

BOARD of SUPERVISORS



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## MEMORANDUM

TO: Carmen Chu, City Administrator, Office of the City Administrator  
Nikesh Patel, Director, Office of Cannabis  
Sailaja Kurella, Director and Purchaser, Office of Contract Administration  
Dr. Grant Colfax, Director, Department of Public Health  
Carol Isen, Director, Department of Human Resources  
José Cisneros, Treasurer, Office of the Treasurer and Tax Collector  
Greg Wagner, City Controller, Office of the Controller  
William Scott, Police Chief, Police Department  
Linda Gerull, Executive Director, Department of Technology  
Anne Pearson, Deputy City Attorney, Office of the City Attorney

FROM: Brent Jalipa, Assistant Clerk, Budget and Appropriations Committee

DATE: June 3, 2024

SUBJECT: LEGISLATION INTRODUCED

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The Board of Supervisors' Budget and Appropriations Committee has received the following proposed legislation, introduced by Mayor London Breed:

**File No. 240599**

**Ordinance amending the Business and Tax Regulations Code to eliminate fees charged to permitted cannabis businesses to cover the cost of inspections of those businesses by the Department of Public Health**

If you have any 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.

c: Sophie Hayward, Office of the City Administrator  
Vivian Po, Office of the City Administrator  
Angela Yip, Office of the City Administrator  
Jeremy Schwartz, Office of Cannabis  
Taraneh Moayed, Office of Contract Administration  
Rachel Cukierman, Office of Contract Administration  
Dr. Naveena Bobba, Department of Public Health  
Sneha Patil, Department of Public Health  
Ana Validzic, Department of Public Health  
Mawuli Tugbenyoh, Department of Human Resources  
Aliya Chisti, Department of Human Resources  
Amanda Kahn Fried, Office of the Treasurer and Tax Collector  
Todd Rydstrom, Office of the Controller  
Lisa Ortiz, Police Department  
Lili Gamero, Police Department  
Rima Malouf, Police Department  
Diana Oliva-Aroche, Police Department  
Carl Nicita, Police Department  
Karen Hong Yee, Department of Technology

1 [Business and Tax Regulations Code - DPH Cannabis Business Inspection Fees]

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3 **Ordinance amending the Business and Tax Regulations Code to eliminate fees charged**  
4 **to permitted cannabis businesses to cover the cost of inspections of those businesses**  
5 **by the Department of Public Health (DPH).**

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

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

14 Section 1. Article 2 of the Business and Tax Regulations Code is hereby amended by  
15 revising Section 249.20, to read as follows:

16 **SEC. 249.20. CANNABIS BUSINESS PERMIT AND LICENSE FEES.**

17 (a) Except as provided in subsection (*ed*), the Director of the Office of Cannabis  
18 shall charge every applicant for a cannabis business permit, as set forth in Section 1607 of  
19 the Police Code, a one-time non-refundable permit application fee of \$2,000 to recover the  
20 costs incurred by the Office of Cannabis of processing the permit application. Except as  
21 provided in subsection (*ed*), the Director shall charge an applicant for a permit amendment the  
22 hourly costs of processing that amendment, which shall include a minimum two-hour charge.  
23 The hourly rate for processing a permit amendment shall be \$110. Such costs for processing  
24 applications for permits and permit amendments shall include costs relating to services  
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1 provided by the Office of the City Attorney, the Controller's Office, and such other offices as  
2 may be required to assist the Office of Cannabis in this processing function.

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

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

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<i>Cannabis Permit Type</i>	<i>Inspection Type</i>	<i>Fee Amount</i>
<i>Cannabis Cultivation Facility</i>	<i>Plan check upon application</i>	<i>\$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.</i>

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

(~~a~~c) Beginning with fiscal year ~~2018-2019~~2024-2025, the permit and permit amendment application fees, and first-year and annual license fees, and inspection fees set pursuant to subsections (a) ~~(e)~~ and (b) of this Section 249.20 may be adjusted each year on July 1, without further action by the Board of Supervisors, based on a determination by the Controller that the changes are necessary to reflect changes in the relevant Consumer Price Index, and/or are necessary to produce revenues sufficient to support the costs of providing the services for which the fees are assessed and without producing revenue that is significantly more than such costs. 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~~ whether the fees will ~~not~~ produce revenue that is significantly more than the costs of providing such services. The Controller shall, if necessary, adjust the fees upward or downward for the upcoming fiscal year as appropriate to ensure that

1 the program recovers the costs of operation without producing revenue that is significantly  
2 more than such costs. ~~The adjusted fees shall become operative on July 1.~~

3 (ed) The Director of the Office of Cannabis shall not charge an Equity Applicant, as  
4 that term is defined in Section 1604 of the Police Code, the one-time non-refundable permit  
5 application fee of \$2,000 for a cannabis business permit required by subsection (a), any fees  
6 for the hourly costs of processing a permit amendment for the first year of operation required  
7 by subsection (a), or the license fee of \$3,000 for the first year of operation as required by  
8 subsection (b).

9 ~~(f) An Equity Applicant, as that term is defined in Section 1604 of the Police Code, shall not~~  
10 ~~be required to pay to the Department of Public Health any initial inspection fees required by subsection~~  
11 ~~(e).~~

12 (ge) The Director of the Office of Cannabis shall charge every applicant for a  
13 Cannabis Event Permit, as set forth in Section 1621.5 of the Police Code, a one-time non-  
14 refundable permit application fee, in the amount set forth below, to recover the costs incurred  
15 by the City in processing applications, regulating events, and in connection with other permit-  
16 related activities. This fee may be waived once for a verified Equity Applicant, ~~or Equity~~  
17 ~~Operator~~ (as defined under Police Code Section 1604, or Equity Operator, as defined under  
18 Police Code Section 1608, that operates a cannabis business as a sole proprietorship or a  
19 nonprofit, in connection with a single event, but shall not be waived for any additional events.  
20 The amount of this fee shall be as follows:

- 21 (1) For events with an estimated attendance of 500 or fewer people: \$500;
- 22 (2) For events with an estimated attendance of 501 – 1000 people: \$1,000;
- 23 (3) For events with an estimated attendance of 1001 – 2500 people: \$1,500;
- 24 (4) For events with an estimated attendance of 2500 people or more: \$3,000.

1           Beginning with fiscal year 2020-2021, this fee may be adjusted by the Controller each  
2 year on July 1, without further action by the Board of Supervisors, based on a determination by  
3 the Controller that the changes are necessary to reflect changes in the relevant Consumer Price Index,  
4 and/or are necessary to produce revenues sufficient to support the costs of providing the services for  
5 which the fees are assessed and without producing revenue that is significantly more than such costs.  
6 Not later than April 1 of each year, the Controller shall determine whether the current fee has  
7 produced or is projected to produce revenues sufficient to support the costs of permit-related  
8 activities (including, but not limited to, the processing of applications and the regulation of  
9 events), and that the fees will not produce revenue that is significantly more than the costs of  
10 providing such services. The Controller shall, if necessary, adjust the fees upward or  
11 downward for the upcoming fiscal year as appropriate to ensure that the program recovers the  
12 costs of operation without producing revenue that is significantly more than such costs. ~~The~~  
13 ~~adjusted fees shall become operative on July 1.~~

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15           Section 2. Effective Date. This ordinance shall become effective 30 days after  
16 enactment. Enactment occurs when the Mayor signs the ordinance, the Mayor returns the  
17 ordinance unsigned or does not sign the ordinance within ten days of receiving it, or the Board  
18 of Supervisors overrides the Mayor's veto of the ordinance.

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1           Section 3. Scope of Ordinance. In enacting this ordinance, the Board of Supervisors  
2 intends to amend only those words, phrases, paragraphs, subsections, sections, articles,  
3 numbers, punctuation marks, charts, diagrams, or any other constituent parts of the Municipal  
4 Code that are explicitly shown in this ordinance as additions, deletions, Board amendment  
5 additions, and Board amendment deletions in accordance with the “Note” that appears under  
6 the official title of the ordinance.

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8 APPROVED AS TO FORM:  
9 DAVID CHIU, City Attorney

10 By:     /s/ Sarah Crowley      
11       SARAH CROWLEY  
12       Deputy City Attorney

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**LEGISLATIVE DIGEST**

[Business and Tax Regulations Code - DPH Cannabis Business Inspection Fees]

**Ordinance amending the Business and Tax Regulations Code to eliminate fees charged to permitted cannabis businesses to cover the cost of inspections of those businesses by the Department of Public Health (DPH).**

Existing Law

Current law requires that any business that has been awarded a cannabis business permit from the Office of Cannabis pay fees to the Department of Public Health (DPH) for the cost of initial and ongoing DPH inspections of the business.

Amendments to Current Law

This ordinance would eliminate the fees for initial and ongoing DPH inspections for all cannabis business permit recipients.

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