

Part 4: Questions and Responses

City of Pasadena Commercial Cannabis Application Process

QUESTION	RESPONSE
<p>1</p> <p>The problem we are having is that our ownership structure, depending on how its listed, will either calculate over 100% ownership or will only list holding companies. To demonstrate the issue:</p> <ol style="list-style-type: none"> 1. Applicant is owned by three Companies : Company A owns 63.12% of Applicant, Company B owns 16.88% of Applicant, Company C owns 20% of Applicant 2. Some of the owners of Companies A, B and C are also companies. For example, Company A is owned by Companies 1, 2, 3, 4, 5, 6, an individual, and a Trust. 3. Company 4, for example, owns 40% of Company A, which equals to 25.25% of Applicant 4. So now the question becomes, do I list as an owner on the application: <ol style="list-style-type: none"> a. Company A, Company C; Company B as a financial interest holder b. Company A, Company C, Company 2, Company 2, Company 4; all other Companies, Individuals, and Trusts as Financial interest holders <p>If I use option "a" under 4 above that will be the most clear and the ownership percentages will add up to 100%. However much of the information will not be available as the page limit limits our ability to provide graphic descriptions.</p> <p>If I use option "b" under 4 above (and keep going in the same way until I get to an individual or Trust/Trustee) you will have complete information, but the ownership percentages won't work out mathematically.</p> <p>Or, alternatively, I can list ownership as option "a" under 4 above, and then list all companies and owners other than Company A and C as financial interest holders, listing the percentage of control over the actual applicant.</p>	<p>As stated in the Applicant/Owner Information Form: "Pursuant to 16 CCR § 5023, an owner is defined as a person with an aggregate ownership interest of 20% or more, chief executive officer, member of the board of directors of a nonprofit, or an individual participating in the direction, control, or management of the applicant. All business owners must be listed, including the applicant." Therefore, it is the <i>aggregate</i> ownership that must be considered in completing the required forms. In the specific example provided, an owner would include Company 4 whose overall ownership stake is 25.25% of the actual business applicant. For Financial Interest Holders, such as Company B, it is not necessary to complete additional Applicant/Owner Information forms for its individual owners since the overall ownership stake of Company B in the actual business applicant is less than 20%.</p>
<p>2</p> <p>Are the Applicant/Owner Information forms counted against the page limit?</p>	<p>The Applicant/Owner Information forms are <u>not</u> counted against the page limit.</p>
<p>3</p> <p>Given that they are binding in the State of California and Pasadena's Commercial Cannabis Application is submitted electronically, are electronic signatures (e.g., DocuSign) permissible on the application forms, particularly the Applicant/Owner Information Form?</p>	<p>Yes, electronic signatures are permissible on the application forms.</p>
<p>4</p> <p>Pasadena's cannabis laws (Chapters 5.28, 5.78, 8.10, and 17.50 of the PMC) do not directly mention any potentially disqualifying criminal offenses for persons holding or maintaining a commercial cannabis permit. Section 5.78.100 directly mentions a variety of civil offenses and potentially / indirectly mentions criminal offenses by reference to State law. With that later point in mind, the City's Applicant/Owner Information Form, and more specifically Question 3 of Section C, cites Section 26057 of the State Business & Professions Code, which contains a specific list of criminal offenses that are potentially (the State allows evidence of rehabilitation) disqualifying for persons holding or maintaining a commercial cannabis permit under State law. Are the criminal offenses listed under Section 26057 of Business & Professions Code disqualifying or potentially disqualifying (i.e., may a person submit evidence of rehabilitation) under the City's cannabis laws? Are there any other criminal offenses that are disqualifying under the City's cannabis laws? If so, are those presently unmentioned criminal offenses disqualifying or potentially disqualifying (i.e., may a person submit evidence of rehabilitation) under the City's cannabis laws?</p>	<p>Per the City of Pasadena Municipal Code, offenses A through E in 5.78.100 are automatic disqualifiers. Consistent with State law, criminal offenses listed under Section 26057 of Business & Professions Code are also automatic disqualifiers with the exception of the offenses listed in 26057 (B)(5) for which evidence of rehabilitation may be considered.</p>
<p>5</p> <p>Can I pay the application fee in person via check or cash to avoid the payment processing fee?</p>	<p>The application must be paid online via Paypal.</p>
<p>6</p> <p>My client has a cannabis felony conviction that was expunged. We are not sure how to answer the question on the application that asks if he was convicted. If we check "yes" we cannot proceed. On the other hand, the 2B Community Benefits Section asks "How the business seeks to ensure that persons most harmed by cannabis criminalization and poverty though a share in the ownership.....". So we are just seeking clarification on that issue. Thank you.</p>	<p>Since the conviction was expunged, you may check "NO" in response to the referenced question. The City cannot provide direction on how to address Section 2B of the application review criteria.</p>

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7	<p>"Applicant and Property Owner must disclose all joint owners, trustees, directors, partners, officers and those with 20% equity or more, participation or revenue interest in owner and/or project. If any of these are an organization/entity, include the name of the organization/entity and the first and last names of all parties of interest of that organization/entity."</p> <p>Could you please update the site to add the ability to add more owners or please provide guidance on how to submit more than 5 owners who are either directors, partners, or officers?</p>	<p>For the online form, only identify 'owners' with 20% equity or greater. Directors, partners, officers, etc. with 19.99% equity or less should be identified in the 'Applicant/Owner Information' forms and one form should be completed for each individual.</p>
8	<p>Are we able to use image pages throughout the application? For example, can one page have 1/2 text, and 1/2 image? If following this technique, we would ensure we keep a footnote at the bottom of each page showing the total page count for images and text. We believe this will make for an easier read for the reviewer, rather than referencing images in the back-portion of the application.</p>	<p>It is up to the applicant's discretion how to utilize the page limits so long as the overall page limits of 75 pages of text and 25 pages of images are not exceeded.</p>
9	<p>The landlord of a potential location is registering prospective cannabis tenants, and taking a large partially refundable deposit. The top scoring applicant will be awarded the site and half of the deposit will go towards the signing of the Lease Agreement. All others will forfeit half of their deposit and the other half will be refunded.</p> <p>This arrangement process seems to violate P.M.C. Section 5.78.100 - E as the amount seems like "unreasonable compensation" and if any applicant engages in this arrangement could be prohibited or disqualified from receiving a permit. Can you please advise if this arrangement is unreasonable? As "Unreasonable compensation" is being defined by the City.</p> <p>We are interested in the site, but want to stay compliant.</p>	<p>This ordinance only regulates leases. We suggest for the applicant and their attorney to do their own investigation/research to make sure the landlord has not otherwise violated 5.78.100 and thus the site becomes invalid because of the landlord's prior acts.</p>
10	<p>Do a cover page and table of contents count towards the 75 page limit for the business plan?</p>	<p>Yes, all pages are counted towards the 75 page limit.</p>