

BOARD of SUPERVISORS



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MEMORANDUM

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

FROM: Linda Wong, Assistant Clerk
Board of Supervisors

DATE: November 13, 2017

SUBJECT: REFERRAL FROM BOARD OF SUPERVISORS
Budget and Finance Committee

The Board of Supervisors' Budget and Finance 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. 171153

Ordinance amending the Business and Tax Regulations and Health Codes to require the Director of the Office of Cannabis to collect permit application fees of \$2,000 and annual license fees of \$5,000 for cannabis business permits; authorize the Department of Public Health to impose fees relating to the inspection of cannabis businesses; and establish annual license fees for cannabis consumption permits.

Please return this cover sheet with the Commission's response to Linda Wong, Assistant Clerk, Budget and Finance Committee, 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

c: Menaka Mahajan, Small Business Commission

1 [Business and Tax Regulations, Health Codes - Permit, License and Inspection Fees for
2 Cannabis Businesses]

3 **Ordinance amending the Business and Tax Regulations and Health Codes to require**
4 **the Director of the Office of Cannabis to collect permit application fees of \$2,000 and**
5 **annual license fees of \$5,000 for cannabis business permits; authorize the Department**
6 **of Public Health to impose fees relating to the inspection of cannabis businesses; and**
7 **establish annual license fees for cannabis consumption permits.**

8 NOTE: **Unchanged Code text and uncodified text** are in plain Arial font.
9 **Additions to Codes** are in *single-underline italics Times New Roman font*.
10 **Deletions to Codes** are in *strikethrough-italics Times New Roman font*.
11 **Board amendment additions** are in double-underlined Arial font.
12 **Board amendment deletions** are in ~~strikethrough Arial font~~.
13 **Asterisks (* * * *)** indicate the omission of unchanged Code
14 subsections or parts of tables.

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

16 Section 1. The Business and Tax Regulations Code is hereby amended by revising
17 Section 249.20, to read as follows:

18 **SEC. 249.20. ~~MEDICAL CANNABIS DISPENSARY LICENSE FEE~~ CANNABIS BUSINESS**
19 **PERMIT AND LICENSE FEES.**

20 (a) The Director of the Office of Cannabis shall charge every applicant for a cannabis business
21 permit, as set forth in Section 1607 of the Police Code, a one-time non-refundable permit application
22 fee of \$2,000 to recover the costs incurred by the Office of Cannabis of processing the permit
23 application. The Director shall charge an applicant for a permit amendment the hourly costs of
24 processing that amendment, which shall include a minimum two hour charge. The hourly rate for
25 processing a permit amendment shall be \$110. Such costs for processing applications for permits and

1 permit amendments shall include costs relating to services provided by the Office of the City Attorney,
 2 the Controller's Office, and such other offices as may be required to assist the Office of Cannabis in
 3 this function.

4 (b) The Director of the Office of Cannabis shall charge every ~~Every~~ person, firm or
 5 corporation engaged in operating a ~~medical-cannabisdispensary~~ business, as set forth in Section
 6 1607 of the Police Code, shall pay an annual a license fee of \$3,000 for the first year of operation
 7 and an annual license fee of ~~\$3,9195,000.00 to the Tax Collector~~ for each subsequent year of
 8 operation, to recover the costs of annual inspections, enforcement and other costs to the City.
 9 incurred by the Office of Cannabis in implementing Article 16 of the Police Code. Such costs shall
 10 include costs, if any, relating to services provided by the Office of the City Attorney, the Controller's
 11 Office, the Department of Human Resources, the Department of Technology, the Office of Contract
 12 Administration, and such other offices as may be required to assist the Office of Cannabis in this
 13 function. The annual license fee shall be paid annually on or before March 31, in accordance with the
 14 provisions of Section 76.1 of the Business and Tax Regulations Code.

15 (c) Every business that applies for or is awarded a cannabis business permit from the Office of
 16 Cannabis, as set forth in Article 16 of the Police Code, shall pay the following fees to the Department
 17 of Public Health to cover that Department's costs in conducting initial and ongoing inspections of
 18 cannabis businesses.

<u>Cannabis Permit Type</u>	<u>Inspection Type</u>	<u>Fee Amount</u>
<u>Cannabis Cultivation Facility</u>	<u>Plan check upon application</u>	<u>\$3,700, which amount may be waived or reduced by the Department of Public Health if the facility is not new or requires no construction.</u>
	<u>Initial and annual inspection based on size of premises:</u>	
	<u>Under 5,001 sq. feet</u>	<u>\$1,000</u>

	<u>5,001-10,000 sq. feet</u>	<u>\$1,500</u>
	<u>10,001-20,000 sq. feet</u>	<u>\$2,000</u>
	<u>Over 20,000 sq. feet</u>	<u>\$2,500</u>
<u>Cannabis Manufacturing Facility and Cannabis Distributor</u>	<u>Plan check upon application</u>	<u>\$3,700, which amount may be waived or reduced by the Department of Public Health if the facility is not new or requires no construction.</u>
	<u>Initial inspection upon application and annual inspection fee</u>	<u>\$735</u>
<u>Cannabis Retailer, Medicinal Cannabis Retailer and Delivery-Only Cannabis Retailer</u>	<u>Initial inspection upon application and annual inspection based on the size of the premises:</u>	
	<u>Under 5,001 sq. feet</u>	<u>\$600</u>
	<u>5,001-10,000 sq. feet</u>	<u>\$900</u>
	<u>10,001-20,000 sq. feet</u>	<u>\$1,300</u>
	<u>Over 20,000 sq. feet</u>	<u>\$1,500</u>
<u>Cannabis Microbusiness</u>	<u>Plan check upon application</u>	<u>\$3,700, which amount may be waived or reduced by the Department of Public Health if the facility is not new or requires no construction.</u>
	<u>Initial inspection upon application and annual inspection based on the size of the premises:</u>	
	<u>Under 5,001 sq. feet</u>	<u>\$1,300</u>
	<u>5,001-10,000 sq. feet</u>	<u>\$2,000</u>
	<u>10,001-20,000 sq. feet</u>	<u>\$2,700</u>
	<u>Over 20,000 sq. feet</u>	<u>\$3,400</u>
<u>All permit categories</u>	<u>Hourly rate for additional work as needed</u>	<u>\$191/hour</u>

(d) Beginning with fiscal year 2018-2019, the permit application fee, annual license fees, and inspection fees set pursuant to subsections (a)-(c) of this Section 249.20 may be adjusted each year on July 1, without further action by the Board of Supervisors. Not later than April 1 of each year, the Controller shall determine whether the current fees have produced or are projected to produce revenues sufficient to support the costs of application-related and licensing-related activities, and that

1 the fees will not produce revenue that is significantly more than the costs of providing such services.
2 The Controller shall, if necessary, adjust the fees upward or downward for the upcoming fiscal year as
3 appropriate to ensure that the program recovers the costs of operation without producing revenue that
4 is significantly more than such costs. The adjusted fees shall become operative on July 1.

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6 Section 2. The Health Code shall be amended by revising Section 8A.5, to read as
7 follows:

8 **SEC. 8A.5. PAYMENT OF ANNUAL LICENSE FEE.**

9 (a) The license fee for a Cannabis Consumption Permit shall be paid annually on or
10 before March 31, in accordance with the provisions of Section 76.1 of the Business and Tax
11 Regulations Code.

12 (b) The annual license fee for a "Prepackaged Cannabis Products - No Preparation" Cannabis
13 Consumption Permit shall be \$800.

14 (c) The annual license fee for a "Limited Preparation of Cannabis Products" Cannabis
15 Consumption Permit shall be \$1,000.

16 (d) Beginning with fiscal year 2018-2019, the annual license fees set pursuant to this Section
17 8A.5 may be adjusted each year on July 1, without further action by the Board of Supervisors. Not
18 later than April 1 of each year, the Controller shall determine whether the current fees have produced
19 or are projected to produce revenues sufficient to support the costs of licensing-related activities, and
20 that the fees will not produce revenue that is significantly more than the costs of providing such
21 services. The Controller shall, if necessary, adjust the fees upward or downward for the upcoming
22 fiscal year as appropriate to ensure that the program recovers the costs of operation without producing
23 revenue that is significantly more than such costs. The adjusted rates shall become operative on July 1.

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Section 3. Effective and Operative Dates.

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

(b) This ordinance shall become operative on its effective date or on the date that the ordinance in Board File No. 171042 becomes operative, whichever is later.

Section 4. Scope of Ordinance. In enacting this ordinance, the Board of Supervisors intends to amend only those words, phrases, paragraphs, subsections, sections, articles, numbers, punctuation marks, charts, diagrams, or any other constituent parts of the Municipal Code that are explicitly shown in this ordinance as additions, deletions, Board amendment additions, and Board amendment deletions in accordance with the "Note" that appears under the official title of the ordinance.

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

By:


JANA CLARK
Deputy City Attorney

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LEGISLATIVE DIGEST

[Business and Tax Regulations, Health Codes - Permit, License and Inspection Fees for Cannabis Businesses]

Ordinance amending the Business and Tax Regulations and Health Codes to require the Director of the Office of Cannabis to collect permit application fees of \$2,000 and annual license fees of \$5,000 for cannabis business permits; authorize the Department of Public Health to impose fees relating to the inspection of cannabis businesses; and establish annual license fees for cannabis consumption permits.

Existing Law

Existing law establishes the Office of Cannabis and requires that beginning January 1, 2018, the Director of the Office of Cannabis shall charge every applicant for a cannabis-related permit a non-refundable permit application fee. Existing law also requires that the Office of Cannabis shall charge every business that receives a cannabis-related permit an annual license fee.

Amendments to Current Law

This ordinance requires that the Director of the Office of Cannabis charge applicants a one-time non-refundable permit application of \$2,000, an hourly permit amendment fee, and an initial license fee of \$3,000 and annual license fee of \$5,000 for subsequent years. This ordinance also requires that cannabis business permit applicants pay fees to the Department of Public Health ("DPH") to cover DPH's costs in conducting initial and ongoing inspections of cannabis businesses.

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