

October 21, 2021
Denver EXL
From: The Color of Cannabis
Re: Extending Exclusivity in Denver

Director Kilroy & Staff,

Thank you for your commitment to creating a more diverse social equity industry in the City of Denver. Delivery in Denver is the most accessible opportunity to enter into Denver's coveted and saturated marketplace. During a 15-month stakeholder process, which included, legacy industry license holders, community advocates, government officials, and social equity applicants. There was a clear commitment made by all parties to support the Denver social equity program, with an emphasis and excitement around existing industry partnering with new social equity transporters for delivery. Denver EXL solidified that commitment by creating an ordinance that carved out exclusivity for social equity transporters to engage in delivery exclusively from July 2021 through July 1, 2024. The ordinance passed with no public stakeholder opposition and unanimously through the city council.

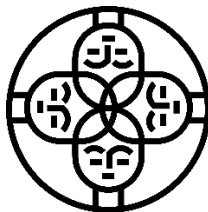
Currently, there are over 190 cannabis stores in the city of Denver. Less than 20 stores have applied for delivery permits on a state and city level since the program's inception. Also, it is important to note that Aurora passed an ordinance that allows stores to partner with a social equity transporter only, or do their deliveries in-house. Of the 24 stores in Aurora that have the opportunity to work with a social equity transporter, only one store has partnered with a social equity transporter. It is also important to note that there is a difference between a store using a new transporter business, that has spent time and financial resources to become licensed, vs. using an existing employee, that qualifies for the state social equity designation. For the sole purpose of creating their own third-party transporter business specifically to avoid using a social equity transporter business. Most notably, all the Aurora stores also have Denver stores. This behavior is not only predatory but can bankrupt new social equity transporter businesses.

While all new businesses take time to roll out, the clock has started on social equity transporter businesses and time is not a luxury that we have. During stakeholder meetings with social equity transporters, there have been grave concerns expressed regarding the inability to secure contracts. To date, there are over ten licensed transporters in the city of Denver and just under 20 social equity transporters licensed through the state. However, there are two transporters actively delivering. One in Aurora and one in Denver. The question is why are social equity transporters not securing contracts and why are stores not applying for delivery permits?

To ensure that the program is successful for transporters and to allow the stores to be good actors and have time to participate in the delivery program, exclusivity needs to be extended to July 1, 2027. This will also allow for transporters the time to establish themselves in the industry and seek additional funding and technical support to start, grow, and scale their business with the support of the Cannabis Business Office, held in OEDIT, this program will begin Q1 of 2022. Extending exclusivity will ensure the success of the program and send a clear message that equity is a priority in the city and predatory practices will not be tolerated.

We would hope that legacy industry licensee holders are not making a deliberate decision to not participate in the program due to the belief that they can wait out the three-year exclusivity window. Guardrails must be put in place, to prevent predatory behavior that could bankrupt new transporter businesses. Thank you for consideration in this matter. We look forward to working in partnership with EXL to create this regulatory change or bring a proposed ordinance to Denver City Council.

Respectfully,



THE COLOR
OF CANNABIS