

Applicant Information

Local Jurisdiction Name: City and County of San Francisco

Federal Tax ID Number: 94-6000417

Entity Submitting the Application:

- Name: City and County of San Francisco Office of Cannabis
- Address: 49 South Van Ness, San Francisco, CA, 94103
- Phone: 628-652-0420
- Email: officeofcannabis@sfgov.org

Point of Contact:

- Name: John Pierce
- Title: Acting Director, Office of Cannabis
- Address: 49 South Van Ness, San Francisco, CA, 94103
- Phone: 415-814-2890
- Email: john.r.pierce@sfgov.org

Grant Funds Requested:

- Designated Allocation: \$3,075,769
- Requested Amount: \$3,075,769

Executive Summary

The City and County of San Francisco's Office of Cannabis (OOC) is excited to submit this application; we believe that the proposal below will contribute to a mature, stable, and permanently licensed cannabis business community in San Francisco.

Our proposal is straightforward: we would like to dedicate 93% of our award to the creation of new staff positions that will process cannabis permits more quickly and efficiently. A faster local permitting process will allow our office to move applications through critical bottlenecks that prevent the issuance of permanent state licenses.

One specific bottleneck that these new positions will address is the referral of applications to California Environmental Quality Act (CEQA) review. Currently, more than one hundred of San Francisco's applicants are operating on temporary local permits and provisional state licenses. Our understanding is that these applicants cannot be issued a permanent state license until they have completed state CEQA review. State CEQA review cannot be completed until local CEQA review is complete. Local CEQA review cannot begin until the OOC processes temporary permit holders' applications for permanent permits. OOC has been slow to process applications for permanent permits because of a lack of sufficient staffing capacity to address the substantial queue of applications that has existed since the Office's creation.

Our proposal addresses the root cause of this problem by creating more positions to process permits through local CEQA review, and more staff to conduct that CEQA review. Faster OOC referrals and faster CEQA reviews will result in faster conversions from provisional to permanent state licenses.

Importantly, this proposal would provide substantial benefits to our equity applicants. To date, San Francisco's robust equity program has verified over 400 hundred equity applicants. Many of these equity applicants struggle to afford San Francisco's high rent and overhead costs during our permitting process, and moving equity applications more quickly through all stages of the pipeline will save the equity applicant community a considerable amount of time and money. In turn, this will help to stand-up the regulated industry and push back on the unregulated market.

Application Narrative

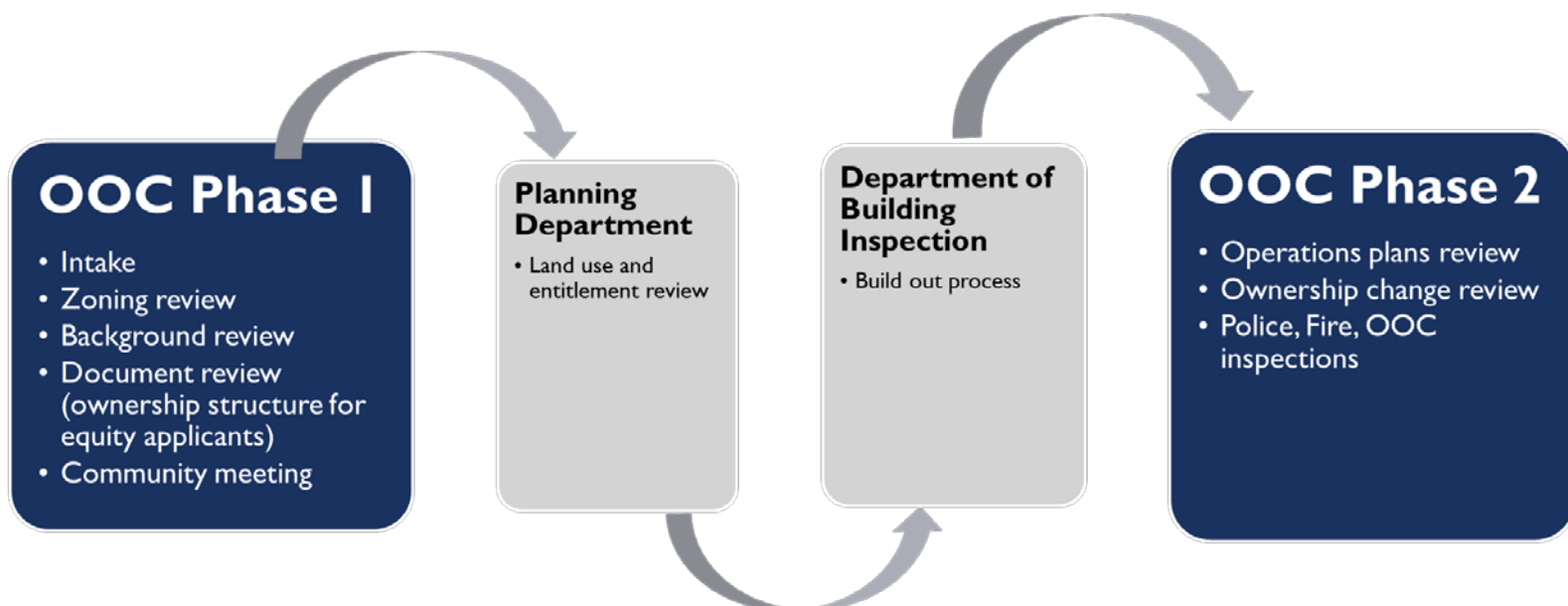
Program Description

1. *Identify the necessary requirements for a local permit for commercial cannabis activity to be issued. Describe or attach a visual of your permitting process. Clearly identify when site-specific CEQA is conducted.*

The City and County of San Francisco's cannabis permit process encompasses the following four stages:

1. An initial round of application review conducted by the OOC (Phase 1 in Figure 1 below). This round of processing is designed to ensure that application information is accurate, that the proposed site of a new business is properly zoned, and that the proposed ownership structure for the new business meets requirements. This stage also includes a background check on owners and preparations for community outreach.
2. A second round of processing and review conducted by the Planning Department (PLN) to ensure that the proposed location meets local code and regulations (including site-specific CEQA review). This process includes many different kinds of review, including a review to ensure that the proposed activity (e.g. storefront retail) is allowed on the proposed site, and a public hearing.
3. A third round of inspections and verification by the Department of Building Inspection ensures that the applicant's constructed space meets local code and regulations. This includes mechanical checks to ensure that the fundamental construction of the building is sound, safe, and inhabitable.
4. A fourth and final round of review and approval by the OOC (Phase 2 below) to ensure that the finished building meets cannabis-specific requirements (e.g. operation plans), and that any changes to the approved ownership structure during processing meets applicable requirements.

Figure 1: San Francisco Cannabis Permitting Process



1. *Describe the applicable environmental review process relevant to the cannabis permits that you allow for in your jurisdiction.*

In San Francisco the Planning Department is the lead agency for environmental reviews, including the local CEQA review. This review is conducted pursuant to state law and San Francisco Administrative Code Chapter 31. Local CEQA review includes a determination of what categorical exemptions, if any, the project may qualify for, as well as a review of any special circumstances that may disqualify categorical exemptions. To date, almost all cannabis projects have qualified for categorical exemptions, typically under Class 1 or Class 3 categorical exemptions.

These projects have typically qualified for “Common Sense Exemptions” due to their limited scope of work. Larger facilities may require additional CEQA review, such as preparation of a Negative Declaration or Environmental Impact Report, due to their larger size and potential for environmental impact. These larger facilities are within subsequent tiers of review by the OOC and will be reviewed by the Planning Department over the next few years.

2. *Identify what requirements must be met by your permittee when providing the state with local authorization response for each of the following:*
 - a. *“In compliance”*
 - b. *“Compliance under way”*
 - c. *“Not in compliance”*

a) In compliance

A permittee is deemed “in compliance” when we determine that the entity is compliant with San Francisco ordinances and regulations and that the entity is ready and authorized to engage in the requested commercial cannabis activity (or will imminently be ready and authorized).

In San Francisco, we consider the following categories to be “in compliance”:

- Permanent permit holders
- Permanent permit applicants who have been approved by other city agencies to begin building their business in anticipation of imminent opening
- Medical cannabis dispensaries that existed before legalization and hold a current medicinal permit
- Other operators that have been issued temporary permits pending processing into the permanent permit program

b) Compliance under way

We report a “compliance under way” status when there is a viable pathway for a local applicant to realize a temporary or medicinal permit, but the applicant has not yet been fully approved to open. This is a limited use case with a small number of reports.

c) Not in compliance

We report that an entity is “not in compliance” when the applicant entity is not meeting their regulatory obligations, is not authorized to conduct their activity or is not likely to be imminently

authorized. This includes all of our applications for permanent permits that have not yet been approved for final build-out by other City departments.

Statement of Needs/Problem Statement

Describe the challenges in the local jurisdiction permitting process that impede the timely transition of your permittees' license from a provisional license to an annual license.

San Francisco's cannabis permitting process involves a variety of requirements and layers of review. As a result, applications can take more than two years to be processed from the initial review to the issuance of a final permit. Compounding this lengthy approval process is a large queue of permanent permit applications, which can take more than a year for the OOC to begin to review.

Both of these problems are exacerbated by one of the fundamental challenges confronted by the OOC: a lack of sufficient staff to process a substantial queue of applications for permanent permits catalyzed by cannabis legalization. In the first year of the office's existence, hundreds of applications were submitted to an OOC staffed by three people, and the ensuing backlog has not yet been reduced to zero.

The length of time required to process a permit application, and the slow pace of the backlog reduction (while applicants continue to submit applications), is a significant barrier to issuing permanent permits and permanent state licenses. Applicants cannot be considered for a permanent state license until they are processed through certain critical stages of the local permit process. As a result, the difficulties experienced in the local permitting process have slowed the process of permanent state licensing.

Our understanding is that the most critical barrier to the issuance of a state license is the completion of state CEQA review. In San Francisco, applicants cannot complete the local CEQA review process (a prerequisite for State CEQA review) until the OOC refers an application to the Planning Department. This requires sufficient staff in both the OOC and PLN to first process hundreds of applications.

As of May 2021, the state reported a total count of provisional licenses in San Francisco of 118. Because of the size and structure of our applicant pool, we know that the vast majority of those provisional licenses have been awarded to applicants who have not yet completed Phase 1 of OOC processing.

Moving more of our applicants more quickly through the local processing pipeline, specifically through Phase 1 and local CEQA review, will result in a timelier transition of our applicant pool from provisional to permanent state licenses.

If you have an equity program, describe any additional challenges in implementing the equity program in your local jurisdiction and/or challenges faced by equity applicants in receiving local permits and annual state licenses.

A critical challenge faced by equity applicants in San Francisco is the cost of rent. Applicants must secure space in which to operate at the start of the application process; because real estate carrying costs are high, and because the permit process can take more than two years, this is not an affordable proposition for applicants whose equity status is contingent on an asset test.

Reducing the time it takes to process an application would reduce these carrying costs. The OOC can increase processing speeds for equity and non-equity applicants by dedicating new staff to the processing of permits.

Additionally, many equity applicants find it difficult to navigate the complex requirements imposed by local regulations. Traditionally, the OOC has helped to address this by providing technical assistance (TA) to equity applicants through trusted partners.

Goals and Intended Outcomes

List the goals and intended outcomes of this funding opportunity. Goals should explain how funding will be utilized to impact the issue areas stated in the problem statement. Outcomes should describe specific change(s) or result(s) when the goal is achieved. At a minimum, the following should be addressed:

- **How CEQA compliance will be achieved**
- **How obstacles will be removed from the permitting process, including opportunities to reduce time to permit issuance.**
- **How these goals will align with the statutory deadlines mandated for maintenance of a provisional license.**
- **Local coordination necessary to reach specific outcomes, if multiple departments, divisions, or offices are involved.**

The specific goals of the OOC in the acceptance of this grant are to:

Action	Intended Outcome
Hire at least four OOC permit processing positions	<ol style="list-style-type: none">1. Fully process the existing queue of permit applications through OOC Phase 1 by the expiration of the grant term2. Fully process all permits eligible for OOC Phase 2 by the end of the grant term3. Reduce the amount of time future applicants wait to begin Phase 1 or Phase 2 to less than two weeks by the end of the grant term
Hire one new position at the Department of Planning	Reduce the amount of time required to process permits in the PLN review phase, including CEQA compliance
Secure assistance for the OOC to increase the use of automation in the permitting process	Make the permitting process more efficient, reducing staff time required to send emails and collect documents
Provide technical assistance to equity applicants	Assist equity applicants with the technical aspects of regulatory requirements

Procure necessary supplies	Purchase necessary materials and supplies to allow new staff to conduct permitting work
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Strengthened permit processing team

Our grant proposal dedicates roughly 90% of our budget to new positions dedicated entirely to processing permit applications. The new team will consist of at least four new positions including:

- Three new permit analysts
- One new lead permit analyst

The three permit analysts will be dedicated to processing permit applications. The lead permit analyst will be responsible for training the permit analysts, providing quality assurance, and handling particularly difficult and technical permit applications.

The goal of this permitting team is to process the entire queue of Part 1 permit applications before the expiration of the grant term, and to establish an operational cadence that allows the OOC to begin Part 1 or Part 2 reviews within two weeks of referral.

Moving all of our applications quickly through the pipeline would allow both local permitting and state licensing to move more quickly.

Additionally, our budget proposes a new grant administrator position. This position will be responsible for administering the reporting requirements of this grant, and will occasionally lend technical assistance to the lead permit analyst. This new position will only spend 20% of its time on work related to this grant.

New Planning Position

The OOC relies on partner agencies in the City to administer different components of the cannabis permit process. Specifically, PLN is responsible for CEQA review, among other responsibilities.

In order to expedite the portion of the permit process administered by PLN, our grant application proposes the creation of one new planner position dedicated to facilitating cannabis permit approval processes conducted by PLN, including local CEQA review.

IT Assistance in Updating Permitting Processes

The OOC is dedicated to iteratively refining our permit approval process. This application proposes funding for improving and automating portions of our permit approval workflow. The goal of these improvements is to reduce the amount of staff time dedicated to routine administrative work, and to reduce errors in that administrative work. These automations would make the application processes easier for our applicants to understand and navigate. Specific deliverables envisioned by this partnership include:

- Automated reminder emails about due dates for applicants and operators
- Easier to navigate documentation upload for our applicants and automated storage processes for our team
- Enhanced and centralized data storage with automatic reporting capabilities

Technical Assistance for Equity Applicants

The OOC has previously utilized state grant funding in order to provide our equity community with technical assistance (TA) in meeting local and state regulatory requirements. These areas of TA include: permit and grant support, workforce development, and business development. Each of these program areas were in high demand by our social equity community as evidenced by a 94% grant utilization rate in previous grant cycles.

Our application proposes expanding the amount of assistance our partners can provide to the equity community.

For those jurisdictions that have been identified as eligible to receive additional funding due to the status of the local equity program, address the following in your goal(s). How this funding, particularly the dollars provided due to local equity program status will:

- i. Support local equity applicants in entering the regulated cannabis industry;**
- ii. Allow local equity applicants to receive cannabis permits and annual licenses more quickly; and**
- iii. Further support local and/improve equity program implementation.**

The OOC is mandated by local code to prioritize the processing of social equity applications. Because of this requirement, all of the capacity generated by the new positions proposed in this application will be used to process equity permits when equity applications are available. As a result, the equity community will always be first to receive the benefits of this grant.

Additionally, the monetary savings from rent associated with reducing processing time will be a substantial benefit to our equity community. Commercial rent in San Francisco is expensive, and an asset test is part of the equity verification process. As a result, the benefits of reduced processing time will have a profound impact on advancing social equity in the regulated cannabis space.

Finally, our proposal includes additional money for technical assistance for equity applicants in meeting local and state requirements. We have successfully partnered with TA providers in the past, and would like to continue to provide this support in the future.