

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

BUDGET AND FINANCE COMMITTEE

SAN FRANCISCO BOARD OF SUPERVISORS

TO: Supervisor Malia Cohen, Chair
Budget and Finance Committee

FROM: Victor Young, Assistant Clerk

DATE: December 4, 2017

SUBJECT: **COMMITTEE REPORT, BOARD MEETING**
Tuesday, December 5, 2017

The following file should be presented as a **COMMITTEE REPORT** at the Board meeting on Tuesday, December 5, 2017, at 2:00 p.m. This item was acted upon at the Committee Meeting on Thursday, November 30, 2017, at 10:00 a.m., by the votes indicated.

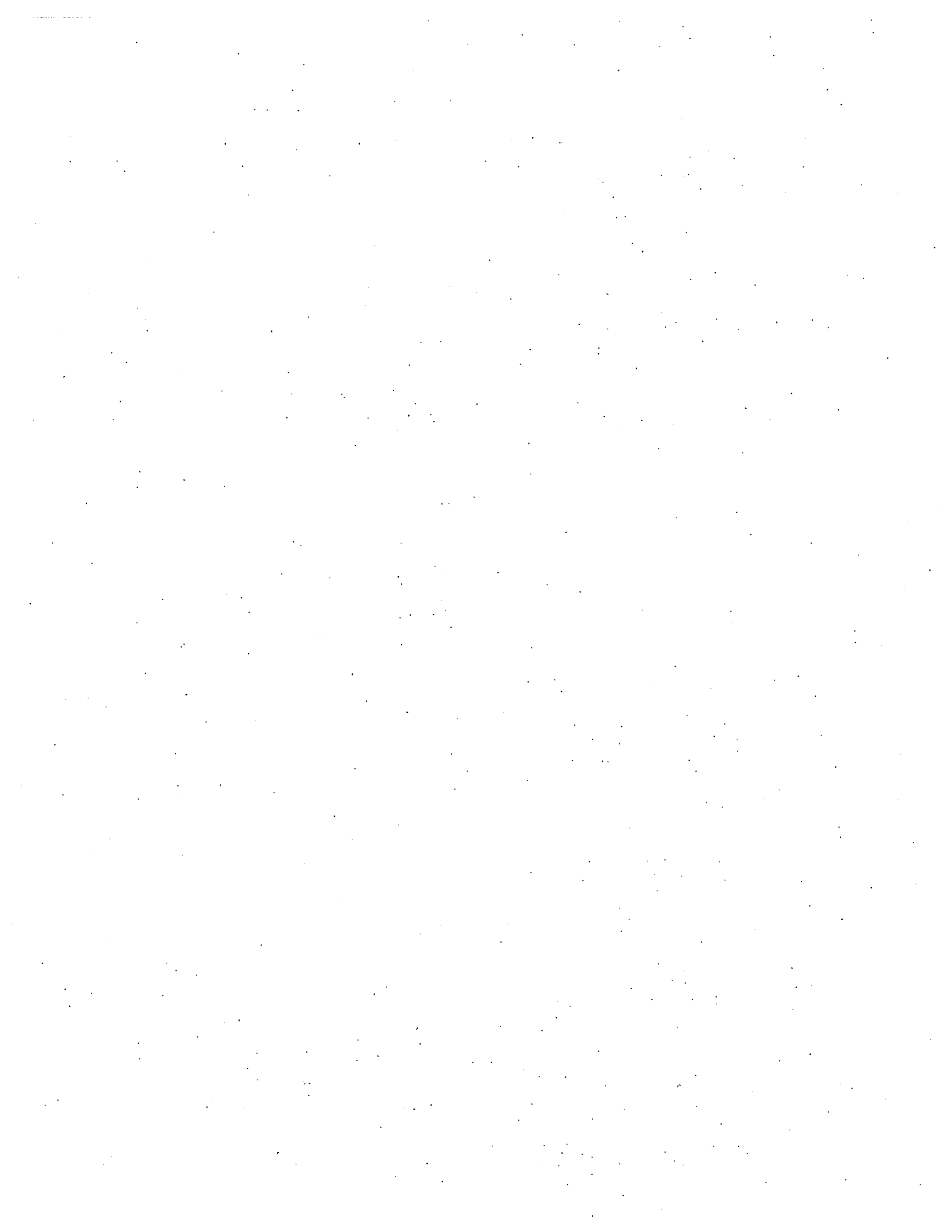
Item No. 30 **File No. 171153**

Ordinance amending the Business and Tax Regulations and Health Codes to require the Director of the Office of Cannabis to collect permit application fees of \$2,000 and annual license fees of \$5,000 for cannabis business permits; authorize the Department of Public Health to impose fees relating to the inspection of cannabis businesses; and establish annual license fees for cannabis consumption permits; and require the Director of the Office of Cannabis and the Department of Public Health to waive certain fees for Equity Applicants.

RECOMMENDED AS AMENDED AS A COMMITTEE REPORT

Vote: Supervisor Malia Cohen - Aye
Supervisor Norman Yee - Aye
Supervisor Katy Tang - Aye

c: Board of Supervisors
Angela Calvillo, Clerk of the Board
Jon Givner, Deputy City Attorney
Alisa Somera, Legislative Deputy Director



1 [Business and Tax Regulations, Health Codes - Permit, License and Inspection Fees for
2 Cannabis Businesses]

3 Ordinance amending the Business and Tax Regulations and Health Codes to require
4 the Director of the Office of Cannabis to collect permit application fees of \$2,000 and
5 annual license fees of \$5,000 for cannabis business permits; authorize the Department
6 of Public Health to impose fees relating to the inspection of cannabis businesses; and
7 establish annual license fees for cannabis consumption permits; and require the
8 Director of the Office of Cannabis and the Department of Public Health to waive certain
9 fees for Equity Applicants.

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

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

17 Section 1. The Business and Tax Regulations Code is hereby amended by revising
18 Section 249.20, to read as follows:

20 **SEC. 249.20. ~~MEDICAL CANNABIS DISPENSARY LICENSE FEE CANNABIS~~**
21 **BUSINESS PERMIT AND LICENSE FEES.**

22 (a) Except as provided in subsection (e), the The Director of the Office of Cannabis shall
23 charge every applicant for a cannabis business permit, as set forth in Section 1607 of the Police Code,
24 a one-time non-refundable permit application fee of \$2,000 to recover the costs incurred by the Office
25 of Cannabis of processing the permit application. Except as provided in subsection (e), the The

1 Director shall charge an applicant for a permit amendment the hourly costs of processing that
 2 amendment, which shall include a minimum two hour charge. The hourly rate for processing a permit
 3 amendment shall be \$110. Such costs for processing applications for permits and permit amendments
 4 shall include costs relating to services provided by the Office of the City Attorney, the Controller's
 5 Office, and such other offices as may be required to assist the Office of Cannabis in this function.

6 (b) Except as provided in subsection (e), the The Director of the Office of Cannabis shall
 7 charge every Every person, firm or corporation engaged in operating a medical
 8 cannabisdispensary business, as set forth in Section 1607 of the Police Code, shall pay an annual a
 9 license fee of \$3,000 for the first year of operation and an annual license fee of \$3,9195,000.00 to the
 10 Tax Collector for each subsequent year of operation, to recover the costs of annual inspections,
 11 enforcement and other costs to the City. incurred by the Office of Cannabis in implementing Article 16
 12 of the Police Code. Such costs shall include costs, if any, relating to services provided by the Office of
 13 the City Attorney, the Controller's Office, the Department of Human Resources, the Department of
 14 Technology, the Office of Contract Administration, and such other offices as may be required to assist
 15 the Office of Cannabis in this function. The annual license fee shall be paid annually on or before
 16 March 31, in accordance with the provisions of Section 76.1 of the Business and Tax Regulations Code.

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

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

	<u>Initial and annual inspection based on size of premises:</u> <u>Under 5,001 sq. feet</u> <u>5,001-10,000 sq. feet</u> <u>10,001-20,000 sq. feet</u> <u>Over 20,000 sq. feet</u>	<u>\$1,000</u> <u>\$1,500</u> <u>\$2,000</u> <u>\$2,500</u>
<u>Cannabis Manufacturing Facility and Cannabis Distributor</u>	<u>Plan check upon application</u> <u>Initial inspection upon application and annual inspection fee</u>	<u>\$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.</u> <u>\$735</u>
<u>Cannabis Retailer, Medicinal Cannabis Retailer and Delivery-Only Cannabis Retailer</u>	<u>Initial inspection upon application and annual inspection based on the size of the premises:</u> <u>Under 5,001 sq. feet</u> <u>5,001-10,000 sq. feet</u> <u>10,001-20,000 sq. feet</u> <u>Over 20,000 sq. feet</u>	<u>\$600</u> <u>\$900</u> <u>\$1,300</u> <u>\$1,500</u>
<u>Cannabis Microbusiness</u>	<u>Plan check upon application</u> <u>Initial inspection upon application and annual inspection based on the size of the premises:</u> <u>Under 5,001 sq. feet</u> <u>5,001-10,000 sq. feet</u> <u>10,001-20,000 sq. feet</u> <u>Over 20,000 sq. feet</u>	<u>\$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.</u> <u>\$1,300</u> <u>\$2,000</u> <u>\$2,700</u> <u>\$3,400</u>
<u>All permit categories</u>	<u>Hourly rate for additional work as needed</u>	<u>\$191/hour</u>

(d) Beginning with fiscal year 2018-2019, the permit application fee, annual license fees, and inspection fees set pursuant to subsections (a)-(c) of this Section 249.20 may be adjusted each year on July 1, without further action by the Board of Supervisors. Not later than April 1 of each year, the

1 Controller shall determine whether the current fees have produced or are projected to produce
2 revenues sufficient to support the costs of application-related and licensing-related activities, and that
3 the fees will not produce revenue that is significantly more than the costs of providing such services.
4 The Controller shall, if necessary, adjust the fees upward or downward for the upcoming fiscal year as
5 appropriate to ensure that the program recovers the costs of operation without producing revenue that
6 is significantly more than such costs. The adjusted fees shall become operative on July 1.

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

13 (f) An Equity Applicant, as that term is defined in Section 1604 of the Police Code,
14 shall not be required to pay to the Department of Public Health any initial inspection fees
15 required by subsection (c).

16
17 Section 2. The Health Code shall be amended by revising Section 8A.5, to read as
18 follows:

19 **SEC. 8A.5. PAYMENT OF ANNUAL LICENSE FEE.**

20 (a) The license fee for a Cannabis Consumption Permit shall be paid annually on or
21 before March 31, in accordance with the provisions of Section 76.1 of the Business and Tax
22 Regulations Code.

23 (b) The annual license fee for a "Prepackaged Cannabis Products - No Preparation" Cannabis
24 Consumption Permit shall be \$800.

1 (c) The annual license fee for a "Limited Preparation of Cannabis Products" Cannabis
2 Consumption Permit shall be \$1,000.

3 (d) Beginning with fiscal year 2018-2019, the annual license fees set pursuant to this Section
4 8A.5 may be adjusted each year on July 1, without further action by the Board of Supervisors. Not
5 later than April 1 of each year, the Controller shall determine whether the current fees have produced
6 or are projected to produce revenues sufficient to support the costs of licensing-related activities, and
7 that the fees will not produce revenue that is significantly more than the costs of providing such
8 services. The Controller shall, if necessary, adjust the fees upward or downward for the upcoming
9 fiscal year as appropriate to ensure that the program recovers the costs of operation without producing
10 revenue that is significantly more than such costs. The adjusted rates shall become operative on July 1.

11 Section 3. Effective and Operative Dates.

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

16 (b) This ordinance shall become operative on its effective date or on the date that the
17 ordinance in Board File No. 171042 becomes operative, whichever is later.

18
19 Section 4. Scope of Ordinance. In enacting this ordinance, the Board of Supervisors
20 intends to amend only those words, phrases, paragraphs, subsections, sections, articles,
21 numbers, punctuation marks, charts, diagrams, or any other constituent parts of the Municipal
22 Code that are explicitly shown in this ordinance as additions, deletions, Board amendment
23 additions, and Board amendment deletions in accordance with the "Note" that appears under
24 the official title of the ordinance.

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

By: 
JANA CLARK
Deputy City Attorney

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LEGISLATIVE DIGEST

[Business and Tax Regulations, Health Codes - Permit, License and Inspection Fees for Cannabis Businesses]

Ordinance amending the Business and Tax Regulations and Health Codes to require the Director of the Office of Cannabis to collect permit application fees of \$2,000 and annual license fees of \$5,000 for cannabis business permits; authorize the Department of Public Health to impose fees relating to the inspection of cannabis businesses; and establish annual license fees for cannabis consumption permits; and require the Director of the Office of Cannabis and the Department of Public Health to waive certain fees for Equity Applicants.

Existing Law

Existing law establishes the Office of Cannabis and requires that beginning January 1, 2018, the Director of the Office of Cannabis shall charge every applicant for a cannabis-related permit a non-refundable permit application fee. Existing law also requires that the Office of Cannabis shall charge every business that receives a cannabis-related permit an annual license fee.

Amendments to Current Law

This ordinance requires that the Director of the Office of Cannabis charge applicants a one-time non-refundable permit application of \$2,000, an hourly permit amendment fee, and an initial license fee of \$3,000 and annual license fee of \$5,000 for subsequent years. This ordinance also requires that cannabis business permit applicants pay fees to the Department of Public Health ("DPH") to cover DPH's costs in conducting initial and ongoing inspections of cannabis businesses. This ordinance requires that the Director of the Office of Cannabis waive the one-time non-refundable permit application fee of \$2,000, the initial license fee of \$3000, and any fees for the hourly costs of processing a permit amendment for the first year of operation, for Equity Applicants as that term is defined in Section 1604 of the Police Code. This ordinance also requires that the Department of Public Health waive any initial inspection fees for Equity Applicants.

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NOTICE OF PUBLIC HEARING

BUDGET AND FINANCE COMMITTEE

SAN FRANCISCO BOARD OF SUPERVISORS

NOTICE IS HEREBY GIVEN THAT the Budget and Finance Committee will hold a public hearing to consider the following proposal and said public hearing will be held as follows, at which time all interested parties may attend and be heard:

Date: November 30, 2017

Time: 10:00 a.m.

Location: Legislative Chamber, Room 250, located at City Hall,
1 Dr. Carlton B. Goodlett Place, San Francisco, CA

Subject: File No. 171153. Ordinance amending the Business and Tax Regulations and Health Codes to require the Director of the Office of Cannabis to collect permit application fees of \$2,000 and annual license fees of \$5,000 for cannabis business permits; authorize the Department of Public Health to impose fees relating to the inspection of cannabis businesses; and establish annual license fees for cannabis consumption permits.

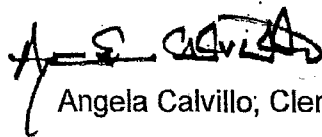
If the legislation passes, the Director of the Office of Cannabis will charge applicants a one-time non-refundable permit application fee of \$2,000; an hourly permit amendment fee of \$110 (minimum of two hours); an initial license fee of \$3,000; and annual license fee of \$5,000 for subsequent years. This legislation also requires that cannabis business permit applicants pay fees to the Department of Public Health ("DPH") to cover DPH's costs in conducting initial and ongoing inspections of cannabis businesses, as follows:

- **Cannabis Cultivation Facility.** \$3,700 which may be waived or reduced by DPH if the facility is not new or requires no construction. Initial and annual inspection based on size of premises: \$1,000 for premises under 5,001 sq. feet; \$1,500 for premises 5,000-10,000 sq. feet; \$2,000 for premises 10,001-20,000 sq. feet; and \$2,500 for premises over 20,000 sq. feet.
- **Cannabis Manufacturing Facility and Cannabis Distributor.** \$3,700 which may be waived or reduced by DPH if the facility is not new or requires no construction. \$735 for initial inspection upon application and annual inspection fee.

- **Cannabis Retailer, Medicinal Cannabis Retailer and Delivery-Only Cannabis Retailer.** Initial inspection upon application and annual inspection based on the size of the premises: \$600 for premises under 5,001 sq. feet; \$900 for premises 5,001-10,000 sq. feet; \$1,300 for premises 10,001-20,000 sq. feet; and \$1,500 for premises over 20,000 sq. feet.
- **Cannabis Microbusiness.** \$3,700 which may be waived or reduced by DPH if the facility is not new or requires no construction. Initial inspection upon application and annual inspection based on the size of the premises: \$1,300 for premises under 5,001 sq. feet; \$2,000 for premises 5,001-10,000 sq. feet; \$2,700 for premises 10,001-20,000 sq. feet; and \$3,400 for premises over 20,000 square feet.
- **All permit categories.** \$191 per hour for additional work as needed.

The license fee for a Cannabis Consumption Permit shall be paid annually on or before March 31st. The annual license fee for "*Prepackaged Cannabis Products - No Preparation*" Cannabis Consumption Permit shall be \$800. The annual license fee for a "*Limited Preparation of Cannabis Products*" Cannabis Consumption Permit shall be \$1,000.

In accordance with Administrative Code, Section 67.7-1, persons who are unable to attend the hearing on this matter may submit written comments to the City prior to the time the hearing begins. These comments will be made part of the official public record in this matter, and shall be brought to the attention of the members of the Committee. Written comments should be addressed to Angela Calvillo, Clerk of the Board, City Hall, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco, CA 94102. Information relating to this matter is available in the Office of the Clerk of the Board. Agenda information relating to this matter will be available for public review on Wednesday, November 22, 2017



Angela Calvillo, Clerk of the Board

DATED: November 16, 2017

PUBLISHED: November 20, 2016 and November 26, 2017

CALIFORNIA NEWSPAPER SERVICE BUREAU

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SAN FRANCISCO BOARD OF SUPERVISORS
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1 DR CARLTON B GOODLETT PL #244
SAN FRANCISCO, CA 94102

COPY OF NOTICE

Notice Type: GPN GOVT PUBLIC NOTICE
Ad Description Fee Ad - File No. 171153 - Cannabis Application Fees

To the right is a copy of the notice you sent to us for publication in the SAN FRANCISCO EXAMINER. Thank you for using our newspaper. Please read this notice carefully and call us with any corrections. The Proof of Publication will be filed with the County Clerk, if required, and mailed to you after the last date below. Publication date(s) for this notice is (are):

11/20/2017 , 11/26/2017

The charge(s) for this order is as follows. An invoice will be sent after the last date of publication. If you prepaid this order in full, you will not receive an invoice.

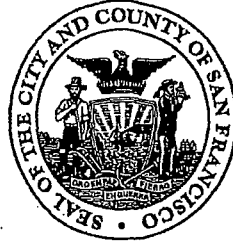
EXM# 3073057

NOTICE OF PUBLIC HEARING
BUDGET AND FINANCE COMMITTEE SAN FRANCISCO BOARD OF SUPERVISORS, THURSDAY, NOVEMBER 30, 2017 - 10:00 AM LEGISLATIVE CHAMBER, ROOM 250, CITY HALL, 1 DR. CARLTON B. GOODLETT PLACE, SAN FRANCISCO, CA
NOTICE IS HEREBY GIVEN THAT the Budget and Finance Committee will hold a public hearing to consider the following proposal and said public hearing will be held as follows; at which time all interested parties may attend and be heard; File No. 171153 Ordinance amending the Business and Tax Regulations and Health Codes to require the Director of the Office of Cannabis to collect permit application fees of \$2,000 and annual license fees of \$5,000 for cannabis business permits; authorize the Department of Public Health to impose fees relating to the inspection of cannabis businesses; and establish annual license fees for cannabis consumption permits. If the legislation passes, the Director of the Office of Cannabis will charge applicants a one-time non-refundable permit application fee of \$2,000; an hourly permit amendment fee of \$110 (minimum of two hours); an initial license fee of \$3,000; and annual license fee of \$5,000 for subsequent years. This legislation also requires that cannabis business permit applicants pay fees to the Department of Public Health ("DPH") to cover DPH's costs in conducting initial and ongoing inspections of cannabis businesses, as follows: Cannabis Cultivation Facility, \$3,700 which may be waived or reduced by DPH if the facility is not new or requires no construction. Initial and annual inspection based on size of premises: \$1,000 for premises under 5,001 sq. feet; \$1,600 for premises 5,001-10,000 sq. feet; \$2,000 for premises 10,001-20,000 sq. feet; and \$2,500 for premises over 20,000 sq. feet. Cannabis Manufacturing Facility and Cannabis Distributor, \$3,700 which may be waived or reduced by DPH if the facility is not new or requires no construction. \$735 for initial inspection upon application and annual inspection fee. Cannabis Retailer, Medical Cannabis Retailer and

Delivery-Only Cannabis Retailer. Initial inspection upon application and annual inspection based on the size of the premises; \$800 for premises under 5,001 sq. feet; \$900 for premises 5,001-10,000 sq. feet; \$1,300 for premises 10,001-20,000 sq. feet; and \$1,500 for premises over 20,000 sq. feet. Cannabis Microbusiness, \$3,700 which may be waived or reduced by DPH if the facility is not new or requires no construction. Initial inspection upon application and annual inspection based on the size of the premises: \$1,300 for premises under 5,001 sq. feet; \$2,000 for premises 5,001-10,000 sq. feet; \$2,700 for premises 10,001-20,000 sq. feet; and \$3,400 for premises over 20,000 square feet. All permit categories: \$191 per hour for additional work as needed. The license fee for a Cannabis Consumption Permit shall be paid annually on or before March 31 st . The annual license fee for Prepackaged Cannabis Products - No Preparation Cannabis Consumption Permit shall be \$800. The annual license fee for a Limited Preparation of Cannabis Products Cannabis Consumption Permit shall be \$1,000. In accordance with Administrative Code, Section 57.7-1, persons who are unable to attend the hearing on this matter may submit written comments to the City prior to the time the hearing begins. These comments will be made part of the official public record in this matter, and shall be brought to the attention of the members of the Committee. Written comments should be addressed to Angela Calvillo, Clerk of the Board, City Hall, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco, CA 94102. Information relating to this matter is available in the Office of the Clerk of the Board. Agenda information relating to this matter will be available for public review on Wednesday, November 22, 2017.



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MEMORANDUM

TO: Nicole Elliott, Director, Office of Cannabis
William Scott, Chief, Police Department
Jon Givner, Deputy City Attorney, Office of the City Attorney
Ben Rosenfield, City Controller, Office of the Controller
Micki Callahan, Director, Department of Human Resources
Ken Bukowski, Acting Executive Director, Department of Technology
Jaci Fong, Director, Office of Contract Administration
Barbara Garica, Director, Department of Public Health
Jose Cisneros, Treasurer, Office of the Treasurer and Tax Collector

FROM: Linda Wong, Assistant Clerk, Budget and Finance Committee

DATE: November 13, 2017

SUBJECT: LEGISLATION INTRODUCED

The Board of Supervisors' Budget and Finance Committee has received the following proposed legislation:

File No. 171153

Ordinance amending the Business and Tax Regulations and Health Codes to require the Director of the Office of Cannabis to collect permit application fees of \$2,000 and annual license fees of \$5,000 for cannabis business permits; authorize the Department of Public Health to impose fees relating to the inspection of cannabis businesses; and establish annual license fees for cannabis consumption permits.

If you have any comments or reports to be included with the file, please forward them to me at the Board of Supervisors, City Hall, Room 244, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102.

c: Rowena Carr, Police Department
Kristine Demafeliz, Police Department
Todd Rydstrom, Office of the Controller
Michelle Allersma, Office of the Controller
Susan Gard, Department of Human Resources
David German, Department of Technology
Kofo Domingo, Office of Contract Administration
Greg Wagner, Department of Public Health
Colleen Chawla, Department of Public Health
Amanda Kahn Fried, Office of the Treasurer and Tax Collector

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MEMORANDUM

TO: Regina Dick-Endrizzi, Director
Small Business Commission, City Hall, Room 448

FROM: Linda Wong, Assistant Clerk
Board of Supervisors

DATE: November 13, 2017

SUBJECT: REFERRAL FROM BOARD OF SUPERVISORS
Budget and Finance Committee

The Board of Supervisors' Budget and Finance 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. 171153

Ordinance amending the Business and Tax Regulations and Health Codes to require the Director of the Office of Cannabis to collect permit application fees of \$2,000 and annual license fees of \$5,000 for cannabis business permits; authorize the Department of Public Health to impose fees relating to the inspection of cannabis businesses; and establish annual license fees for cannabis consumption permits.

Please return this cover sheet with the Commission's response to Linda Wong, Assistant Clerk, Budget and Finance Committee, 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

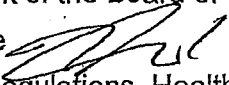
Chairperson, Small Business Commission

c: Menaka Mahajan, Small Business Commission

OFFICE OF THE MAYOR
SAN FRANCISCO



EDWIN M. LEE

TO: Angela Calvillo, Clerk of the Board of Supervisors
FROM: ✓ Mayor Edwin M. Lee 
RE: Business and Tax Regulations, Health Codes - Permit, License and
Inspection Fees for Cannabis Businesses
DATE: October 31, 2017.

Attached for introduction to the Board of Supervisors is an ordinance amending the Business and Tax Regulations and Health Codes to require the Director of the Office of Cannabis to collect permit application fees of \$2,000 and annual license fees of \$5,000 for cannabis business permits; authorize the Department of Public Health to impose fees relating to the inspection of cannabis businesses; and establish annual license fees for cannabis consumption permits.

I respectfully request a waiver of the 30-day hold and that this item be heard in Budget & Finance Committee on November 16, 2017.

Should you have any questions, please contact Mawuli Tugbenyoh (415) 554-5168.

RECEIVED
OCT 31 PM 2:13
AK