

File No. 170859

Committee Item No. \_\_\_\_\_

Board Item No. 2

### COMMITTEE/BOARD OF SUPERVISORS

#### AGENDA PACKET CONTENTS LIST

Committee: \_\_\_\_\_

Date \_\_\_\_\_

Board of Supervisors Meeting

Date Sept. 5, 2017

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Completed by: Linda Wong Date July 27, 2017  
Completed by: \_\_\_\_\_ Date \_\_\_\_\_

1 [Administrative Code - Establishing an Office of Cannabis and Extending the Term of the  
2 Cannabis State Legalization Task Force]

3 **Ordinance amending the Administrative Code to establish an Office of Cannabis; to**  
4 **authorize the Director of the Office of Cannabis to issue permits to cannabis-related**  
5 **businesses; to direct the Director of the Office of Cannabis to collect permit application**  
6 **and annual license fees following the enactment of a subsequent ordinance**  
7 **establishing the amounts of those fees; and to extend the term of the Cannabis State**  
8 **Legalization Task Force.**

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

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

17 Section 1. Findings.

18 On November 8, 2016, the voters of the State of California approved Proposition 64,  
19 enacting the Control, Regulate and Tax Adult Use of Marijuana Act ("AUMA"). AUMA  
20 legalizes the non-medical use of cannabis by adults, and creates a state regulatory and  
21 licensing system governing the commercial cultivation, testing, distribution, and sale of non-  
22 medical cannabis, and the manufacture of non-medical cannabis products.

23 Under Proposition 64, localities retain authority to regulate the non-medical cannabis  
24 industry, including but not limited to the authority to prohibit commercial activities relating to  
25 non-medical cannabis entirely, or to authorize such activities and impose licensing  
requirements and land use restrictions. Businesses that apply for state permits to engage in

1 commercial cannabis activities will need to demonstrate that the issuance of a state permit  
2 would not violate the provisions of any local ordinance or regulation.

3 In 2015, in anticipation of the legalization of cannabis, the Board of Supervisors created  
4 the Cannabis State Legalization Task Force (the "Task Force") of the City and County of San  
5 Francisco. (Ordinance No. 115-15; Admin. Code Ch. 5, Art. II.) The purpose of the Task  
6 Force is to advise the Board of Supervisors, the Mayor, and other City departments on  
7 matters relating to the potential legalization of cannabis so that the City's policymakers are  
8 fully prepared to address policy questions, through legislation, administrative actions, and  
9 otherwise, following the adoption of a State law.

10 In January 2017, the Task Force presented preliminary recommendations to the Board  
11 of Supervisors. A copy of its report, entitled "San Francisco State Cannabis Legalization Task  
12 Force Year I Report and Recommendations," is on file with the Clerk of the Board of  
13 Supervisors in File No. 170036. The Task Force is working towards final recommendations  
14 for a regulatory framework governing cannabis in San Francisco.

15 Section 2. The Administrative Code is hereby amended by adding to Chapter 2A,  
16 Article XXVI, entitled "Cannabis Regulation," consisting of Sections 2A.420-2A.422, to read as  
17 follows:

18 **ARTICLE XXVI: CANNABIS REGULATION**

19 **SEC. 2A.420. OFFICE OF CANNABIS.**

20 **(a) Establishment.** *The Mayor shall establish an Office of Cannabis under the direction of the*  
21 *City Administrator to oversee the implementation of laws and regulations governing cannabis in San*  
22 *Francisco. The City Administrator shall appoint a Director of the Office of Cannabis. The Office of*  
23 *Cannabis shall include such officers and employees as are authorized pursuant to the budgetary and*  
24 *fiscal provisions of the Charter.*

25 **(b) Duties and functions.**

1           (1) The Director of the Office of Cannabis and/or his or her designee ("Director")  
2 shall issue, deny, condition, suspend, or revoke such permits in accordance with applicable laws and  
3 regulations. The final decision of the Director regarding a permit may be appealed to the Board of  
4 Appeals in the manner prescribed in Article 1 of the San Francisco Business and Tax Regulations  
5 Code.

6           (2) The Director may impose reasonable conditions upon the issuance or renewal of  
7 cannabis business permits, consistent with applicable law and regulations, for the location and  
8 activities for which a permit is sought.

9           (3) The Director shall further coordinate with all relevant City departments, boards,  
10 and commissions for the conduct of any inspection or investigation necessary or appropriate for the full  
11 and fair consideration of applications for the issuance or renewal of permits under this Article XXVI.  
12 City departments, boards and commissions shall cooperate with the Office of Cannabis.

13           (4) The Office shall ensure that the perspectives of communities that historically  
14 have been disproportionately impacted by federal drug enforcement policies are included and  
15 considered in all policy decisions.

16           (5) By no later than November 1, 2017, the Director, in consultation with the  
17 Human Rights Commission and Controller, shall prepare and submit to the Board of  
18 Supervisors and the Mayor a report analyzing disparities in the cannabis industry based on  
19 race, income, economic status, gender, disability, sexual orientation, gender identity, and  
20 HIV/AIDS status. The report shall make recommendations regarding policy options that could  
21 (A) foster equitable access to participation in the industry, including promotion of ownership  
22 and stable employment opportunities in the industry (B) invest City tax revenues in economic  
23 infrastructure for communities that have historically been disenfranchised, (C) mitigate the  
24 adverse effects of drug enforcement policies that have disproportionately impacted those  
25

1 communities , and (D) prioritize individuals who have been previously arrested or convicted  
2 for marijuana-related offenses.

3 (6) By no later than November 1, 2017, the Director, in consultation with the  
4 Department of Public Health and the Controller, shall prepare and submit to the Board of  
5 Supervisors and the Mayor a report analyzing the unique needs of individuals who use  
6 cannabis for medicinal purposes. The report shall make recommendations on (A) preserving  
7 affordable and/or free access to medical cannabis patients, (B) ensuring medical cannabis  
8 patients continue to receive high-quality, appropriate care and (C) providing uninterrupted  
9 access to medical cannabis patients.

10 **SEC. 2A.421. APPLICATION AND ANNUAL LICENSE FEES.**

11 (a) Beginning January 1, 2018, the Office of Cannabis shall charge every applicant for  
12 a cannabis-related permit a non-refundable permit application fee. The Office of Cannabis  
13 shall also charge every business that receives a cannabis-related permit an annual license  
14 fee.

15 (b) The Office of Cannabis shall not collect any application or license fees under this  
16 Section 2A.421 until the Board of Supervisors enacts an ordinance establishing the amounts  
17 of those fees. No later than November 1, 2017, the Director, in consultation with the  
18 Controller, shall submit to the Board of Supervisors a proposed ordinance setting a schedule  
19 of permit application and annual license fees. The proposed fee schedule shall be calculated  
20 to recover but not exceed the City's estimated costs of application-related and licensing-  
21 related activities, including but not limited to: administration, public outreach and education,  
22 development and maintenance of an online portal and application system, review and  
23 processing of applications and permit renewals, complaint resolution, inspections,  
24 enforcement activities, adjudication of appeals, and coordination with state agencies and  
25 other city departments. In developing this fee schedule, the Director shall estimate the number

1 of permits and licenses to be issued per year, and consider any other information he or she  
2 determines appropriate in making the cost estimates referenced above.

3 (c) Beginning with fiscal year 2018-2019, the permit application and annual license fees  
4 set pursuant to subsection (b) of this Section 2A.421 may be adjusted each year on July 1,  
5 without further action by the Board of Supervisors. Not later than April 1 of each year, the  
6 Controller shall determine whether the current fees have produced or are projected to produce  
7 revenues sufficient to support the costs of application-related and licensing-related activities,  
8 and that the fees will not produce revenue that is significantly more than the costs of providing  
9 such services. The Controller shall, if necessary, adjust the fees upward or downward for the  
10 upcoming fiscal year as appropriate to ensure that the program recovers the costs of  
11 operation without producing revenue that is significantly more than such costs. The adjusted  
12 rates shall become operative on July 1.

13 **SEC. 2A.421. EXCLUSIONS.**

14 Nothing in this Article XXVI is intended to limit or abridge the permitting, licensing, or  
15 inspection authority of any other City department over commercial businesses or real property.

16 **SEC. 2A.422. UNDERTAKING FOR THE GENERAL WELFARE.**

17 In enacting and implementing this Article XXVI, the City is assuming an undertaking only to  
18 promote the general welfare. It is not assuming, nor is it imposing on its officers and employees, an  
19 obligation for breach of which it is liable in money damages to any person who claims that such breach  
20 proximately caused injury.

21  
22 Section 3. The Administrative Code is hereby amended at Chapter 5, Article II, Section  
23 5.2-7, to read as follows:

24 **SEC. 5.2-7. SUNSET.**

1 Unless the Board of Supervisors by ordinance extends the term of the Task Force, this  
2 Article II shall expire by operation of law, and the Task Force shall terminate, on December  
3 31, 2018 ~~2017~~, ~~two years after the effective date of Ordinance No. 115-15 establishing the~~  
4 ~~Task Force.~~ After that date, the City Attorney shall cause this Article to be removed from the  
5 Administrative Code. The terms of all members on the Task Force on July 12, 2017 shall  
6 continue until the termination of the Task Force.

7  
8 Section 34. Effective Date. This ordinance shall become effective 30 days after  
9 enactment. Enactment occurs when the Mayor signs the ordinance, the Mayor returns the  
10 ordinance unsigned or does not sign the ordinance within ten days of receiving it, or the Board  
11 of Supervisors overrides the Mayor's veto of the ordinance.

12  
13  
14 APPROVED AS TO FORM:  
15 DENNIS J. HERRERA, City Attorney

16 By: 

17 NEHA GUPTA  
18 Deputy City Attorney

19 n:\legana\as2017\1700425\01208906.docx

**LEGISLATIVE DIGEST**

[Administrative Code - Establishing an Office of Cannabis and Extending the Term of the Cannabis State Legalization Task Force]

**Ordinance amending the Administrative Code to establish an Office of Cannabis; to authorize the Director of the Office of Cannabis to issue permits to cannabis-related businesses; to direct the Director of the Office of Cannabis to collect permit application and annual license fees following the enactment of a subsequent ordinance establishing the amounts of those fees; and to extend the term of the Cannabis State Legalization Task Force.**

Existing Law

On November 8, 2016, the voters of the State of California approved Proposition 64, enacting the Control, Regulate and Tax Adult Use of Marijuana Act (“AUMA”). AUMA legalizes the non-medical use of cannabis by adults, and creates a state regulatory and licensing system governing the commercial cultivation, testing, distribution, and sale of non-medical cannabis, and the manufacture of non-medical cannabis products.

Under Proposition 64, localities retain authority to regulate the non-medical cannabis industry, including but not limited to the authority to prohibit commercial activities relating to non-medical cannabis entirely, or to authorize such activities, and impose licensing requirements and land use restrictions.

Article 33 of the San Francisco Health Code regulates medical cannabis, and authorizes the San Francisco Department of Public Health to oversee the permitting of medical cannabis dispensaries. Currently, there is no City law that regulates non-medical cannabis, or that authorizes any department or commission to oversee the permitting of businesses that engage in commercial activities relating to non-medical cannabis.

In 2015, San Francisco established via Chapter 5, Article II of the Administrative Code a Cannabis State Legalization Task Force with a two-year lifespan to advise City policymakers on local policy questions arising from the potential state legalization of cannabis.

Amendments to Current Law

This ordinance will create an Office of Cannabis under the direction of the City Administrator. The City Administrator will appoint a Director of the Office of Cannabis. The Director or his or her designee shall oversee the implementation of laws and regulations relating to cannabis, impose conditions on the issuance or renewal of cannabis permits, and coordinate with other City departments as necessary. The ordinance would require the new Office to consider the perspectives of communities that have been disproportionately impacted by federal drug enforcement policies. The ordinance would also require the new



Office to prepare reports by November 1, 2017 evaluating disparities in the cannabis industry and making proposals regarding policy options to ensure equitable access to the industry, investments in disenfranchised communities, and continued access to medical cannabis.

The ordinance also authorizes the Director of Cannabis to charge permit application and annual license fees sufficient to recover the City's application-related and licensing-related activities. But the Director could not collect any application or license fees until the Board of Supervisors enacts an ordinance establishing the amounts of those fees. The ordinance would require the Director to consult with the Controller and submit to the Board of Supervisors a proposed ordinance setting a schedule of permit application and annual license fees by November 1, 2017.

The proposal specifies that it does not intend to limit or abridge the other City departments to regulate commercial businesses or real property in San Francisco.

Finally, the proposal would extend the term of the Cannabis State Legalization Task Force from its current expiry through December 31, 2018, and extend the terms of current members until such date.

#### Background

This legislative digest reflects amendments adopted in a duplicated file at the Board of Supervisors meeting on July 25, 2017.

The initial version of this ordinance was first introduced at the Board of Supervisors meeting on March 14, 2017, and a substitute version was introduced at the Board of Supervisors meeting on June 6, 2017. The substitute ordinance was amended at the Rules Committee meetings on July 12 and 18, 2017, and at the Board of Supervisors meeting on July 18, 2017, and finally passed the Board on July 25, 2017.

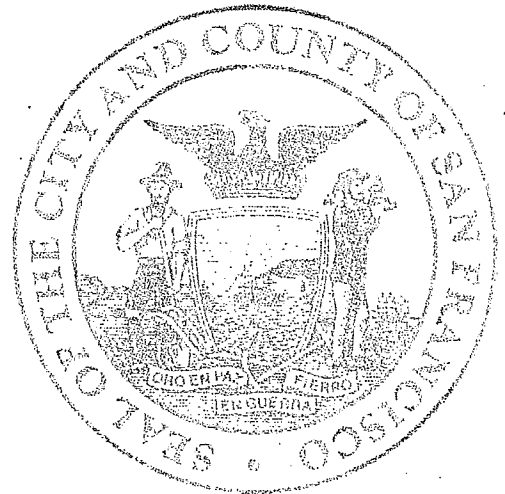
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OFFICE OF THE  
CITY ADMINISTRATOR

## Proposed Office of Cannabis

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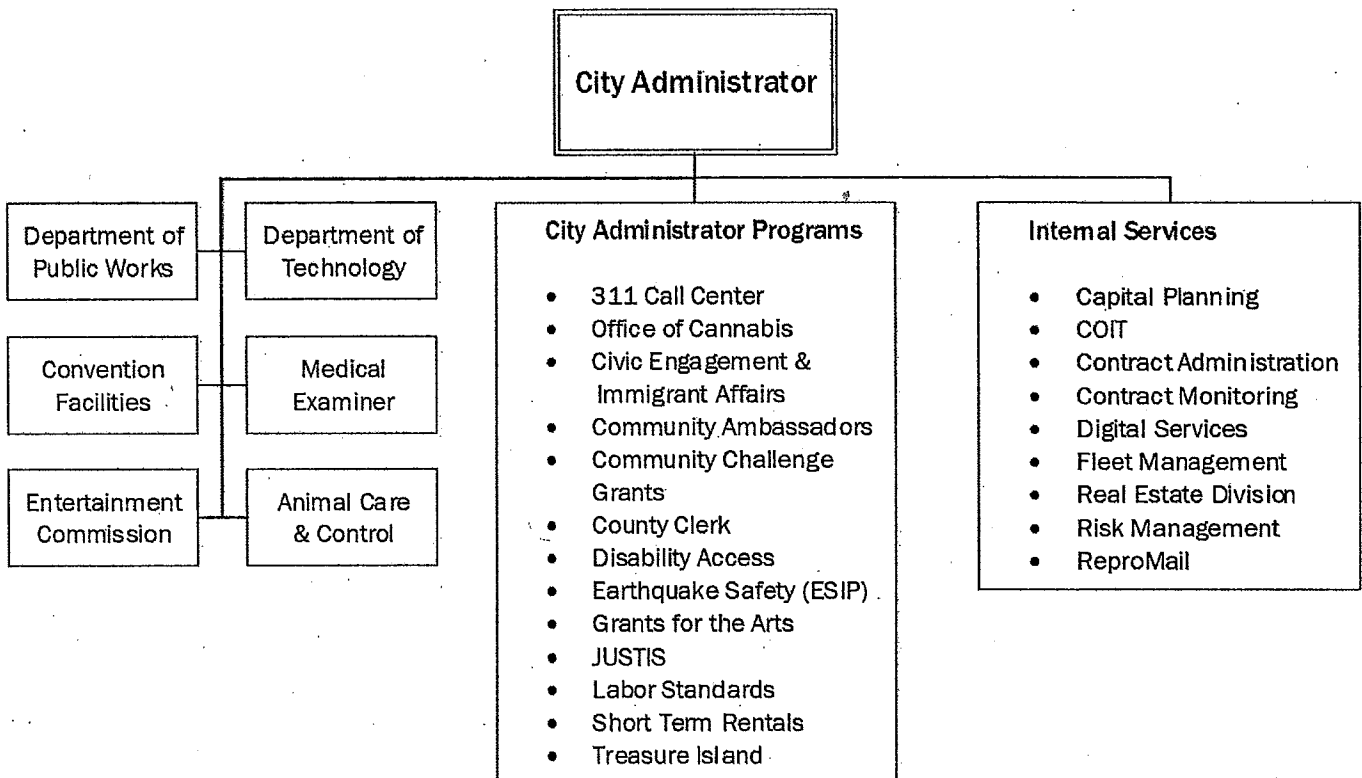
Adam Nguyen  
Finance and Planning Director  
July 12, 2017



## Agenda

1. Overview of City Administrator's Office
2. Proposed scope of responsibilities for the Office of Cannabis
3. Proposed budget

## Overview of City Administrator's Office



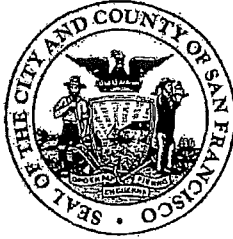
## **Proposed Scope of Responsibilities**

- Centralized resource for information for public and businesses
- Facilitate licensing process
  - Develop application system
  - Coordinate interdepartmental workflows
  - Manage final operating licenses
- Complaint resolution
- Point of contact for State regulators
- Policy analysis and development
- Reporting

## Proposed Budget

- Mayor's Budget included \$700k project budget in FY17-18
  - Three positions: Manager, Principal Analyst, Management Assistant
  - \$225k for website development, public outreach, and overhead
  - Amount does not include proposals from other City departments (e.g. DPH)
- Program budget will be reevaluated for future fiscal years

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

TO: Barbara A. Garcia, Director, Department of Public Health

FROM: Derek Evans, Clerk, Rules Committee  
Board of Supervisors

DATE: June 8, 2017

SUBJECT: SUBSTITUTED LEGISLATION

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The Board of Supervisors' Rules Committee has received the following proposed legislation, substituted by Supervisor Sheehy on June 6, 2017:

**File No. 170275**

**Ordinance amending the Administrative Code to establish an Office of Cannabis.**

If you have 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 or by email at: [derek.evans@sfgov.org](mailto:derek.evans@sfgov.org).

c: Greg Wagner, Department of Public Health  
Colleen Chawla, Department of Public Health

BOARD of SUPERVISORS



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1 Dr. Carlton B. Goodlett Place, Room 244  
San Francisco 94102-4689  
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TDD/TTY No. 554-5227

## MEMORANDUM

TO: Barbara A. Garcia, Director, Department of Public Health

FROM: *ll*  
*for* Derek Evans, Clerk, Rules Committee  
Board of Supervisors

DATE: March 22, 2017

SUBJECT: LEGISLATION INTRODUCED

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The Board of Supervisors' Rules Committee has received the following proposed legislation, introduced by Supervisor Sheehy on March 14, 2017:

**File No. 170275**

**Ordinance amending the Administrative Code to establish a Cannabis Commission and Cannabis Department.**

If you have 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 or by email at: [derek.evans@sfgov.org](mailto:derek.evans@sfgov.org).

c: Greg Wagner, Department of Public Health  
Colleen Chawla, Department of Public Health



**Evans, Derek**

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**From:** Board of Supervisors, (BOS)  
**Sent:** Thursday, May 18, 2017 1:55 PM  
**To:** BOS-Supervisors; BOS-Legislative Services  
**Subject:** FW: San Francisco Marijuana Department

**From:** Kevin Reed [mailto:kevinreed@thegreencross.org]  
**Sent:** Thursday, May 18, 2017 12:03 PM  
**To:** Board of Supervisors, (BOS) <board.of.supervisors@sfgov.org>  
**Subject:** San Francisco Marijuana Department

Dear Honorable Members of the Board of Supervisors,

Thank you for your leadership and support of San Francisco's ever-growing cannabis industry. As a local leader in this field for 14+ years and member of the Cannabis State Legalization Task Force, I am writing to share my strong opposition to the proposed creation of a special San Francisco Marijuana Department that will soon come before you for a vote.

Based upon my expertise, I believe the creation of such a department is unnecessary; it increases costs to an already costly and bureaucratic permitting process, burdens the industry, in particular, small business owners, and is poor use of city resources and tax payer funds. Additionally, the task force has yet to come to a consensus on this matter. I respectfully recommend that City leadership consider utilizing and making enhancements to our existing infrastructure to streamline current procedures rather than creating new obstacles and hurdles for business owners.

I appreciate you taking my thoughts into consideration on this matter. If you have any questions or concerns, please feel free to contact me directly at [KevinReed@TheGreenCross.org](mailto:KevinReed@TheGreenCross.org) or at (415) 846-7671.

Sincerely,

--

Kevin Reed

Founder & President  
The Green Cross  
4218 Mission Street  
San Francisco, CA 94112

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Office: 415.648.4420  
Fax: 415.431.2420  
Email: [KevinReed@TheGreenCross.org](mailto:KevinReed@TheGreenCross.org)  
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