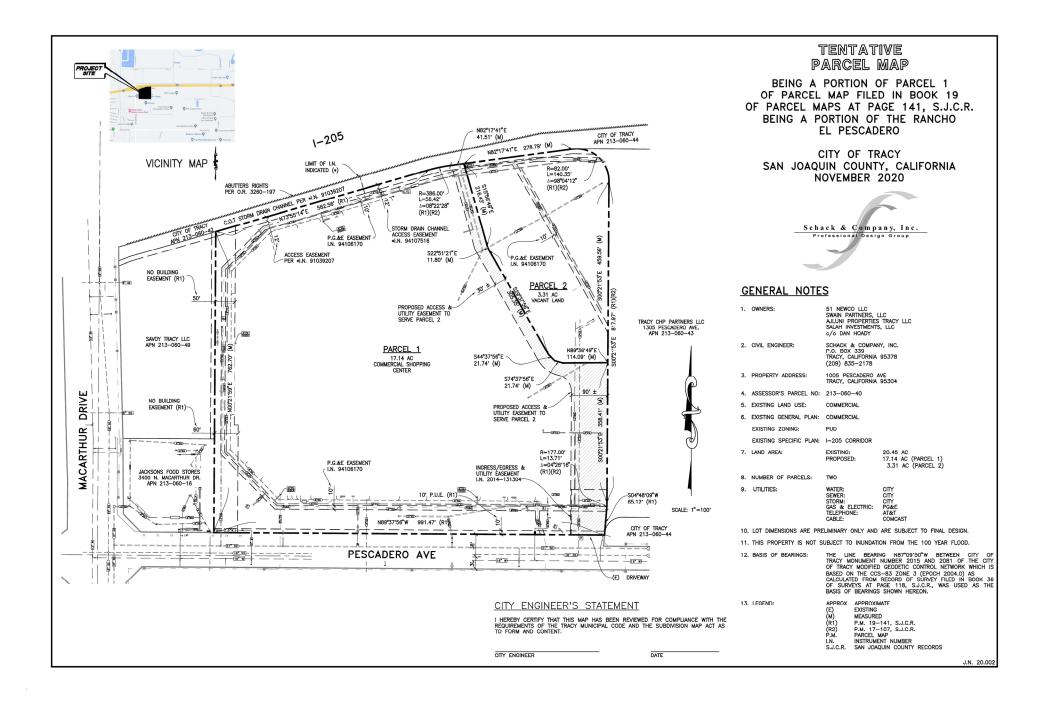
- ◆ I-580, I-5, I-205 all near Tracy
- Excellent visibility from I-205 freeway, which has over 111,000 average daily traffic, MacArthur Drive has 16,000 ADT
- Proximity to Livermore, Dublin, Pleasanton, Stockton
- Utility up to the lot : Electricity, Gas, Sewage
- Supporting infrastructure bonds had matured, and all paid for

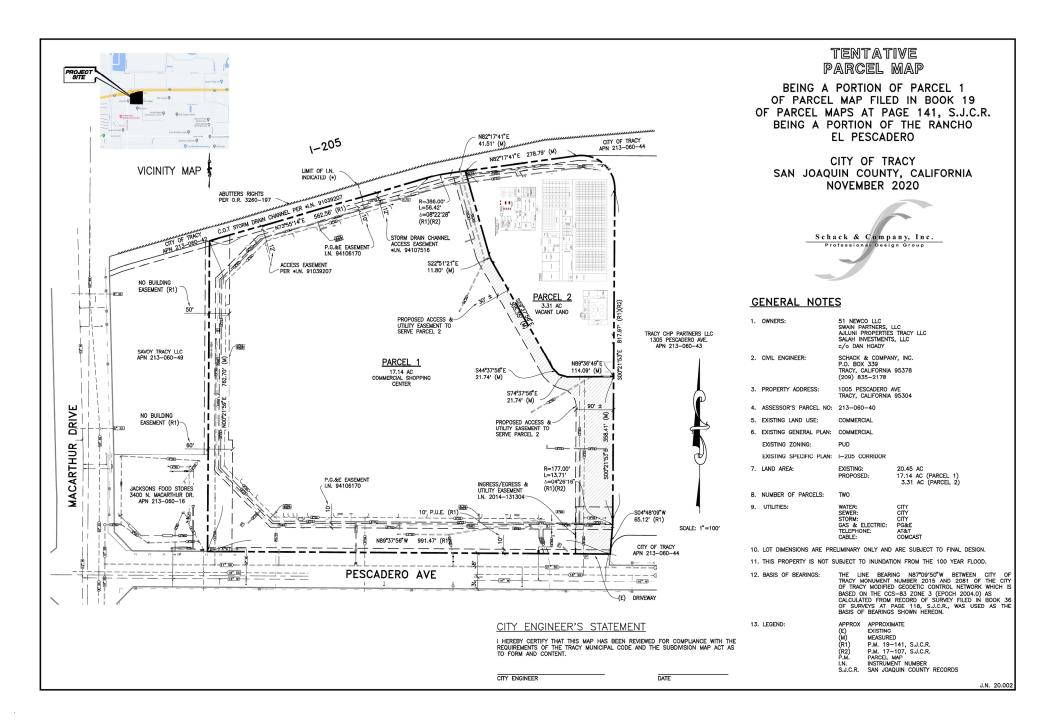
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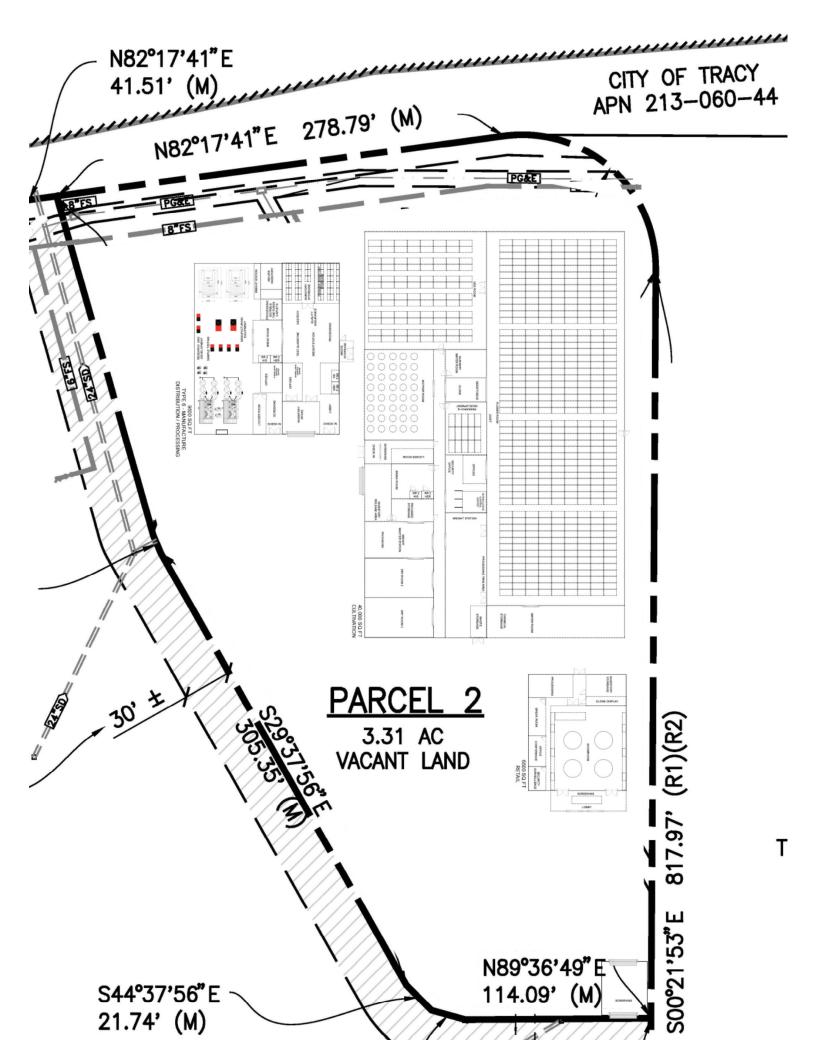


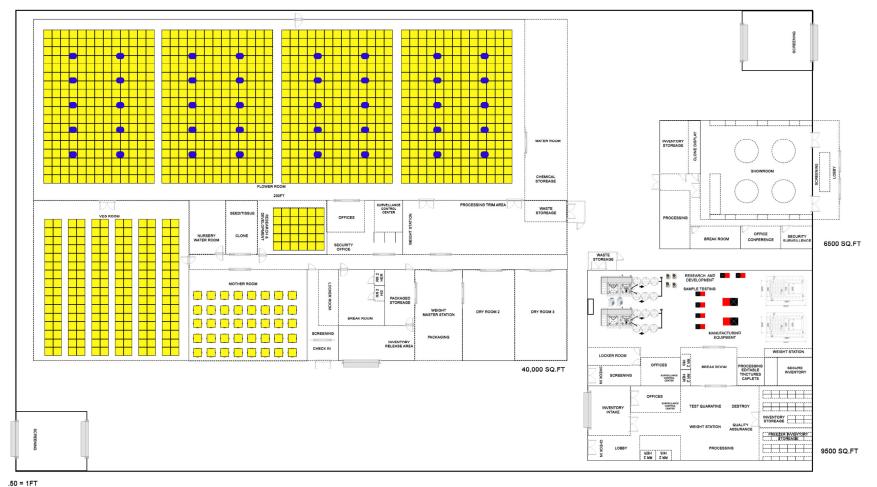
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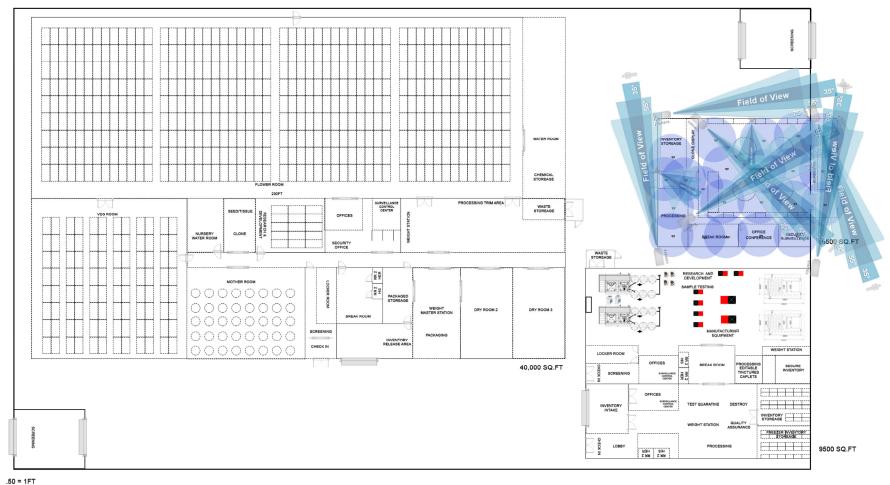




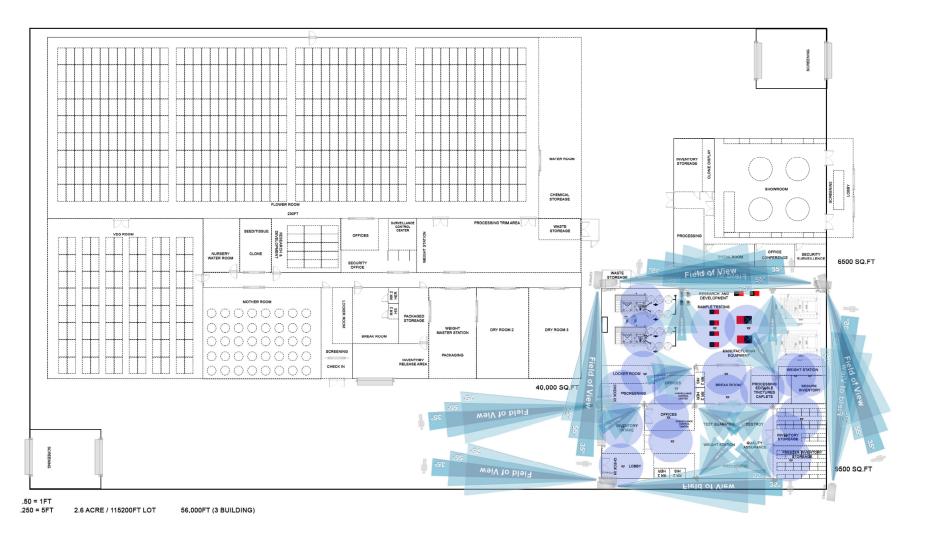


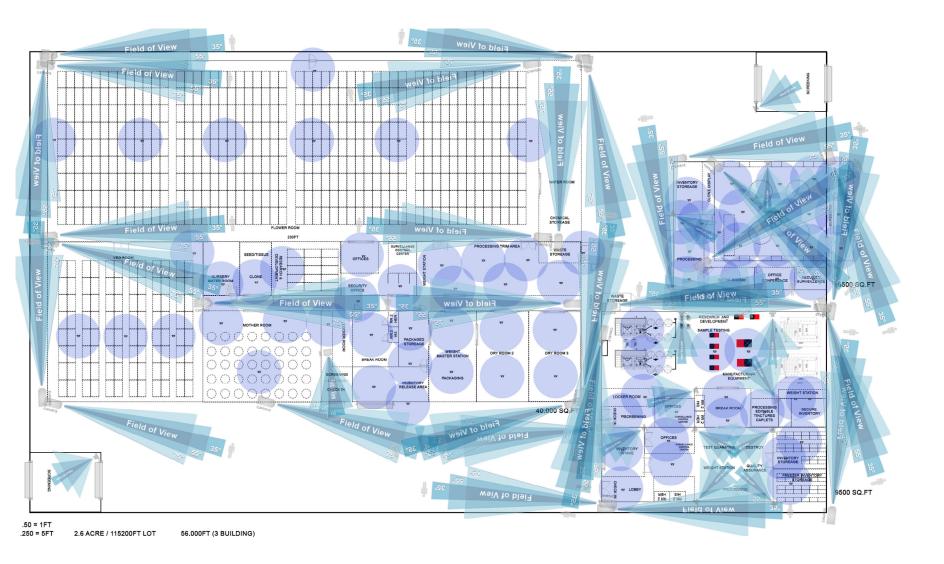


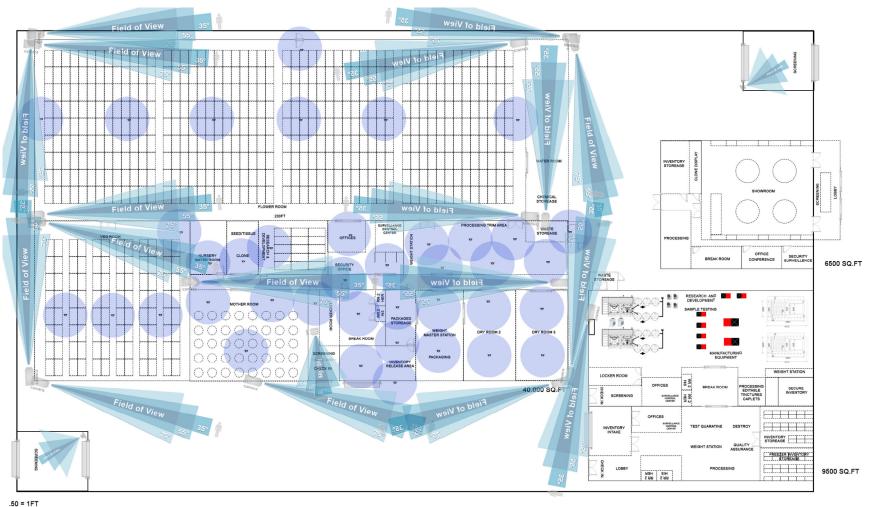
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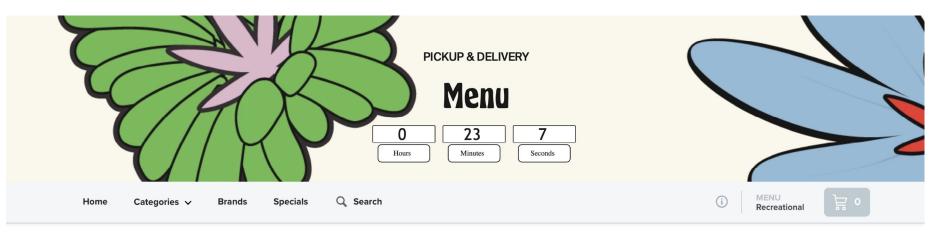
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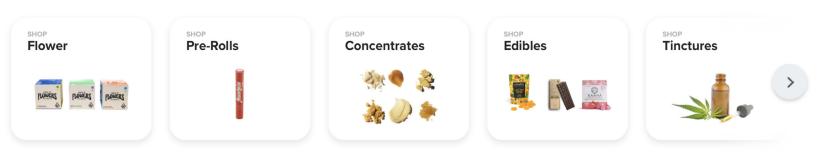




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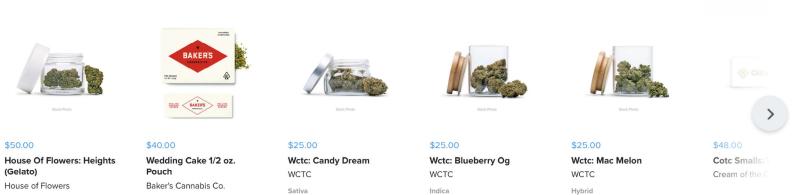


Categories



Popular Flower

View All Flower



Popular Gummies

Hybrid

Hybrid



GET TO KNOW US

Finest Selection of Cannabis

We specialize in finding the right product for you. Each brand has been carefully curated by top specialists to provide you with the best experience. Grown and tested by top laboratories in the country, our cannabis selection can be customized for any need and palette. SUPERIOR SELECTION

BUDTENDER SERVICE

PRODUCT TESTING

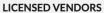
CANNABIS CONSULTATION





CUSTOMERS YEARLY







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Buyer Project in Phases	Date	Ellapsed times from Start	Land Acquisition
Phase I applied	10/01/20	Day 1	Inquiry, prerequisites
		,	(a) Buyer to Provide Canabis Business Operation Procedures including Growing, Extracting, Distribution and Dispensary
			(b) Buyer and key investors' Bio on business & financial profile, related experience
			(c) Proof of Funds
			LOI from Buyer
Phase I extension, add site address			Buyer is allowed to use the property address in Phase I
	10/13/20		application only if the Buyer's LOI be signed and
and a stand and a stand			accepted before the deadline.
			LOI should include the following terms among others.
			(1) Price \$4M for 2.9 Acres approximately
			(2) Subject to successful subdivision, and easement for road access.
			(3) \$10k non refundable payment at signing to hold exclusivity of this offer for 30 days.
Phase I approval, selected by city	11/01/20	1 st month	(4) After the 30 days exclusivity period, seller has the right to accept offer(s) from other buyers, but will provide first right of refusal to the buyer.
Buyer works on funding	12/15/20	2.5 month	(5) Refundable Deposit of \$60k due 45 days after City's phase I approval
Phase II application	02/01/21	4 th month	(6) Refundable Deposit increase to \$120k due 90 days after City's Phase I approval.
Phase II approval	03/01/21	5 th month	
1997 - Brennense Start, 1979-2014 Start II - 1999 - 18 - 2012 4 995	04/01/21	6 th month	(7) Closing in 30 days after Phase II approval
Phase III application, building permits and License.	and endorse endorse	8 th month	
Building out, Opening		16 th month	

All Dates and Plans are no longer valid as of 3/11/2012

- (1) Offer shall be renegotiated
- (2) For information, we have provided a new Lot map used in lot split application which has new easement, between the Shopping Center and the split-lot. Also include PG&E easement across the split-lot where new building sites should avoid.
- (3) A 10 feet tall concrete wall should be build for isolation, finalized after review.
- (4) Business entrance is preferred to be from the SOUTH side, and additionally be built and situated less visible by patrons of the Shopping Center.

PROOF OF SERVICE BY FIRST-CLASS MAIL

1. I am over 18 years of age and not a party to this action. I am employed in the county where the mailing took place.

2. My business address and place of employment is the State Bar of California, Client Security Fund, 845 South Figueroa Street, Los Angeles, California 90017-2515, County of Los Angeles.

3. On February 5, 2021, I mailed from Los Angeles, California, the following documents:

NOTICE OF TENTATIVE DECISION AND TENTATIVE DECISION CASE NO. 18-F-14665

4. I served the documents by enclosing them in an envelope placing the envelope for collection and mailing following our ordinary business practices. I am readily familiar with this business's practice for collecting and processing correspondence for mailing. On the same day that correspondence is placed for collection and mailing, it is deposited in the ordinary course of business with the United States Postal Service in a sealed envelope with postage fully prepaid.

5. The envelope was addressed as **PERSONAL AND CONFIDENTIAL** and mailed as follows:

Spencer D. Sitnik 1871 Alegre Dr Tracy, CA 90242

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Date: February 5, 2021

Linda Kim

Senior Administrative Assistant Client Security Fund

