

Cannabis Dispensary Market Data Update

December 09, 2021



History

- With the passage of Prop 64, adult use cannabis was approved by California voters in November of 2016
- San Francisco Office of Cannabis established in 2017
- Our social equity program is anchored in ensuring that the benefits of legalization extend to those negatively impacted by the War on Drugs, and ensuring that residents have access to safe and legal cannabis
 - Verified equity applicants are eligible for priority processing, fee waivers, technical assistance, and access to millions of dollars in annual grant distributions
- To date, all permanent permits issued by the Office of Cannabis have been to verified equity applicants

Active Storefront Retail Dispensaries

- To date, the Office of Cannabis has issued **15** permanent permits to equity-owned storefront retail businesses
- In addition, there are currently **35** authorized and active Medical Cannabis Dispensaries (MCDs)
 - MCDs existed before adult-use legalization and continue to operate
- In total, this makes **50** active cannabis storefront retail businesses in San Francisco

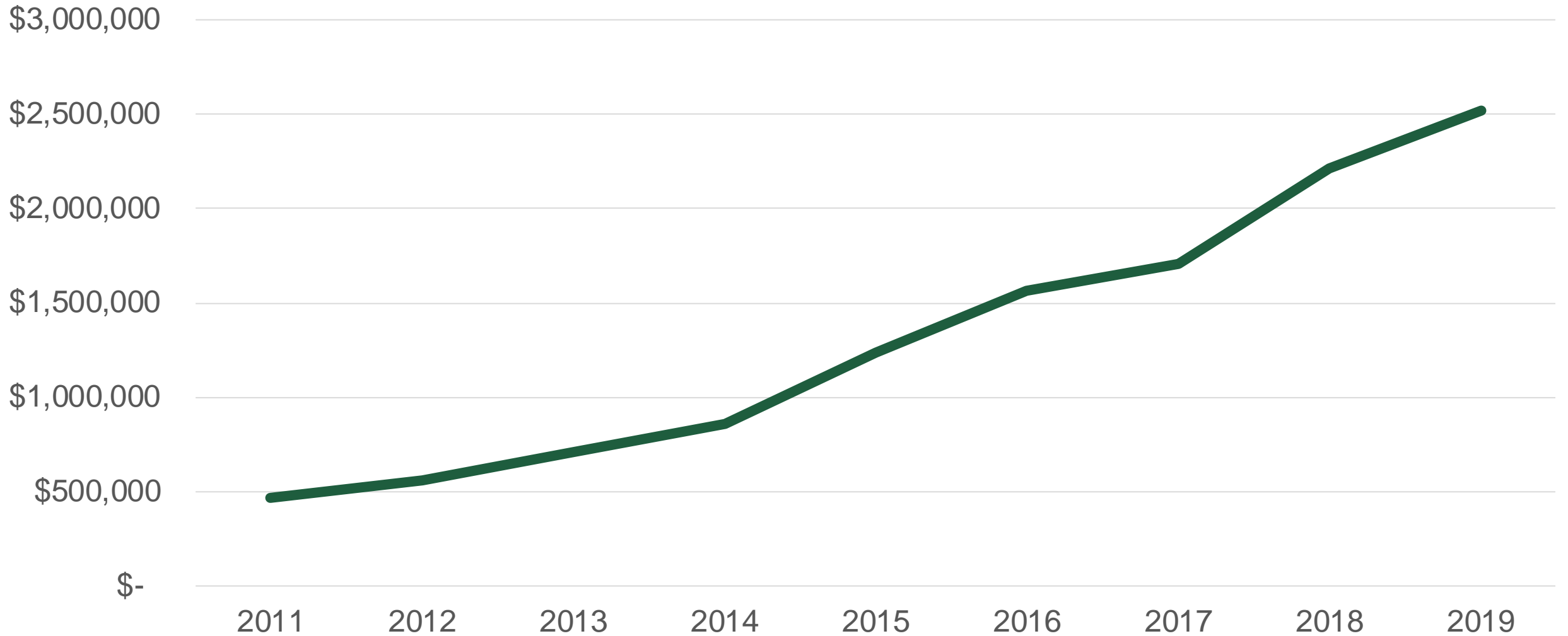
Applications for New Storefront Retail Stores

- There are currently **94** applications for retail businesses in San Francisco that have a viable path to completion
 - All of these applications are from equity applicants
- Some of these are not applications for primarily retail operations (such as applications for a manufacturing facility with a retail component)
- **Viable does not necessarily mean likely**; OOC was only recently given the authority to start removing submitted but inactive applications from our pipeline.

Moratorium Considerations

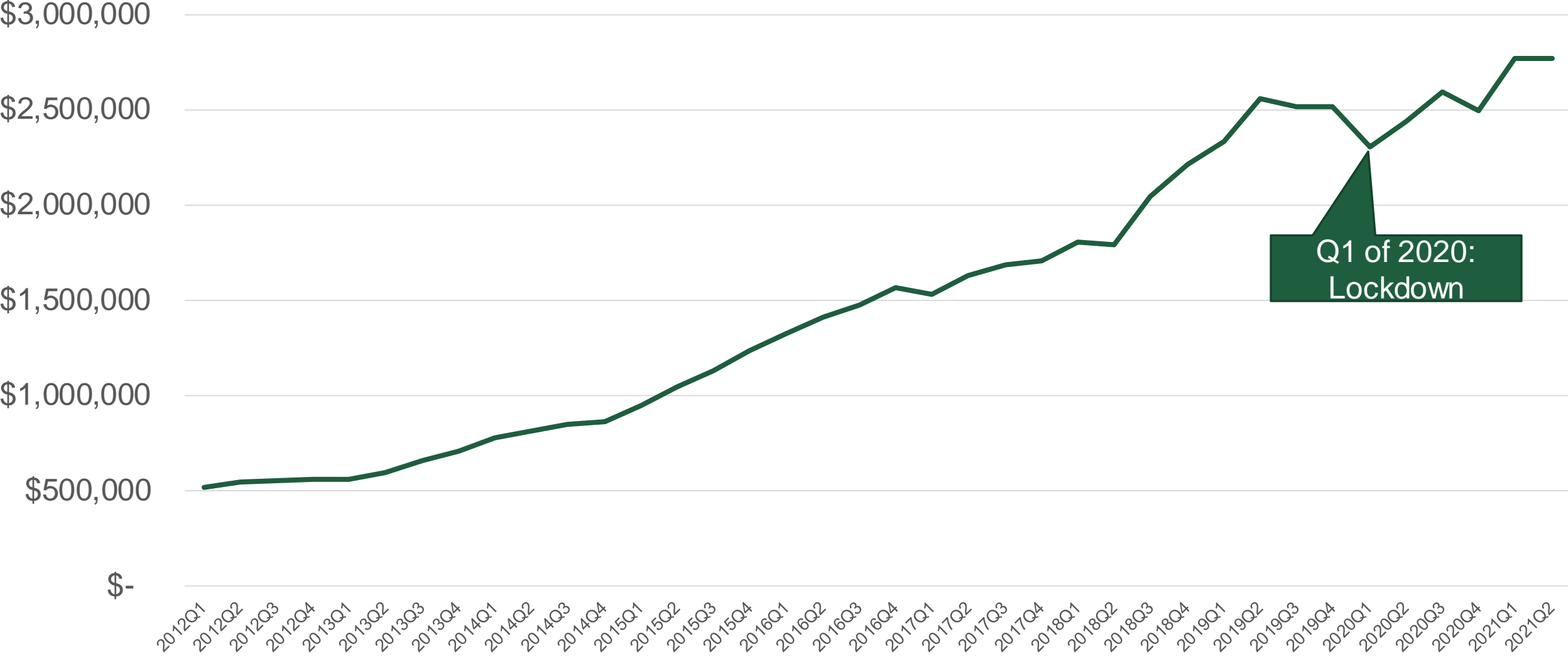
- Our process helps our equity applicants and community participate in a healthy and growing cannabis market
- Preliminary review of available tax data indicate that:
 1. The cannabis market in San Francisco has been growing since 2011
 2. COVID disrupted the market
 3. The median cannabis vendor has participated in the growth of the market

Annual State Sales Tax from Cannabis Related Businesses in San Francisco 2011– 2019



COVID inserted uncertainty into the market

Rolling 4-Quarter Moving Average, Collected State Sales Tax



Q1 of 2020:
Lockdown

Median Retail Sales

- Available data indicate that the taxed revenue of the median vendor since 2019 was around \$500,000 per quarter
- Median vendor revenue fell to around \$250,000 during the implementation of quarantine (Q1, 2020)
- In the most recent data(Q2, 2022), the median vendor reported around \$800,000 in revenue
- This indicates that the **median vendor is participating in and capturing part of the growth of the overall market** (i.e. not all revenue gains are going to the largest vendors)

Market Saturation Determination

- The Office of Cannabis is not currently able to make a determination about market saturation
- Available evidence indicates that gross revenues have been increasing over time, though COVID injected significant short-term volatility and uncertainty into the market
- Available evidence indicates that the median vendor is participating in market growth
- More data is needed to make a determination

Other Considerations

- A moratorium on applications will lead to fewer equity applications and fewer equity businesses in San Francisco
- This would contribute to fewer placements in OEWDs first-source hiring program, and fewer workforce opportunities for equity applicants
- Because of the potentially significant impact of a moratorium on equity applicants and the overall Cannabis market, OOC would recommend more study

Suggested Next Steps

- The Board has voted to approve a suspension of the Cannabis tax, in conjunction with a study of current and future cannabis market conditions (file [211150](#))
- OOC recommends that further study of the impact of a moratorium be incorporated into that effort