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Agenda Items: ID#19-11517 (1-K)

Date: 11/14/2019

2019 NOV 14 P 4:25

CITY OF FRESNO
CITY CLERK'S OFFICE

FRESNO CITY COUNCIL



Additional Information

Agenda Related Item(s) – ID#19-11517 (1-K)

Item(s)

Actions related to amending the Cannabis Retail Business and Commercial Cannabis Business Ordinance:

1. Adopt a finding that there is no possibility that this approval will have a significant effect on the environment pursuant to the common sense exemption set forth in CEQA Guidelines Section 15061(b)(3); and
2. BILL - (For re-introduction) - Amending sections 9- 3307, 9-3308, 9-3309, 9-3310, 9-3311, 9-3312, 9-3313, 9-3314, 9-3316, 9-3317, 9-3318, 9-3319, 9- 3321, 9-3328, 9-3335, and 9-3337 of the Fresno Municipal Code related to Cannabis Retail Business and Commercial Cannabis Business.

**Contents: Letter re: Control of Cannabis Permit Selection
(Distributed during the meeting)**

Supplemental Information:

Any agenda related public documents received and distributed to a majority of the City Council after the Agenda Packet is printed are included in Supplemental Packets. Supplemental Packets are produced as needed. The Supplemental Packet is available for public inspection in the City Clerk's Office, 2600 Fresno Street, during normal business hours (main location pursuant to the Brown Act, G.C. 54957.5(2)). In addition, Supplemental Packets are available for public review at the City Council meeting in the City Council Chambers, 2600 Fresno Street. Supplemental Packets are also available on-line on the City Clerk's website.

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The meeting room is accessible to the physically disabled, and the services of a translator can be made available. Requests for additional accommodations for the disabled, sign language interpreters, assistive listening devices, or translators should be made one week prior to the meeting. Please call City Clerk's Office at 621-7650. Please keep the doorways, aisles and wheelchair seating areas open and accessible. If you need assistance with seating because of a disability, please see Security.

Central Valley Citizens for Responsible Government

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November 14th, 2019

Re: Fresno City Council vote to control cannabis permit selection

Dear Fresno City Council, *Asked to speak.*

I am writing to oppose the City Council's vote to control the cannabis permit selection process. As we've seen in Kern County and Sacramento for example, elected officials have taken money from cannabis groups that get the limited permits. *Common problem nationwide.*

In Kern County, our Supervisors wanted to give conditional-use permits to those who paid to play. One Supervisor was already indicted, and another Supervisor is expected to be indicted. They took money from these cannabis special interest groups and promised them permits in return, creating a monopoly.

In Sacramento, a Ukrainian cannabis dispensary owner somehow managed to get 8 permits when the city's rules only allowed for 1 permit per group. He gave money politicians who gave him permits in return. The FBI is investigating.

The same thing is happening here in Fresno. Elected officials are apparently promising permits to those who have contributed but in the end are going to give all the permits to a group like WeedMaps, a cannabis special interest group, and make up some excuse for why the others didn't get permits. We've seen it firsthand. *We have evidence a council member has...*

To dispel the appearance of favoritism and to ensure the integrity of the selection process, the permits should be issued through the City Manager and not an elected official. It should also be an open lottery not a score system, as that can also be compromised, to ensure a fair and equitable selection process.

CEQA

Sincerely,

-David Abbasi
Coordinator



https://www.bakersfield.com/news/two-marijuana-investors-say-they-paid-leticia-perez-s-husband/article_cc32bb62-4445-11e9-bdfa-5ba5a20cb0f9.html

Two marijuana investors say they paid Leticia Perez's husband \$25,000 for access to supervisors and county officials

By SAM MORGEN smorgen@bakersfield.com Mar 11, 2019



Leticia Perez at the Kern County Board of Supervisors meeting.

Henry A. Barrios / The Californian

Two executives at a California industrial property company claim that they paid Supervisor Leticia Perez's husband \$25,000 to arrange for meetings with county officials so their company could expand marijuana activities into the county.

The new details provide context into the Kern County District Attorney's case against Perez, who is charged with two misdemeanors relating to conflict of interest violations between herself and marijuana interests.

One of Perez's charges stems from a vote she participated in on Oct. 24, 2017, in which she was the only supervisor to vote against banning commercial cannabis in the county.

The charge states that Perez "did make, participate in making or attempt to use her official position to influence a government decision in which she knew or had reason to know she had a financial interest."

Perez is also charged with failing to disclose "investments, interests in real property, and income during the period of 2016."

Both charges are misdemeanors.

In signed statements to the DA's Office, Industrial Partners Group principles Martin Smith and Stephanie Smith said they entered into an agreement with Perez's husband, Fernando Jara, to identify opportunities to establish licensed cannabis operations in cities and counties throughout central California in exchange for payment.

Both Martin and Stephanie told the DA's office that Jara arranged for a meeting with Perez in her office, which took place April 5, 2017.

Later that year, the pair said they also met with Kern County Planning and Natural Resources Director Lorelei Oviatt.

The meeting appears to have taken place at a time when Industrial Partners Group was looking to invest in Kern County properties to be used for marijuana growth, sale and processing.

Ben Eilenberg, a lawyer for the company, did not respond to a request for comment. Neither did H.A. Sala, a lawyer representing Perez.

The southern California company has been reported to own around 2 million square feet of industrial space, some of which is leased to cannabis companies.

Last summer, a company associated with Stephanie Smith purchased a plot of land in Kern County that was within a proposed "marijuana activity zone" northeast of Bakersfield that would have been legalized if a ballot measure, Measure K, had passed last November.

Reporting at the time showed that Industrial Partners Group was largely responsible for funding the campaign to get the measure passed.

Ultimately, Measure K lost 52 percent to 48 percent.

The DA's office said in a court filing that Perez knew that her husband was involved in marijuana advocacy activity through his consulting firm, Savage Consulting, and was aware that he received payment to do so.

The DA's office also said that Perez deliberately misled Kern County Counsel when she attempted to obtain a legal memo that could shield her from allegations of conflict-of-interest violations.

According to court documents, Perez told the county's attorney that her husband "did not work for IPG" and "did not lobby any members of the Board of Supervisors."

"Both of those representations are demonstrable falsehoods," the DA's said in court filings.

The County Counsel, who is not identified in the court documents, later told DA's office investigators he may not have had all the facts when he issued his conflict-of-interest memo.

"The fact that Supervisor Perez deliberately misstated the facts to County Counsel demonstrates a consciousness that any vote by her on the issue could be unlawful," the DA's office wrote.

Perez's trial was recently delayed. A rescheduling hearing is supposed to take place May 10.

You can reach Sam Morgen at 661-395-7415 or smorgen@bakersfield.com. You may also follow him on Twitter @smorgenTBC.

MORE INFORMATION

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THE SACRAMENTO BEE



CALIFORNIA

California cannabis king linked to Ukrainian who was indicted with Giuliani associates

BY THERESA CLIFT, DALE KASLER, AND RYAN SABALOW

OCTOBER 13, 2019 04:52 PM



Drone video shows THC, a retail pot dispensary on Fruitridge Road in Sacramento, on Sunday, Oct. 13, 2019. Andrey Kukushkin, indicted last week with two associates of Rudy Giuliani, holds its city permit with partner Garib Karapetyan. BY **DANIEL KIM**



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Andrey Kukushkin was among four men indicted last week in an intricate plan to funnel foreign campaign donations to U.S. politicians and enter the legal pot business in Nevada and other states. Two of the defendants, Lev Parnas and Igor Fruman, are associates of Giuliani and were reportedly helping him investigate former Vice President Joe Biden, one of the leading candidates for the Democratic presidential nomination, and his son.

Now, that international scandal has unraveled a considerable subplot in Sacramento.

City and state records show Kukushkin's partner in Sacramento is Garib Karapetyan, a permit holder for a total of eight dispensaries in the city. Karapetyan and his associates have become the de facto pot kings of Sacramento, controlling far more licenses than anyone else and papering the city with billboards and ads for their dispensaries.

Karapetyan, 35, has for years quietly and systematically expanded his pot-selling business throughout the city with the consent of Sacramento regulators, controlling nearly a third of the industry here. He has donated to the campaigns of local elected officials, including Mayor Darrell Steinberg, and purchased a \$1.1 million condo in the luxury Sawyer Hotel near the Golden 1 Center.

Read Next

CRIME

FBI investigating whether Sacramento pot businesses paid bribes to public officials

OCTOBER 14, 2019 12:21 PM

There is no evidence that any of the money cited in last week's indictment has been used to invest in the pot business in Sacramento.

However, the arrests draw a direct line from the alleged plan to funnel foreign donations to U.S. politicians, and the impeachment investigation in Congress, to the doorstep of Sacramento's burgeoning legal pot industry. Several California politicians, including House Minority Leader Kevin McCarthy, accepted donations from Parnas and Fruman, and their work for Giuliani has become part of the impeachment investigation against Trump.

Kukushkin, who was arrested Thursday in San Francisco, is listed as chief financial officer of a corporation called Sharp Source, which operates the Twelve Hour Care retail pot dispensary in a nondescript strip mall on Fruitridge Road in Sacramento, according to records reviewed by The

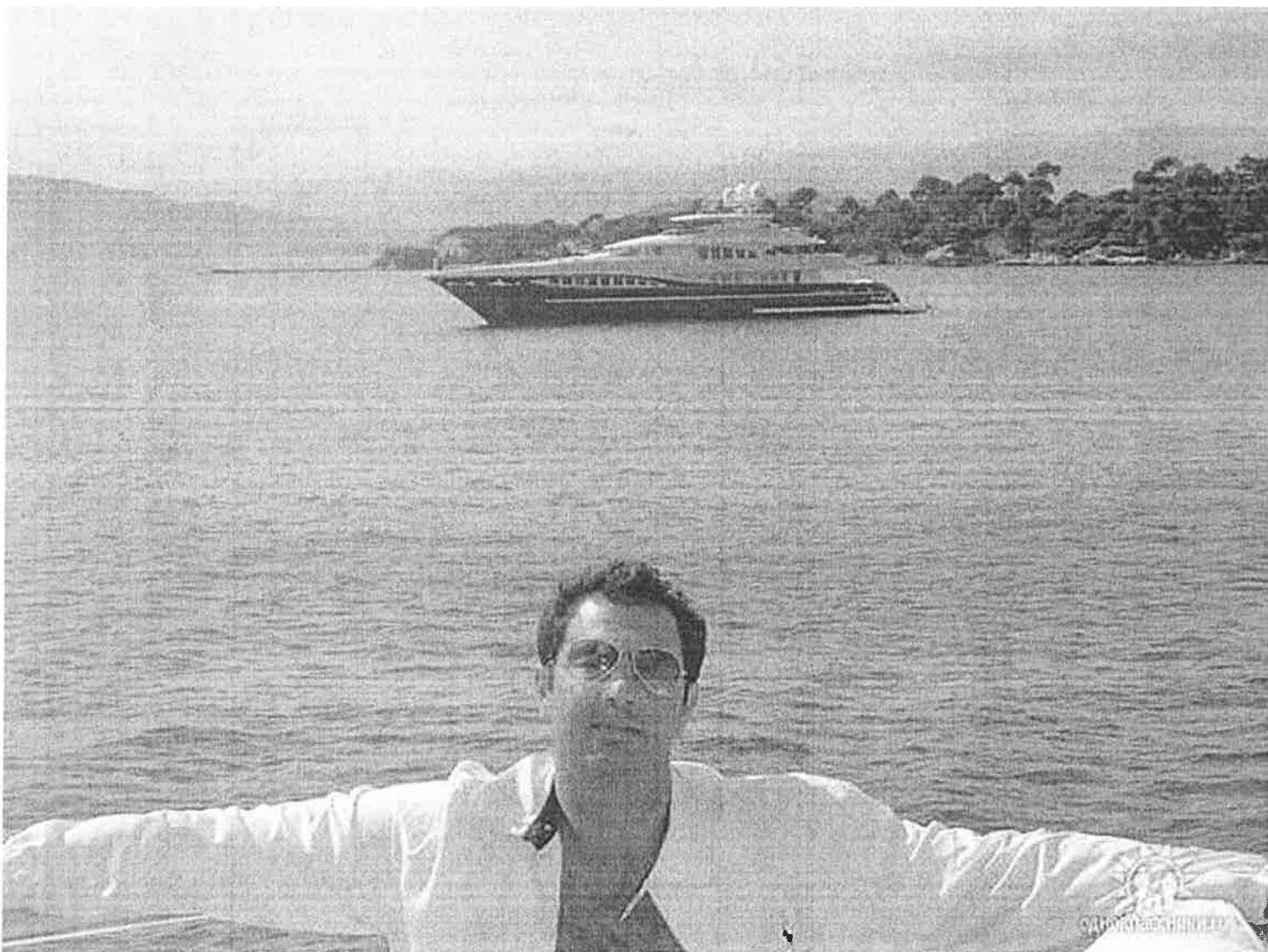


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holding the permit for the THC dispensary since 2017.

Kukushkin and Karapetyan also were listed as officers in a Sacramento “management and consulting” business called Legacy Botanical Company LLC, according to records filed with the Secretary of State’s Office in 2016. The state agency’s website says the company’s business license has been suspended. The Legacy Botanical connection between Kukushkin and Karapetyan was first reported by Mother Jones magazine.



Ukrainian-born businessman Andrey Kukushkin and three others were indicted Thursday, Oct. 10, 2019 in an intricate scheme to funnel foreign campaign donations to American politicians. Kukushkin is an officer in a Sacramento cannabis dispensary operated by a local businessman who controls a considerable share of the area’s pot business, records show. *OK.RU*



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The tangled business interests associated with Karapetyan's pot dispensaries illustrate how some owners have been allowed to expand despite relatively tight rules about ownership. Under city regulations, dispensary owners who want to get out of the business must surrender their licenses to the city; the city is then supposed to hold a lottery to determine the new owner.

The regulatory process was designed to prevent a consolidation of ownership in an industry in which the city has capped the number of licensed storefronts at 30.

Now, Sacramento's mayor has called for an investigation into how owners have been allowed to accumulate so many licenses.

"If this story is true, then our cannabis licensing process, which was designed to protect consumers and reward local law-abiding businesses, is being improperly exploited," Mayor Darrell Steinberg's spokeswoman Mary Lynne Vellinga said in a statement Sunday. "The mayor is calling for an immediate investigation and will lead an effort to add additional safeguards to the licensing process."

City Manager Howard Chan echoed the call. "The City of Sacramento is committed to transparency and integrity and will examine any reports of wrongdoing," city spokesman Tim Swanson said Sunday.

Garib Karapetyan could not be reached for comment. A Bee reporter called Joe Karapetyan, listed as Garib Karapetyan's business partner on city documents, earlier this month. In response to questions, he replied: "Oh boy, am I not going to like this?" He referred the reporter to his attorney, Brad Hirsch, who didn't return messages Sunday.

In an interview Thursday with McClatchy, Hirsch said he wasn't impressed with Kukushkin. "I thought he was not particularly bright in his decision making," said Hirsch, who no longer represents Kukushkin.

FEDERAL INDICTMENT

It wasn't immediately clear how Kukushkin became connected with the Sacramento marijuana business. His attorney, Alan Dressler, couldn't be reached for comment. But the federal indictment says the four men were trying to get into the cannabis business and planned to funnel foreign cash to influential politicians in Nevada, New York and other states.

Kukushkin was involved in a California lawsuit that claims the managers of a San Francisco



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Muravyov) runs a Moscow-based investment fund called Parus Capital Limited and has served as an executive for several Russian companies.

Muraviev is listed as an investor, along with Kukushkin and Karapetyan, in the now-defunct Legacy Botanical business in Sacramento.

Kukushkin, Karapetyan and Muraviev are the three officers of a San Francisco-based entity called KKM Management, LLC. The company was first registered in Roseville in 2016 by Hirsch. Hirsch told McClatchy Thursday that he cut business ties with Kukushkin and Muraviev several years ago.

The indictment against the four men, coming as the House impeachment inquiry against President Donald Trump gains momentum, made worldwide headlines. The two men identified as Giuliani associates, Parnas and Fruman, were arrested at Dulles International Airport outside of Washington carrying one-way tickets on an international flight.

Kukushkin made a brief appearance in U.S. District Court in San Francisco on Friday. Although prosecutors said he was a threat to flee, the San Francisco Chronicle said Kukushkin was released after family members posted a \$1 million bond. The Chronicle also reported that Kukushkin was an investor in several Bay Area pot dispensaries and was attempting to turn a ranch in Livermore into a cannabis farm.



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