Cannabis Cafes – File No. 260281

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Introduction

- Sponsored by President Mandelman, this ordinance amends the Health, Planning, Police, and Business and Tax Regulations Codes to expand opportunities for the cannabis industry to reimagine and create new social spaces for cannabis consumption in San Francisco

- Emerges out of AB 1775 from Assembly Member Haney

Industry Challenges

San Francisco's legal cannabis industry has faced and continues to face significant challenges:

- Lack of access to traditional banking
- Extensive state and local regulation and significant state taxation
- A robust illicit market undercutting legal sales

AB 1775

In 2024, the California Legislature adopted AB 1775 (Haney) to empower local governments to allow cannabis retailers with consumption lounges to:

1) Prepare and sell food and non-alcoholic beverages for consumption on the premises

2) Sell tickets to entertainment events

AB 1775 also mandated new health and safety requirements in conjunction with these activities

This Ordinance Would

Building on the existing local framework for cannabis consumption spaces, this ordinance would:

1) Enable food and beverage preparation and consumption at cannabis retailers

2) Allow cannabis businesses to dedicate more of their space to consumption lounges

3) Create a new Cannabis Cafe permit through the Office of Cannabis

Food & Beverage Service

- Would enable existing cannabis retailers with consumption lounges and new cannabis cafes to prepare and sell food and non-alcoholic beverages for consumption on the premises
- Would remove prohibition on cannabis operators requiring employees to enter smoking rooms
- Requested amendment would make compliance with Health Code a condition of a Cannabis Cafe permit
- Food and beverage service in a cannabis business would still require compliance with existing state and local health requirements

Expanding Consumption Areas

- Under Planning Department guidance, the consumption of cannabis is considered accessory to the sale of cannabis
- Cannabis retailers are currently prohibited from using more than one-third of their square footage for consumption
- This ordinance would amend the definition of Cannabis Retail to make consumption part of the principal use, enabling greater flexibility for operators seeking to design inviting spaces for socialization, dining, and entertainment
- Space for consumption would still be limited by state and local rules around visibility of consumption and mitigating smoke transmission

New Cannabis Cafe Permit

- This ordinance would also create a new Cannabis Cafe permit through the Office of Cannabis.

- Unlike existing cannabis retailers, a Cannabis Cafe would be permitted to sell cannabis and cannabis products for consumption on the premises only. No cannabis or cannabis products could be taken off the premises.

- Designed to empower operators to create new hospitality-oriented social experiences involving cannabis consumption, without impacting the existing market for to-go sales that cannabis retailers presently rely on.

New Cannabis Cafe Permit

Cannabis Cafes would be subject to (and would not change) existing requirements for cannabis businesses:

- Zoning tables regulating cannabis uses (which frequently require Conditional Use Authorization from the Planning Commission)
- 600-foot buffers around schools
- State and local licensing requirements for cannabis retailers
- Existing DPH rules regulating cannabis consumption
- State and local health code requirements for food-serving businesses

New Cannabis Cafe Permit

- The ordinance proposes a phased implementation approach to the introduction of Cannabis Cafes.

- For the first year, only an existing cannabis retailer (or an ownership group with the same set of owners as an existing retailer) would be able to apply for a Cannabis Cafe permit for a new location.

- While Cannabis Cafes would generally be subject to the 600-foot buffers preventing a cannabis business from locating near another cannabis business, there would be a narrow exemption for a cafe that shares the same ownership with a retailer.

Requested Amendments

- Narrowing the exception for cafes opening within 600 feet of an existing cannabis retailer (at request of industry stakeholders)
- Clarifying coordination between Office of Cannabis and Planning Department in applying this exception
- Clarifying eligibility of existing operators to qualify to open a cannabis cafe within the first year (at request of Office of Cannabis)
- Affirming that Cannabis Cafes must comply with all applicable Health Code requirements as a condition of their Office of Cannabis permit

Questions