



# Cannabis Availability in the City of Sonoma and Sonoma Valley

Abstract: Most industry professionals believe California must prioritize its retail footprint before it can have real impact on the availability of cannabis products. However, Sonoma and the Valley remain underserved. Our municipality has arguably just one dispensary serving the city and its surrounding population of 40,000. Patients and consumers want local access to competitive prices and more choices, but those options are limited if there is only one provider.

This document provides an informed look at the current state of cannabis availability in the City of Sonoma and the surrounding area based on the Sonoma Valley Cannabis Group's 7+ years of advocacy for our local medical patients and adult-use consumers.

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## **REQUEST**

The Sonoma Valley Cannabis Group requests that the City Council add discussion of the second dispensary RFP to its agenda at the earliest possible date.

## **INTRODUCTION**

The City of Sonoma's cannabis ordinance was updated in April of 2021 to permit a second dispensary. Though nearly four years have passed, the City Council still does not allow medical patients and adult consumers of Sonoma and the Valley the freedom to enjoy a competitive environment that affords improved pricing, product availability, and supplementary services.

The reasons for this are myriad, but can be attributed, in part or in whole, to a lack of understanding of the issue, misinformation, and/or personal bias towards cannabis use. The appearance of regulatory capture may also be considered, i.e., government failure that occurs when regulators prioritize the interests of the industries they regulate over the public interest.

## **BACKGROUND**

In June 2019, the City Council adopted two ordinances, Ordinance # 3-2019 and # 4-2019, that permit and regulate commercial cannabis businesses. The Council authorized one retail business, one non-storefront retail business, one manufacturing business and one testing lab in the city.

On December 16, 2019, the City Council approved "Administrative Regulations" and "Application Procedures and Guidelines" to allow one retail commercial cannabis storefront business and one non-retail storefront commercial cannabis business.

On January 3, 2020, the City issued a Request for Proposal (RFP), and received ten applications, from which SPARC was selected to open and operate a retail cannabis dispensary in Sonoma.

On April 19, 2021, the City Council adopted an ordinance to allow the possibility for a second retail storefront commercial cannabis business to operate in the city.

On November 17, 2021, the City Council reviewed and adopted two resolutions, one updating the RFP and Administrative Regulations and the Application Procedures, and one updating fees for the RFP process.

However, it moved to table the second dispensary process. The Council requested that staff bring back a report after SPARC's first six months of operation so that it might consider the business's impact on the city and whether to issue a new RFP.

**Point of Concern:** SPARC opened its doors on April 20, 2022. Staff could have brought an impact report to the Council in October of 2022, but discussion of the RFP was not put on an agenda again until April 19, 2023. On that date in 2023, the Council once again delayed a decision to release the RFP, suggesting the issue be revisited in 6 months to one year. The Council has yet to put this discussion on the agenda.

## **FINDINGS**

### **SPARC satisfies the city's conditions of approval**

SPARC's impact on the city through what is now its first 40 months of operation appears to be overwhelmingly positive. There have been no law enforcement or traffic issues.

The [April 19, 2023 Agenda Summary](#) noted that SPARC continued to satisfy its Conditions of Approval:

1. Annually, SPARC provided 5% of profits, or a minimum of \$20,000, whichever is greater, to provide assistance to the Sonoma Valley Educational Foundation (SVEF) and La Luz Center;
2. SPARC maintained a "compassion program" giving up to \$4,000 a month worth of free product to those most in need of medical cannabis to residents of the City of Sonoma and immediate surroundings;
3. SPARC partnered with the Sweetleaf Collective, a charity organization that provides free medical cannabis to HIV/AIDS and Cancer patients in the Bay Area to sell Sweetleaf Collective's accessories in SPARC's store in addition to identifying residents of Sonoma and the immediate surroundings who are eligible to participate in the program;
4. SPARC continued to pay above the "living wage" as defined by the City;
5. SPARC has achieved a minimum of 80% for the hiring of locals;
6. SPARC provides a Labor Peace Agreement (LPA) that includes card check neutrality.

SPARC has been providing quarterly reports to the City Planning Department to record and ensure that they are following their conditions of approval. Based upon those submittals, staff determined that SPARC is meeting all their conditions of approval.

Based on the aforementioned, on April 19, 2023, Staff recommended the following action(s):

1) Direct staff as to whether or not a second dispensary will be allowed to operate in the city;

and 2) if yes, direct staff to issue a Request for Proposals, as in [Attachment 1](#), for a second retail storefront commercial cannabis dispensary in the city.

**Point of Concern:** At that time, the Council determined that it would take no action on the RFP and would revisit the item “at some point - it may be 12 months where we bring it up again and maybe less,” according to Mayor Lowe.

It has been nearly two years now since the Council declined to act on the RFP.

### **SPARC business model: proven concept in the City of Sonoma**

Since opening on April 20, 2022, the SPARC dispensary has submitted [monthly gross receipts statements](#) to the city which indicate the Cannabis tax that the city has received on a monthly basis. In the 10 months since opening, from April 20, 2022 through February, 2023, the total gross receipts reported by SPARC were \$3,752,553.77, and total Cannabis Business Taxes to the City, at a rate of 4% were \$150,102.15.

During the following 6 months, from March 2023 through August 2023, the total gross receipts reported by SPARC were \$2,985,318.13, and total Cannabis Business Taxes to the City, at a rate of 4% were \$119,412.73.

In total, from opening on April 20, 2022 through August of 2023, total gross receipts reported by SPARC were \$6,737,871.90, and total Cannabis Business Taxes to the City, at a rate of 4% were \$269,514.88.

**Point of Concern:** Though we submitted a PRA requesting the most recent Cannabis Business Tax Statements, the figures for TOTAL CANNABIS BUSINESS TAXES DUE (total tax to the city @ 4%) have been redacted. We appreciate the concern for privacy, however in this case, we believe that public interest in disclosure of such revenue outweighs any interest in keeping such records private.

## **Patients and consumers are presented with a false choice**

Sonoma County has reached the cap on dispensaries it will approve. Only one of the two closest dispensaries permitted beyond Sonoma's borders is operational. It is 4 miles to the south of the SPARC dispensary at 15 Fremont Drive. The other is four miles to the north of SPARC at 15499 Arnold Drive and may never open for business.

These two permits are held by John Loe (AKA John Lobro), a well-known purveyor of white grievance and bigotry toward those of different race, creed, color or orientation. He has [disrupted Board of Supervisor meetings](#), and was recently [arrested for waving a gun](#) at customers in his Fremont Drive store.

Mr. Loe is currently experiencing serious emotional and financial troubles. As we stated in our [Letter-to-the-Editor](#), he has faced neighborhood complaints about his home-grown gun range, negative press over his hate-filled rhetoric, the prospective loss of his family home and business through bankruptcy, and now possible weapons charges. All that considered, what guarantee is there that John Loe will not become a danger to himself or others in the future?

On the other hand, we have Erich Pearson, who holds the lone dispensary permit within Sonoma's city limits. Few, if any, dispensary owners have been implicated in as many questionable business practices as Mr. Pearson, from [losing a suit](#) for not providing the clear and reasonable exposure warning required by proposition 65 on products he sold, to being labeled an "[Evil Genius](#)" by one Sausalito Town Council member for authoring a failed Sausalito tax measure, to his [involvement in a scandal](#) around a Sonoma city councilmember and her political consultant husband over Sparc's dispensary permit, to [defaming our Sonoma Valley Cannabis Group](#) in front of the Sonoma City Council in an attempt to block the release of the RFP for a second dispensary.

These are only four of many documented instances which could lead one to question Mr. Pearson's faithfulness to best practice and ethics.

Mr. Pearson has misled the Council regarding his financial situation in order to maintain his retail advantage. Though he claimed in 2022 that he had to close two shops because he "couldn't pay the bills", he has since opened two new stores, one on Polk Street in San Francisco and the other in Napa. He also applied for, but did not win, a permit in Healdsburg.

Mr. Pearson's claim that he is financially strapped is guileful and deceptive. He is well-funded ([Posiedon Asset Management](#)), vertically integrated, and owns seven

dispensaries, making him one of, if not *the*, most successful cannabis business owners in the North Bay.

Considering that Loe and Pearson are our only local access points, and the City Council declines to release the RFP for the second dispensary, it seems our patients and fellow citizens are caught between a rock, a hard place and the Devil himself.

We don't believe that in their quest for more options and product choices, Sonoma residents should be forced to choose between supporting ethically-challenged Erich Pearson's local monopoly, or patronizing a business owned by white supremacist John Loe. And compounding this dilemma, if one cannot find the product they need at SPARC, and they prefer not to patronize the Loe Dispensary, then little choice remains but to spend the time and gas money to make the round trip to Cotati, Santa Rosa or Napa to make their purchase.

### **Supporting competition in the free market**

Though Mr. Pearson cites the current state of California's cannabis industry as a reason for not allowing a second, competitive retail outlet in Sonoma, it should be noted there are many successful retailers currently operating in the state. This is due to a number of factors. Many of the most successful operations are purely the result of good business acumen and industry knowledge. Some adapt by diversifying their revenue streams or becoming vertically integrated. Sparc is vertically integrated and operates seven stores in the Bay Area, the newest of which is in the City of Napa.

Napa currently has seven dispensaries available to serve Napa County's 134,000 residents. That's one dispensary for every 19,000 people. The City of Sonoma and its surrounding service area has a population of 40,000 residents. That's one dispensary for 40,000 people. We would also remind that the city's consultant, HdL, stated in its [Impact Report](#) that the population within this area could likely support at least two cannabis retailers.

Not only are many dispensaries surviving, they are expanding their operations and one only need look to Solful, SPARC, Mercy Wellness, Jane's Dispensaries and others as local examples. Many of them are bootstrapped and not reliant on venture capital. If the city releases the RFP, there will no doubt be a fair number of applicants willing to take the challenge.

### **CONCLUSION**

SPARC continues to satisfy the city's conditions of approval, and has proven its business model, as evidenced by the tax revenue it has generated for the city. The city has also passed an ordinance to permit a second walk-in retail dispensary. We see no reasonable,



sustainable argument for denying the citizens of Sonoma access to a competitive market. In light of this, we ask the Sonoma City Council to issue the RFP for the second dispensary as soon as possible.

### **ADDITIONAL CONCERNS**

#### **1)**

On November 20, 2024, we sent an email request to Monique Saviez Burns: Has the City conducted an audit of SPARC at any time since it opened in April 2022? If not, has one been scheduled?

The response was, “No, a financial audit has not been completed yet.”

According to the Sonoma Municipal Code, [5.36.260 Records and record keeping](#),

“A. ... On an annual basis, each owner and operator shall submit to the city a financial audit of the business’s operations conducted by an independent certified public accountant. Each permittee shall be subject to a regulatory compliance review and financial audit as determined by the city manager or his/her designee(s).”

Can you clarify, has SPARC submitted a financial audit conducted by an independent certified public accountant on an annual basis?

Could you also clarify if SPARC has been made subject to a regulatory compliance review and financial audit as determined by the city manager or his/her designee(s)?

#### **2)**

In our PRA of December 2, 2024, we requested details on annual inspections conducted of tobacco and cannabis retailers, including date of inspection and grade given or pass/fail results over the past 3 years. (Reference: [Fiscal Year 2024-25 Operating and Capital Budget](#), Under Code Enforcement / Fiscal Year 2024-25 Goals, p88)

The response from Monique Saviez Burns was, “Code Enforcement followed up with me late yesterday, stating they have no responsive records reflecting the last 3 years.”

We ask, for what reason(s) was this goal not met?

*The Sonoma Valley Cannabis Group is an unincorporated nonprofit association formed for the public benefit. It was founded on July 16, 2017 and has over 200 members. SVCG’s mission has been to assist the City of Sonoma develop compassionate*



*cannabis policy that ensures safe, legal access to medicinal and recreational cannabis for the residents of Sonoma and the Sonoma Valley.*