



SMALL BUSINESS COMMISSION
OFFICE OF SMALL BUSINESS



CITY AND COUNTY OF SAN FRANCISCO
EDWIN M. LEE, MAYOR

July 24, 2012

Ms. Angela Calvillo, Clerk of the Board
Board of Supervisors
City Hall room 244
1 Carlton B. Goodlett Place
San Francisco, CA 94102-4694

File No. 120671 [Police Code - Repeal Secondhand Dealer and Antique Dealer Permit Requirements]

Small Business Commission Recommendation: **Approval with comments**

Dear Ms. Calvillo:

On July 9, 2012 the Small Business Commission held a hearing on Board of Supervisors File No. 120672 and voted 5-0 to recommend approval of the ordinance.

San Francisco currently has three permits that cover business that sell second hand goods. These permits are Pawnbrokers License, Antique Dealers and Secondhand Dealers. Pawnbrokers are dealers that do need to be regulated because cash is paid outright and thus have a greater propensity for purchasing stolen goods. Antique dealers and a vast majority of secondhand businesses purchase their product elsewhere, meaning not brought into the store and purchased on site. These businesses are purchasing their products in the same manner as retailers selling new products, which generally are furniture, clothing, books, and music. San Francisco does not require businesses that sell new products to obtain a special license or permit to sell their goods.

Currently, 4 police personnel are involved with processing the permits, 1426 Non Sworn Clerk, Sworn Permit Officer, Sworn 0380 Officer, and Sworn Station Officer. Additionally, fingerprinting, zoning approvals, background checks and a hearing are required prior to opening. The Small Business Commission is in agreement these requirements are not necessary and eliminating this permit does not pose a risk to consumers.

There is a small sector of secondhand dealers that conduct business by purchasing their products through "Buy-Sell-Trade" (direct buy). Commission staff surveyed several of these direct buy businesses and found that they were committed to continuing the policies of requiring identifications for products purchased and that having a legal mandate that they do such provides security and justification for these procedures. Minus a legal responsibility by city code, the business may be subject to complaints about having to show ID which already occurs, though these concerns are minimized when customers are advised that the business is simply complying the law.

The Commission recommends that it may be prudent to maintain some of current regulations for "direct buy" secondhand dealers who exchange cash in return for secondhand products. The permit should be



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simplified, without requirements of fingerprinting, zoning referral, hearing and advertizing for a hearing, and no more than a 1426 Non Sworn Clerk and Sworn Permit Officer to process. The permit should require the business to obtain a valid ID from the current list of approved ID and a notation of the amount of money paid out in cash or trade and kept on hand for no more than 6 months. While the Commission does make this recommendation, it will leave it as a policy matter for the Board of Supervisors as the “direct by” secondhand dealers are small number of total secondhand dealer businesses.

It should be noted that California Assembly member Pan has introduced a bill AB 391 that will require any business purchasing precious metals (i.e. jewelry) that have serial numbers is engraved or any other distinguishing mark will need to log and file an electronic report with the State DOJ. This is in response to the increase number of businesses purchasing gold. To purchase secondhand jewelry as a “direct buy” requires a pawnbrokers license.

Sincerely,

A handwritten signature in black ink, appearing to read 'Regina Dick-Endrizzi'.

Regina Dick-Endrizzi
Director, Office of Small Business

Cc: Supervisor Wiener
Jason Elliott, Mayor's Office