

BOARD of SUPERVISORS



City Hall  
Dr. Carlton B. Goodlett Place, Room 244  
San Francisco 94102-4689  
Tel. No. (415) 554-5184  
Fax No. (415) 554-5163  
TDD/TTY No. (415) 554-5227

**MEMORANDUM**

TO: Katy Tang, Director, Office of Small Business  
**Small Business Commission, City Hall, Room 448**

FROM: Brent Jalipa, Assistant Clerk  
Budget and Appropriations committee

DATE: June 3, 2024

SUBJECT: REFERRAL FROM BOARD OF SUPERVISORS  
Budget and Appropriations committee

The Board of Supervisors' Budget and Appropriations committee has received the following legislation, introduced by Mayor London Breed on June 1, 2024, which is being referred to the Small Business Commission for comment and recommendation.

**File No. 240599**

**Ordinance amending the Police Code to adjust to current amounts the license fees for Billiard Parlor, Dance Hall Keeper, Extended Hours Premises, Fixed Place Outdoor Amplified Sound, Limited Live Performance, Mechanical Amusement Device, and Place of Entertainment permits.**

Please return this cover sheet with the Commission's response to Brent Jalipa, Budget and Finance Clerk, by email to: [brent.jalipa@sfgov.org](mailto:brent.jalipa@sfgov.org).

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

\_\_\_\_\_ **No Comment**

\_\_\_\_\_ **Recommendation Attached**

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

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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