

Communication from Public

Name: TK

Date Submitted: 04/20/2020 10:53 AM

Council File No: 20-0446

Comments for Public Posting: Lotteries are an inherently flawed means of selecting licensees (as is a first-come, first-serve process to be fair). Other municipalities (and several other states for that matter) have already lived through the unintended negative consequences of a lottery-based selection process, i.e., widespread business failure due to lack of qualifications, lack of business experience and lack of necessary capital leading to mass closures and/or mass sales of the businesses. A more appropriate selection process is one based on qualifications and other indicators of likelihood of success, which is the method used by most municipalities/states outside of California (and many within, e.g. Pasadena). A competitive licensing process, though likely more time consuming for DCR to review/award/implement, leads to better net results and lends to the credibility of the City's expressed goal of promoting the purpose of the SEP (i.e., promoting equitable ownership and employment opportunities to decrease the disparities in life outcomes for marginalized communities and to address the disproportionate impacts of the War on Drugs in those communities). Rather than issue new retail licenses based on blind luck, DCR (and the SEP) would be better served, as would the industry and the consumer population, by basing licensure on actual qualifications and likelihood of success (as measured by ability to open for business and remain open/competitive in the market, and other obvious factors). As an aside, granting preference to Phase 3 Retail Round 1 Applicants for manufacturing, distribution or delivery licenses is a red herring for SEP applicants who are unfamiliar with the industry and how each license type works in practice. Most notably, the value of these license types pales in comparison to an LA retail license, as does the business' potential to generate real profits for owners. Each of these license types requires vastly different skills sets (e.g., science/lab, warehousing/storage, transport logistics), overhead and variable costs, skilled and unskilled labor needs, etc, and are not nearly as attractive, from a business valuation standpoint, as the retail license. Simply put, this is not an apples-to-apples swap and should be treated separately under the SEP from the retail license. The manufacturing, distribution and delivery licenses also present different marketplace dynamics than the retail license and are much more competitive in nature (by

many accounts, there are already far too many of these license types already in the market for a new entrant to be profitable, plus all new SEP licensees will have missed out on first mover advantages by several years, thereby greatly increasing the risk and likelihood of failure within the first year of operations). Again, this "solution" does not promote the SEP purpose as stated and instead may give false hope to those less sophisticated SEP participants, ultimately leaving a giant, yet completely avoidable, mess for DCR to clean up. I suggest asking industry experts as well as past applicants for their opinions on how to improve the SEP moving forward rather than overly rely on the recommendations of one auditing firm who may be well-intentioned, but may also lack the required exposure and insight of other reasonably available options for DCR.