

BOARD of SUPERVISORS



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## 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.

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**RESPONSE FROM SMALL BUSINESS COMMISSION - Date:** \_\_\_\_\_

**No Comment**

**Recommendation Attached**

\_\_\_\_\_  
**Chairperson, Small Business Commission**

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 in a Cannabis Business; 2) modifying the Cannabis Equity Incubator Program**

6 **requirements; 3) extending by one year the possible duration of a Temporary Cannabis**

7 **Business Permit; 4) authorizing the Director of the Office of Cannabis to issue**

8 **Cannabis Business Permits to Medical Cannabis Dispensaries forced to discontinue**

9 **operations due to a no-fault lease termination before December 31, 2018; 5) modifying**

10 **the order in which the Director may review and process Cannabis Business Permit**

11 **applications; 6) requiring Cannabis Business permit amendments when a change in**

12 **ownership results in a decrease in an Equity Applicant's Ownership Interest or role in**

13 **the Cannabis Business; 7) revising Cannabis Business Permit application**

14 **requirements; 8) requiring Cannabis Businesses to comply with all permit conditions**

15 **whether or not they are currently engaging in the permitted activity; 9) modifying the**

16 **amount of Cannabis that may be delivered or sold to a customer; and 10) authorizing**

17 **Cannabis Microbusinesses to conduct either storefront or delivery sales, but not both,**

18 **and reducing from four to three the categories of Commercial activity required to**

19 **operate as a Cannabis Microbusiness; and amending the Health Code by extending by**

20 **one year the date on which Article 33 (Medical Cannabis Act) expires by law.**

21 **NOTE:** **Unchanged Code text and uncodified text** are in plain Arial font.

22 **Additions to Codes** are in *single-underline italics Times New Roman font*.

23 **Deletions to Codes** are in *strikethrough italics Times New Roman font*.

24 **Board amendment additions** are in double-underlined Arial font.

25 **Board amendment deletions** are in ~~strikethrough Arial font~~.

**Asterisks (\* \* \* \*)** indicate the omission of unchanged Code subsections or parts of tables.

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

2  
3 Section 1. Article 16 of the Police Code is hereby amended by revising Sections 1602,  
4 1604, 1605, 1606, 1608, 1609, 1613, 1618, 1622, 1627, 1628, and 1629, to read as follows:

5  
6 **SEC. 1602. DEFINITIONS.**

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

8 \* \* \* \*

9  
10 "Owner" means any of the following:

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

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

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

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

18  
19 "Ownership Interest" means an interest in a Person that would give the holder a share of the  
20 proceeds if the Person's assets were sold at fair market value and then the proceeds were distributed in  
21 a complete liquidation of the Person.

22 \* \* \* \*

23 **SEC. 1604. EQUITY PROGRAM.**

24 \* \* \* \*

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

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

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

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

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

19 (A) Submit to the Director for review and approval a written, actionable  
20 "Equity Incubator Plan" describing how the Equity Incubator will encourage and support the  
21 establishment and growth of Equity Applicants who have been awarded Cannabis Business  
22 Permits ("Equity Operators"), including but not limited to any Equity Operator identified in the  
23 Equity Incubator Plan, by, among other things, providing business plan guidance, operations  
24 consulting, personnel, or technical assistance. The services listed in the Equity Incubator Plan must  
25 be enumerated, and include an estimated dollar value of those services. The aggregate dollar value of

1 the services must equal or exceed the sum of (i) 10% of the rent for, or, if the Equity Incubator owns the  
2 Equity Incubator's Premises, 10% of the rental market value of, the Equity Incubator's Premises, and  
3 (ii) the annual total costs of security services at the Equity Incubator's premises; or

4 (B) Provide an Equity Operator with rent-free commercial space owned  
5 or leased by the Equity Incubator, either adjacent to the Equity Incubator's premises or off-site, in  
6 which the Equity Operator conducts its Cannabis Business. The rent-free commercial space  
7 must equal or exceed 800 square feet or the equivalent of at least 10% of the square footage  
8 of the Equity Incubator's Premises, whichever is greater, and must include the Equity  
9 Incubator's provision of community outreach and security services for the space. Equity  
10 Incubators must also provide to the Equity Operator the support necessary for the Equity Operator to  
11 comply with the Good Neighbor Policy required in Section 1609(b)(19).

12  
13 **SEC. 1605. TRANSITION PROVISION.**

14 \* \* \* \*

15 (h) **Duration.** A Temporary Cannabis Business Permit issued under this Section 1605  
16 shall be valid for a period of 120 days and may be extended for additional ~~120~~90-day periods  
17 at the discretion of the Director. Notwithstanding the prior sentence, the Director shall not  
18 issue a new temporary permit after January 1, 2019, and shall not extend the term of a  
19 Temporary Cannabis Business Permit issued to an applicant for a Cannabis Business Permit under  
20 this Article 16 past ~~January 1~~December 31, 2019.

21 \* \* \* \*

22  
23 **SEC. 1606. APPLICATIONS FOR CANNABIS BUSINESS PERMITS.**

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

1 (1) Qualify as an Equity Applicant or an Equity Incubator;

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

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

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

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

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

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

20 \_\_\_\_\_ (A) The lease terminated before December 31, 2018;

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

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

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

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

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

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

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

10 (3) Third priority: applications from Applicants that meet the requirements of Section  
11 1606(a)(4) or 1606(a)(6).

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

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

19 (56) FifthSixth priority: all other applications.

20 **SEC. 1608. TRANSFER OF PERMIT; PORTABILITY OF PERMIT; SALE OF**  
21 **CANNABIS BUSINESS; CHANGE IN OWNERSHIP; INTERIM CANNABIS BUSINESS**  
22 **PERMITS.**

23 \* \* \* \*

24 (d) **Change in Ownership.** A Permittee may change partners, shareholders, or other  
25 Owners of a Cannabis Business provided that: the sale or other transfer of ownership



1 regardless of the form of ownership results in a new Person owning: no more than 20% of the  
2 Cannabis Business, and the Permittee obtains an amendment to the Permit as provided in  
3 subsection (d)(2) of this Section 1608. If the sale or other transfer of ownership does not result  
4 in any Person (who did not already have such a percentage interest) having an ownership  
5 interest of 20% or more, the Permittee is not required to obtain a permit amendment.

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

9 (2) The Director shall determine within 30 days of the filing of a complete  
10 application for a permit amendment under this subsection (d) whether to approve it. The  
11 Director shall approve the application unless the Director determines that denial is warranted  
12 under any of the grounds set forth in Section 1615. The Director shall notify the Permittee of  
13 the Director's decision electronically and either by mail or personal delivery.

14 (3) Notwithstanding this subsection (d), a Permittee must obtain a permit amendment if  
15 a change in ownership results in a decrease in an Equity Applicant's Ownership Interest in the  
16 Cannabis Business, a change in the Equity Applicant's role as Chief Executive Officer or member of  
17 the Board of Directors, or a material change in the degree of the Equity Applicant's participation in  
18 the direction, control, or management of the Cannabis Business. Applications for a permit amendment  
19 in accordance with this Subsection 1608(d)(3) must include the terms of the change in ownership.

20 \* \* \* \*

21 **SEC. 1609. PERMIT APPLICATIONS.**

22 \* \* \* \*

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

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

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

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

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

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

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

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

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

19 (7) For all ~~Owners~~ Applicants, a complete set of fingerprints in the manner  
20 required by the Director for the purpose of conducting a criminal background check, and such  
21 additional information concerning the criminal histories of Owners, as may be required by the  
22 Director;

23 (8) Written verification that the owner of the real property where the Cannabis  
24 Business will be located has the authority to consent, and consents, to its use as a Cannabis  
25

1 Business. Such written verification must be signed by the property owner or the owner's  
2 agent, and must include the owner and agent's contact information;

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

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

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

8 (A) An odor mitigation plan;

9 (B) A Hazardous materials inventory;

10 (C) A power plan;

11 (D) A Security Plan;

12 (E) A track and trace compliance plan;

13 (F) A waste disposal plan; and

14 (G) A water management plan.

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

18 (A) A Labor Peace Agreement; or,

19 (B) A collective bargaining agreement with a Bona Fide Labor  
20 Organization.

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

1 (14) A copy of the Applicant's Seller's Permit, as may be required by Section  
2 6067 of the California Revenue and Taxation Code, or where pending, proof of application  
3 therefor;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

20 (234) Documents demonstrating that the Applicant engaged in a Community  
21 Outreach Strategy to advise neighbors of its intent to ~~apply for~~ seek a Cannabis Business  
22 Permit and to solicit input on its proposed Good Neighbor Policy. An Applicant's Community  
23 Outreach Strategy must, at a minimum, address the requirements of subsection (b)(19)(A) include  
24 written notice to neighbors within 300 feet of the Premises of the Applicant's intent to open a Cannabis  
25 Business at that location, include information about how neighbors may provide input on the

1 content of the Applicant's Good Neighbor Policy, and include sign-in sheets and minutes for  
2 any meetings held with neighbors. All materials and notices developed and distributed to  
3 neighbors by the Applicant as part of its Community Outreach Strategy must be translated into  
4 the languages required by the Language Access Ordinance, Administrative Code Chapter 91;

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

8 (256) Such further information as the Director requires regarding financial and  
9 lease arrangements, management authority, operational control of the Business or its  
10 Premises, or other matters, when such further information will assist the Director in his/her  
11 determination whether to grant or deny the permit; ~~and~~

12 (267) A statement signed by the Applicant under penalty of perjury, that the  
13 information provided is complete, true, and accurate; ~~i~~ and

14 (27) A list of every person with any financial or equity interest (including, but not  
15 limited to, the ownership of stock) in the person applying for the Cannabis Business Permit.

16 \* \* \* \*

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

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

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

24 \* \* \* \*

1 (j) Upon receipt of an application for a Medicinal Cannabis Retailer, or Cannabis  
2 Retailer, ~~or Delivery Only Cannabis Retailer~~, permit, the Office of Cannabis shall post the name  
3 and location of the proposed Cannabis Business on its website, and shall update its website  
4 with information about the status of the application until such time as the application has been  
5 approved or denied. The Office of Cannabis shall also cause a notice to be posted on the site  
6 of the Premises associated with the aforementioned permit applications to notify neighbors  
7 that a Cannabis Business Permit is sought at that location, if such notice is not otherwise  
8 required by the Planning Code.

9  
10 **SEC. 1613. LIMITS ON PERMITS.**

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

16 (b) Except as stated in the first sentence of subsection (a) of this Section 1613, a  
17 Person may hold more than one Cannabis Business Permit.

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

23  
24 **SEC. 1618. ELIGIBILITY AND OPERATING STANDARDS APPLICABLE TO ALL**  
25 **CANNABIS BUSINESSES.**

1 \* \* \* \*

2 (gg) Every Cannabis Business must comply with all applicable laws, regulations, rules, and  
3 permit conditions, during the entire permit period, whether or not the Cannabis Business currently  
4 engages in Commercial Cannabis Activity.

5  
6 **SEC. 1622. DELIVERIES OF CANNABIS AND CANNABIS PRODUCTS TO**  
7 **CUSTOMERS.**

8 \* \* \* \*

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

12 (1) Deliveries may only be conducted by employees of the Permitted Cannabis  
13 Business. Deliveries may not be conducted by independent contractors. (2) An employee  
14 conducting a Delivery must deliver the Cannabis or Cannabis Product to an address  
15 associated with real property (e.g. not to a street corner or location within a park).

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

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

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

24 (6) Upon Delivery, the employee performing the Delivery must:  
25



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

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

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

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

12 (7) A Cannabis Business may not Deliver more than the quantities of Cannabis or  
13 Cannabis Products allowed for delivery under State law ~~28.5 grams of non-concentrated Cannabis or~~  
14 ~~eight grams of concentrated Cannabis Products~~ to the same real property (e.g., apartment unit or  
15 house) in the same business day.

16 (8) Cannabis and Cannabis Products that are Delivered to a Customer must:  
17 ~~\_\_\_\_\_ (A) Comply comply with ~~the~~ all State and local packaging and labeling~~  
18 ~~rules; and,~~

19 ~~\_\_\_\_\_ (B) Be placed in an opaque child resistant Delivery receptacle.~~

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

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

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

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

7 (B) The date and time the Cannabis and/or Cannabis Products were  
8 Delivered;

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

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

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

14 (12) A Cannabis Business authorized to engage in Deliveries must Deliver  
15 Cannabis and Cannabis Products by Vehicle only, and the total value of Cannabis and Cannabis  
16 Products that may be carried in the vehicle at one time may not exceed \$3,000. Delivery of Cannabis  
17 and Cannabis Products by motorcycles, scooters, drones, human powered vehicles, and  
18 unmanned vehicles is prohibited.

## 20 **SEC. 1627. CANNABIS MICROBUSINESSES.**

21 (a) **Authorized activities.** A Cannabis Microbusiness Permit authorizes the Permittee  
22 to engage in the Commercial Cultivation, Manufacture, Distribution, and Sale (either as a  
23 Storefront Retail Cannabis Business or a Delivery-Only Cannabis Business Retailer) of Medicinal  
24 Cannabis and Cannabis Products and Adult Use Cannabis and Cannabis Products, provided  
25 that the Permittee is both an A-licensee and an M-licensee. A Cannabis Microbusiness that

1 holds only an A-license may engage in the aforementioned Commercial activities relating to  
2 Adult Use Cannabis and Cannabis Products only. A Cannabis Microbusiness that holds only  
3 an M-License may engage in the aforementioned Commercial activities relating to Medicinal  
4 Cannabis and Cannabis Products only.

5 (b) Operating Standards. In addition to the operating requirements set forth in Section  
6 1618, a Cannabis Microbusiness shall comply with the operating standards set forth in  
7 Sections 1623, 1624, 1626, and either Section 1628 or Section 1629 of this Article 16, and shall  
8 comply with the following additional operating standards:

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

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

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

15 **SEC. 1628. STOREFRONT CANNABIS RETAILERS.**

16 \* \* \* \*

17 (6) A Storefront Cannabis Retailer licensed to sell Medicinal Cannabis may not Sell  
18 more than eight ounces of Medicinal Cannabis or 12 immature Cannabis plants ~~28.5 grams of non-~~  
19 ~~concentrated Medicinal Cannabis or eight grams of concentrated Medicinal Cannabis Products~~ to a  
20 Customer in the same business day, unless the Customer provides a Physician's  
21 Recommendation requiring a greater amount.

22 \* \* \* \*

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

24 \* \* \* \*

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

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

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

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

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

16 (5) A Delivery-Only Cannabis Retailer must provide to all Delivery personnel a  
17 remote electronic age verification device to determine the age of any individual attempting to  
18 purchase Cannabis or Cannabis Products, which device shall be used upon the Delivery of  
19 the Cannabis or Cannabis Products to the Customer. The device shall be maintained in  
20 operational condition and all employees shall be instructed in its use. Cannabis and Cannabis  
21 products shall not be Delivered to a Customer if the electronic age verification device is not  
22 functioning.

23 Section 2. Article 33 of the Health Code is hereby amended by revising Section 3323,  
24 to read as follows:

1                   **SEC. 3323. SUNSET PROVISION.**

2                   This Article 33 shall expire by operation of law on December 31, ~~2019~~<sup>18</sup>, ~~at which time~~  
3 ~~all~~ permits authorizing the operation of a Medical Cannabis Dispensary issued under this  
4 Article 33 shall be rendered invalid after December 31, 2018, except for those permits issued under  
5 this Article 33 where the permit holder has applied for a Police Code Article 16 permit, which shall be  
6 rendered invalid on December 31, 2019. Upon expiration of the Article, the City Attorney shall  
7 cause it to be removed from the Health Code.

8  
9                   Section 3. Effective Date. This ordinance shall become effective 30 days after  
10 enactment. Enactment occurs when the Mayor signs the ordinance, the Mayor returns the  
11 ordinance unsigned or does not sign the ordinance within ten days of receiving it, or the Board  
12 of Supervisors overrides the Mayor’s veto of the ordinance.

13  
14                   Section 4. Scope of Ordinance. In enacting this ordinance, the Board of Supervisors  
15 intends to amend only those words, phrases, paragraphs, subsections, sections, articles,  
16 numbers, punctuation marks, charts, diagrams, or any other constituent parts of the Municipal  
17 Code that are explicitly shown in this ordinance as additions, deletions, Board amendment  
18 additions, and Board amendment deletions in accordance with the “Note” that appears under  
19 the official title of the ordinance.

20  
21 APPROVED AS TO FORM:  
22 DENNIS J. HERRERA, City Attorney

23 By:   
24       JANA CLARK  
25       Deputy City Attorney

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## LEGISLATIVE DIGEST

[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 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.**

### 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, modifying the Cannabis Equity Incubator Program requirements, extending by one year the possible duration of a Temporary Cannabis Permit; authorizing the Director to issue Cannabis

Business Permits to Medical Cannabis Dispensaries forced to discontinue operations due to a no fault lease termination, modifying the order in which the Director may review and process Cannabis Business Permit applications, 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, 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, and reducing from four to three the categories of Commercial activity required to operate as a Cannabis Microbusiness. Finally, this ordinance extends by one year the date on which Article 33 expires by law.

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