

BOARD of SUPERVISORS



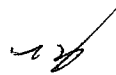
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MEMORANDUM

RULES COMMITTEE

SAN FRANCISCO BOARD OF SUPERVISORS

TO: Supervisor Ahsha Safai, Chair
Rules Committee

FROM: Victor Young, Assistant Clerk 

DATE: December 4, 2018

SUBJECT: **COMMITTEE REPORT, BOARD MEETING**
Tuesday, December 4, 2018

The following file should be presented as a **COMMITTEE REPORT** at the Board Meeting on Tuesday, December 4, 2018. This item was acted upon at the Rules Committee Meeting on Monday, December 3, 2018, at 10:00 a.m., by the votes indicated.

Item No. 26 File No. 180912

Police and Health Codes - Regulation of Cannabis Businesses

Ordinance amending the Police Code by making a number of changes in the regulation of commercial cannabis activity, including, among other things: 1) defining ownership interest and revising Equity Criteria, for purposes of the Equity Program; 2) modifying the Cannabis Equity Incubator Program requirements; 3) extending by one year the possible duration of a Temporary Cannabis Business Permit; 4) authorizing the Director of the Office of Cannabis to issue Cannabis Business Permits to Medical Cannabis Dispensaries forced to discontinue operations due to a no-fault lease termination before December 31, 2018; 5) modifying the order in which the Director may review and process Cannabis Business Permit applications; 6) revising requirements associated with a Cannabis Business' change in ownership and structure; 7) revising Cannabis Business Permit application requirements; 8) requiring Cannabis Businesses to comply with all permit conditions whether or not they are currently engaging in the permitted activity; 9) modifying the amount of Cannabis that may be delivered or sold to a customer; and 10) authorizing Cannabis Microbusinesses to conduct either storefront or delivery sales, but not both, and reducing from four to three the categories of Commercial activity required to operate as a Cannabis Microbusiness; and amending the Health Code by revising eligibility requirements for medical cannabis dispensaries seeking authorization to Sell Adult Use Cannabis, and extending by one year to December 31, 2019 the date on which Article 33 (Medical Cannabis Act) expires.

RECOMMENDED AS AMENDED AS A COMMITTEE REPORT

Vote: Supervisor Ahsha Safai - Aye
Supervisor Norman Yee - Excused
Supervisor Catherine Stefani - Aye
Supervisor Rafael Mandelman - Aye

c: Board of Supervisors
Angela Calvillo, Clerk of the Board
Alisa Somera, Legislative Deputy Director
Jon Givner, Deputy City Attorney

File No. 180912

Committee Item No. 2

Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Rules Committee

Date December 3, 2018

Board of Supervisors Meeting

Date _____

Cmte Board

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| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Legislative Digest |
| <input type="checkbox"/> | <input type="checkbox"/> | Budget and Legislative Analyst Report |
| <input type="checkbox"/> | <input type="checkbox"/> | Youth Commission Report |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Introduction Form |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Department/Agency Cover Letter and/or Report |
| <input type="checkbox"/> | <input type="checkbox"/> | Memorandum of Understanding (MOU) |
| <input type="checkbox"/> | <input type="checkbox"/> | Grant Information Form |
| <input type="checkbox"/> | <input type="checkbox"/> | Grant Budget |
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| <input type="checkbox"/> | <input type="checkbox"/> | Contract/Agreement |
| <input type="checkbox"/> | <input type="checkbox"/> | Form 126 - Ethics Commission |
| <input type="checkbox"/> | <input type="checkbox"/> | Award Letter |
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OTHER (Use back side if additional space is needed)

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Completed by: Victor Young

Date Nov. 29, 2018

Completed by: [Signature]

Date 12/3/18

1 [Police and Health Codes - Regulation of Cannabis Businesses]

2

3 Ordinance amending the Police Code by making a number of changes in the regulation
4 of commercial cannabis activity, including, among other things: 1) defining ownership
5 interest and revising Equity Criteria, for purposes of the Equity Program in a Cannabis
6 Business; 2) modifying the Cannabis Equity Incubator Program requirements; 3)
7 extending by one year the possible duration of a Temporary Cannabis Business
8 Permit; 4) authorizing the Director of the Office of Cannabis to issue Cannabis
9 Business Permits to Medical Cannabis Dispensaries forced to discontinue operations
10 due to a no-fault lease termination before December 31, 2018; 5) modifying the order in
11 which the Director may review and process Cannabis Business Permit applications; 6)
12 revising requirements associated with a Cannabis Business' change in ownership and
13 structure requiring Cannabis Business permit amendments when a change in
14 ownership results in a decrease in an Equity Applicant's Ownership Interest or role in
15 the Cannabis Business; 7) revising Cannabis Business Permit application
16 requirements; 8) requiring Cannabis Businesses to comply with all permit conditions
17 whether or not they are currently engaging in the permitted activity; 9) modifying the
18 amount of Cannabis that may be delivered or sold to a customer; and 10) authorizing
19 Cannabis Microbusinesses to conduct either storefront or delivery sales, but not both,
20 and reducing from four to three the categories of Commercial activity required to
21 operate as a Cannabis Microbusiness; and amending the Health Code by revising
22 eligibility requirements for medical cannabis dispensaries seeking authorization to Sell
23 Adult Use Cannabis, and extending by one year to December 31, 2019 the date on
24 which Article 33 (Medical Cannabis Act) expires.

25 NOTE: Unchanged Code text and uncodified text are in plain Arial font.
Additions to Codes are in *single-underline italics Times New Roman font.*

1 **Deletions to Codes** are in ~~strikethrough italics Times New Roman font~~.
2 **Board amendment additions** are in double-underlined Arial font.
3 **Board amendment deletions** are in ~~strikethrough Arial font~~.
4 **Asterisks (* * * *)** indicate the omission of unchanged Code
5 subsections or parts of tables.

6 Be it ordained by the People of the City and County of San Francisco:

7 Section 1. Article 16 of the Police Code is hereby amended by revising Sections 1602,
8 1604, 1605, 1606, 1608, 1609, 1613, 1615, 1618, 1622, 1627, 1628, ~~and 1629~~, and 1634, to
9 read as follows:

10 **SEC. 1602. DEFINITIONS.**

11 As used in this Article 16, the following words or phrases shall mean:

12 * * * *

13 "Owner" means any of the following:

14 (a) A Person with an aggregate ownership interest of 20% or more in the
15 Person applying for a Cannabis Business Permit or a Permittee, unless the interest is solely a
16 security, lien, or encumbrance;

17 (b) The chief executive officer of a nonprofit or other entity;

18 (c) A member of the board of directors of a nonprofit; or

19 (d) ~~An individual~~ Person who will be participating in the direction, control, or
20 management of the Person applying for a permit.

21 ~~"Ownership Interest" means an interest in a Person that would give the holder a share~~
22 ~~of the proceeds if the Person's assets were sold at fair market value and then the proceeds~~
23 ~~were distributed in a complete liquidation of the Person.~~
24

1 * * * *

2 **SEC. 1604. EQUITY PROGRAM.**

3 * * * *

4
5 (b) **Equity Applicants.** The Equity Program shall offer priority permit processing, as
6 provided in Section 1606, to an individual who meets the following Equity Criteria ("Equity
7 Applicant"):

8 * * * *

9 (3) Submits an application for a Cannabis Business Permit in any of the
10 following capacities:

11 (A) As the sole owner/operator of the Applicant;

12 (B) As an individual with an ownership interest of at least 40% in the
13 corporate Applicant, and who is also the Chief Executive Officer of the corporate Applicant;

14 (C) As an individual with an ownership interest of at least 51% in the
15 corporate Applicant;

16 (D) As the Executive Director or member of the board of directors of a
17 not-for-profit Applicant where a majority of the members of the board of directors satisfy the
18 requirements of subsections (b)(2) and (4) of this Section 1604; or

19 (E) As an individual with a membership interest in an Applicant formed
20 as a cooperative; and

21 ~~(4) At the time of application, is a member of a household that earns no more~~
22 ~~than 120% of the San Francisco Area Median Income, adjusted for household size; and~~

23 ~~(454)~~ Meets three or more of the following additional criteria:

24 (A) At the time of application, is a member of a household that earns no
25 more than 80% of the San Francisco Area Median Income, adjusted for household size;

1 (A) ~~At the time of application, is a member of a household that earns no~~
2 ~~more than 80% of the San Francisco Area Median Income, adjusted for household size;~~

3 (BAB) During the period 1971-2016, was arrested for, convicted of, or
4 adjudged to be a ward of the juvenile court for any crime under the laws of California or any
5 other jurisdiction relating to the sale, possession, use, manufacture, or cultivation of Cannabis;

6 (CBC) ~~After SinceAfter~~ 1995, ~~either lost housingexperienced housing~~
7 ~~insecurityeither lost housing~~ in San Francisco as evidenced by eviction, foreclosure, or
8 revocation of housing subsidy; ~~resided in permanent supportive housing, as defined in~~
9 ~~Administrative Code Section 20.54.2, in San Francisco; stayed overnight at a Navigation~~
10 ~~Center, as described in Administrative Code Chapter 106, in San Francisco, for 90 non-~~
11 ~~consecutive days; stayed overnight at a Shelter, as defined in Administrative Code Section~~
12 ~~20.41, in San Francisco, for 90 non-consecutive days; or resided in a City-funded Single~~
13 ~~Room Occupancy building~~resided in permanent supportive housing, as defined in
14 Administrative Code Section 20.54.2, in San Francisco; stayed overnight at a Navigation
15 Center, as described in Administrative Code Chapter 106, in San Francisco, for 90 non-
16 consecutive days; stayed overnight at a Shelter, as defined in Administrative Code Section
17 20.41, in San Francisco, for 90 non-consecutive days; or resided in a City-funded Single
18 Room Occupancy building;

19 (DGD) Has a parent, sibling, or child who, during the period 1971-2016,
20 was arrested for, convicted of, or adjudged to be a ward of the juvenile court for any crime
21 under the laws of California or any other jurisdiction relating to the sale, possession, use,
22 manufacture, or cultivation of Cannabis;

23 (EDE) Attended a school under the jurisdiction of the San Francisco
24 Unified School District for five years, either consecutively or in total, during the period 1971-
25 2016; or

1 (FEE) During the period 1971-2016, lived for at least five years, either
2 consecutively or in total, in San Francisco census tracts where at least 17% of the households
3 had incomes at or below the federal poverty level, as determined by the Director.

4 For purposes of Section 1604(b)(3), an "ownership interest" in the corporate Applicant
5 shall include a right, proportionate to the interest held, to share in the business's profits,
6 including dividends, distributions, or other payments; a right, proportionate to the interest held,
7 to the proceeds of a sale of the business's assets, liquidation of the business, merger of the
8 business into another business, or another transaction that would signify the end of the
9 original business; and a right, proportionate to the interest held, to vote on fundamental
10 decisions relating to the business.

11 (c) **Equity Incubators.** The Equity Program shall offer priority permit processing, as
12 provided in Section 1606, to Equity Incubators. For purposes of this Article 16, an Equity
13 Incubator is an Applicant that does not qualify as an Equity Applicant, but that submits with its
14 Cannabis Business Permit application a Cannabis Equity Incubator Agreement in which it
15 *identifies no less than one Equity Operator; agrees to provide any identified Equity Operator*
16 *commercial space and security resources or, in either or both cases, the fair market value of same; and*
17 commits to comply with the following additional operating requirements during its first three
18 years in operation as a Cannabis Business:

19 (1) Ensure that at least 30% of all Business Work Hours are performed by Local
20 Residents. Business Work Hours performed by residents of states other than California shall
21 not be considered in calculation of the number of Business Work Hours to which this
22 requirement applies;

23 (2) Ensure that at least 50% of the Equity Incubator's employees satisfy the
24 requirements of subsection (b)(4) of this Section 1604;

1 (3) Provide a community investment plan demonstrating engagement with
2 businesses and residents located within 500 feet of the site of the proposed Cannabis
3 Business; and

4 (4) Provide the Equity Operator, directly or indirectly, with community outreach
5 services, security services for the Equity Operator's Premises, and any support necessary for
6 the Equity Operator to comply with the Good Neighbor Policy required in Section 1609(b)(19);
7 and

8 (4)(5) Comply with one of the following additional operating requirements:

9 (A) Submit to the Director *for review and approval* a written, actionable
10 "Equity Incubator Plan" describing how the Equity Incubator will encourage and support the
11 establishment and growth of Equity Applicants who have been awarded Cannabis Business
12 Permits ("Equity Operators"), *including but not limited to any Equity Operator identified in the*
13 *Equity Incubator Plan*, by, among other things, providing business plan guidance, operations
14 consulting, *personnel, or* technical assistance. *The services listed in the Equity Incubator Plan must*
15 *be enumerated, and include an estimated dollar value of those services. The aggregate dollar value of*
16 *the services must equal or exceed the sum of (i) 10% of the rent for, or, if the Equity Incubator owns the*
17 *Equity Incubator's Premises, 10% of the rental market value of, the Equity Incubator's Premises, and*
18 *(ii) the annual total costs of security services at the Equity Incubator's premises. On or before March*
19 1 of each year, the Equity Incubator shall submit to the Director an annual report covering the
20 prior calendar year, signed by both the Equity Incubator and the Equity Operator, describing
21 the services provided under this subsection (c)(5)(A); or

22 (B) Provide an Equity Operator with rent-free commercial space owned
23 or leased by the Equity Incubator, *either adjacent to the Equity Incubator's pPremises or off-site*, in
24 which the Equity Operator conducts its Cannabis Business. If such rent-free commercial
25 space is provided off-site, the Equity Incubator must provide the greater of 800 square feet or

1 the equivalent of at least 10% of the square footage of the Equity Incubator's Premises. If
2 such rent-free commercial space is provided adjacent to the Equity Incubator's Premises, the
3 Equity Incubator must provide either 800 square feet or the equivalent of at least 10% of the
4 square footage of the Equity Incubator's Premises. The rent-free commercial space must
5 equal or exceed 800 square feet or the equivalent of at least 10% of the square footage of the
6 Equity Incubator's Premises, whichever is greater, and must include the Equity Incubator's
7 provision of community outreach and security services for the space. Equity Incubators must
8 also provide to the Equity Operator the support necessary for the Equity Operator to comply
9 with the Good Neighbor Policy required in Section 1609(b)(19).

10
11 **SEC. 1605. TRANSITION PROVISION.**

12 * * * *

13 (h) **Duration.** A Temporary Cannabis Business Permit issued under this Section 1605
14 shall be valid for a period of 120 days and may be extended for additional 12090-day periods
15 at the discretion of the Director. Notwithstanding the prior sentence, the Director shall not
16 issue a new temporary permit after January 1, 2019, and shall not extend the term of a
17 Temporary Cannabis Business Permit issued to an applicant for a Cannabis Business Permit under
18 this Article 16 past January 1/December 31, 2019.

19 * * * *

20
21 **SEC. 1606. APPLICATIONS FOR CANNABIS BUSINESS PERMITS.**

22 (a) Except as provided in subsection (b) of this Section 1606, the Director shall issue
23 Cannabis Business Permits only to Applicants that meet one or more of the following criteria:

24 (1) Qualify as an Equity Applicant or an Equity Incubator, ~~and have not~~
25 ~~previously received a Cannabis Business Permit for the same type of Cannabis Business (as~~

1 set forth in Section 1607) as the Cannabis Business for which a Cannabis Business Permit is
2 sought;

3 (2) Possess a valid permit to operate a Medical Cannabis Dispensary issued
4 pursuant to Article 33 of the Health Code prior to the effective date of the ordinance, in Board
5 File Number 171042, establishing this Article 16;

6 (3) Were issued a Temporary Cannabis Business Permit under Section 1605 of
7 this Article 16;

8 (4) Have demonstrated to the Director's satisfaction that the Applicant operated
9 in compliance with the Compassionate Use Act of 1996, and was forced to discontinue
10 operations as a result of federal prosecution or threat of federal prosecution;

11 (5) Applied for a Medical Cannabis Dispensary Permit that required referral to
12 and approval by the Planning Commission, and received approval from the Planning
13 Commission prior to the effective date of the ordinance, in Board File Number 171042,
14 establishing this Article 16; ~~or~~

15 (6) Registered with the Office of Cannabis as a Pre-Existing Non-Conforming
16 Operator, as set forth in subsection (k) of Section 1605 of this Article 16.; or

17 (7) Possessed a valid permit to operate a Medical Cannabis Dispensary, issued under
18 Article 33 of the Health Code prior to January 6, 2018, or a valid Temporary Cannabis Business
19 Permit, issued under Section 1605(d), but were forced to discontinue operations due to the termination
20 of a lease, provided that:

21 (A) The lease terminated before December 31, 2018;

22 (B) The lease termination was not due to the lessee's breach of the lease;

23 (C) The Owner of the proposed Cannabis Business is identical to the Owner of
24 the former Medical Cannabis Dispensary; and

1 (D) The Permittee seeks an application for a Cannabis Business Permit no later
2 than July 1, 2019.

3 (b) The Director may award a Cannabis Business Permit to an Applicant that does not
4 meet the criteria set forth in subsection (a) of this Section 1606 if the total number of Cannabis
5 Business Permits awarded to Equity Applicants in the permit category sought by the Applicant
6 has reached 50% of the total number of Cannabis Business Permits awarded in that permit
7 category.

8 (c) The Office of Cannabis shall review and process applications for Cannabis
9 Business Permits in an order that reflects the Applicant's priority category:

10 (1) First priority: applications from Equity Applicants;

11 (2) Second priority: applications from Equity Incubators;

12 (3) Third priority: applications from Applicants that meet the requirements of Section
13 1606(a)(4) or 1606(a)(6).

14 (34) ~~Third~~Fourth priority: applications from Applicants, including Pre-Existing Non-
15 Conforming Operators, that were operating in compliance with the Compassionate Use Act of
16 1996 before September 1, 2016;

17 (45) ~~Fourth~~ Fifth priority: applications that demonstrate a commitment on the
18 part of the Applicant to provide benefits to the community in which the Cannabis Business is
19 located, including but not limited to workforce opportunities and community benefits
20 contributions; and

21 (56) ~~Fifth~~Sixth priority: all other applications.

22 (d) Each Owner Treated as Applicant. Unless this Article 16 specifically provides
23 otherwise, each Owner of a Cannabis Business or proposed Cannabis Business shall be
24 subject to the same obligations that this Article 16 imposes on an Applicant. Such obligations

1 include, but are not limited to, the obligation to provide to the Director the information that this
2 Article 16, and any regulations promulgated thereunder, require from an Applicant.

3
4 **SEC. 1608. TRANSFER OF PERMIT; PORTABILITY OF PERMIT; SALE OF**
5 **CANNABIS BUSINESS; CHANGE IN OWNERSHIP; INTERIM CANNABIS BUSINESS**
6 **PERMITS.**

7 * * * *

8 ~~(c) **Sale of Cannabis Business.** If a Permittee sells the Cannabis Business, the~~
9 ~~Permittee shall promptly surrender the permit to the Director. This obligation is not dependent~~
10 ~~on the Director's requesting the surrender, but arises by operation of law on the sale of the~~
11 ~~Cannabis Business. If the Permittee fails to surrender the permit to the Director, the Director~~
12 ~~may, after giving the Permittee notice by mail and electronically of the proposed action and an~~
13 ~~opportunity to respond, revoke the permit.~~

14 ~~(d) **Change in Ownership.** A Permittee may change partners, shareholders, or other~~
15 ~~Owners of a Cannabis Business provided that: the sale or other transfer of ownership~~
16 ~~regardless of the form of ownership results in a new Person owning: no more than 20% of the~~
17 ~~Cannabis Business, and the Permittee obtains an amendment to the Permit as provided in~~
18 ~~subsection (d)(2) of this Section 1608. If the sale or other transfer of ownership does not result~~
19 ~~in any Person (who did not already have such a percentage interest) having an ownership~~
20 ~~interest of 20% or more, the Permittee is not required to obtain a permit amendment.~~

21 ~~—— (1) A Permittee seeking to amend a permit as required under this subsection (d)~~
22 ~~shall pay the required filing fee for a permit amendment and that portion of the information~~
23 ~~required for Applicants under Section 1609, as determined by the Director.~~

24 ~~—— (2) The Director shall determine within 30 days of the filing of a complete~~
25 ~~application for a permit amendment under this subsection (d) whether to approve it. The~~

1 Director shall approve the application unless the Director determines that denial is warranted
2 under any of the grounds set forth in Section 1615. The Director shall notify the Permittee of
3 the Director's decision electronically and either by mail or personal delivery.

4 ~~———— (3) Notwithstanding this subsection (d), a Permittee must obtain a permit~~
5 ~~amendment if a change in ownership results in a decrease in an Equity Applicant's Ownership~~
6 ~~Interest in the Cannabis Business, a change in the Equity Applicant's role as Chief Executive~~
7 ~~Officer or member of the Board of Directors, or a material change in the degree of the Equity~~
8 ~~Applicant's participation in the direction, control, or management of the Cannabis Business.~~
9 ~~Applications for a permit amendment in accordance with this Subsection 1608(d)(3) must~~
10 ~~include the terms of the change in ownership.~~

11 **(c) Ownership; Changes in Ownership; Changes in Form or Structure.**

12 (1) Any change affecting any ownership interest of a Cannabis Business,
13 including, but not limited to, any change in ownership that affects an ownership interest of less
14 than 20% of the Cannabis Business, must be promptly disclosed, in writing, to the Director.

15 (2) Any change affecting any ownership interest of a Cannabis Business that
16 results in a Person holding an aggregate ownership interest of 20% or more of a Cannabis
17 Business, when that Person did not previously hold an aggregate ownership interest of 20%
18 or more in the Cannabis Business, shall require the Permittee to promptly obtain a permit
19 amendment. Such permit amendment shall be reviewed by the Director in a manner
20 consistent with subsection (c)(5), and shall not be granted unless the Director determines that,
21 if the relevant Person (i.e., the Person who newly holds an aggregate ownership interest of
22 20% or more in the Cannabis Business) had been an Owner at the time the Permittee applied
23 for a permit awarded under this Article 16, that permit would have been granted.

24 (3) Any change in the direction, control, or management of a Cannabis
25 Business must be promptly disclosed, in writing, to the Director, and such change shall

1 require the Permittee to promptly apply for and obtain a permit amendment. An application for
2 such a permit amendment shall be reviewed by the Director consistent with subsection (c)(4),
3 and shall not be granted unless the Director determines that, if the relevant Person (i.e., the
4 Person newly exercising direction, control, or management with respect to the Cannabis
5 Business) had been an Owner at the time the Permittee applied for a permit awarded under
6 this Article 16, that permit would have been granted.

7 (4) A Permittee seeking a permit amendment as required under this subsection
8 (c) shall pay the required filing fee for a permit amendment and provide such information, from
9 the categories of information described in Section 1609, as may be required by the Director.
10 The decision to grant or deny a permit amendment shall be entrusted to the Director's
11 discretion in the same manner, and subject to the same criteria, as the decision to grant or
12 deny a permit as set forth in Section 1615.

13 (5) Notwithstanding any other provision of this subsection (c), prior to the award
14 of a permanent Cannabis Business Permit and for a ten-year period thereafter, an aggregate
15 ownership interest of 50% or more in a Permittee may not be transferred to any Person or
16 combination of Persons who were not Owners of the Permittee at the time that a Cannabis
17 Business Permit was awarded under this Article 16. This restriction shall be cumulative, as to
18 each Permittee, across any permits (whether temporary or permanent) issued under this
19 Article 16. In the event that, prior to the award of a permanent Cannabis Business Permit or
20 within ten years thereafter, an aggregate ownership interest of 50% or more in a Permittee is
21 transferred to any Person or combination of Persons who were not Owners of the Permittee at
22 the time that a Cannabis Business Permit was awarded, the Permittee shall promptly
23 surrender the permit to the Director. This obligation is not dependent on the Director's
24 requesting the surrender, but arises by operation of law on the sale of the Cannabis Business.
25 If the Permittee fails to surrender the permit to the Director, the Director may, after giving the

1 Permittee notice by mail and electronically of the proposed action and an opportunity to
2 respond, revoke the permit.

3 (6) A change in the form or structure of a Permittee shall not be considered a
4 change affecting an ownership interest in a Cannabis Business for purposes of this
5 subsection (c). Notwithstanding any other provision of this subsection (c), a Permittee may
6 undertake any change in its form or structure, as long as the change in form or structure does
7 not cause any change affecting an ownership interest. The Permittee must promptly disclose
8 its change in form or structure, in writing, to the Director, and such change shall require the
9 Permittee to promptly apply for and obtain a permit amendment as set forth in subsection
10 (c)(4).

11 (7) Whenever, under this Article 16, an Owner is anything other than an
12 individual, every individual who exercises direction, control, or management of that Owner
13 shall also be treated as an Owner for purposes of this Article 16.

14 (8) Notwithstanding any other provision of this subsection (c), it shall not be
15 considered a change affecting an ownership interest in a Cannabis Business if an individual
16 transfers an ownership interest in a Cannabis Business to a Person that is entirely owned and
17 controlled by that same individual, but any subsequent transfer of an ownership interest in that
18 Person shall be considered a change affecting an ownership interest in the Cannabis
19 Business. All transfers described in this subsection (c)(8) must be promptly disclosed, in
20 writing, to the Director.

21 (9) Notwithstanding any other provision of this subsection (c), a Permittee
22 must obtain a permit amendment if a change in ownership results in a decrease in an Equity
23 Applicant's Ownership Interest in the Cannabis Business, a change in the Equity Applicant's
24 role as Chief Executive Officer or member of the Board of Directors, or a material change in
25 the degree of the Equity Applicant's participation in the direction, control, or management of

1 the Cannabis Business. Applications for a permit amendment in accordance with this
2 Subsection 1608(c)(9) must include the terms of the change in ownership.

3 (de) **Interim Cannabis Business Permits.** Once the Director receives a surrendered
4 Cannabis Business Permit to Operate, as set forth in subsection (b) of this Section 1608, the
5 new Owner of the business may apply to the Director for an Interim Cannabis Business
6 Permit, subject to any required Planning Department approvals, for a period not to exceed 90
7 days from the date of surrender (an "Interim Permit"). An Interim Permit may not be renewed.
8 The Director may grant an Interim Permit provided that:

9 * * * *

10
11 **SEC. 1609. PERMIT APPLICATIONS.**

12 * * * *

13 (b) **Information Required of All Applicants for Cannabis Business Permits.** The
14 application form for all Cannabis Business Permit Applicants shall require the Applicant to
15 provide the following information and documentation:

16 (1) The name, street address, and parcel number of the business for which the
17 permit is sought;

18 (2) The name, contact information, and address of the Applicant as follows:

19 (A) If the Applicant is a corporation, the name of the corporation as
20 shown in its articles of incorporation; the date and place of incorporation; and the name and
21 address of each officer or director;

22 (B) If the Applicant is a Person other than a publicly traded company, the
23 name and address of every Person that directly or indirectly owns or controls 20% or more of
24 the assets, ownership interests, or voting interests in that Person;

1 (3) The name of and contact information for the manager(s) who will, directly or
2 through designees, be on the Premises during hours of operation;

3 (4) The name and address of each Person who appears on the business
4 registration certificate for the Business for which a permit is sought;

5 (5) The name and address of each Person who has or will have authority or
6 control over the Business and a brief statement of the nature and extent of such authority and
7 control, if the Applicant has not otherwise provided this information in the application;

8 (6) The name, contact information, and address of the Person authorized to
9 accept service of process;

10 (7) For all Owners/Applicants, a complete set of fingerprints in the manner
11 required by the Director for the purpose of conducting a criminal background check, and such
12 additional information concerning the criminal histories of Owners, as may be required by the
13 Director;

14 (8) Written verification that the owner of the real property where the Cannabis
15 Business will be located has the authority to consent, and consents, to its use as a Cannabis
16 Business. Such written verification must be signed by the property owner or the owner's
17 agent, and must include the owner and agent's contact information;

18 (9) Where the Applicant leases the Real Property, a copy of the lease;

19 (10) A determination from the Planning Department that the proposed use as a
20 Cannabis Business is in compliance with the Planning Code;

21 (11) An Operations Plan that includes such information as may be required by
22 the Director, including but not limited to:

23 (A) An odor mitigation plan;

24 (B) A Hazardous materials inventory;

25 (C) A power plan;

- (D) A Security Plan;
- (E) A track and trace compliance plan;
- (F) A waste disposal plan; and
- (G) A water management plan.

(12) For Applicants with 10 or more employees, each Applicant must agree that, as a condition of any permit awarded under this Article 16, the Applicant will enter into, and abide by the terms of, either of the following prior to the award of such a permit:

- (A) A Labor Peace Agreement; or,
- (B) A collective bargaining agreement with a Bona Fide Labor

Organization.

(13) ~~A copy of the Applicant's business registration certificate, The Tax Collector account number associated with the Applicant's business registration certificate issued by the Tax Collector in accordance with as required by Article 12 of the Business and Tax Regulations Code, or where pending, proof of application therefor;~~

(14) A copy of the Applicant's Seller's Permit, as may be required by Section 6067 of the California Revenue and Taxation Code, or where pending, proof of application therefor;

(15) A completed Permit Checklist upon a form provided by the Director;

(16) A detailed, scaled diagram of the proposed Premises that shows the boundaries of the property and all entrances, exits, interior partitions, walls, rooms, doorways, and common or shared entryways. The diagram must show the areas in which all Commercial Cannabis Activity will take place, including but not limited to areas where access will be limited to employees of the Cannabis Business and Customer access will be prohibited. If the proposed Premises consists of only a portion of property, the diagram shall reflect the

1 Premises used for Cannabis activity and describe the use for the remaining portion of the
2 property;

3 (17) Disclosure of all other previous and current Cannabis-related licenses and
4 permits issued by or sought from the City, the State, and any out-of-state jurisdiction,
5 including the date the permit or license was issued or denied, and the name of the permitting
6 or licensing authority;

7 (18) A signed statement authorizing the Department of the Environment or,
8 where applicable, the Public Utilities Commission to conduct an energy assessment within the
9 first year of operation;

10 (19) A copy of a proposed Good Neighbor Policy, developed in consultation
11 with the Office of Cannabis, under which the Applicant agrees to:

12 (A) Provide to residential and commercial neighbors located within 300
13 feet of the Cannabis Business the name, phone number, and email address of an onsite
14 manager or community relations staff person who may be contacted concerning any problems
15 associated with operation of the establishment;

16 (B) Maintain the Premises, adjacent sidewalk and/or alley in good
17 condition at all times; and

18 (C) Prohibit loitering in or around the Premises, and post notifications on
19 the Premises advising individuals of this prohibition.

20 (20) A staffing plan that includes an organizational chart, demonstrating the
21 roles and responsibilities of each employee and the reporting structure;

22 (21) A Community Benefits Agreement for consideration by the Director that
23 must, at a minimum:

24 (A) Commit to the development of a First Source Hiring Plan, as set forth
25 in Section 1618 of this Article 16; and

1 (B) Describe the Applicant's employment outreach, ~~and recruitment, and~~
2 retention strategies for positions of employment not covered by the First Source Agreement; and

3 (C) Describe how the Applicant will work to encourage and support the
4 establishment and growth of Equity Applicants, provide employment opportunities to persons
5 that have been disproportionately impacted by the criminalization of Cannabis, and otherwise
6 further the City's equity goals.

7 (22) ~~A Security Plan;~~

8 ~~—(23)—~~ A statement signed by ~~from~~ the Applicant that the Applicant will not Sell or
9 maintain on the Premises Tobacco Products or alcoholic beverages;

10 (23~~4~~) Documents demonstrating that the Applicant engaged in a Community
11 Outreach Strategy to advise neighbors of its intent to ~~apply for~~ seek a Cannabis Business
12 Permit and to solicit input on its proposed Good Neighbor Policy. An Applicant's Community
13 Outreach Strategy must, at a minimum, address the requirements of subsection (b)(19)(A) include
14 written notice to neighbors within 300 feet of the Premises of the Applicant's intent to open a Cannabis
15 Business at that location, include information about how neighbors may provide input on the
16 content of the Applicant's Good Neighbor Policy, and include sign-in sheets and minutes for
17 any meetings held with neighbors. All materials and notices developed and distributed to
18 neighbors by the Applicant as part of its Community Outreach Strategy must be translated into
19 the languages required by the Language Access Ordinance, Administrative Code Chapter 91;

20 (24~~5~~) For Applicants that submitted an Equity Plan, as set forth in Section 3322
21 of the Health Code, an Equity Progress Report describing the steps the Applicant has taken in
22 compliance with and furtherance of its Equity Plan since its submission to the Director.

23 (25~~6~~) Such further information as the Director requires regarding financial and
24 lease arrangements, management authority, operational control of the Business or its
25

1 Premises, or other matters, when such further information will assist the Director in his/her
2 determination whether to grant or deny the permit; *and*

3 ~~(267)~~ A statement signed by ~~from~~ the Applicant under penalty of perjury, that the
4 information provided is complete, true, and accurate; *and*

5 ~~(27)~~ A list of every person with any financial, ownership, or other or equity
6 interest, as may be defined by the Director, (including, but not limited to, the ownership of
7 stock) in the Applicant, the proposed Cannabis Business, and any Owner of the proposed
8 Cannabis Business, except that the Director may provide that remote or de minimis interests
9 need not be disclosed, person applying for the Cannabis Business Permit.

10 ~~(28)~~ The Director may allow or require an Applicant to supplement, amend, or
11 correct, any information provided under this Section 1609 within reasonable limits prescribed
12 by the Director, without requiring a new application, except that an Applicant may not change
13 the location of the Premises of the proposed Cannabis Business after the Premises have
14 been inspected by the Office or a Referring Department.

15 * * * *

16
17 (d) Additional Information Required of Applicants for Cannabis Manufacturing Facility
18 permits.

19 * * * *

20 (3) A statement signed by ~~from~~ the Applicant acknowledging that non-Cannabis
21 products will not be Manufactured on the Premises.

22 * * * *

23 (g) Additional Information Required of Applicants for Cannabis Microbusiness permits.
24 In addition to the information required under subsection (b) of this Section 1609, an Applicant
25 for a Cannabis Microbusiness permit shall also submit as part of its application:

1 (1) Copies of all documentation submitted to the State Licensing Authority in
2 support of its application for a Cannabis Microbusiness License; and

3 (2) All documentation and information set forth in subsections (c), (d), (f), and
4 *either* (h) *or* (i) of this Section 1609.

5 * * * *

6 (h) Additional Information Required of Applicants for Storefront Cannabis Retailer
7 permits.

8 * * * *

9 (6) If the Applicant intends to Deliver Cannabis or Cannabis Products to
10 Customers, the Applicant shall also provide:

11 * * * *

12 (F) A statement signed by from the Applicant affirming that the Applicant:

13 * * * *

14 (i) Additional Information Required of Applicants for Delivery-Only Cannabis Retailer
15 permits.

16 * * * *

17 (3) A "Delivery-Only Cannabis Retailer Operations Plan" containing such
18 information as may be required by the Director, including but not limited to:

19 * * * *

20 (H) A statement signed by from the Applicant affirming that the Applicant:

21 * * * *

22 (j) Upon receipt of an application for a Medicinal Cannabis Retailer, or Cannabis
23 Retailer, ~~or Delivery-Only Cannabis Retailer~~, permit, the Office of Cannabis shall post the name
24 and location of the proposed Cannabis Business on its website, and shall update its website
25 with information about the status of the application until such time as the application has been

1 approved or denied. The Office of Cannabis shall also cause a notice to be posted on the site
2 of the Premises associated with the aforementioned permit applications to notify neighbors
3 that a Cannabis Business Permit is sought at that location, if such notice is not otherwise
4 required by the Planning Code.

5
6 **SEC. 1613. LIMITS ON PERMITS.**

7 (a) A Permittee that holds a Cannabis Testing Facility permit shall be ineligible for and
8 may not be issued a permit to operate any other type of Commercial Cannabis Activity
9 permitted by the City. A Permittee that holds a Cannabis Business Permit other than a
10 Cannabis Testing Facility permit, shall be ineligible for and may not be issued a permit to
11 operate a Cannabis Testing Facility.

12 (b) ~~Except as stated in the first sentence of subsection (a) of this Section 1613, a~~
13 ~~Person may hold more than one Cannabis Business Permit.~~ No permit to operate as a
14 Storefront Cannabis Retailer shall be granted if any Person that holds an aggregate
15 ownership interest sufficient to qualify as an Owner of the Person applying for a Storefront
16 Cannabis Retailer permit individual holding a legal or beneficial interest in the proposed
17 Storefront Cannabis Retailer already holds such an aggregate ownership a legal or beneficial
18 interest in twofour or more existing Storefront Cannabis Retailers that hold permits under this
19 Article 16, except that an ownership interest held in a Storefront Cannabis Retailer shall not
20 be counted towards this limit if the Storefront Cannabis Retailer has received approval from
21 the Planning Commission, following a discretionary review hearing, as of the effective date of
22 the ordinance in Board File No. 180912. If an application for a permit, under this Article 16, to
23 operate as a Storefront Cannabis Retailer is pending for approval before the Planning
24 Commission, and if the approval of that permit would cause a Personan individual to hold an
25 aggregate ownership interest sufficient to qualify as an Owner of twoa legal or beneficial

1 interest in four or more existing Storefront Cannabis Retailers (other than Storefront Cannabis
2 Retailers that, as of the effective date of the ordinance in Board File No. 180912, have
3 received approval from the Planning Commission following a discretionary review hearing).
4 the Office of Cannabis shall place on hold any additional applications for a permit on behalf of
5 a Storefront Cannabis Retailer in which that Person would hold an aggregate ownership
6 interest sufficient to qualify as an Owner of the individual would hold a legal or beneficial
7 interest in a proposed Storefront Cannabis Retailer. For purposes of this subsection (b), the
8 circumstances in which an individual holds a legal or beneficial interest in a Storefront
9 Cannabis Retailer shall include (but need not be limited to) any circumstance in which an
10 individual holds a legal or beneficial interest in any Person holding a legal or beneficial interest
11 in the Storefront Cannabis Retailer.

12 (c) The Controller shall track the number of permits that are awarded pursuant to this
13 Article 16. *No later than July 1, September 30, 2019 Within one year of the effective date of this*
14 *Article 16*, the Controller shall submit to the Board of Supervisors a report that makes
15 recommendations as to whether the issuance of Cannabis Business Permits should be
16 subject to any numerical, geographical, or other limits.

17 * * * *

18 **SEC. 1615. ISSUANCE AND DENIAL OF CANNABIS BUSINESS PERMITS.**

19 * * * *

20 **(d) Mandatory Grounds for Denial.** No Cannabis Business Permit shall be issued if
21 the Director finds that:

22 (1) The Applicant, any Owner, or anyone holding a financial interest in the
23 proposed Cannabis Business, has provided materially false information or documents in
24 support of connection with the application.

1 (2) The Applicant or any Owner failed to provide all information required by this
2 Article 16 and by the Director, in implementing this Article 16.

3 (3) The Applicant has otherwise not fully complied with the provisions of this
4 Article 16.

5 (4) Any Owner, or anyone holding any financial interest in the proposed
6 Cannabis Business, has otherwise willfully or knowingly failed to comply, or caused a failure
7 to comply, with this Article 16.

8 (45) The Applicant has not demonstrated eligibility for a permit under this Article
9 16.

10 (56) The Premises are materially different from the diagram of the Premises
11 submitted by the Applicant.

12 (67) The City has revoked a permit for the operation of a business in the City
13 which permit had been issued to the Applicant or to any other Person who will be engaged in
14 the management of the Cannabis Business unless more than five years have passed between
15 the date of the application and the date of revocation of the other permit.

16 (78) The operation of the Cannabis Business as proposed by the Applicant, if
17 permitted, would not comply with all applicable laws, including but not limited to, the Building,
18 Planning, Housing, Police, Fire, and Health Codes of the City, the provisions of this Article 16
19 and any regulations promulgated thereto, and the Medicinal and Adult Use Cannabis
20 Regulation and Safety Act, 2017 Cal. Legis. Serv. Ch. 27 (S.B. 94), and its implementing
21 regulations, as may be amended from time to time.

22 (89) The Applicant is employed by any local or state agency responsible for the
23 regulation of Commercial Cannabis Activities.

24 (910) The Applicant denied access to the Premises to the Office and/or to any
25 Referring Department.

1 (4011) The Director finds that the Premises or the Cannabis Business will be or
2 is being managed, conducted, or maintained in such a manner as to endanger the health and
3 safety of the employees, Customers or neighbors, or to coerce any employee to engage in
4 illegal conduct.

5 (4112) The Planning Department or Planning Commission determines that the
6 Applicant engaged in Commercial Cannabis Activities in a location that was not authorized by
7 or consistent with the Planning Code.

8 * * * *

9
10 **SEC. 1618. ELIGIBILITY AND OPERATING STANDARDS APPLICABLE TO ALL**
11 **CANNABIS BUSINESSES.**

12 * * * *

13 ~~(ggh)~~ Every Cannabis Business must comply with all applicable laws, regulations, rules, and
14 permit conditions, during the entire permit period, whether or not the Cannabis Business currently
15 engages in Commercial Cannabis Activity.

16
17 **SEC. 1622. DELIVERIES OF CANNABIS AND CANNABIS PRODUCTS TO**
18 **CUSTOMERS.**

19 * * * *

20 (b) Permitted Cannabis Businesses that receive authorization from the Director to
21 engage in Deliveries must comply with such Delivery Standards as may be adopted by the
22 Director, including but not limited to the following:

23 (1) Deliveries may only be conducted by employees of the Permitted Cannabis
24 Business. Deliveries may not be conducted by independent contractors.

1 (2) An employee conducting a Delivery must deliver the Cannabis or Cannabis
2 Product to an address associated with real property (e.g. not to a street corner or location
3 within a park).

4 (3) Orders must be completed by individuals aged 21 or over (with valid
5 California driver's license or Identification card).

6 (4) Deliveries must be made during the Cannabis Business' hours of operation.

7 (5) Delivery may only be made to the individual who placed the Bona Fide
8 Order, and to individuals who are 21 years of age or older, unless the Customer provides
9 verification that the Customer, or a patient for whom he or she is a Primary Caregiver,
10 qualifies under California Health and Safety Code Section 11362.7 et seq. to use Medicinal
11 Cannabis.

12 (6) Upon Delivery, the employee performing the Delivery must:

13 (A) Personally review the Bona Fide Proof of Age and Identity of the
14 Customer to confirm that he or she is the same individual who submitted the Bona Fide Order,
15 and is not underage, as set forth in Section 1619 of this Article 16;

16 (B) Where the product being sold is Medicinal Cannabis or a Medicinal
17 Cannabis Product, personally review documentation verifying that the Customer possesses a
18 valid Physician's Recommendation;

19 (C) Require the Customer to sign a document indicating the type and
20 quantity of Cannabis and/or Cannabis Products that were Delivered; and

21 (D) Distribute to each Customer at the time of sale a fact sheet relating to
22 safe Consumption of Cannabis and Cannabis Products, the content of which shall be
23 produced by the Department of Public Health.

24 (7) A Cannabis Business may not Deliver more than the quantities of Cannabis or
25 Cannabis Products allowed for delivery under State law 28.5 grams of non-concentrated Cannabis or

1 ~~eight grams of concentrated Cannabis Products~~ to the same real property (e.g., apartment unit or
2 house) in the same business day.

3 (8) Cannabis and Cannabis Products that are Delivered to a Customer must:

4 ~~(A) Comply comply with ~~the~~ all State and local packaging and labeling~~
5 rules; ~~and,~~

6 ~~(B) Be placed in an opaque child resistant Delivery receptacle.~~

7 (9) All Cannabis and Cannabis Products shall be kept in a lock-box securely
8 affixed inside the Delivery vehicle.

9 (10) A manifest must be created for each Delivery or series of Deliveries prior to
10 ~~departure completion of that Delivery or series of Deliveries~~ departure, and the Delivery
11 employee may not make any unnecessary stops between Deliveries ~~or deviate substantially~~
12 ~~from the manifest route, unless a stop is necessary for personal safety~~ or deviate substantially
13 from the manifest route, unless a stop is necessary for personal safety.

14 (11) A Cannabis Business authorized to engage in the Delivery of Cannabis
15 and/or Cannabis Products shall comply with all track and trace requirements imposed by state
16 law, and shall document the following information regarding Deliveries pursuant to track and
17 trace:

18 (A) The date and time the Bona Fide Order was received by the
19 Cannabis Business;

20 (B) The date and time the Cannabis and/or Cannabis Products were
21 Delivered;

22 (C) A description of the Cannabis and/or Cannabis Products that were
23 Delivered, including the weight or volume and price paid by the Customer;

24 (D) The name of the Delivery employee who performed the Delivery; and
25

1 (E) The name of the individual to whom the Delivery was made, and the
2 Delivery address.

3 (12) A Cannabis Business authorized to engage in Deliveries must Deliver
4 Cannabis and Cannabis Products by Vehicle only, and the total value of Cannabis and Cannabis
5 Products that may be carried in the vehicle at one time may not exceed \$3,000 any applicable limits
6 established by the Director. Delivery of Cannabis and Cannabis Products by motorcycles,
7 scooters, drones, human powered vehicles, and unmanned vehicles is prohibited.

8 The enumeration of the specific Delivery Standards set forth in this Section 1622 shall
9 not be construed to limit the Director's authority to adopt any additional Delivery Standards
10 consistent with the purposes of this Article 16. Such additional Delivery Standards may
11 include, but need not be limited to, Delivery Standards to ensure that all Persons involved,
12 directly or indirectly, in Deliveries of Cannabis and Cannabis Products operate in a manner
13 consistent with this Article 16.

14
15 **SEC. 1627. CANNABIS MICROBUSINESSES.**

16 (a) **Authorized activities.** A Cannabis Microbusiness Permit authorizes the Permittee
17 to engage in the Commercial Cultivation, Manufacture, Distribution, and Sale (*either as a*
18 *Storefront Retail Cannabis Business or a Delivery-Only Cannabis Business Retailer*) of Medicinal
19 Cannabis and Cannabis Products and Adult Use Cannabis and Cannabis Products, provided
20 that the Permittee is both an A-licensee and an M-licensee. A Cannabis Microbusiness that
21 holds only an A-license may engage in the aforementioned Commercial activities relating to
22 Adult Use Cannabis and Cannabis Products only. A Cannabis Microbusiness that holds only
23 an M-License may engage in the aforementioned Commercial activities relating to Medicinal
24 Cannabis and Cannabis Products only.

1 (b) Operating Standards. In addition to the operating requirements set forth in Section
2 1618, a Cannabis Microbusiness shall comply with the operating standards set forth in
3 Sections 1623, 1624, 1626, and either Section 1628 or Section 1629 of this Article 16, and shall
4 comply with the following additional operating standards:

5 (1) A Cannabis Microbusiness shall conduct ~~all~~ no less than three of the following
6 four categories of Commercial activity ~~(Cultivation, Manufacture, Distribution, and Sale)~~ on the
7 same Premises: Cultivation, Manufacture, Distribution, and Sale.

8 (2) The area on which a Cannabis Microbusiness Cultivates Cannabis must be
9 less than 10,000 square feet.

10 (3) The use of Volatile Solvents by a Cannabis Microbusiness is prohibited.

11
12 **SEC. 1628. STOREFRONT CANNABIS RETAILERS.**

13 * * * *

14 (b) **Operating Standards.** In addition to the operating requirements set forth in
15 Sections 1618, 1 -a Storefront Cannabis Retailer shall comply with the following additional
16 operating requirements:

17 * * * *

18 (3) A Storefront Cannabis Retailer must ~~distribute to each Customer at the time~~
19 ~~of Sale, make available to Customers~~ a fact sheet relating to safe Consumption of Cannabis
20 and Cannabis Products, to be produced by the Department of Public Health.

21 * * * *

22 (6) A Storefront Cannabis Retailer licensed to sell Medicinal Cannabis may not
23 Sell more than eight ounces of Medicinal Cannabis or 12 immature Cannabis plants ~~28.5 grams of~~
24 ~~non-concentrated Medicinal Cannabis or eight grams of concentrated Medicinal Cannabis Products~~ to
25

1 a Customer in the same business day, unless the Customer provides a Physician's
2 Recommendation requiring a greater amount.

3 * * * *

4 **SEC. 1629. DELIVERY-ONLY CANNABIS RETAILERS.**

5 * * * *

6 (c) **Operating Standards.** In addition to the operating requirements set forth in
7 Section~~s~~ 1618, a Delivery-Only Cannabis Retailer shall comply with the following additional
8 operating requirements:

9 (1) A Delivery-Only Cannabis Retailer licensed to sell Adult Use Cannabis may
10 not Sell more than 28.5 grams of non-concentrated Adult Use Cannabis or eight grams of
11 concentrated Adult Use Cannabis Products to a Customer in the same business day.

12 (2) A Delivery-Only Cannabis Retailer licensed to sell Medicinal Cannabis may
13 not Sell more than ~~28.5 grams of non-concentrated Medicinal Cannabis or eight grams of~~
14 ~~concentrated Medicinal Cannabis Products to a Customer~~ eight ounces of Medicinal Cannabis or 12
15 immature Cannabis plants, in the same business day, unless the Customer provides a
16 Physician's Recommendation requiring a greater amount.

17 (3) All inventory must be stored on the Premises.

18 (4) A Delivery-Only Cannabis Retailer may not employ or enter into any
19 agreements with any physicians who recommend Medicinal Cannabis or with any third party
20 that employs physicians who recommend Medicinal Cannabis.

21 (5) A Delivery-Only Cannabis Retailer must provide to all Delivery personnel a
22 remote electronic age verification device to determine the age of any individual attempting to
23 purchase Cannabis or Cannabis Products, which device shall be used upon the Delivery of
24 the Cannabis or Cannabis Products to the Customer. The device shall be maintained in
25 operational condition and all employees shall be instructed in its use. Cannabis and Cannabis

1 products shall not be Delivered to a Customer if the electronic age verification device is not
2 functioning.

3 * * * *

4
5 **SEC. 1634. ADDITIONAL ADMINISTRATIVE ENFORCEMENT ORDERS.**

6 (a) Order to Cease Operations Without Permit. Upon a determination by the Director
7 that any Cannabis Business is operating without all valid, effective, and current permits
8 required by this Article 16, the Director shall issue an Order to Cease Operations Without
9 Permit, which shall be posted prominently on the Premises and mailed to the Cannabis
10 Business. Such Order shall state:

11 (1) The required permits which are lacking;

12 (2) That the Cannabis Business has 7224 hours from the time of posting to
13 demonstrate to the Director's satisfaction that the Cannabis Business has the required valid,
14 effective, and current permits;

15 (3) If the Cannabis Business has not made such demonstration within 7224
16 hours, that the Cannabis Business must immediately close until such time as it demonstrates
17 to the Director's satisfaction that the Cannabis Business has the required permits; and

18 (4) If the Cannabis Business fails to close as required by this subsection (a),
19 that the Director shall issue an Immediate Closure Order and close the Premises.

20 * * * *

21
22
23 Section 2. Article 33 of the Health Code is hereby amended by revising Sections 3311,
24 3322, and 3323, to read as follows:

1 **SEC. 3311. SALE OR TRANSFER OF PERMITS. TRANSFER OF PERMIT; CHANGE**
2 **IN OWNERSHIP.**

3 ~~(a) Upon sale, transfer or relocation of a medical cannabis dispensary, the permit and~~
4 ~~license for the establishment shall be null and void unless another permit has been issued~~
5 ~~pursuant to this Article; provided, however, that upon the death or incapacity of the permittee,~~
6 ~~the medical cannabis dispensary may continue in business for six months to allow for an~~
7 ~~orderly transfer of the permit.~~

8 ~~(b) If the permittee is a corporation, a transfer of 25 percent of the stock ownership of~~
9 ~~the permittee will be deemed to be a sale or transfer and the permit and license for the~~
10 ~~establishment shall be null and void unless a permit has been issued pursuant to this Article;~~
11 ~~provided, however that this subsection shall not apply to a permittee corporation, the stock of~~
12 ~~which is listed on a stock exchange in this State or in the City of New York, State of New York,~~
13 ~~or which is required by law, to file periodic reports with the Securities and Exchange~~
14 ~~Commission.~~

15 (a) **Permits Nontransferable.** No permit issued under this Article 33 shall be
16 transferable under any circumstances, including but not limited to the sale of the medical
17 cannabis dispensary.

18 (b) **Ownership; Changes in Ownership; Changes in Form or Structure.**

19 (1) Any change affecting any ownership interest of a medical cannabis
20 dispensary, including, but not limited to, any change in ownership that affects an ownership
21 interest of less than 20% of the medical cannabis dispensary, must be promptly disclosed, in
22 writing, to the Director.

23 (2) Any change affecting any ownership interest of a medical cannabis
24 dispensary that results in a person holding an aggregate ownership interest of 20% or more of
25 a medical cannabis dispensary, when that person did not previously hold an aggregate

1 ownership interest of 20% or more in the medical cannabis dispensary, shall require the
2 permittee to promptly obtain a permit amendment. For purposes of this Section 3311, a
3 “person” shall be defined to include any individual, firm, partnership, joint venture, association,
4 corporation, limited liability company, estate, trust, business trust, receiver, syndicate, or any
5 other entity, or other group or combination acting as a unit. The decision to grant or deny a
6 permit amendment shall be entrusted to the Director’s discretion in the same manner, and
7 subject to the same criteria, as the decision to grant or deny a provisional permit as set forth
8 in Section 3307, provided however that the permit amendment shall not be granted unless the
9 permittee has provided, and the Director has approved, an actionable Cannabis Equity
10 Incubator Agreement, as set forth in subsection (b)(3)(B), where such an agreement is
11 required because the permittee seeks to implement a change affecting an ownership interest
12 in a medical cannabis dispensary.

13 (3) A permittee seeking a permit amendment as required under this
14 subsection (b) shall provide to the Director and the Director of the Office of Cannabis for
15 review and approval the following information:

16 (A) Such information, from the categories of information described in
17 Section 3304, as may be required by the Director; and

18 (B) Where a permittee seeks a permit amendment to implement a
19 change affecting an ownership interest in a medical cannabis dispensary, a Cannabis Equity
20 Incubator Agreement in which it identifies no less than one Equity Applicant, as that term is
21 defined in subsection (b) of Section 1604 of the Police Code, and commits to comply with one
22 of the following operating requirements for 18 months from the date that the permit
23 amendment is approved:

24 (i) Submit to the Director and the Director of the Office of
25 Cannabis for review and approval a written, an actionable “Equity Incubator Plan” describing

1 how the permittee will encourage and support the establishment and growth of at least one of
2 the identified Equity Applicants by, among other things, providing business plan guidance,
3 operations consulting, personnel, or technical assistance. The services listed in the Equity
4 Incubator Plan must be enumerated, and include an estimated dollar value of those services.
5 The aggregate dollar value of the services must equal or exceed the sum of 10% of the rent
6 for, or, if the permittee owns the permittee's premises, 10% of the rental market value of, the
7 permittee's premises, and the annual total costs of security services at the permittee's
8 premises; or

9 (ii) Provide at least one of the identified Equity Applicants with
10 rent-free commercial space owned or leased by the permittee, either adjacent to the
11 permittee's premises or off-site, in which the Equity Applicant may prepare to conduct, and
12 upon award of a Cannabis Business permit under Article 16 of the Police Code may in fact
13 conduct, its Cannabis Business. If such rent-free commercial space is provided off-site, the
14 permittee must provide the greater of 800 square feet or the equivalent of at least 10% of the
15 square footage of the permittee's premises. If such rent-free commercial space is provided
16 adjacent to the permittee's premises, the permittee must provide either 800 square feet or the
17 equivalent of at least 10% of the square footage of the permittee's premises.

18 (4) Notwithstanding any other provision of this subsection (b), an aggregate
19 ownership interest of 50% or more in a medical cannabis dispensary may not be transferred
20 to any person or combination of persons who were not owners of the medical cannabis
21 dispensary at the time that a medical cannabis dispensary permit was awarded under this
22 Article 33. In the event that an aggregate ownership interest of 50% or more in a medical
23 cannabis dispensary is transferred to any person or combination of persons who were not
24 owners of the medical cannabis dispensary at the time that a medical cannabis dispensary
25 permit was awarded, the permittee shall promptly surrender the permit to the Director. This

1 obligation is not dependent on the Director's requesting the surrender, but arises by operation
2 of law upon the transfer of an ownership interest of 50% or more in the medical cannabis
3 dispensary. If the permittee fails to surrender the permit to the Director, the Director may, after
4 giving the permittee notice by mail and electronically of the proposed action and an
5 opportunity to respond, revoke the permit.

6 (5) A change in the form or structure of a medical cannabis dispensary shall
7 not be considered a change affecting an ownership interest in a medical cannabis dispensary
8 for purposes of this subsection (b). Notwithstanding any other provision of this subsection (b),
9 a permittee may undertake a change in its form or structure, as long as the change in form or
10 structure does not cause any change affecting an ownership interest, and so long as the
11 change in form is otherwise authorized under this Article 33. The Permittee must promptly
12 disclose its change in form or structure, in writing, to the Director, and such change shall
13 require the permittee to promptly apply for and obtain a permit amendment as set forth in
14 subsection (b)(3).

15 (6) Notwithstanding any other provision of this subsection (b), it shall not be
16 considered a change affecting an ownership interest in a medical cannabis dispensary if an
17 individual transfers an ownership interest in a medical cannabis dispensary to a person that is
18 entirely owned and controlled by that same individual, but any subsequent transfer of an
19 ownership interest in that person shall be considered a change affecting an ownership interest
20 in the medical cannabis dispensary. All transfers described in this subsection (b)(6) must be
21 promptly disclosed, in writing, to the Director.

22 * * * *

23
24 **SEC. 3322. TRANSITION PROVISION.**

1 * * * *

2 (7) Submits to the Director of the Office of Cannabis a written, actionable and
3 measurable "Equity Plan" describing the concrete steps the medical cannabis dispensary will
4 take to encourage and support the establishment and growth of Equity Operators, as defined
5 in Section 1604 of the Police Code; provide employment opportunities to persons that have
6 been disproportionately impacted by the criminalization of cannabis; and otherwise further the
7 City's equity goals. A medical cannabis dispensary with multiple locations must submit a
8 separate and distinct Equity Plan for each location at which it operates.

9 ~~(e) The authorization to Sell Adult Use Cannabis and Cannabis Products set forth in~~
10 ~~subsection (d) of this Section 3322 applies only to:~~

11 ~~———— (1) A medical cannabis dispensary that holds a valid permit under this Article 33~~
12 ~~as of the effective date of the ordinance in Board File Number 171042; and~~

13
14 ~~———— (2) A medical cannabis dispensary that is awarded a permit under this Article 33~~
15 ~~at any time prior to December 31, 2018, provided the medical cannabis dispensary:~~

16 ~~———— (A) Submitted a complete application for a medical cannabis dispensary~~
17 ~~permit to the Department of Public Health prior to July 20, 2017; and~~

18 ~~———— (B) Demonstrates to the satisfaction of the Director that it operated a~~
19 ~~cannabis business in compliance with local law and the Compassionate Use Act of 1996, and~~
20 ~~was forced to discontinue operations as a result of federal prosecution or threat of federal~~
21 ~~prosecution.~~

22 (e) The authorization to Sell Adult Use Cannabis and Cannabis Products set forth in
23 subsection (d) of this Section 3322 applies only to medical cannabis dispensaries that satisfy
24 any of the following criteria:

1 (1) The medical cannabis dispensary received a valid permit under this
2 Article 33 prior to January 5, 2018;

3 (2) The medical cannabis dispensary received a valid permit under this
4 Article 33 prior to July 1, 2019, and submitted an application for such a permit before July 20,
5 2017; or

6 (3) The medical cannabis dispensary received a valid permit under this
7 Article 33 prior to December 31, 2019, and demonstrates to the satisfaction of the Director
8 that it operated in compliance with local law and the Compassionate Use Act of 1996, and
9 was forced to discontinue operations as a result of federal prosecution or threat of federal
10 prosecution.

11 (eff) The Director may extend the authorization to Sell Adult Use Cannabis for
12 additional 12090-day periods beyond the 120-day period set forth in subsection (d) of this
13 Section 3322 upon a finding that:

14 (1) The Office of Cannabis has not had sufficient time to review and process
15 applications for Cannabis Business Permits under Article 16 of the Police Code; and

16 (2) The medical cannabis dispensary has demonstrated good faith compliance
17 with its Equity Plan to the satisfaction of the Director of the Office of Cannabis.

18 The Director's authority under this subsection (ef) to extend 12090-day periods for
19 authorization to sell Adult Use Cannabis may be exercised only at intervals of approximately
20 12090 days, as to each distinct 12090-day period. Thus, for example, the Director may not
21 simultaneously authorize two consecutive 12090-day extensions for the same medical
22 cannabis dispensary.

23 (fgg) For purposes of Section 26050.1 of the California Business and Professions
24 Code, a valid medical cannabis dispensary permit shall serve as a valid license, permit, or
25 other authorization to engage in the retail sale of medicinal cannabis, medicinal cannabis

1 products, adult use cannabis, and adult use cannabis products at the permitted location, but
2 shall not serve as a valid license, permit, or other authorization to engage in the commercial
3 cultivation of cannabis of any kind.

4 (h) Notwithstanding any provision in this Article 33, a permittee that holds a valid State
5 Cannabis License authorizing the retail Sale of Medicinal Cannabis may operate at a profit,
6 and may change its corporate form from a collective or cooperative to any other corporate
7 form, provided that it provides notice to the Director of such change, as set forth in subsection
8 (b)(5) of Section 3311.

9
10 **SEC. 3323. SUNSET PROVISION.**

11 This Article 33 shall expire by operation of law on December 31, ~~2019~~*18*, *at which time*
12 *all* permits authorizing the operation of a Medical Cannabis Dispensary issued under this
13 Article 33 shall be rendered invalid *after December 31, 2018, except for those permits issued under*
14 *this Article 33 where the permit holder has applied for a Police Code Article 16 permit, which shall be*
15 *rendered invalid on December 31, 2019.* Upon expiration of the Article, the City Attorney shall
16 cause it to be removed from the Health Code.

17
18 Section 3. Effective Date; Retroactivity.

19 (a) This ordinance shall become effective 30 days after enactment. Enactment
20 occurs when the Mayor signs the ordinance, the Mayor returns the ordinance unsigned or
21 does not sign the ordinance within ten days of receiving it, or the Board of Supervisors
22 overrides the Mayor's veto of the ordinance.

23 (b) The Board of Supervisors intends that no medical cannabis dispensary that
24 would be authorized to sell Adult Use Cannabis under Health Code Section 3322, as
25 amended by the ordinance in Board File No. 180912, be prevented from doing so, or be

1 subject to any legal penalty for doing so (in accordance with the ordinance in Board File No.
2 180912 and other applicable laws), by the effective date set forth in this Section 3.
3 Accordingly, to the maximum extent permitted by law, the amendments made to Section
4 3322(e) of the Health Code under the ordinance in Board File No. 180912 shall be retroactive
5 to December 4, 2018.
6

7 ~~Section 4. Prospective Application of Amendments to Equity Criteria.~~

8 ~~The Board of Supervisors does not intend that changes to the Equity Criteria (as set~~
9 ~~forth in Section 1604 of the Police Code) set forth in the ordinance in Board File No.~~
10 ~~_____ shall affect the status of Equity Applicants or Equity Incubators whom the Office of~~
11 ~~Cannabis has previously verified to be Equity Applicants or Equity Incubators, as reflected in~~
12 ~~written notification sent to those Equity Applicants or Equity Incubators by the Office of~~
13 ~~Cannabis. Therefore, the changes, set forth in the ordinance in Board File No. _____, to~~
14 ~~the Equity Criteria set forth in Section 1604 of the Police Code shall apply only to applicants~~
15 ~~for Cannabis Business Permits who seek to be verified as Equity Applicants or Equity~~
16 ~~Incubators after the effective date of the ordinance in Board File No. _____.~~
17

18 Section 454. Scope of Ordinance. In enacting this ordinance, the Board of
19 Supervisors intends to amend only those words, phrases, paragraphs, subsections, sections,
20 articles, numbers, punctuation marks, charts, diagrams, or any other constituent parts of the
21 Municipal Code that are explicitly shown in this ordinance as additions, deletions, Board
22 amendment additions, and Board amendment deletions in accordance with the "Note" that
23 appears under the official title of the ordinance.
24
25

1 APPROVED AS TO FORM:
DENNIS J. HERRERA, City Attorney

2 By: Matthew Lee
3 MATTHEW LEE
4 Deputy City Attorney

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LEGISLATIVE DIGEST
(Revised 12/3/18)

[Police and Health Codes - Regulation of Cannabis Businesses]

Ordinance amending the Police Code by making a number of changes in the regulation of commercial cannabis activity, including, among other things: 1) defining ownership interest and revising Equity Criteria, for purposes of the Equity Program in a Cannabis Business; 2) modifying the Cannabis Equity Incubator Program requirements; 3) extending by one year the possible duration of a Temporary Cannabis Business Permit; 4) authorizing the Director of the Office of Cannabis to issue Cannabis Business Permits to Medical Cannabis Dispensaries forced to discontinue operations due to a no-fault lease termination before December 31, 2018; 5) modifying the order in which the Director may review and process Cannabis Business Permit applications; 6) revising requirements associated with a Cannabis Business' change in ownership and structure requiring Cannabis Business permit amendments when a change in ownership results in a decrease in an Equity Applicant's Ownership Interest or role in the Cannabis Business; 7) revising Cannabis Business Permit application requirements; 8) requiring Cannabis Businesses to comply with all permit conditions whether or not they are currently engaging in the permitted activity; 9) modifying the amount of Cannabis that may be delivered or sold to a customer; and 10) authorizing Cannabis Microbusinesses to conduct either storefront or delivery sales, but not both, and reducing from four to three the categories of Commercial activity required to operate as a Cannabis Microbusiness; and amending the Health Code by revising eligibility requirements for medical cannabis dispensaries seeking authorization to Sell Adult Use Cannabis, and extending by one year to December 31, 2019 the date on which Article 33 (Medical Cannabis Act) expires.

Existing Law

Police Code Article 16 and Health Code Article 33 govern the regulation of commercial cannabis. Existing law defines an owner as an individual participating in the direction, control, or management of the entity applying for a Cannabis Business permit and does not define ownership interest. Existing law establishes an Equity Program in which Equity Incubators can apply for a permit provided that they agree to assist or "incubate" Equity Applicants. Existing law authorizes the Director of the Office of Cannabis ("Director") to issue Temporary Cannabis Permits. Existing law prescribes the order in which the Director may review and process Cannabis Business Permit applications, defines the application requirements, defines the conditions under which a change in ownership requires a permit amendment, defines the amount of Cannabis that may be delivered or sold, authorizes storefront and delivery sales, and defines the requirements to operate a Cannabis Microbusiness. Finally, existing law defines the date on which Article 33, which regulates Medicinal Cannabis, expires.

Amendments to Current Law

This ordinance amends the Police and Health Codes by:

- Defining ownership interest and revising Equity Applicant criteria relating to housing insecurity;
- Modifying the Cannabis Equity Incubator Program requirements;
- Extending by one year the possible duration of a Temporary Cannabis Business Permit;
- Authorizing the Director to issue Cannabis Business Permits to Medical Cannabis Dispensaries forced to discontinue operations due to no-fault lease terminations;
- Modifying the order in which the Director may review and process Cannabis Business Permit applications;
- Revising requirements associated with a Cannabis Business's ownership and structure under Article 16 of the Police Code;
- Revising requirements associated with a Medical Cannabis Dispensary's ownership and structure under Article 33 of the Health Code;
- Revising Cannabis Business Permit application requirements;
- Clarifying that Cannabis Businesses must comply with all permit conditions whether or not they are currently engaging in the permitted activity;
- Modifying the amount of Cannabis that may be delivered or sold;
- Authorizing Cannabis Microbusinesses to conduct either storefront or delivery sales, but not both;
- Clarifying that the legislative adoption of certain Delivery Standards shall not be construed to in any way limit the Office of Cannabis's authority to adopt additional Delivery Standards;
- Reducing from four to three the categories of Commercial activity required to operate as a Cannabis Microbusiness;
- Adding new restrictions on the number of Cannabis Retail Businesses in which an individual may have a legal or beneficial interest;
- Revising the eligibility requirements for Medical Cannabis Dispensaries seeking authorization to Sell Adult Use Cannabis; and
- Extending by one year the date on which Article 33 expires by law.

Background

This version of the ordinance reflects amendments made in the special meeting of the Rules Committee on December 3, 2018.

BOARD of SUPERVISORS



City Hall
Dr. Carlton B. Goodlett Place, Room 244
San Francisco 94102-4689
Tel. No. 554-5184
Fax No. 554-5163
TDD/TTY No. 554-5227

MEMORANDUM

TO: Regina Dick-Endrizzi, Director
Small Business Commission, City Hall, Room 448

FROM:  Alisa Somera, Legislative Deputy Director
Rules Committee

DATE: September 25, 2018

SUBJECT: REFERRAL FROM BOARD OF SUPERVISORS
Rules Committee

The Board of Supervisors' Rules Committee has received the following legislation, which is being referred to the Small Business Commission for comment and recommendation. The Commission may provide any response it deems appropriate within 12 days from the date of this referral.

File No. 180912

Ordinance amending the Police Code by making a number of changes in the regulation of commercial cannabis activity, including, among other things: 1) defining ownership interest in a Cannabis Business; 2) modifying the Cannabis Equity Incubator Program requirements; 3) extending by one year the possible duration of a Temporary Cannabis Business Permit; 4) authorizing the Director of the Office of Cannabis to issue Cannabis Business Permits to Medical Cannabis Dispensaries forced to discontinue operations due to a no-fault lease termination before December 31, 2018; 5) modifying the order in which the Director may review and process Cannabis Business Permit applications; 6) requiring Cannabis Business permit amendments when a change in ownership results in a decrease in an Equity Applicant's Ownership Interest or role in the Cannabis Business; 7) revising Cannabis Business Permit application requirements; 8) requiring Cannabis Businesses to comply with all permit conditions whether or not they are currently engaging in the permitted activity; 9) modifying the amount of Cannabis that may be delivered or sold to a customer; and 10) authorizing Cannabis Microbusinesses to conduct either storefront or delivery sales, but not both, and reducing from four to three the categories of Commercial activity required to operate as a Cannabis Microbusiness; and amending the Health Code by extending by one year the date on which Article 33 (Medical Cannabis Act) expires by law.

Please return this cover sheet with the Commission's response to me at the Board of Supervisors, City Hall, Room 244, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102.

RESPONSE FROM SMALL BUSINESS COMMISSION - Date: _____

No Comment

Recommendation Attached

Chairperson, Small Business Commission


BOARD of SUPERVISORS



City Hall
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco 94102-4689
Tel. No. 554-5184
Fax No. 554-5163
TDD/TTY No. 554-5227

MEMORANDUM

TO: Nicole Elliott, Director, Office of Cannabis
Greg Wagner, Acting Director, Department of Public Health
William Scott, Police Chief, Police Department

FROM:  Alisa Somera, Legislative Deputy Director
Rules Committee

DATE: September 25, 2018

SUBJECT: LEGISLATION INTRODUCED

The Board of Supervisors' Rules Committee has received the following proposed legislation, introduced by Mayor Breed on September 18, 2018:

File No. 180912

Ordinance amending the Police Code by making a number of changes in the regulation of commercial cannabis activity, including, among other things: 1) defining ownership interest in a Cannabis Business; 2) modifying the Cannabis Equity Incubator Program requirements; 3) extending by one year the possible duration of a Temporary Cannabis Business Permit; 4) authorizing the Director of the Office of Cannabis to issue Cannabis Business Permits to Medical Cannabis Dispensaries forced to discontinue operations due to a no-fault lease termination before December 31, 2018; 5) modifying the order in which the Director may review and process Cannabis Business Permit applications; 6) requiring Cannabis Business permit amendments when a change in ownership results in a decrease in an Equity Applicant's Ownership Interest or role in the Cannabis Business; 7) revising Cannabis Business Permit application requirements; 8) requiring Cannabis Businesses to comply with all permit conditions whether or not they are currently engaging in the permitted activity; 9) modifying the amount of Cannabis that may be delivered or sold to a customer; and 10) authorizing Cannabis Microbusinesses to conduct either storefront or delivery sales, but not both, and reducing from four to three the categories of Commercial activity required to operate as a Cannabis Microbusiness; and amending the Health Code by extending by one year the date on which Article 33 (Medical Cannabis Act) expires by law.

If you have comments or reports to be included with the file, please forward them to me at the Board of Supervisors, City Hall, Room 244, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102 or by email at: alisa.somera@sfgov.org.

- c: Ray Law, Office of Cannabis
- Naveena Bobba, Department of Public Health
- Sneha Patil, Department of Public Health
- Rowena Carr, Police Department
- Asja Steeves, Police Department

OFFICE OF THE MAYOR
SAN FRANCISCO



LONDON N. BREED
MAYOR

TO: Angela Calvillo, Clerk of the Board of Supervisors
FROM: Mayor London Breed *KAC*
RE: Police and Health Codes - Regulation of Cannabis Businesses
DATE: September 18, 2018

BOARD OF SUPERVISORS
SAN FRANCISCO
2018 SEP 18 PM 3:57

Ordinance amending the Police Code by making a number of changes in the regulation of commercial cannabis activity, including, among other things: 1) defining ownership interest in a Cannabis Business; 2) modifying the Cannabis Equity Incubator Program requirements; 3) extending by one year the possible duration of a Temporary Cannabis Business Permit; 4) authorizing the Director of the Office of Cannabis to issue Cannabis Business Permits to Medical Cannabis Dispensaries forced to discontinue operations due to a no-fault lease termination before December 31, 2018; 5) modifying the order in which the Director may review and process Cannabis Business Permit applications; 6) requiring Cannabis Business permit amendments when a change in ownership results in a decrease in an Equity Applicant's Ownership Interest or role in the Cannabis Business; 7) revising Cannabis Business Permit application requirements; 8) requiring Cannabis Businesses to comply with all permit conditions whether or not they are currently engaging in the permitted activity; 9) modifying the amount of Cannabis that may be delivered or sold to a customer; and 10) authorizing Cannabis Microbusinesses to conduct either storefront or delivery sales, but not both, and reducing from four to three the categories of Commercial activity required to operate as a Cannabis Microbusiness; and amending the Health Code by extending by one year the date on which Article 33 (Medical Cannabis Act) expires by law.

Please note that Supervisor Mandelman and Supervisor Cohen are co-sponsors of this ordinance.

Should you have any questions, please contact Kanishka Karunaratne Cheng at 415-269-1819.

FILE # 180912
RULES COMMITTEE
RULES CLERK
C. PABES

ZACKS, FREEDMAN & PATTERSON

A PROFESSIONAL CORPORATION

235 Montgomery Street, Suite 400
San Francisco, California 94104
Telephone (415) 956-8100
Facsimile (415) 288-9755
www.zfplaw.com

December 3, 2018

VIA EMAIL AND HAND DELIVERY

Ahsha Safai, Chair Rules Committee
San Francisco Board of Supervisors
c/o Victor Young, Clerk
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco, CA 94102

Re: Violation of the California Environmental Quality Act (CEQA)
Dynamic Mobile Cannabis Dispensaries
File No. 180912

2018 DEC -3 AM 10:24
AR
BOARD OF SUPERVISORS
SAN FRANCISCO

Dear Supervisor Safai and Honorable Members of the Rules Committee:

Introduction

Our office represents San Franciscans Against Traffic Congestion, which has serious concerns regarding the traffic congestion and other serious environmental impacts that will be caused by the above-captioned ordinance (the "Ordinance"). A recent study found that San Francisco has the fifth-worst traffic congestion in the world, and the third-worst congestion in the United States. (INRIX Global Traffic Scorecard, available at <http://inrix.com/scorecard/>).

Specifically, the Ordinance amends Police Code § 1622 to authorize a new class of roving cannabis deliveries. The Ordinance also amends Policed Code § 1627 to allow a new class of businesses to make deliveries – "Cannabis Microbusinesses." **This will dramatically increase the number of delivery vehicles circulating and making stops on San Francisco's already congested streets, while also authorizing cannabis delivery vehicles to drive around idly while awaiting assignments.**

Shockingly, **no environmental review of the Ordinance has been done**, despite the likely significant environmental impacts that will result from it.

The California Environmental Quality Act ("CEQA") requires public agencies to "inform their decisions with environmental considerations." (Muzzy Ranch Co. v. Solano County Airport Land Use Com. (2007) 41 Cal.4th 372, 380.) CEQA applies to any project undertaken by a

public agency that “may cause either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment.” (Pub. Res. Code 21065; CEQA Guidelines, § 15378.) Under CEQA, if there is a possibility that a project may have a significant effect on the environment, the lead agency must undertake environmental review of the project.

CEQA requires the traffic impacts of a project to be adequately disclosed and analyzed. (Whitman v. Board of Supervisors (1979) 88 Ca.3d 397; San Joaquin Raptor Rescue Ctr. v. County of Merced (2007) 149 Ca.4th 645.) Moreover, increased traffic can cause additional significant environmental impacts that are subject to CEQA review, including air quality impacts and increased greenhouse gas emissions. (CEQA Guidelines, §15064.4.)

Previous amendments to the Police Code relating to commercial cannabis activities (File No. 171402) were determined to not be a “project” for the purposes of CEQA. (CEQA Guidelines, § 15378 and 15060(c).) But this Ordinance goes well beyond “cleanup” legislation and will increase the environmental impact of cannabis deliveries, and as such, additional environmental review is required. As the San Francisco Office of Cannabis described the Ordinance in its November 30 stakeholders notice, these are “substantial amendments” to “the commercial cannabis regulatory framework.”

The Ordinance Puts Idle Cannabis Delivery Vehicles on City Streets for the First Time – Driving Around Without a Destination

One of the Ordinance’s most significant change relates to San Francisco Police Code § 1622(b)(10). The Code currently states:

A manifest must be created for each Delivery or series of Deliveries prior to departure, and the Delivery employee may not make any unnecessary stops between Deliveries or deviate substantially from the manifest route, unless a stop is necessary for personal safety.

That is, cannabis delivery drivers may only make deliveries when they have a pre-arranged order. Under existing law, they are not permitted to drive around endlessly while awaiting orders.

The Ordinance proposes the following change to § 1622(b)(10):

A manifest must be created for each Delivery or series of Deliveries prior to completion of that Delivery or series of Deliveries, and the Delivery employee may not make any unnecessary stops between Deliveries.

This revised language would permit delivery drivers to create a manifest *after* departure, instead of being required to remain off-street until they are assigned to a delivery. This will enable delivery drivers to operate like Uber drivers – driving around the City for an unlimited time while they await customer orders. Put simply, *it is the difference between drivers waiting for customers at a licensed taxi stand versus waiting for customers while driving around.*

No environmental review has been done to determine the impact of an unlimited number of delivery vehicles idly circling while they await customer orders.

The Ordinance Authorizes a New Fleet of Cannabis Delivery Vehicles On City Streets

The Ordinance will significantly expand the number of businesses that are permitted to make cannabis deliveries. Under existing law, the only businesses allowed to deliver cannabis products are Storefront Cannabis Retailers and Delivery-Only Cannabis Retailers. By contrast, businesses that cultivate or manufacture cannabis products are not allowed to make deliveries. (Police Code § 1622.)

The Ordinance would authorize a new class of businesses to make deliveries in San Francisco: “Cannabis Microbusinesses.” A Cannabis Microbusiness is defined as “a fixed place of business where Cannabis and/or Cannabis Products are Cultivated, Manufactured, Distributed, and Sold to Customers.” (Police Code, § 1602.) Under the Ordinance, there would be no limit on the number of delivery vehicles operating on City streets – either per vendor or in the aggregate.

Yet the City has not done *any* environmental review to determine the impact of putting this new pool of delivery vehicles on our already congested streets.

Conclusion

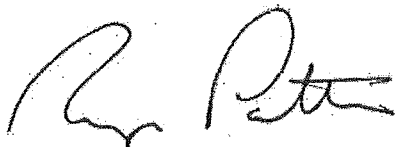
Supervisor Safai
December 3, 2018
Page 4

By permitting mobile cannabis dispensaries and allowing Cannabis Microbusinesses to undertake deliveries for the first time, there is a clear likelihood that the Ordinance will cause significant environmental impacts. The increased traffic that will result from the Ordinance will exacerbate the City's overwhelmed streets, causing greater congestion, air quality impacts, and increased greenhouse gas emissions. These are significant environmental impact that have not been analyzed.

The City must comply with its CEQA obligations. We respectfully request that a complete environmental analysis be completed prior to the Ordinance's passage.

Very truly yours,

ZACKS, FREEDMAN & PATTERSON, PC

A handwritten signature in black ink, appearing to read "Ryan Patterson", written over a horizontal line.

Ryan J. Patterson

Natoma Depot Equity Program

Enough has been said about the failure of The War on Drugs but, not enough has been done to right the wrongs of this unjust war. Of the 482 municipalities in California, 158 or 33% have approved the use of adult use and/or medical cannabis. Of these 158, only four or 2.5%: Oakland, San Francisco, Los Angeles, and Sacramento have actually taken steps to implement a cannabis equity programs. Juxtaposed the above data against California prison demographics at the end of 2016 where, 29% of the male prisoners in state prisons were African American, while only 6% of the state's male residents are African American. The incarceration rate for African American is 4,180 per 100,000. White men are imprisoned at a rate of 420 per 100,000, and imprisonment rates for Latino men and men of other races are 1,028 and 335, respectively. The ugly impact of Mass Incarceration are clear to Natoma Depot and we're committed to doing our part helping to reverse the damage from the War on Drugs.

Recognizing these trends Natoma has invested in hiring Ed Donaldson as its Director of Community Development to lead its internal efforts on equity. Ed is a native son of San Francisco still residing in his community, Bayview Hunters Point. A verified equity applicant with San Francisco's Office of Cannabis, Ed served a 10 years mandatory minimum sentence for a first time non-violent drug offense. He has over 25 years of experience in finance, affordable housing and economic development using equity strategies. He's a graduate of USC's Ross Minority Program in Real Estate Development and Finance, San Francisco State University with a B.S. in Corporate Finance, Certified Economic Development Finance Professional by the National Development Council and a Certified Salesforce Administrator. In 2010, trained in equity strategies by Oakland based Policy-Link and Urban Habitat, Ed is uniquely situated to execute upon for-profit equity projects with a double bottom-line objective. Currently, Ed serves as the Housing Subcommittee Chairperson on the Hunters Point Shipyard Implementation Committee that oversees the historic \$37.5 community benefits agreement for Jobs and Housing negotiated with Lennar/Five Points. In this work he has help the group to execute on equity strategies through the acquisition of community owned property and supporting neighborhood social enterprises that employ at-risk community members.

Programmatic Areas

Diversity and Inclusion – Pathways into the Cannabis Industry

- Communities Impacted by War on Drugs: OEWD Access Points
- Natoma Depot: Career Pathway: 30% Equity Goal: 600 Hrs = 17 FT Positions
- Staff Positions via Hiring and Promotions: Rapid Industry Growth
- Industry Immersion via Scholarships, Networking, Training, and Mentorship
- Meaning, Purpose and Empowerment – Workplace Wellness - The Workers Lab

Volunteerism – Repairing the Harm from the War on Drugs

- Community Equity Driven Projects
- Incarcerated Families with Children
- Leverage Internal/External Resources
- Quarterly Staff/Community Event

Charitable Giving – Help is not just about writing a check. Our expertise is more valuable!

- Leverage Internal/External Resources
- Intimate Community Partnerships
- Equity Focused & Driven: Social Enterprise
- Rapid Response Fund – Community Stabilization, Food Insecurity, & Income Inequality

Equity Dispensary Deals – Lifting Many Boats!

- Profit Sharing/Equity Participation
- Equity Applicants have Careers & Equity
- Capitalize Equity by Raising Funds for Equity Brands
- Salesforce Platform for Launching/Marketing Equity Brands

Any questions regarding Natoma Depot can be forwarded to ed@norcalcann.com or 415.789.6228

Cannabis Equity Program
Article 16 Amendments
Rules Committee 12/03/18

My name is Ed Donaldson and I'm the Director of Community Director at Natoma Depot. In this role, my work is focused on building a robust and sustainable equity program through four primary areas:

- Diversity and Inclusion
- Volunteerism
- Charitable Giving
- Equity/Profit Sharing

As a certified Economic Development Professional trained in equity strategies I offer the following recommendation to the proposed amendments to Article 16. These suggestions are based on the negative impact that these amendments will have on the overall equity program and Natoma Depot's Equity Program.

1604 Equity Applicant

I oppose the proposed amendment to Section 1604 (b) (5) for the following reasons:

"Meets three or more of the following criteria".

This will fundamentally narrow the pool of equity eligible and equity applicants by increasing the qualifying threshold from 3 to 4 areas for equity verification purposes. During the debate on the Cannabis Equity Ordinance dating back to late 2017 and since then. The concern within the industry and among policymakers has been that there aren't enough quality equity applicants. This proposed change will exacerbate that problem since it's difficult enough to find qualified equity applicants or equity eligible individuals.

- This amendment will effectively limit the equity program to those individuals impacted by a cannabis conviction since a person looking to qualify for the program would need to meet at least one of the cannabis related criteria.
- This amendment would significantly shrink the equity eligible employment pool that companies need to meet 30% equity goals.
- It penalizes the good actors that have truly embraced the concept of equity by disrupting their planning and investment in meeting their equity program requirements.
- If this amendment does pass, it should not be made retroactive due to the great expense it would place affected equity applicants that have entered into equity deals. These equity applicants, stop short of having a cannabis conviction, were subject to the same over-policing at the root of the failed War on Drugs.

Desired outcome: Language should read "Meet two or more of the following criteria" to remain consistent with the current ordinance by leaving the verification required at 3 criteria verse 4 which the amendment calls for.

Alternative Outcome: If amendment is adopted it should not be retroactive due to the great expense it would cause equity applicants that have entered into equity deals.

Section 1606 - Applications for Cannabis Business Permits

I opposed the proposed amendment to Section 1606(a)(1) for the following reasons:

- A limit on the number of permits that an equity applicant can obtain in each category violates the intent behind the cannabis equity ordinance by restricting an equity applicant ability to compete in the marketplace. Which violates the underlying goal underlying the equity program.

- If approved, this amendment would penalized those equity applicants that had the knowledge and skills to leverage the opportunity despite their stated objective of furthering the goals of equity by including other equity applicants on each respective deal. Consistent with the idea of awarding equity in exchange for consideration or incentivizing employment.
- Limiting equity applicants to one license type unfairly benefits those operator that have built capacity around the supply chain. By handing them a competitive advantage in reaching an economy of scale while, limiting equity from doing so.
- Limiting equity applicants to one license type will crowd out equity businesses from the marketplace by those companies not limited on the number of licenses they've been allowed to obtain in each category.
- If this amendment does is approved I would respectfully request that it is not retroactive since it would negatively impact the very group of people the equity law was intended to serve.

Desired outcome: Withdraw the proposed amendment.

Alternative Outcome: Allow for an equal number of permits that any one existing operator has in each category type.

Section 1613 - Limits on Permits

I opposed the amendment to Section 1613(b) for the following reasons:

- A limit on the number of permits obtain by a single equity applicant violates the intent behind the equity program ordinance by restricting an equity applicant's ability to operate successfully in the cannabis industry. It would deny equity applicants the opportunity to compete on a level playing field as all other existing operators have been allowed to do. The very thing the equity ordinance was designed to do.
- If such a cap is put in place it must be consistent with the combine number of Article 16 & 33 retail locations that an existing operator has been allowed.
- If approved, this amendment would penalized those equity applicants that had the knowledge and skills to leverage the opportunity despite their stated objective of furthering the goals of equity by including other equity applicants on each respective deal. Consistent with the idea of awarding equity in exchange for consideration or incentivizing employment.

Desired Outcome: Withdraw the proposed amendment.

Alternative outcome: A cap that is consistent with the combine number of Article 16 & 33 permits that any one existing operators has/will been allowed to obtain.

1622 Dynamic Manifest Delivery

I support the proposed amendment to Section 1622(b)10 of Article 16 in favor of Dynamic Manifest Delivery for the follow reasons:

- Dynamic delivery mitigates traffic congestion. South to North deliveries. Natoma has 185 drivers.
- Dynamic delivery ensures efficient access to cannabis for seniors and disabled cannabis patients.
- Dynamic delivery combats the illicit delivery market by improving accessibility to legal cannabis.
- Dynamic delivery enables Natoma to grow the outcomes from its equity program.
- Dynamic delivery creates more employment opportunities for equity eligible individuals.
- Dynamic Delivery will fulfill unmet market demand: Est SF Mkt \$300MM vs 2017 Revenue \$100MM.
- Unfortunately, the state no longer allows for cooperatives and favors a centralized form of doing business.
- With centralization it makes sense to effectuate equity through relationships with 3-party platform operators.

Desired Outcome: Approve amendment for Dynamic Delivery and do not split the file.

Any questions regarding these comments can be directed to Ed Donaldson, Director of Community Development for Natoma Depot at ed@norcalcann.com or 415.789.6228

Young, Victor (BOS)

From: Charles Pappas <nberkhills@sbcglobal.net>
Sent: Sunday, December 02, 2018 5:36 PM
To: Safai, Ahsha (BOS); Yee, Norman (BOS); Stefani, Catherine (BOS); Young, Victor (BOS)
Cc: Cohen, Malia (BOS); MandelmanStaff, [BOS]; Breed, Mayor London (MYR); Kim, Jane (BOS); Peskin, Aaron (BOS); Hillsman, Eugene (ADM); Wright, Edward (BOS); Angulo, Sunny (BOS)
Subject: 2. 180912 Rules Committee December 3, 2018
Attachments: RULES 2.odt

This message is from outside the City email system. Do not open links or attachments from untrusted sources.

Dear Rules Committee,

In my likely inability to public comment at tomorrow morning's meeting, please consider pasted below and attached, revised comments on Regulation of Cannabis Businesses.

Furthermore, thank you, San Francisco elected officials for your long time continuing unparalleled attention, regarding cannabis issues as well as your much appreciated political oversight. While this time of cannabis legalization has problems, with local and state officials coordinated attention and action I have confidence for improvement and success.

Indeed, this Mayor and Board of Supervisors should continue the legacy of your 2005 counterparts, remembering their difficulty, efforts and diligence to help San Francisco become then the most reasonable and best regulated city/area for medical cannabis distribution and cultivation on the planet!

Best, Charley Pappas- co-founder, chairman Divinity Tree Patients Wellness Coop
district 6- Berkeley Cannabis Commissioner

Comments: Charley Pappas- co-founder, chairman Divinity Tree Patients Wellness Coop

Rules Committee Meeting: Monday, December 3, 2018, Special Meeting

2. 180912 [Police and Health Codes - Regulation of Cannabis Businesses] Sponsors: Mayor; Mandelman and Cohen

Ordinance amending the Police Code by making a number of changes in the regulation of commercial cannabis activity, including, among other things:

- (1) defining ownership interest and revising Equity Criteria, for purposes of the Equity Program;
- (2) modifying the Cannabis Equity Incubator Program requirements;
- (3) extending by one year the possible duration of a Temporary Cannabis Business Permit;
- (4) authorizing the Director of the Office of Cannabis to issue Cannabis Business Permits to Medical Cannabis Dispensaries forced to discontinue operations due to a no-fault lease termination before December 31, 2018;

As well, any and all possible considerations for the 4 or 5 remaining SF MCDs, closed 2011/12 by federal intervention.

- (5) modifying the order in which the Director may review and process Cannabis Business Permit applications;
- Agree: Closed MCDs should be more fast-tracked, so many unkept, suggested considerations from SF DPH in 2012, e.g. Vapor Room reopening- 1 year permit application process, 14 months later still awaiting opening.**

- (6) revising requirements associated with a Cannabis Business' change in ownership and structure;
 - (7) revising Cannabis Business Permit application requirements;
 - (8) requiring Cannabis Businesses to comply with all permit conditions whether or not they are currently engaging in the permitted activity;
 - (9) modifying the amount of Cannabis that may be delivered or sold to a customer; and
- Disagree: Stick to state limit, especially considering large SF population, tourists.**

- (10) authorizing Cannabis Microbusinesses to conduct either storefront or delivery sales, but not both, and reducing from four to three the categories of Commercial activity required to operate as a Cannabis Microbusiness;
- Disagree: Allow both storefront and delivery for greater Equity Applicant flexibility. Also, allow all 4 categories for microbusinesses- again, more opportunity for Equity Applicant.**

and amending the Health Code by revising eligibility requirements for medical cannabis dispensaries seeking authorization to Sell Adult Use Cannabis, and extending by one year to December 31, 2019 the date on which Article 33 (Medical Cannabis Act) expires.

Comments: Charley Pappas- co-founder, chairman Divinity Tree Patients Wellness Coop Rules Committee Meeting: Monday, December 3, 2018, Special Meeting

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