

November 28, 2018
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Select Board of the Town of Brookline
Town Hall, 6th Floor
333 Washington Street
Brookline, MA

Dear Nancy:

We have all been following the myriad problems that are occurring with the retail marijuana store opening in Leicester; I also watched last night's Select Board meeting, where these issues were widely discussed.

Given the immediacy of these issues, I felt it was timely to write you (and your colleagues) a thoughtful letter, providing some initial data and insights.

I also will reach out, later today or tomorrow, to schedule time to sit down individually in a meeting. Not only do I have a substantial professional experience from my government roles, I have also helped our neighborhood team amass and analyze a remarkably good and robust data set on the dynamics and siting factors of retail marijuana in Colorado, Oregon, and Washington (three states with established retail marijuana). We have a database of all 2,313 retail and medical sites in those three states, looking at their locations, revenue growth, and patterns. In particular, the Washington Department of Revenue releases a report of monthly sales by individual store, providing some quite useful insights. I know you would find this meeting useful, and I think a calm dialogue in a sit-down setting would be mutually helpful.

1. I'll open my broader assessment with two observations.

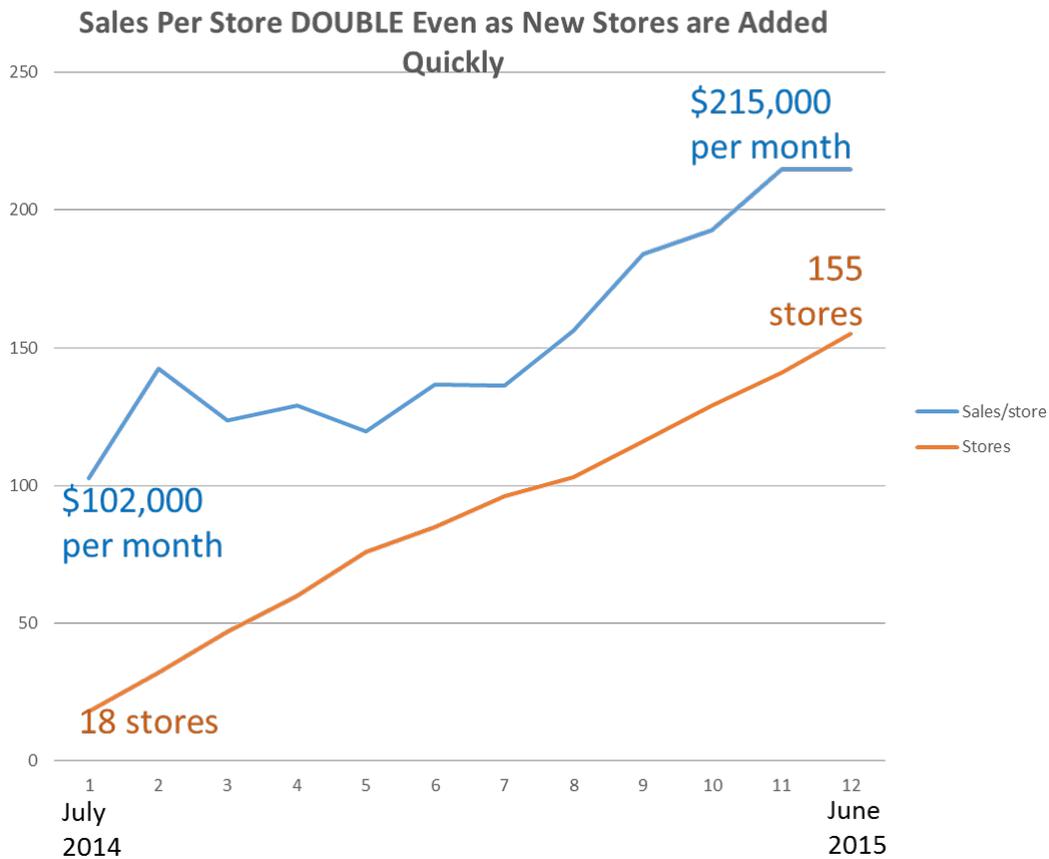
- The retail marijuana industry is more than four years old in the three states I mentioned above. We can see patterns and evolving models, infer "best practices," and compare their actual experiences to what we project and hypothesize about here in the Commonwealth. Looking *back* at the data is very helpful.
- However, even in those states, projecting *forward* is very difficult. Retail marijuana is a very new industry, and forward-based projections for any one given store are hard to do. One Leicester Select Board member testified that "[Cultivate, the retailer] was way off on their estimates. We are getting 200% or more than they told us to expect. We totally underestimated the traffic and parking situation. The traffic survey was not useful."

In Seattle, two years into full retail legalization, Have a Heart opened a store in the summer of 2016, in the Belltown neighborhood. In its first month, it did \$182,000 in sales, which equates to \$2.2 million a year on an annualized basis. There were already 265 stores in the state before it opened. But, its volume surprised everybody: it doubled the very next month, kept growing and growing, reaching a monthly volume of \$1.1 million a month in sales, at an annualized rate of \$13.1 million. That is 489% growth. At the average purchase volume of \$33 in the Seattle market, this equates to 395,000 visitors, totally overwhelming its small neighborhood. Ouch. And, during that first year of Have A Heart's growth, over a hundred stores opened, reaching a total of 389.

2. More Stores Will Help?

Second, let's look at the "more stores will help" thesis. To those of us who have spent time carefully looking at the data, and examining the actual sales patterns of hundreds and hundreds of stores, one statement made in Leicester stood out in stark relief: the Town Administrator pleaded with the angry citizens for patience, noting that in the next month, a few more stores will open in Massachusetts and "At that particular point, we expect this [volume] will begin to die down." To me, that's as if someone stood up and said, There are no hospitals in the Longwood Medical Area, or, People don't go to Dunkin' Donuts any more. It's just not true.

Before I provide some commentary, the chart below shows the number of new stores added each month in the state of Washington in its first twelve months of retail legalization (July 2014-June 2015) and the average monthly revenue per store.



The pattern is obvious: the state opened 18 stores the first month of legalization, and the rate of license issuance stayed high, increasing the total number of stores five-fold, to 155 at the twelve-month mark. But, there was so much demand in the market, and so much market stimulation, that the average monthly revenues per store did not decrease, they did not stay flat, they *doubled* in just one year. (Source: Washington DOR Monthly MJ Tax Obligation Reports.)

One can do this analysis in a number of ways, such as by cohort of shop-opening vintage, by type of location, and segmented by current revenue volumes. We have. And, the answer is still the same: per-store sales grow, even as the region adds stores. At some point, this will of course slow down; demand is not infinitely inelastic. But, four years in, with 686 marijuana licenses in operation (400 retail and 286 medical), this is still the pattern. There might be daily fluctuations, and we might see this in Leicester, but the month-over-month trend is clear.

3. Volume Growth at Urban-Area Stores

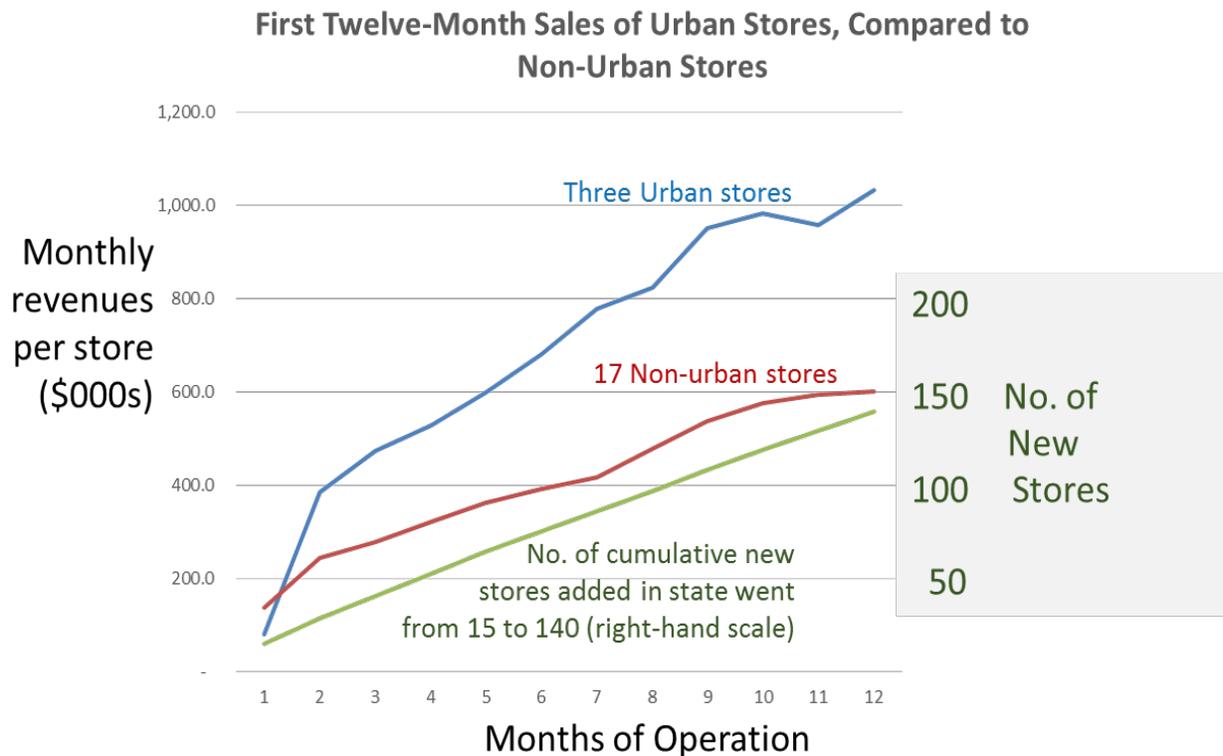
One analysis pointed up something of great import to us in Brookline, and something that can help guide responsible policymaking for zoning and siting retail marijuana. That was the relationship between the type of area a store was in, and its sales growth in its first year of operation.

Washington's Department of Revenue releases actual monthly sales volume, in dollars, for every retail licensee in the state. In the most recent trailing twelve months, the twenty highest-revenue stores range from \$5.9 million (PRC in Arlington) up to the largest, \$16.8 million a year (Main Street Marijuana in East Vancouver, WA). We have looked at each one closely, since they provide perhaps the best analogue to what appears to be the outcome in Massachusetts. At Washington price points, these revenue ranges translate into 180,000 to more than 500,000 customer visits a year.

Most of these large retailers are in peripheral-commuter-path suburban mall areas, a few are in truly rural or industrial areas, but three are in urban areas in metro Seattle, abutting or near other retail (Uncle Ike's 23rd and Union, Uncle Ike's on 15th, and the Have A Heart Belltown neighborhood store noted above).

We examined the first twelve months' of revenues for the twenty highest-revenue stores, and then analyzed them in two groups: the three urban stores and the 17 non-urban stores. We examined monthly average per-store revenues as more shops were added in the state. The first finding confirmed what I noted above and graphed, and what we observed in Colorado: as more stores are added, sales per store still keep going up.

What was much more notable was that the rate of growth for the urban stores was more than *six* times greater than for the non-urban stores. Applying these data to Massachusetts, it means that if estimates were inaccurate about Leicester, they may well be significantly much more wrong about a store near Boston itself.



The cumulative number of new stores added in the twelve-month periods went from 15 in the first month to 140 in month twelve, a big increase. The non-urban stores have monthly revenues that went from \$137,000 to \$601,000, a healthy 340% increase. But, these three urban stores – with large residential populations nearby, the commuting artery of East Union Street leading to the single-family home Madrona neighborhood, the hospitals on First Hill just 8 blocks away, near thriving mixed use residential neighborhoods like South Lake Union (similar to the Fenway area), and walking distance from visitor magnets like the Pike Place Market– saw average monthly revenues jump from \$79,000 per store in the first month up to \$1.03 million, a 13-fold increase. Again, since it bears repeating: volumes per store went up dramatically, even as the number of new stores opening went up.

The lessons of Main Street Marijuana in East Vancouver, of our own Leicester, of Clear Choice Cannabis in Tacoma or of Green2Go in Kennewick is, put a marijuana retailer in a stand-alone site off a highway, away from other retailers and multi-family housing, and you get a lot of

monthly volume. Put a retailer in or near an urban area, and the result is an enormous monthly volume, and a six- to ten-fold or larger increase during the first year.

I, by the way, am going to travel to Seattle to personally visit these sites, and talk to operators, local officials, police, and neighborhood groups. I would welcome you, and/or any of your Select Board colleagues, to join me on the trip.

4. Site Characteristics

Finally, let me make some notes on where some of these marijuana retailers are. As you likely know – and maybe some of you have visited Leicester recently (Paul Warren was there Monday) – the marijuana retailer is located along Route 9, just west of a Walmart. In other words, this was a district that was already capable of comfortably handling the annual traffic volume of a Walmart; Cultivate Marijuana’s opening overwhelmed it. To its south is Burncoat Pond and an Audubon sanctuary, there is a lot of room around it. It has its own set of parking spaces (more than a dozen) and made arrangements with an adjacent lot for 40 more. Uncle Ike’s on 23rd and Union is a stand-alone, built-to-suit building, with dedicated parking and two adjacent large lots.

The Have A Heart in Seattle’s Belltown neighborhood abuts a 72 car parking lot, but even with that, its huge first-year increase in volume put enormous strains on the neighborhood ***and this strain is not lessening as more stores are added in Seattle and around the state.***

The revenue growth actually understates the growth of traffic and customers, since average retail prices for marijuana products have been falling. One academic study showed that the price per standardized “THC Serving” fell from \$4.70 the first year of legal retail, to \$1.80 by the end of 2017; this is a 2.5X decline. So, customer volume figures would increase accordingly.

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So, thank you for reading, or skimming this letter (or, at least looking at the charts!) You, other parts of town government, and all of us as citizens face a very demanding, new, difficult challenge. We have a much larger and more comprehensive set of information some of which I think will be enormously helpful as you think about zoning, siting, proximities, and size; I have limited this letter only to issues raised directly by the Leicester experiment. One essential step is to at least have a fact base to discuss. I look forward to sitting down as soon as convenient.

I am, with very best regards,

Ranch C. Kimball

cc: Neil Wishinsky
Ben Franco

Bernard Greene
Heather Hamilton

Attachment

ATTACHMENT

Paul Warren of Save St. Mary's attended the Leicester Emergency Town Meeting on Monday Nov. 26, and sent out an eMail to the group. Below is his verbatim report.

The town of Leicester, MA held an emergency meeting last night to listen to the concerns of residents whose lives have been turned upside down since the opening of a retail marijuana store in town six days ago. Road closures, blocked streets and driveways, loud music, and public urination are the experiences of many of those in the neighborhood.

I drove more than 2 hours last night to attend the Leicester meeting. But before I get into my experience at the Leicester emergency Select Board Meeting, I want to tell you about the false narrative that is being repeated about the Leicester's disaster. A narrative that I hope the Brookline Select Board will not fall prey to.

That narrative is:

“IT WILL GET BETTER WHEN MORE STORES OPEN”

This is a talking point, but ***all*** of the evidence says the opposite. This is the false narrative that the Leicester Select Board repeated in their attempt to quiet the uproar over the situation that they created. It is the false narrative being pushed by the Cannabis Control Board to placate a nervous public. And it is the false narrative being told by the Cannabis Industry because they do not think that we are smart enough to know better.

But we do know better. These are the facts:

- In the first 12 months of retail marijuana in Washington State, sales per store doubled even as the number of stores grew 8-fold (Source: Washington Dept. of Revenue MJ Tax Obligation Monthly Reports. See Chart Below) . The volume and traffic at these new stores doesn't slow down or flatten. It grows a lot: that's the evidence-based fact, not the hope based assertion.
- In our 100+ hours of research, we could not find any pot shop in Washington of any size that did NOT grow a lot in its first year, and then more in its second.
- The odds of things being better here in Brookline are much lower than Washington State, because so many towns here have opted out of retail cannabis altogether. Where Washington State has hundreds of retailers, Massachusetts is on track to have far fewer. If more retailers doesn't work in Washington State, it's much less likely to work here.

So, in summary, It is just not true that more stores make it better. It is just not true that more stores mean less business for all marijuana stores. The data proves this. If it were true the stores in Washington would show flat and declining revenue over time. That is just not what we have seen in our research.

Now about my trip to Leicester.

I made the 2 hour drive to attend the emergency public meeting and to hear first hand what is taking place. Here is what I learned through talking to town officials, residents and listening to public testimony

- First ***Cultivate Is Next Door To Walmart***: According to residents that I spoke with, Walmart generated minimal disruption when it came to town. So the marijuana store has had a bigger impact on the residents than the new Walmart.
- Second, the ***Industry Provided Information is Flawed***: The information provided to town officials by the retailer, Cultivate, grossly underestimated the actual demand for the product and the impact of traffic and parking. **The predictions all underestimated the negative impacts; they systematically minimized the truth.**
- Third, the ***Quality of Life Has Declined***: Resident after resident got up and gave testimony concerning the impact that the opening has had on the quality of life in their neighborhood. Testimony included reports of public urination in yards, closed streets, blocked driveways, loud music, traffic jams from 8am to 8pm, 7 days a week, open marijuana use, increase in litter and roadside trash, and an inability to get to neighboring businesses, to doctors appointments, or home after work.
- The traffic study predicted no impact at all on one of the roads that they have had turned into a queue essentially shutting it down. You can't get more wrong. The shop has had 1,000 visitors each day, and has stopped taking customers in mid-afternoon on some days even though the store stays open until 8 pm to serve those in line.
- Fourth ***Town Officials Are Struggling To Cope***: I spoke with Police Chief Jim Hurley after the meeting. Chief Hurley is doing his best in a very bad situation. The overwhelming and unexpected demand has created serious problems for law enforcement and first responders. Through a combination of paid details, coordination with first responders in other towns and local policing, public safety is trying to keep roads open, traffic flowing and people safe. The Lieutenant Governor even called to offer assistance.

Here is what people were saying at the meeting:

- “[Cultivate] was way off on their estimates. We are getting 200% or more than they told us to expect. We totally underestimated the traffic and parking situation. The traffic survey was not useful” This from a Select Board Member.
- “This has been terrible,” Dawn Gauthier, a Leicester resident testified. “We have cars outside of our house seven days a week, 12 hours a day. We have no life there anymore. It’s like living in a fishbowl. . . . It’s not fair.”
- “The road was totally snarled,” Kim Miczek said, explaining that her business had only sold two trees the day Cultivate opened. “You couldn’t move. We just sat in here grinding our teeth.”
- “Neighbors are complaining that fire, police and rescue are blocked in their neighborhoods”
- “We can’t get to the store for groceries or to buy gas. It is a disaster”

My overall takeaway was that this industry is too new and it is too unpredictable to know what is going to happen. Town leaders cannot control an unpredictable situation.

So, we have a disaster in Leicester and some neighbors are asking to shut the store down. In Saint Mary’s we have over 1,100 letters that recognize that the 1032 Beacon Street Site is a terrible location for a marijuana store. They are demanding that it not be opened.