



January 10, 2018

Chris Cate, Councilmember
City Administration Building
202 C Street, 10th Floor
San Diego, CA 92101

Dear Councilmember Cate:

Thank you for reaching out via your letter of January 9 regarding the City of San Diego's cannabis policies. Weedmaps could not agree more that the City, like others across California, has a sizable number of commercial cannabis businesses that, despite efforts to secure City licensing, are unable to do so under the City's current policy framework. While your letter focuses on advertising associated with these businesses, it seems the real issue is that the City has enacted a licensing and zoning system so limited that it ensures a robust unlicensed market that will drain taxpayer dollars and rob the city of jobs and tax revenue. We should also note at the outset, that while you have addressed your letter to us, there are more than 30 other information services that list unlicensed operators in the City, including Google, Bing, Yelp, Craigslist and traditional venues, such as The San Diego Reader.

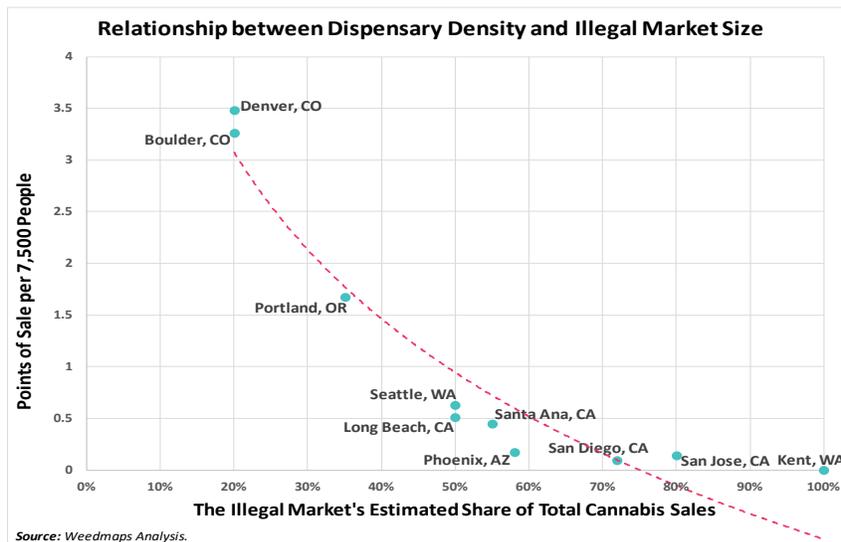
The City's existing model, which imposes city-wide and district-by-district caps on the number of legal cannabis storefronts, is already facing challenges because the zoning parameters make it impossible for any of the hundreds of commercial cannabis operators located in the City to secure a license. Through this model a total of 36 licenses are available, yet only 17 licenses have been granted; and only 12 of these have secured a State license to sell to both patients and adult-use consumers. Further, in a move that runs contrary to Los Angeles and numerous other cities, the model prohibits stand-alone delivery service providers from operating, and instead restricts delivery services to the very limited number of existing cannabis retail storefronts. Given that San Diego has a population of approximately 1.4 million and 34.9 million tourist visitors - it stretches the bounds of rationality to think that 17 shops can have any hope of meeting consumer demand without a large illegal market springing up or surrounding cities rushing to meet the shortfall. In short, this low level of access is incapable of meeting consumer or patient demand, and will only continue to drive consumers back to the illegal market.

The people of San Diego voted overwhelmingly in support of 2016's Prop 64, which extends legal access to non-patient adult consumers (see table below). The current policies are unfair to the businesses that have received licenses and must compete with unlicensed operators, and it is unfair to your citizens who voted in favor of a functioning legal market.

Prop 64 Voting Results by San Diego City Council District	
Council District	Yes
CD 1	60.87%
CD 2	68.26%
CD 3	76.54%
CD 4	56.22%
CD 5	51.58%
CD 6	57.17%
CD 7	59.07%
CD 8	52.88%
CD 9	66.36%

It is worth noting that current California law and regulations prohibit a city from restricting cannabis delivery by licensees who secured local authorization to operate under the law of another city and have state licensure. By not expanding the current policies, the City of San Diego will lose out on the job creation and tax revenue that a well licensed industry could provide. In addition, surrounding cities will likely rush to capitalize by licensing delivery services to meet the unmet demand, and those providers will deliver to patients and adult-use consumers in the City of San Diego.

There is a clear correlation between a city’s licensed retailer density per capita and the size of its illegal market. Our own research on license density versus illegal market share indicates that the optimal ratio to provide sufficient access and dramatically reduce the number of illegal operators is one retail access point (storefront or delivery) per 7,500 residents (see table below). This ratio was determined through analysis of market conditions across a number of large urban jurisdictions in States with legal access models. Cities that fail to meet this density level see a sizeable increase in their illegal market to the point where law enforcement efforts alone are ineffective. In comparing San Diego’s current retail density to the data from other cities (see below), we would project that the City would have a persistent illegal market rate of 70-75%. By way of comparison, the City of Los Angeles will have a projected retail density of 1 per 4,000-7,000 residents and San Diego currently has a density of 1 per 82,000 residents.



Our research also indicates that there is a clear relation between the illegal market share and the effectiveness of law enforcement in preventing illegal operators from reopening. For example, with a 50% illegal market share, roughly 50% of illegal operators which are the subject of police raids will reopen. During the course of our advisory work with state and local governments, we have never seen a successful enforcement strategy when the illegal market rate exceeds 50%. The City of Toronto, Canada provides the most glaring example. In May 2016, Toronto police conducted “Operation Claudia” which consisted of simultaneous raid activities against forty marijuana retailers and resulted in ninety arrests and 257 charges being filed.¹² However, charges against 72 of these individuals were dropped.³ To add insult to financial injury, many of the raided shops reopened operations within 30 days - and often by opening more than one location.⁴

Not only is this “whack-a-mole” enforcement strategy unsuccessful, it is costly. Weedmaps submitted public records act requests throughout the country, and through discussions with elected officials and law enforcement exports learned that the cost of conducting a single raid on a commercial cannabis facility ranges from \$50,000 to \$100,000 and typically consumes the resources of higher paid police specialty units (and this excludes judiciary or incarceration costs). A City Manager recently stated that the cost of shutting down one dispensary in a Southern California city cost the city \$75,000⁵. Examining San Diego’s retail density and its illegal market share, a conservative estimate would place the cost of police enforcement with the current model in excess of \$10 million annually. It seems foolish to incur these costs when data from numerous cities indicates that additional licensing would easily alleviate the problem.

Finally, and as we mentioned earlier, it is worth noting that Weedmaps is only one of dozens of providers who offer information listing services (albeit the only one that focuses on patient safety by only taking lab results directly from laboratories). It is a fanciful notion to imagine that it is possible to try and tackle the failed policies that ensure a sizeable illegal market by trying to obscure that this illegal market exists. Such an effort presents significant legal challenges and represents a huge waste of City resources when the solution is to follow the lead of other cities around the country and create a more practical legal framework to meet consumer demand.

¹ Gray, Jeff. "The Toronto pot bust: Everything you need to know." The Globe and Mail. March 24, 2017. Accessed August 01, 2017. <https://beta.theglobeandmail.com/news/toronto/toronto-police-chief-speaks-on-marijuana-shop-raids/article30186564/?ref=http%3A%2F%2Fwww.theglobeandmail.com&>.

³ Browne, Rachel. "The vast majority of pot shop workers arrested in massive raids won't go to trial." Vice News. July 5, 2017. Accessed August 01, 2017. <https://news.vice.com/story/the-vast-majority-of-pot-shop-workers-arrested-in-massive-raids-wont-go-to-trial>.

⁴ Gray, Jeff. "The Toronto pot bust: Everything you need to know." The Globe and Mail. March 24, 2017. Accessed August 01, 2017. <https://beta.theglobeandmail.com/news/toronto/toronto-police-chief-speaks-on-marijuana-shop-raids/article30186564/?ref=http%3A%2F%2Fwww.theglobeandmail.com&>.

⁵ Sprague, Mike. "Why Pico Rivera killed a plan to legalize medical marijuana dispensaries." Whittier Daily News. August 29, 2017. Accessed November 30, 2017. <http://www.whittierdailynews.com/2016/08/23/why-pico-rivera-killed-a-plan-to-legalize-medical-marijuana-dispensaries>

We are happy to work with the City to provide research, model ordinance language and policy analysis from other cities that could provide a practical path forward. Our team has provided policy, legislative drafting and data analysis services to State and local governments across California, Michigan, Massachusetts, New Jersey, Florida, Washington and Colorado, as well as Canada and Spain. We also recently organized a panel discussion about, and tours of legal commercial cannabis facilities established in the areas outside of San Diego for the National Conference of State Legislatures December conference in San Diego. This event brought hundreds of State legislative representatives from across the country to learn more about forward thinking and responsible cannabis policy.

Please let me know if you have any questions or would like to discuss any of the information included in this letter.

Sincerely,

A handwritten signature in black ink that reads "Dustin McDonald". The signature is written in a cursive, slightly slanted style.

Dustin McDonald
Vice President, Government Relations
Weedmaps

CC: Mayor Kevin Faulconer
Council President Myrtle Cole
Councilmember Barbara Bry
Councilmember Lorie Zapf
Councilmember Chris Ward
Councilmember Mark Kersey
Councilmember Scott Sherman
Councilmember David Alvarez
Councilmember Georgette Gomez
Mara Elliott, City Attorney