

File No. 180912

Committee Item No. 2

Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Rules Committee

Date December 3, 2018

Board of Supervisors Meeting

Date _____

Cmte Board

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| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Legislative Digest |
| <input type="checkbox"/> | <input type="checkbox"/> | Budget and Legislative Analyst Report |
| <input type="checkbox"/> | <input type="checkbox"/> | Youth Commission Report |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Introduction Form |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Department/Agency Cover Letter and/or Report |
| <input type="checkbox"/> | <input type="checkbox"/> | Memorandum of Understanding (MOU) |
| <input type="checkbox"/> | <input type="checkbox"/> | Grant Information Form |
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Completed by: Victor Young Date Nov. 29, 2018

Completed by: _____ Date _____

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 and revising Equity Criteria, for purposes of the Equity Program in a Cannabis
6 Business; 2) modifying the Cannabis Equity Incubator Program requirements; 3)
7 extending by one year the possible duration of a Temporary Cannabis Business
8 Permit; 4) authorizing the Director of the Office of Cannabis to issue Cannabis
9 Business Permits to Medical Cannabis Dispensaries forced to discontinue operations
10 due to a no-fault lease termination before December 31, 2018; 5) modifying the order in
11 which the Director may review and process Cannabis Business Permit applications; 6)
12 revising requirements associated with a Cannabis Business' change in ownership and
13 structure requiring Cannabis Business permit amendments when a change in
14 ownership results in a decrease in an Equity Applicant's Ownership Interest or role in
15 the Cannabis Business; 7) revising Cannabis Business Permit application
16 requirements; 8) requiring Cannabis Businesses to comply with all permit conditions
17 whether or not they are currently engaging in the permitted activity; 9) modifying the
18 amount of Cannabis that may be delivered or sold to a customer; and 10) authorizing
19 Cannabis Microbusinesses to conduct either storefront or delivery sales, but not both,
20 and reducing from four to three the categories of Commercial activity required to
21 operate as a Cannabis Microbusiness; and amending the Health Code by revising
22 eligibility requirements for medical cannabis dispensaries seeking authorization to Sell
23 Adult Use Cannabis, and extending by one year to December 31, 2019 the date on
24 which Article 33 (Medical Cannabis Act) expires.

25 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.~~
25

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) At the time of application, is a member of a household that earns no more
22 than 120% of the San Francisco Area Median Income, adjusted for household size; and

23 (4~~5~~) Meets three or more of the following additional criteria:

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

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

15 (ED) Attended a school under the jurisdiction of the San Francisco
16 Unified School District for five years, either consecutively or in total, during the period 1971-
17 2016; or

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

21 For purposes of Section 1604(b)(3), an "ownership interest" in the corporate Applicant
22 shall include a right, proportionate to the interest held, to share in the business's profits,
23 including dividends, distributions, or other payments; a right, proportionate to the interest held,
24 to the proceeds of a sale of the business's assets, liquidation of the business, merger of the
25 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, and have not
18 previously received a Cannabis Business Permit for the same type of Cannabis Business (as
19 set forth in Section 1607) as the Cannabis Business for which a Cannabis Business Permit is
20 sought;

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

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

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

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

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

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

14 (A) The lease terminated before December 31, 2018;

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

16 (C) The Owner of the proposed Cannabis Business is identical to the Owner of
17 the former Medical Cannabis Dispensary; and

18 (D) The Permittee seeks an application for a Cannabis Business Permit no later
19 than July 1, 2019.

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

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

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

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

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

7 (34) ThirdFourth priority: applications from Applicants, ~~including Pre-Existing Non-~~
8 ~~Conforming Operators,~~ that were operating in compliance with the Compassionate Use Act of
9 1996 before September 1, 2016;

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

14 (56) FifthSixth priority: all other applications.

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

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

24 * * * *

1 ~~(c) Sale of Cannabis Business.~~ If a Permittee sells the Cannabis Business, the
2 Permittee shall promptly surrender the permit to the Director. This obligation is not dependent
3 on the Director's requesting the surrender, but arises by operation of law on the sale of the
4 Cannabis Business. If the Permittee fails to surrender the permit to the Director, the Director
5 may, after giving the Permittee notice by mail and electronically of the proposed action and an
6 opportunity to respond, revoke the permit.

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

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

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

22 ~~—— (3) Notwithstanding this subsection (d), a Permittee must obtain a permit~~
23 ~~amendment if a change in ownership results in a decrease in an Equity Applicant's Ownership~~
24 ~~Interest in the Cannabis Business, a change in the Equity Applicant's role as Chief Executive~~
25 ~~Officer or member of the Board of Directors, or a material change in the degree of the Equity~~

1 Applicant's participation in the direction, control, or management of the Cannabis Business.
2 Applications for a permit amendment in accordance with this Subsection 1608(d)(3) must
3 include the terms of the change in ownership.

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

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

8 (2) Any change affecting any ownership interest of a Cannabis Business that
9 results in a Person holding an aggregate ownership interest of 20% or more of a Cannabis
10 Business, when that Person did not previously hold an aggregate ownership interest of 20%
11 or more in the Cannabis Business, shall require the Permittee to promptly obtain a permit
12 amendment. Such permit amendment shall be reviewed by the Director in a manner
13 consistent with subsection (c)(5), and shall not be granted unless the Director determines that,
14 if the relevant Person (i.e., the Person who newly holds an aggregate ownership interest of
15 20% or more in the Cannabis Business) had been an Owner at the time the Permittee applied
16 for a permit awarded under this Article 16, that permit would have been granted.

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

1 (4) A Permittee seeking a permit amendment as required under this subsection
2 (c) shall pay the required filing fee for a permit amendment and provide such information, from
3 the categories of information described in Section 1609, as may be required by the Director.
4 The decision to grant or deny a permit amendment shall be entrusted to the Director's
5 discretion in the same manner, and subject to the same criteria, as the decision to grant or
6 deny a permit as set forth in Section 1615.

7 (5) Notwithstanding any other provision of this subsection (c), prior to the award
8 of a permanent Cannabis Business Permit and for a ten-year period thereafter, an aggregate
9 ownership interest of 50% or more in a Permittee may not be transferred to any Person or
10 combination of Persons who were not Owners of the Permittee at the time that a Cannabis
11 Business Permit was awarded under this Article 16. This restriction shall be cumulative, as to
12 each Permittee, across any permits (whether temporary or permanent) issued under this
13 Article 16. In the event that, prior to the award of a permanent Cannabis Business Permit or
14 within ten years thereafter, an aggregate ownership interest of 50% or more in a Permittee is
15 transferred to any Person or combination of Persons who were not Owners of the Permittee at
16 the time that a Cannabis Business Permit was awarded, the Permittee shall promptly
17 surrender the permit to the Director. This obligation is not dependent on the Director's
18 requesting the surrender, but arises by operation of law on the sale of the Cannabis Business.
19 If the Permittee fails to surrender the permit to the Director, the Director may, after giving the
20 Permittee notice by mail and electronically of the proposed action and an opportunity to
21 respond, revoke the permit.

22 (6) A change in the form or structure of a Permittee shall not be considered a
23 change affecting an ownership interest in a Cannabis Business for purposes of this
24 subsection (c). Notwithstanding any other provision of this subsection (c), a Permittee may
25 undertake any change in its form or structure, as long as the change in form or structure does

1 not cause any change affecting an ownership interest. The Permittee must promptly disclose
2 its change in form or structure, in writing, to the Director, and such change shall require the
3 Permittee to promptly apply for and obtain a permit amendment as set forth in subsection
4 (c)(4).

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

8 (8) Notwithstanding any other provision of this subsection (c), it shall not be
9 considered a change affecting an ownership interest in a Cannabis Business if an individual
10 transfers an ownership interest in a Cannabis Business to a Person that is entirely owned and
11 controlled by that same individual, but any subsequent transfer of an ownership interest in that
12 Person shall be considered a change affecting an ownership interest in the Cannabis
13 Business. All transfers described in this subsection (c)(8) must be promptly disclosed, in
14 writing, to the Director.

15 (9) Notwithstanding any other provision of this subsection (c), a Permittee
16 must obtain a permit amendment if a change in ownership results in a decrease in an Equity
17 Applicant's Ownership Interest in the Cannabis Business, a change in the Equity Applicant's
18 role as Chief Executive Officer or member of the Board of Directors, or a material change in
19 the degree of the Equity Applicant's participation in the direction, control, or management of
20 the Cannabis Business. Applications for a permit amendment in accordance with this
21 Subsection 1608(c)(9) must include the terms of the change in ownership.

22 **(de) Interim Cannabis Business Permits.** Once the Director receives a surrendered
23 Cannabis Business Permit to Operate, as set forth in subsection (b) of this Section 1608, the
24 new Owner of the business may apply to the Director for an Interim Cannabis Business
25 Permit, subject to any required Planning Department approvals, for a period not to exceed 90

1 days from the date of surrender (an "Interim Permit"). An Interim Permit may not be renewed.

2 The Director may grant an Interim Permit provided that:

3 * * * *

4
5 **SEC. 1609. PERMIT APPLICATIONS.**

6 * * * *

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

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

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

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

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

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

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

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

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

3 (7) For all Owners/Applicants, a complete set of fingerprints in the manner
4 required by the Director for the purpose of conducting a criminal background check, and such
5 additional information concerning the criminal histories of Owners, as may be required by the
6 Director;

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

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

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

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

16 (A) An odor mitigation plan;

17 (B) A Hazardous materials inventory;

18 (C) A power plan;

19 (D) A Security Plan;

20 (E) A track and trace compliance plan;

21 (F) A waste disposal plan; and

22 (G) A water management plan.

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

1 (A) A Labor Peace Agreement; or,

2 (B) A collective bargaining agreement with a Bona Fide Labor

3 Organization.

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

8 (14) A copy of the Applicant's Seller's Permit, as may be required by Section
9 6067 of the California Revenue and Taxation Code, or where pending, proof of application
10 therefor;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

23 (27) A list of every ~~p~~Person with any financial, ownership, or other or equity
24 interest, as may be defined by the Director, (including, but not limited to, the ownership of
25 stock) in the Applicant, the proposed Cannabis Business, and any Owner of the proposed

1 Cannabis Business, except that the Director may provide that remote or de minimis interests
2 need not be disclosed. person applying for the Cannabis Business Permit.

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

8 * * * *

9
10 (d) Additional Information Required of Applicants for Cannabis Manufacturing Facility
11 permits.

12 * * * *

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

15 * * * *

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

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

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

23 * * * *

24 (h) Additional Information Required of Applicants for Storefront Cannabis Retailer
25 permits.

1 * * * *

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

4 * * * *

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

6 * * * *

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

9 * * * *

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

12 * * * *

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

14 * * * *

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

23
24 **SEC. 1613. LIMITS ON PERMITS.**
25

1 (a) A Permittee that holds a Cannabis Testing Facility permit shall be ineligible for and
2 may not be issued a permit to operate any other type of Commercial Cannabis Activity
3 permitted by the City. A Permittee that holds a Cannabis Business Permit other than a
4 Cannabis Testing Facility permit, shall be ineligible for and may not be issued a permit to
5 operate a Cannabis Testing Facility.

6 (b) ~~Except as stated in the first sentence of subsection (a) of this Section 1613, a~~
7 ~~Person may hold more than one Cannabis Business Permit. No permit to operate as a~~
8 Storefront Cannabis Retailer shall be granted if any Person that holds an aggregate
9 ownership interest sufficient to qualify as an Owner of the Person applying for a Storefront
10 Cannabis Retailer permit already holds such an aggregate ownership interest in two or more
11 existing Storefront Cannabis Retailers that hold permits under this Article 16, except that an
12 ownership interest held in a Storefront Cannabis Retailer shall not be counted towards this
13 limit if the Storefront Cannabis Retailer has received approval from the Planning Commission,
14 following a discretionary review hearing, as of the effective date of the ordinance in Board File
15 No. _____ . If an application for a permit, under this Article 16, to operate as a Storefront
16 Cannabis Retailer is pending for approval before the Planning Commission, and if the
17 approval of that permit would cause a Person to hold an aggregate ownership interest
18 sufficient to qualify as an Owner of two or more existing Storefront Cannabis Retailers (other
19 than Storefront Cannabis Retailers that, as of the effective date of the ordinance in Board File
20 No. _____ , have received approval from the Planning Commission following a
21 discretionary review hearing), the Office of Cannabis shall place on hold any additional
22 applications for a permit on behalf of a Storefront Cannabis Retailer in which that Person
23 would hold an aggregate ownership interest sufficient to qualify as an Owner of the Storefront
24 Cannabis Retailer.
25

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

6 * * * *

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

8 * * * *

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

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

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

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

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

21 (45) The Applicant has not demonstrated eligibility for a permit under this Article
22 16.

23 (56) The Premises are materially different from the diagram of the Premises
24 submitted by the Applicant.

1 (67) The City has revoked a permit for the operation of a business in the City
2 which permit had been issued to the Applicant or to any other Person who will be engaged in
3 the management of the Cannabis Business unless more than five years have passed between
4 the date of the application and the date of revocation of the other permit.

5 (78) The operation of the Cannabis Business as proposed by the Applicant, if
6 permitted, would not comply with all applicable laws, including but not limited to, the Building,
7 Planning, Housing, Police, Fire, and Health Codes of the City, the provisions of this Article 16
8 and any regulations promulgated thereto, and the Medicinal and Adult Use Cannabis
9 Regulation and Safety Act, 2017 Cal. Legis. Serv. Ch. 27 (S.B. 94), and its implementing
10 regulations, as may be amended from time to time.

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

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

15 (4011) The Director finds that the Premises or the Cannabis Business will be or
16 is being managed, conducted, or maintained in such a manner as to endanger the health and
17 safety of the employees, Customers or neighbors, or to coerce any employee to engage in
18 illegal conduct.

19 (4412) The Planning Department or Planning Commission determines that the
20 Applicant engaged in Commercial Cannabis Activities in a location that was not authorized by
21 or consistent with the Planning Code.

22 * * * *

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.

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

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

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

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

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

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 completion of that Delivery or series of Deliveries, and the Delivery employee may
24 not make any unnecessary stops between Deliveries or deviate substantially from the
25 manifest route, ~~unless a stop is necessary for 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 any applicable limits
17 established by the Director. Delivery of Cannabis and Cannabis Products by motorcycles,
18 scooters, drones, human powered vehicles, and unmanned vehicles is prohibited.

19 The enumeration of the specific Delivery Standards set forth in this Section 1622 shall
20 not be construed to limit the Director's authority to adopt any additional Delivery Standards
21 consistent with the purposes of this Article 16. Such additional Delivery Standards may
22 include, but need not be limited to, Delivery Standards to ensure that all Persons involved,
23 directly or indirectly, in Deliveries of Cannabis and Cannabis Products operate in a manner
24 consistent with this Article 16.

1 **SEC. 1627. CANNABIS MICROBUSINESSES.**

2 **(a) Authorized activities.** A Cannabis Microbusiness Permit authorizes the Permittee
3 to engage in the Commercial Cultivation, Manufacture, Distribution, and Sale *(either as a*
4 *Storefront Retail Cannabis Business or a Delivery-Only Cannabis Business Retailer)* of Medicinal
5 Cannabis and Cannabis Products and Adult Use Cannabis and Cannabis Products, provided
6 that the Permittee is both an A-licensee and an M-licensee. A Cannabis Microbusiness that
7 holds only an A-license may engage in the aforementioned Commercial activities relating to
8 Adult Use Cannabis and Cannabis Products only. A Cannabis Microbusiness that holds only
9 an M-License may engage in the aforementioned Commercial activities relating to Medicinal
10 Cannabis and Cannabis Products only.

11 **(b) Operating Standards.** In addition to the operating requirements set forth in Section
12 1618, a Cannabis Microbusiness shall comply with the operating standards set forth in
13 Sections 1623, 1624, 1626, and *either Section 1628 or Section 1629* of this Article 16, and shall
14 comply with the following additional operating standards:

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

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

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

21
22 **SEC. 1628. STOREFRONT CANNABIS RETAILERS.**

23 * * * *

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

4 * * * *

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

8 * * * *

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

14 * * * *

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

16 * * * *

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

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

23 (2) A Delivery-Only Cannabis Retailer licensed to sell Medicinal Cannabis may
24 not Sell more than ~~28.5 grams of non-concentrated Medicinal Cannabis or eight grams of~~
25 ~~concentrated Medicinal Cannabis Products to a Customer~~ eight ounces of Medicinal Cannabis or 12

1 immature Cannabis plants, in the same business day, unless the Customer provides a
2 Physician's Recommendation requiring a greater amount.

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

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

7 (5) A Delivery-Only Cannabis Retailer must provide to all Delivery personnel a
8 remote electronic age verification device to determine the age of any individual attempting to
9 purchase Cannabis or Cannabis Products, which device shall be used upon the Delivery of
10 the Cannabis or Cannabis Products to the Customer. The device shall be maintained in
11 operational condition and all employees shall be instructed in its use. Cannabis and Cannabis
12 products shall not be Delivered to a Customer if the electronic age verification device is not
13 functioning.

14 * * * *

15
16 **SEC. 1634. ADDITIONAL ADMINISTRATIVE ENFORCEMENT ORDERS.**

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

22 (1) The required permits which are lacking;

23 (2) That the Cannabis Business has 7224 hours from the time of posting to
24 demonstrate to the Director's satisfaction that the Cannabis Business has the required valid,
25 effective, and current permits;

1 (3) If the Cannabis Business has not made such demonstration within 7224
2 hours, that the Cannabis Business must immediately close until such time as it demonstrates
3 to the Director's satisfaction that the Cannabis Business has the required permits; and

4 (4) If the Cannabis Business fails to close as required by this subsection (a),
5 that the Director shall issue an Immediate Closure Order and close the Premises.

6 * * * *

7
8
9 Section 2. Article 33 of the Health Code is hereby amended by revising Sections 3311,
10 3322, and 3323, to read as follows:

11
12 **SEC. 3311. SALE OR TRANSFER OF PERMITS. TRANSFER OF PERMIT; CHANGE**
13 **IN OWNERSHIP.**

14 (a) ~~Upon sale, transfer or relocation of a medical cannabis dispensary, the permit and~~
15 ~~license for the establishment shall be null and void unless another permit has been issued~~
16 ~~pursuant to this Article; provided, however, that upon the death or incapacity of the permittee,~~
17 ~~the medical cannabis dispensary may continue in business for six months to allow for an~~
18 ~~orderly transfer of the permit.~~

19 (b) ~~If the permittee is a corporation, a transfer of 25 percent of the stock ownership of~~
20 ~~the permittee will be deemed to be a sale or transfer and the permit and license for the~~
21 ~~establishment shall be null and void unless a permit has been issued pursuant to this Article;~~
22 ~~provided, however that this subsection shall not apply to a permittee corporation, the stock of~~
23 ~~which is listed on a stock exchange in this State or in the City of New York, State of New York,~~
24 ~~or which is required by law, to file periodic reports with the Securities and Exchange~~
25 ~~Commission.~~

1 (a) Permits Nontransferable. No permit issued under this Article 33 shall be
2 transferable under any circumstances, including but not limited to the sale of the medical
3 cannabis dispensary.

4 (b) Ownership; Changes in Ownership; Changes in Form or Structure.

5 (1) Any change affecting any ownership interest of a medical cannabis
6 dispensary, including, but not limited to, any change in ownership that affects an ownership
7 interest of less than 20% of the medical cannabis dispensary, must be promptly disclosed, in
8 writing, to the Director.

9 (2) Any change affecting any ownership interest of a medical cannabis
10 dispensary that results in a person holding an aggregate ownership interest of 20% or more of
11 a medical cannabis dispensary, when that person did not previously hold an aggregate
12 ownership interest of 20% or more in the medical cannabis dispensary, shall require the
13 permittee to promptly obtain a permit amendment. For purposes of this Section 3311, a
14 “person” shall be defined to include any individual, firm, partnership, joint venture, association,
15 corporation, limited liability company, estate, trust, business trust, receiver, syndicate, or any
16 other entity, or other group or combination acting as a unit. The decision to grant or deny a
17 permit amendment shall be entrusted to the Director’s discretion in the same manner, and
18 subject to the same criteria, as the decision to grant or deny a provisional permit as set forth
19 in Section 3307, provided however that the permit amendment shall not be granted unless the
20 permittee has provided, and the Director has approved, an actionable Cannabis Equity
21 Incubator Agreement, as set forth in subsection (b)(3)(B), where such an agreement is
22 required because the permittee seeks to implement a change affecting an ownership interest
23 in a medical cannabis dispensary.

1 (3) A permittee seeking a permit amendment as required under this
2 subsection (b) shall provide to the Director and the Director of the Office of Cannabis for
3 review and approval the following information:

4 (A) Such information, from the categories of information described in
5 Section 3304, as may be required by the Director; and

6 (B) Where a permittee seeks a permit amendment to implement a
7 change affecting an ownership interest in a medical cannabis dispensary, a Cannabis Equity
8 Incubator Agreement in which it identifies no less than one Equity Applicant, as that term is
9 defined in subsection (b) of Section 1604 of the Police Code, and commits to comply with one
10 of the following operating requirements for 18 months from the date that the permit
11 amendment is approved:

12 (i) Submit to the Director and the Director of the Office of
13 Cannabis for review and approval a written, an actionable "Equity Incubator Plan" describing
14 how the permittee will encourage and support the establishment and growth of at least one of
15 the identified Equity Applicants by, among other things, providing business plan guidance,
16 operations consulting, personnel, or technical assistance. The services listed in the Equity
17 Incubator Plan must be enumerated, and include an estimated dollar value of those services.
18 The aggregate dollar value of the services must equal or exceed the sum of 10% of the rent
19 for, or, if the permittee owns the permittee's premises, 10% of the rental market value of, the
20 permittee's premises, and the annual total costs of security services at the permittee's
21 premises; or

22 (ii) Provide at least one of the identified Equity Applicants with
23 rent-free commercial space owned or leased by the permittee, either adjacent to the
24 permittee's premises or off-site, in which the Equity Applicant may prepare to conduct, and
25 upon award of a Cannabis Business permit under Article 16 of the Police Code may in fact

1 conduct, its Cannabis Business. If such rent-free commercial space is provided off-site, the
2 permittee must provide the greater of 800 square feet or the equivalent of at least 10% of the
3 square footage of the permittee's premises. If such rent-free commercial space is provided
4 adjacent to the permittee's premises, the permittee must provide either 800 square feet or the
5 equivalent of at least 10% of the square footage of the permittee's premises.

6 (4) Notwithstanding any other provision of this subsection (b), an aggregate
7 ownership interest of 50% or more in a medical cannabis dispensary may not be transferred
8 to any person or combination of persons who were not owners of the medical cannabis
9 dispensary at the time that a medical cannabis dispensary permit was awarded under this
10 Article 33. In the event that an aggregate ownership interest of 50% or more in a medical
11 cannabis dispensary is transferred to any person or combination of persons who were not
12 owners of the medical cannabis dispensary at the time that a medical cannabis dispensary
13 permit was awarded, the permittee shall promptly surrender the permit to the Director. This
14 obligation is not dependent on the Director's requesting the surrender, but arises by operation
15 of law upon the transfer of an ownership interest of 50% or more in the medical cannabis
16 dispensary. If the permittee fails to surrender the permit to the Director, the Director may, after
17 giving the permittee notice by mail and electronically of the proposed action and an
18 opportunity to respond, revoke the permit.

19 (5) A change in the form or structure of a medical cannabis dispensary shall
20 not be considered a change affecting an ownership interest in a medical cannabis dispensary
21 for purposes of this subsection (b). Notwithstanding any other provision of this subsection (b),
22 a permittee may undertake a change in its form or structure, as long as the change in form or
23 structure does not cause any change affecting an ownership interest, and so long as the
24 change in form is otherwise authorized under this Article 33. The Permittee must promptly
25 disclose its change in form or structure, in writing, to the Director, and such change shall

1 require the permittee to promptly apply for and obtain a permit amendment as set forth in
2 subsection (b)(3).

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

10 * * * *

11
12 **SEC. 3322. TRANSITION PROVISION.**

13
14 * * * *

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

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

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

1
2 ~~(2) A medical cannabis dispensary that is awarded a permit under this Article 33~~
3 ~~at any time prior to December 31, 2018, provided the medical cannabis dispensary:~~

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

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

10 (e) The authorization to Sell Adult Use Cannabis and Cannabis Products set forth in
11 subsection (d) of this Section 3322 applies only to medical cannabis dispensaries that satisfy
12 any of the following criteria:

13 (1) The medical cannabis dispensary received a valid permit under this
14 Article 33 prior to January 5, 2018;

15 (2) The medical cannabis dispensary received a valid permit under this
16 Article 33 prior to July 1, 2019, and submitted an application for such a permit before July 20,
17 2017; or

18 (3) The medical cannabis dispensary received a valid permit under this
19 Article 33 prior to December 31, 2019, and demonstrates to the satisfaction of the Director
20 that it operated in compliance with local law and the Compassionate Use Act of 1996, and
21 was forced to discontinue operations as a result of federal prosecution or threat of federal
22 prosecution.

23 ~~(eff)~~ The Director may extend the authorization to Sell Adult Use Cannabis for
24 additional ~~120~~90-day periods beyond the 120-day period set forth in subsection (d) of this
25 Section 3322 upon a finding that:

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

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

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

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

16 (h) Notwithstanding any provision in this Article 33, a permittee that holds a valid State
17 Cannabis License authorizing the retail Sale of Medicinal Cannabis may operate at a profit,
18 and may change its corporate form from a collective or cooperative to any other corporate
19 form, provided that it provides notice to the Director of such change, as set forth in subsection
20 (b)(5) of Section 3311.

21
22 **SEC. 3323. SUNSET PROVISION.**

23 This Article 33 shall expire by operation of law on December 31, 201918, *at which time*
24 *all* permits authorizing the operation of a Medical Cannabis Dispensary issued under this
25 Article 33 shall be rendered invalid after December 31, 2018, except for those permits issued under

1 this Article 33 where the permit holder has applied for a Police Code Article 16 permit, which shall be
2 rendered invalid on December 31, 2019. Upon expiration of the Article, the City Attorney shall
3 cause it to be removed from the Health Code.

4
5 Section 3. Effective Date; Retroactivity.

6 (a) This ordinance shall become effective 30 days after enactment. Enactment
7 occurs when the Mayor signs the ordinance, the Mayor returns the ordinance unsigned or
8 does not sign the ordinance within ten days of receiving it, or the Board of Supervisors
9 overrides the Mayor's veto of the ordinance.

10 (b) The Board of Supervisors intends that no medical cannabis dispensary that
11 would be authorized to sell Adult Use Cannabis under Health Code Section 3322, as
12 amended by the ordinance in Board File No. _____, be prevented from doing so, or be
13 subject to any legal penalty for doing so (in accordance with the ordinance in Board File No.
14 _____ and other applicable laws), by the effective date set forth in this Section 3.
15 Accordingly, to the maximum extent permitted by law, the amendments made to Section
16 3322(e) of the Health Code under the ordinance in Board File No. _____ shall be
17 retroactive to December 4, 2018.

18
19 Section 4. Prospective Application of Amendments to Equity Criteria.

20 The Board of Supervisors does not intend that changes to the Equity Criteria (as set
21 forth in Section 1604 of the Police Code) set forth in the ordinance in Board File No.
22 _____ shall affect the status of Equity Applicants or Equity Incubators whom the Office of
23 Cannabis has previously verified to be Equity Applicants or Equity Incubators, as reflected in
24 written notification sent to those Equity Applicants or Equity Incubators by the Office of
25 Cannabis. Therefore, the changes, set forth in the ordinance in Board File No. _____, to

1 the Equity Criteria set forth in Section 1604 of the Police Code shall apply only to applicants
2 for Cannabis Business Permits who seek to be verified as Equity Applicants or Equity
3 Incubators after the effective date of the ordinance in Board File No. _____.

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

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

14 By: 
15 MATTHEW LEE
16 Deputy City Attorney

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LEGISLATIVE DIGEST

(Revised 11/28/18)

[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 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.

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 and revising Equity Applicant criteria, for purposes of the Equity Program, including by deleting an amendment concerning housing insecurity (in the context of Equity Criteria) previously made in Rules Committee on October 24, 2018 (and thereby reverting to Article 16's original requirements concerning housing insecurity in the context of Equity Criteria);
- Modifying the Cannabis Equity Incubator Program requirements;
- Extending by one year the possible duration of a Temporary Cannabis Business Permit;
- Authorizing the Director to issue Cannabis Business Permits to Medical Cannabis Dispensaries forced to discontinue operations due to no-fault lease terminations;
- Modifying the order in which the Director may review and process Cannabis Business Permit applications;
- Revising requirements associated with a Cannabis Business's ownership and structure under Article 16 of the Police Code;
- Revising requirements associated with a Medical Cannabis Dispensary's ownership and structure under Article 33 of the Health Code;
- 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;
- Eliminating the requirement that Cannabis Businesses engaged in deliveries prepare a manifest and fixed route before departure of the delivery vehicle, to allow for so-called "dynamic delivery";
- Clarifying that the legislative adoption of certain Delivery Standards shall not be construed to in any way limit the Office of Cannabis's authority to adopt additional Delivery Standards;
- Reducing from four to three the categories of Commercial activity required to operate as a Cannabis Microbusiness;
- Adding new restrictions on the number of Cannabis Retail Businesses of which a Person may be an Owner;
- Limiting Equity Applicants and Equity Incubators to one Cannabis Business Permit per type of Cannabis Business;
- Revising the eligibility requirements for Medical Cannabis Dispensaries seeking authorization to Sell Adult Use Cannabis; and
- Extending by one year the date on which Article 33 expires by law.

FILE NO. 180912

Background

This version of the ordinance reflects amendments made in the regular meeting of the Rules Committee on October 24, 2018.

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BOARD of SUPERVISORS



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

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.

RESPONSE FROM SMALL BUSINESS COMMISSION - Date: _____

No Comment

Recommendation Attached

Chairperson, Small Business Commission

BOARD of SUPERVISORS



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

MEMORANDUM

TO: Nicole Elliott, Director, Office of Cannabis
Greg Wagner, Acting Director, Department of Public Health
William Scott, Police Chief, Police Department

FROM:  Alisa Somera, Legislative Deputy Director
Rules Committee

DATE: September 25, 2018

SUBJECT: LEGISLATION INTRODUCED

The Board of Supervisors' Rules Committee has received the following proposed legislation, introduced by Mayor Breed on September 18, 2018:

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.

If you have 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 or by email at: alisa.somera@sfgov.org.

c: Ray Law, Office of Cannabis
Naveena Bobba, Department of Public Health
Sneha Patil, Department of Public Health
Rowena Carr, Police Department
Asja Steeves, Police Department

OFFICE OF THE MAYOR
SAN FRANCISCO



LONDON N. BREED
MAYOR

TO: Angela Calvillo, Clerk of the Board of Supervisors
FROM: Mayor London Breed *KAC*
RE: Police and Health Codes - Regulation of Cannabis Businesses
DATE: September 18, 2018

BOARD OF SUPERVISORS
SAN FRANCISCO
2018 SEP 18 PM 3:57
37

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 note that Supervisor Mandelman and Supervisor Cohen are co-sponsors of this ordinance.

Should you have any questions, please contact Kanishka Karunaratne Cheng at 415-269-1819.

