[Supporting California State Assembly Bill No. 1775 (Haney) - Cannabis Cafes]

Resolution supporting California State Assembly Bill No. 1775, introduced by Assembly Member Matt Haney, which would authorize a local jurisdiction, if specified conditions are met, to allow for the preparation or sale of non-cannabis food or beverage products, as specified, by a licensed retailer or microbusiness in the area where the consumption of cannabis is allowed, and to sell tickets for live music or other performances on the premises.

WHEREAS, Local, state, and federal regulations in addition to an overly-burdensome tax structure, are crippling California's cannabis industry; and

WHEREAS, Since 1970, marijuana has been classified as a Schedule I drug under the Controlled Substances Act, a designation that places it in the most strictly regulated category of drugs under federal rules; and

WHEREAS, Schedule I designation precludes legal cannabis businesses from deducting ordinary business expenses; and

WHEREAS, On May 1, 2024, President Biden and the Drug Enforcement Agency announced the federal government would recommend the reclassification of cannabis as a Schedule III drug, defined as a drug with moderate to low potential for physical and psychological dependence; and

WHEREAS, Legal cannabis dispensaries struggle to compete against the illicit cannabis market, which offers cannabis products at a much lower price and does not follow environmental, distribution, cannabis regulation, and taxation laws; and

WHEREAS, Multiple reports have shown that the legal cannabis market is making less revenue than the illicit market; and

WHEREAS, Illegal cannabis cultivators, distributors, and dealers pay nothing in taxes, don't apply for business permits, and don't comply with the rigorous quality control to which legal operators are subject; and

WHEREAS, Assembly Bill No. 1775 is an attempt to level the playing field for a legal cannabis industry that is forced to compete with a thriving illicit cannabis market; and

WHEREAS, The illegal sale of cannabis is extremely profitable in California with illegal sellers choosing to simply ignore costly regulations, product testing, permitting, and taxation; and

WHEREAS, California's legal cannabis sales reached $4 billion in 2020, while illegal sales are believed to have surpassed $8 billion that same year; and

WHEREAS, Lounges and dispensaries need additional pathways for revenue, and current restrictions on cannabis small operators are harming these businesses; as an example, cannabis establishments are not allowed to host ticketed events under current State and local rules; and

WHEREAS, Last year, the Legislature overwhelmingly supported the passage of Assembly Bill No. 374 (Haney) to allow cannabis dispensaries - with permission from local governments - to convert their businesses into cafes where they could sell food and cannabis products and host live concerts; and

WHEREAS, Governor Gavin Newsom vetoed Assembly Bill No. 374, citing concerns about worker health, specifically regarding the provision of a smoke-free workplace; and

WHEREAS, At the Governor's urging, Assembly Member Haney worked with the Department of Cannabis Control and the Governor's office, to address those concerns and drafted a bill that allows Cannabis Cafes but protects workers' health; and

WHEREAS, Assembly Bill No. 1775, guarantees workplace protections, such as proper ventilation, and separation of smoking lounge and kitchen prep areas; and

WHEREAS, Assembly Bill No. 1775, would further cement San Francisco's role as a culinary, cultural, and entertainment capital for residents and tourists alike; and

WHEREAS, The changes called for in Assembly Bill No. 1775 have wide support among legal cannabis businesses and trade groups; now, therefore be it

RESOLVED, The San Francisco Board of Supervisors supports Assembly Bill No. 1775 which would permit sale of non-cannabis-infused food and non-alcoholic drinks at cannabis retail businesses and also allow the establishments to host ticketed events; and

FURTHER RESOLVED, That the Clerk of the Board of Supervisors of the City and County of San Francisco distribute this Resolution to San Francisco's State Legislative Delegation and California Governor Gavin Newsom.