

1 [Supporting California State Assembly Bill No. 1775 (Haney) - Cannabis Cafes]

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3 **Resolution supporting California State Assembly Bill No. 1775, introduced by**
4 **Assembly Member Matt Haney, which would authorize a local jurisdiction, if specified**
5 **conditions are met, to allow for the preparation or sale of non-cannabis food or**
6 **beverage products, as specified, by a licensed retailer or microbusiness in the area**
7 **where the consumption of cannabis is allowed, and to sell tickets for live music or**
8 **other performances on the premises.**

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10 WHEREAS, Local, state, and federal regulations in addition to an overly-burdensome
11 tax structure, are crippling California’s cannabis industry; and

12 WHEREAS, Since 1970, marijuana has been classified as a Schedule I drug under the
13 Controlled Substances Act, a designation that places it in the most strictly regulated category
14 of drugs under federal rules; and

15 WHEREAS, Schedule I designation precludes legal cannabis businesses from
16 deducting ordinary business expenses; and

17 WHEREAS, On May 1, 2024, President Biden and the Drug Enforcement Agency
18 announced the federal government would recommend the reclassification of cannabis as a
19 Schedule III drug, defined as a drug with moderate to low potential for physical and
20 psychological dependence; and

21 WHEREAS, Legal cannabis dispensaries struggle to compete against the illicit
22 cannabis market, which offers cannabis products at a much lower price and does not follow
23 environmental, distribution, cannabis regulation, and taxation laws; and

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1 WHEREAS, Multiple reports have shown that the legal cannabis market is making less
2 revenue than the illicit market; and

3 WHEREAS, Illegal cannabis cultivators, distributors, and dealers pay nothing in taxes,
4 don't apply for business permits, and don't comply with the rigorous quality control to which
5 legal operators are subject; and

6 WHEREAS, Assembly Bill No. 1775 is an attempt to level the playing field for a legal
7 cannabis industry that is forced to compete with a thriving illicit cannabis market; and

8 WHEREAS, The illegal sale of cannabis is extremely profitable in California with illegal
9 sellers choosing to simply ignore costly regulations, product testing, permitting, and taxation;
10 and

11 WHEREAS, California's legal cannabis sales reached \$4 billion in 2020, while illegal
12 sales are believed to have surpassed \$8 billion that same year; and

13 WHEREAS, Lounges and dispensaries need additional pathways for revenue, and
14 current restrictions on cannabis small operators are harming these businesses; as an
15 example, cannabis establishments are not allowed to host ticketed events under current State
16 and local rules; and

17 WHEREAS, Last year, the Legislature overwhelmingly supported the passage of
18 Assembly Bill No. 374 (Haney) to allow cannabis dispensaries - with permission from local
19 governments - to convert their businesses into cafes where they could sell food and cannabis
20 products and host live concerts; and

21 WHEREAS, Governor Gavin Newsom vetoed Assembly Bill No. 374, citing concerns
22 about worker health, specifically regarding the provision of a smoke-free workplace; and

23 WHEREAS, At the Governor's urging, Assembly Member Haney worked with the
24 Department of Cannabis Control and the Governor's office, to address those concerns and
25 drafted a bill that allows Cannabis Cafes but protects workers' health; and

1 WHEREAS, Assembly Bill No. 1775, guarantees workplace protections, such as proper
2 ventilation, and separation of smoking lounge and kitchen prep areas; and

3 WHEREAS, Assembly Bill No. 1775, would further cement San Francisco’s role as a
4 culinary, cultural, and entertainment capital for residents and tourists alike; and

5 WHEREAS, The changes called for in Assembly Bill No. 1775 have wide support
6 among legal cannabis businesses and trade groups; now, therefore be it

7 RESOLVED, The San Francisco Board of Supervisors supports Assembly Bill No.
8 1775 which would permit sale of non-cannabis-infused food and non-alcoholic drinks at
9 cannabis retail businesses and also allow the establishments to host ticketed events; and

10 FURTHER RESOLVED, That the Clerk of the Board of Supervisors of the City and
11 County of San Francisco distribute this Resolution to San Francisco’s State Legislative
12 Delegation and California Governor Gavin Newsom.