

[Police and Health Codes - Regulation of Cannabis Businesses]

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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 and revising Equity Criteria, for purposes of the Equity Program 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) revising requirements associated with a Cannabis Business' change in ownership and structure 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 revising eligibility requirements for medical cannabis dispensaries seeking authorization to Sell Adult Use Cannabis, and extending by one year to December 31, 2019 the date on which Article 33 (Medical Cannabis Act) expires.

NOTE: **Unchanged Code text and uncodified text** are in plain Arial font.
Additions to Codes are in *single-underline italics Times New Roman font*.

1 **Deletions to Codes** are in ~~strikethrough italics Times New Roman font~~.
2 **Board amendment additions** are in double-underlined Arial font.
3 **Board amendment deletions** are in ~~strikethrough Arial font~~.
4 **Asterisks (* * * *)** indicate the omission of unchanged Code
5 subsections or parts of tables.

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

7 Section 1. Article 16 of the Police Code is hereby amended by revising Sections 1602,
8 1604, 1605, 1606, 1608, 1609, 1613, 1615, 1618, 1622, 1627, 1628, ~~and 1629~~, and 1634, to
9 read as follows:

10 **SEC. 1602. DEFINITIONS.**

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

12 * * * *

13 “Owner” means any of the following:

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

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

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

19 (d) ~~An individual~~ Person who will be participating in the direction, control, or
20 management of the Person applying for a permit.
21

22 ~~“Ownership Interest” means an interest in a Person that would give the holder a share
23 of the proceeds if the Person’s assets were sold at fair market value and then the proceeds
24 were distributed in a complete liquidation of the Person.~~
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1 * * * *

2 **SEC. 1604. EQUITY PROGRAM.**

3 * * * *

4
5 (b) **Equity Applicants.** The Equity Program shall offer priority permit processing, as
6 provided in Section 1606, to an individual who meets the following Equity Criteria (“Equity
7 Applicant”):

8 * * * *

9 (3) Submits an application for a Cannabis Business Permit in any of the
10 following capacities:

11 (A) As the sole owner/operator of the Applicant;

12 (B) As an individual with an ownership interest of at least 40% in the
13 corporate Applicant, and who is also the Chief Executive Officer of the corporate Applicant;

14 (C) As an individual with an ownership interest of at least 51% in the
15 corporate Applicant;

16 (D) As the Executive Director or member of the board of directors of a
17 not-for-profit Applicant where a majority of the members of the board of directors satisfy the
18 requirements of subsections (b)(2) and (4) of this Section 1604; or

19 (E) As an individual with a membership interest in an Applicant formed
20 as a cooperative; and

21 (4) Meets three or more of the following additional criteria:

22 (A) At the time of application, is a member of a household that earns no
23 more than 80% of the San Francisco Area Median Income, adjusted for household size;

1 (B) During the period 1971-2016, was arrested for, convicted of, or
2 adjudged to be a ward of the juvenile court for any crime under the laws of California or any
3 other jurisdiction relating to the sale, possession, use, manufacture, or cultivation of Cannabis;

4 (C) ~~After~~ Since 1995, either lost housing experienced housing insecurity
5 in San Francisco as evidenced by eviction, foreclosure, or revocation of housing subsidy;
6 resided in permanent supportive housing, as defined in Administrative Code Section 20.54.2,
7 in San Francisco; stayed overnight at a Navigation Center, as described in Administrative
8 Code Chapter 106, in San Francisco, for 90 non-consecutive days; stayed overnight at a
9 Shelter, as defined in Administrative Code Section 20.41, in San Francisco, for 90 non-
10 consecutive days; or resided in a City-funded Single Room Occupancy building;

11 (D) Has a parent sibling, or child who, during the period 1971-2016, was
12 arrested for, convicted of, or adjudged to be a ward of the juvenile court for any crime under
13 the laws of California or any other jurisdiction relating to the sale, possession, use,
14 manufacture, or cultivation of Cannabis;

15 (E) Attended a school under the jurisdiction of the San Francisco Unified
16 School District for five years, either consecutively or in total, during the period 1971-2016; or

17 (F) During the period 1971-2016, lived for at least five years, either
18 consecutively or in total, in San Francisco census tracts where at least 17% of the households
19 had incomes at or below the federal poverty level, as determined by the Director.

20 For purposes of Section 1604(b)(3), an “ownership interest” in the corporate Applicant
21 shall include a right, proportionate to the interest held, to share in the business’s profits,
22 including dividends, distributions, or other payments; a right, proportionate to the interest held,
23 to the proceeds of a sale of the business’s assets, liquidation of the business, merger of the
24 business into another business, or another transaction that would signify the end of the

1 original business; and a right, proportionate to the interest held, to vote on fundamental
2 decisions relating to the business.

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

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

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

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

20 (4) Provide the Equity Operator, directly or indirectly, with community outreach
21 services, security services for the Equity Operator’s Premises, and any support necessary for
22 the Equity Operator to comply with the Good Neighbor Policy required in Section 1609(b)(19);
23 and

24 ~~(4)(5)~~ Comply with one of the following additional operating requirements:
25

1 (A) Submit to the Director for review and approval a written, actionable
2 “Equity Incubator Plan” describing how the Equity Incubator will encourage and support the
3 establishment and growth of Equity Applicants who have been awarded Cannabis Business
4 Permits (“Equity Operators”), including but not limited to any Equity Operator identified in the
5 Equity Incubator Plan, by, among other things, providing business plan guidance, operations
6 consulting, personnel, or technical assistance. The services listed in the Equity Incubator Plan must
7 be enumerated, and include an estimated dollar value of those services. The aggregate dollar value of
8 the services must equal or exceed the sum of (i) 10% of the rent for, or, if the Equity Incubator owns the
9 Equity Incubator’s Premises, 10% of the rental market value of, the Equity Incubator’s Premises, and
10 (ii) the annual total costs of security services at the Equity Incubator’s premises. On or before March
11 1 of each year, the Equity Incubator shall submit to the Director an annual report covering the
12 prior calendar year, signed by both the Equity Incubator and the Equity Operator, describing
13 the services provided under this subsection (c)(5)(A); or

14 (B) Provide an Equity Operator with rent-free commercial space owned
15 or leased by the Equity Incubator, either adjacent to the Equity Incubator’s pPremises or off-site, in
16 which the Equity Operator conducts its Cannabis Business. If such rent-free commercial
17 space is provided off-site, the Equity Incubator must provide the greater of 800 square feet or
18 the equivalent of at least 10% of the square footage of the Equity Incubator’s Premises. If
19 such rent-free commercial space is provided adjacent to the Equity Incubator’s Premises, the
20 Equity Incubator must provide either 800 square feet or the equivalent of at least 10% of the
21 square footage of the Equity Incubator’s Premises. The rent-free commercial space must
22 equal or exceed 800 square feet or the equivalent of at least 10% of the square footage of the
23 Equity Incubator’s Premises, whichever is greater, and must include the Equity Incubator’s
24 provision of community outreach and security services for the space. Equity Incubators must
25

1 also provide to the Equity Operator the support necessary for the Equity Operator to comply
2 with the Good Neighbor Policy required in Section 1609(b)(19).

3
4 **SEC. 1605. TRANSITION PROVISION.**

5 * * * *

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

12 * * * *

13
14 **SEC. 1606. APPLICATIONS FOR CANNABIS BUSINESS PERMITS.**

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

- 17 (1) Qualify as an Equity Applicant or an Equity Incubator;
- 18 (2) Possess a valid permit to operate a Medical Cannabis Dispensary issued
19 pursuant to Article 33 of the Health Code prior to the effective date of the ordinance, in Board
20 File Number 171042, establishing this Article 16;
- 21 (3) Were issued a Temporary Cannabis Business Permit under Section 1605 of
22 this Article 16;
- 23 (4) Have demonstrated to the Director’s satisfaction that the Applicant operated
24 in compliance with the Compassionate Use Act of 1996, and was forced to discontinue
25 operations as a result of federal prosecution or threat of federal prosecution;

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

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

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

- 11 (A) The lease terminated before December 31, 2018;
- 12 (B) The lease termination was not due to the lessee's breach of the lease;
- 13 (C) The Owner of the proposed Cannabis Business is identical to the Owner of
14 the former Medical Cannabis Dispensary; and
- 15 (D) The Permittee seeks an application for a Cannabis Business Permit no later
16 than July 1, 2019.

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

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

- 24 (1) First priority: applications from Equity Applicants;
- 25 (2) Second priority: applications from Equity Incubators;

1 (3) Third priority: applications from Applicants that meet the requirements of Section
2 1606(a)(4) or 1606(a)(6).

3 ~~(34) Third~~Fourth priority: applications from Applicants, ~~including Pre-Existing Non-~~
4 ~~Conforming Operators,~~ that were operating in compliance with the Compassionate Use Act of
5 1996 before September 1, 2016;

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

10 (56) ~~Fifth~~Sixth priority: all other applications.

11 (d) Each Owner Treated as Applicant. Unless this Article 16 specifically provides
12 otherwise, each Owner of a Cannabis Business or proposed Cannabis Business shall be
13 subject to the same obligations that this Article 16 imposes on an Applicant. Such obligations
14 include, but are not limited to, the obligation to provide to the Director the information that this
15 Article 16, and any regulations promulgated thereunder, require from an Applicant.

16
17 **SEC. 1608. TRANSFER OF PERMIT; PORTABILITY OF PERMIT; SALE OF**
18 **CANNABIS BUSINESS; CHANGE IN OWNERSHIP; INTERIM CANNABIS BUSINESS**
19 **PERMITS.**

20 * * * *

21 ~~(c) Sale of Cannabis Business.~~ If a Permittee sells the Cannabis Business, the
22 Permittee shall promptly surrender the permit to the Director. This obligation is not dependent
23 on the Director's requesting the surrender, but arises by operation of law on the sale of the
24 Cannabis Business. If the Permittee fails to surrender the permit to the Director, the Director
25

1 may, after giving the Permittee notice by mail and electronically of the proposed action and an
2 opportunity to respond, revoke the permit.

3 ~~(d) **Change in Ownership.** A Permittee may change partners, shareholders, or other~~
4 ~~Owners of a Cannabis Business provided that: the sale or other transfer of ownership~~
5 ~~regardless of the form of ownership results in a new Person owning: no more than 20% of the~~
6 ~~Cannabis Business, and the Permittee obtains an amendment to the Permit as provided in~~
7 ~~subsection (d)(2) of this Section 1608. If the sale or other transfer of ownership does not result~~
8 ~~in any Person (who did not already have such a percentage interest) having an ownership~~
9 ~~interest of 20% or more, the Permittee is not required to obtain a permit amendment.~~

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

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

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

25 **(c) Ownership; Changes in Ownership; Changes in Form or Structure.**

1 (1) Any change affecting any ownership interest of a Cannabis Business,
2 including, but not limited to, any change in ownership that affects an ownership interest of less
3 than 20% of the Cannabis Business, must be promptly disclosed, in writing, to the Director.

4 (2) Any change affecting any ownership interest of a Cannabis Business that
5 results in a Person holding an aggregate ownership interest of 20% or more of a Cannabis
6 Business, when that Person did not previously hold an aggregate ownership interest of 20%
7 or more in the Cannabis Business, shall require the Permittee to promptly obtain a permit
8 amendment. Such permit amendment shall be reviewed by the Director in a manner
9 consistent with subsection (c)(5), and shall not be granted unless the Director determines that,
10 if the relevant Person (i.e., the Person who newly holds an aggregate ownership interest of
11 20% or more in the Cannabis Business) had been an Owner at the time the Permittee applied
12 for a permit awarded under this Article 16, that permit would have been granted.

13 (3) Any change in the direction, control, or management of a Cannabis
14 Business must be promptly disclosed, in writing, to the Director, and such change shall
15 require the Permittee to promptly apply for and obtain a permit amendment. An application for
16 such a permit amendment shall be reviewed by the Director consistent with subsection (c)(4),
17 and shall not be granted unless the Director determines that, if the relevant Person (i.e., the
18 Person newly exercising direction, control, or management with respect to the Cannabis
19 Business) had been an Owner at the time the Permittee applied for a permit awarded under
20 this Article 16, that permit would have been granted.

21 (4) A Permittee seeking a permit amendment as required under this subsection
22 (c) shall pay the required filing fee for a permit amendment and provide such information, from
23 the categories of information described in Section 1609, as may be required by the Director.
24 The decision to grant or deny a permit amendment shall be entrusted to the Director's
25

1 discretion in the same manner, and subject to the same criteria, as the decision to grant or
2 deny a permit as set forth in Section 1615.

3 (5) Notwithstanding any other provision of this subsection (c), an aggregate
4 ownership interest of 50% or more in a Permittee may not be transferred to any Person or
5 combination of Persons who were not Owners of the Permittee at the time that a Cannabis
6 Business Permit was awarded under this Article 16. In the event that an aggregate ownership
7 interest of 50% or more in a Permittee is transferred to any Person or combination of Persons
8 who were not Owners of the Permittee at the time that a Cannabis Business Permit was
9 awarded, the Permittee shall promptly surrender the permit to the Director. This obligation is
10 not dependent on the Director's requesting the surrender, but arises by operation of law on
11 the sale of the Cannabis Business. If the Permittee fails to surrender the permit to the
12 Director, the Director may, after giving the Permittee notice by mail and electronically of the
13 proposed action and an opportunity to respond, revoke the permit.

14 (6) A change in the form or structure of a Permittee shall not be considered a
15 change affecting an ownership interest in a Cannabis Business for purposes of this
16 subsection (c). Notwithstanding any other provision of this subsection (c), a Permittee may
17 undertake any change in its form or structure, as long as the change in form or structure does
18 not cause any change affecting an ownership interest. The Permittee must promptly disclose
19 its change in form or structure, in writing, to the Director. and such change shall require the
20 Permittee to promptly apply for and obtain a permit amendment as set forth in subsection
21 (c)(4).

22 (7) Whenever, under this Article 16, an Owner is anything other than an
23 individual, every individual who exercises direction, control, or management of that Owner
24 shall also be treated as an Owner for purposes of this Article 16.

1 (8) Notwithstanding any other provision of this subsection (c), it shall not be
2 considered a change affecting an ownership interest in a Cannabis Business if an individual
3 transfers an ownership interest in a Cannabis Business to a Person that is entirely owned and
4 controlled by that same individual, but any subsequent transfer of an ownership interest in that
5 Person shall be considered a change affecting an ownership interest in the Cannabis
6 Business. All transfers described in this subsection (c)(8) must be promptly disclosed, in
7 writing, to the Director.

8 (d) **Interim Cannabis Business Permits.** Once the Director receives a surrendered
9 Cannabis Business Permit to Operate, as set forth in subsection (b) of this Section 1608, the
10 new Owner of the business may apply to the Director for an Interim Cannabis Business
11 Permit, subject to any required Planning Department approvals, for a period not to exceed 90
12 days from the date of surrender (an “Interim Permit”). An Interim Permit may not be renewed.
13 The Director may grant an Interim Permit provided that:

14 * * * *

15
16 **SEC. 1609. PERMIT APPLICATIONS.**

17 * * * *

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

- 21 (1) The name, street address, and parcel number of the business for which the
22 permit is sought;
- 23 (2) The name, contact information, and address of the Applicant as follows:
- 24
- 25

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

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

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

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

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

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

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

20 (8) Written verification that the owner of the real property where the Cannabis
21 Business will be located has the authority to consent, and consents, to its use as a Cannabis
22 Business. Such written verification must be signed by the property owner or the owner's
23 agent, and must include the owner and agent's contact information;

24 (9) Where the Applicant leases the Real Property, a copy of the lease;
25

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

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

- 5 (A) An odor mitigation plan;
- 6 (B) A Hazardous materials inventory;
- 7 (C) A power plan;
- 8 (D) A Security Plan;
- 9 (E) A track and trace compliance plan;
- 10 (F) A waste disposal plan; and
- 11 (G) A water management plan.

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

- 15 (A) A Labor Peace Agreement; or,
- 16 (B) A collective bargaining agreement with a Bona Fide Labor

17 Organization.

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

22 (14) A copy of the Applicant's Seller's Permit, as may be required by Section
23 6067 of the California Revenue and Taxation Code, or where pending, proof of application
24 therefor;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

16 (23~~4~~) Documents demonstrating that the Applicant engaged in a Community
17 Outreach Strategy to advise neighbors of its intent to ~~apply for~~ seek a Cannabis Business
18 Permit and to solicit input on its proposed Good Neighbor Policy. An Applicant's Community
19 Outreach Strategy must, at a minimum, address the requirements of subsection (b)(19)(A) ~~include~~
20 ~~written notice to neighbors within 300 feet of the Premises of the Applicant's intent to open a Cannabis~~
21 ~~Business at that location,~~ include information about how neighbors may provide input on the
22 content of the Applicant's Good Neighbor Policy, and include sign-in sheets and minutes for
23 any meetings held with neighbors. All materials and notices developed and distributed to
24 neighbors by the Applicant as part of its Community Outreach Strategy must be translated into
25 the languages required by the Language Access Ordinance, Administrative Code Chapter 91;

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

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

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

10 (27) A list of every ~~person~~ Person with any financial, ownership, or other ~~or equity~~
11 interest, as may be defined by the Director, (including, but not limited to, the ownership of
12 stock) in the Applicant, the proposed Cannabis Business, and any Owner of the proposed
13 Cannabis Business, except that the Director may provide that remote or de minimis interests
14 need not be disclosed. ~~person applying for the Cannabis Business Permit.~~

15 (28) The Director may allow or require an Applicant to supplement, amend, or
16 correct, any information provided under this Section 1609 within reasonable limits prescribed
17 by the Director, without requiring a new application, except that an Applicant may not change
18 the location of the Premises of the proposed Cannabis Business after the Premises have
19 been inspected by the Office or a Referring Department.

20 * * * *

21
22 (d) Additional Information Required of Applicants for Cannabis Manufacturing Facility
23 permits.

24 * * * *

1 (3) A statement ~~signed by~~from the Applicant acknowledging that non-Cannabis
2 products will not be Manufactured on the Premises.

3 * * * *

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

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

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

11 * * * *

12 (h) Additional Information Required of Applicants for Storefront Cannabis Retailer
13 permits.

14 * * * *

15 (6) If the Applicant intends to Deliver Cannabis or Cannabis Products to
16 Customers, the Applicant shall also provide:

17 * * * *

18 (F) A statement ~~signed by~~from the Applicant affirming that the Applicant:

19 * * * *

20 (i) Additional Information Required of Applicants for Delivery-Only Cannabis Retailer
21 permits.

22 * * * *

23 (3) A “Delivery-Only Cannabis Retailer Operations Plan” containing such
24 information as may be required by the Director, including but not limited to:

25 * * * *

1 (H) A statement signed by from the Applicant affirming that the Applicant:

2 * * * *

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

11
12 **SEC. 1613. LIMITS ON PERMITS.**

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

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

20 (c) The Controller shall track the number of permits that are awarded pursuant to this
21 Article 16. No later than July 1, September 30, 2019 ~~Within one year of the effective date of this~~
22 ~~Article 16~~, the Controller shall submit to the Board of Supervisors a report that makes
23 recommendations as to whether the issuance of Cannabis Business Permits should be
24 subject to any numerical, geographical, or other limits.

25 * * * *

1 **SEC. 1615. ISSUANCE AND DENIAL OF CANNABIS BUSINESS PERMITS.**

2 * * * *

3 **(d) Mandatory Grounds for Denial.** No Cannabis Business Permit shall be issued if
4 the Director finds that:

5 (1) The Applicant, any Owner, or anyone holding a financial interest in the
6 proposed Cannabis Business, has provided materially false information or documents in
7 support of connection with the application.

8 (2) The Applicant or any Owner failed to provide all information required by this
9 Article 16 and by the Director, in implementing this Article 16.

10 (3) The Applicant has otherwise not fully complied with the provisions of this
11 Article 16.

12 (4) Any Owner, or anyone holding any financial interest in the proposed
13 Cannabis Business, has otherwise willfully or knowingly failed to comply, or caused a failure
14 to comply, with this Article 16.

15 (4~~5~~) The Applicant has not demonstrated eligibility for a permit under this Article
16 16.

17 (5~~6~~) The Premises are materially different from the diagram of the Premises
18 submitted by the Applicant.

19 (6~~7~~) The City has revoked a permit for the operation of a business in the City
20 which permit had been issued to the Applicant or to any other Person who will be engaged in
21 the management of the Cannabis Business unless more than five years have passed between
22 the date of the application and the date of revocation of the other permit.

23 (7~~8~~) The operation of the Cannabis Business as proposed by the Applicant, if
24 permitted, would not comply with all applicable laws, including but not limited to, the Building,
25 Planning, Housing, Police, Fire, and Health Codes of the City, the provisions of this Article 16

1 and any regulations promulgated thereto, and the Medicinal and Adult Use Cannabis
2 Regulation and Safety Act, 2017 Cal. Legis. Serv. Ch. 27 (S.B. 94), and its implementing
3 regulations, as may be amended from time to time.

4 (89) The Applicant is employed by any local or state agency responsible for the
5 regulation of Commercial Cannabis Activities.

6 (910) The Applicant denied access to the Premises to the Office and/or to any
7 Referring Department.

8 (4011) The Director finds that the Premises or the Cannabis Business will be or
9 is being managed, conducted, or maintained in such a manner as to endanger the health and
10 safety of the employees, Customers or neighbors, or to coerce any employee to engage in
11 illegal conduct.

12 (4412) The Planning Department or Planning Commission determines that the
13 Applicant engaged in Commercial Cannabis Activities in a location that was not authorized by
14 or consistent with the Planning Code.

15 * * * *

16
17 **SEC. 1618. ELIGIBILITY AND OPERATING STANDARDS APPLICABLE TO ALL**
18 **CANNABIS BUSINESSES.**

19 * * * *

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

23
24 **SEC. 1622. DELIVERIES OF CANNABIS AND CANNABIS PRODUCTS TO**
25 **CUSTOMERS.**

1 * * * *

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

5 (1) Deliveries may only be conducted by employees of the Permitted Cannabis
6 Business. Deliveries may not be conducted by independent contractors.

7 (2) An employee conducting a Delivery must deliver the Cannabis or Cannabis
8 Product to an address associated with real property (e.g. not to a street corner or location
9 within a park).

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

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

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

18 (6) Upon Delivery, the employee performing the Delivery must:

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

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

25

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

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

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

10 (8) Cannabis and Cannabis Products that are Delivered to a Customer must:

11 ~~_____ (A) Comply~~ comply with ~~the~~ all State and local packaging and labeling
12 rules; ~~and,~~

13 ~~_____ (B) Be placed in an opaque child resistant Delivery receptacle.~~

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

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

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

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

1 (B) The date and time the Cannabis and/or Cannabis Products were
2 Delivered;

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

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

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

8 (12) A Cannabis Business authorized to engage in Deliveries must Deliver
9 Cannabis and Cannabis Products by Vehicle only, and the total value of Cannabis and Cannabis
10 Products that may be carried in the vehicle at one time may not exceed \$3,000 any applicable limits
11 established by the Director. Delivery of Cannabis and Cannabis Products by motorcycles,
12 scooters, drones, human powered vehicles, and unmanned vehicles is prohibited.

13

14 **SEC. 1627. CANNABIS MICROBUSINESSES.**

15 (a) **Authorized activities.** A Cannabis Microbusiness Permit authorizes the Permittee
16 to engage in the Commercial Cultivation, Manufacture, Distribution, and Sale (*either as a*
17 *Storefront Retail Cannabis Business or a Delivery-Only Cannabis Business Retailer*) of Medicinal
18 Cannabis and Cannabis Products and Adult Use Cannabis and Cannabis Products, provided
19 that the Permittee is both an A-licensee and an M-licensee. A Cannabis Microbusiness that
20 holds only an A-license may engage in the aforementioned Commercial activities relating to
21 Adult Use Cannabis and Cannabis Products only. A Cannabis Microbusiness that holds only
22 an M-License may engage in the aforementioned Commercial activities relating to Medicinal
23 Cannabis and Cannabis Products only.

24 (b) **Operating Standards.** In addition to the operating requirements set forth in Section
25 1618, a Cannabis Microbusiness shall comply with the operating standards set forth in

1 Sections 1623, 1624, 1626, and either Section 1628 or Section 1629 of this Article 16, and shall
2 comply with the following additional operating standards:

3 (1) A Cannabis Microbusiness shall conduct ~~at~~ no less than three of the following
4 four categories of Commercial activity ~~(Cultivation, Manufacture, Distribution, and Sale)~~ on the
5 same Premises: Cultivation, Manufacture, Distribution, and Sale.

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

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

9
10 **SEC. 1628. STOREFRONT CANNABIS RETAILERS.**

11 * * * *

12 (b) **Operating Standards.** In addition to the operating requirements set forth in
13 Sections 1618,1 -a Storefront Cannabis Retailer shall comply with the following additional
14 operating requirements:

15 * * * *

16 (3) A Storefront Cannabis Retailer must ~~distribute to each Customer at the time~~
17 ~~of Sale,~~make available to Customers a fact sheet relating to safe Consumption of Cannabis
18 and Cannabis Products, to be produced by the Department of Public Health.

19 * * * *

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

25 * * * *

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

2 * * * *

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

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

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

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

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

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

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SEC. 1634. ADDITIONAL ADMINISTRATIVE ENFORCEMENT ORDERS.

(a) Order to Cease Operations Without Permit. Upon a determination by the Director that any Cannabis Business is operating without all valid, effective, and current permits required by this Article 16, the Director shall issue an Order to Cease Operations Without Permit, which shall be posted prominently on the Premises and mailed to the Cannabis Business. Such Order shall state:

- (1) The required permits which are lacking;
- (2) That the Cannabis Business has ~~72~~24 hours from the time of posting to demonstrate to the Director’s satisfaction that the Cannabis Business has the required valid, effective, and current permits;
- (3) If the Cannabis Business has not made such demonstration within ~~72~~24 hours, that the Cannabis Business must immediately close until such time as it demonstrates to the Director’s satisfaction that the Cannabis Business has the required permits; and
- (4) If the Cannabis Business fails to close as required by this subsection (a), that the Director shall issue an Immediate Closure Order and close the Premises.

* * * *

Section 2. Article 33 of the Health Code is hereby amended by revising Sections 3322 and 3323, to read as follows:

SEC. 3322. TRANSITION PROVISION.

* * * *

1 (7) Submits to the Director of the Office of Cannabis a written, actionable and
2 measurable “Equity Plan” describing the concrete steps the medical cannabis dispensary will
3 take to encourage and support the establishment and growth of Equity Operators, as defined
4 in Section 1604 of the Police Code; provide employment opportunities to persons that have
5 been disproportionately impacted by the criminalization of cannabis; and otherwise further the
6 City’s equity goals. A medical cannabis dispensary with multiple locations must submit a
7 separate and distinct Equity Plan for each location at which it operates.

8 (e) ~~The authorization to Sell Adult Use Cannabis and Cannabis Products set forth in~~
9 ~~subsection (d) of this Section 3322 applies only to:~~

10 ~~———— (1) A medical cannabis dispensary that holds a valid permit under this Article 33~~
11 ~~as of the effective date of the ordinance in Board File Number 171042; and~~

12
13 ~~———— (2) A medical cannabis dispensary that is awarded a permit under this Article 33~~
14 ~~at any time prior to December 31, 2018, provided the medical cannabis dispensary:~~

15 ~~———— (A) Submitted a complete application for a medical cannabis dispensary~~
16 ~~permit to the Department of Public Health prior to July 20, 2017; and~~

17 ~~———— (B) Demonstrates to the satisfaction of the Director that it operated a~~
18 ~~cannabis business in compliance with local law and the Compassionate Use Act of 1996, and~~
19 ~~was forced to discontinue operations as a result of federal prosecution or threat of federal~~
20 ~~prosecution.~~

21 (ef) The Director may extend the authorization to Sell Adult Use Cannabis for
22 additional 12090-day periods beyond the 120-day period set forth in subsection (d) of this
23 Section 3322 upon a finding that:

24 (1) The Office of Cannabis has not had sufficient time to review and process
25 applications for Cannabis Business Permits under Article 16 of the Police Code; and

1 (2) The medical cannabis dispensary has demonstrated good faith compliance
2 with its Equity Plan to the satisfaction of the Director of the Office of Cannabis.

3 The Director's authority under this subsection (~~ef~~) to extend 12090-day periods for
4 authorization to sell Adult Use Cannabis may be exercised only at intervals of approximately
5 12090 days, as to each distinct 12090-day period. Thus, for example, the Director may not
6 simultaneously authorize two consecutive 12090-day extensions for the same medical
7 cannabis dispensary.

8 (~~fg~~) For purposes of Section 26050.1 of the California Business and Professions
9 Code, a valid medical cannabis dispensary permit shall serve as a valid license, permit, or
10 other authorization to engage in the retail sale of medicinal cannabis, medicinal cannabis
11 products, adult use cannabis, and adult use cannabis products at the permitted location, but
12 shall not serve as a valid license, permit, or other authorization to engage in the commercial
13 cultivation of cannabis of any kind.

14
15 **SEC. 3323. SUNSET PROVISION.**

16 This Article 33 shall expire by operation of law on December 31, 201918, ~~at which time~~
17 ~~All~~ permits authorizing the operation of a Medical Cannabis Dispensary issued under this
18 Article 33 shall be rendered invalid after December 31, 2018, except for those permits issued under
19 this Article 33 where the permit holder has applied for a Police Code Article 16 permit, which shall be
20 rendered invalid on December 31, 2019. Upon expiration of the Article, the City Attorney shall
21 cause it to be removed from the Health Code.

22
23 **Section 3. Effective Date.**

24 This ordinance shall become effective 30 days after enactment. Enactment occurs
25 when the Mayor signs the ordinance, the Mayor returns the ordinance unsigned or does not

1 sign the ordinance within ten days of receiving it, or the Board of Supervisors overrides the
2 Mayor’s veto of the ordinance.

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

10
11 APPROVED AS TO FORM:
12 DENNIS J. HERRERA, City Attorney

13 By: _____
14 JANA CLARK
15 Deputy City Attorney

16 n:\legana\as2018\1800597\01314307.docx