

1 [Various Codes - Regulation of Cannabis Businesses]

2

3 **Ordinance amending the Administrative, Business and Tax Regulations, Health, and**
4 **Police Codes to comprehensively regulate commercial activities relating to the**
5 **cultivation, manufacture, distribution, testing, sale, and delivery of medicinal and adult**
6 **use cannabis by, among other things: 1) requiring businesses that engage in**
7 **commercial cannabis activities to obtain a permit from the Office of Cannabis; 2)**
8 **requiring the Director of the Office of Cannabis to establish implement an Equity**
9 **Program to promote equitable ownership and employment opportunities in the**
10 **cannabis industry by providing priority permitting for Equity Applicants and Equity**
11 **Incubators, as defined; 3) defining eligibility for temporary and permanent cannabis**
12 **business permits; 4) establishing priorities for the review of cannabis business permit**
13 **applications; 5) establishing operating standards for cannabis businesses; 6)**
14 **establishing criteria for granting, denying, suspending, and revoking cannabis**
15 **business permits; 7) requiring all cannabis businesses to ensure that 50% of work**
16 **hours are performed by San Francisco residents, and cannabis businesses with 10 or**
17 **more employees to adopt labor peace agreements ~~incorporating state law governing~~**
18 **~~commercial cannabis activities into local law for enforcement purposes~~; 8) authorizing**
19 **the imposition of fines and penalties for violation of local and state laws governing**
20 **cannabis businesses, and establishing procedures by which cannabis businesses may**
21 **appeal a fine or permit penalty; 9) ~~prohibiting the smoking and vaping of cannabis on~~**
22 **~~the premises of all cannabis businesses, except select Medicinal Cannabis Retailers~~**
23 **~~and Cannabis Retailers, as authorized by the Department of Public Health;~~ 9) allowing**
24 **pre-existing non-conforming cannabis operators to register with the Office of Cannabis**
25 **and apply for cannabis business permits in 2018; 10) prohibiting the consumption of**

1 cannabis and cannabis products, ~~other than by smoking or vaping~~, on the premises of
2 all cannabis businesses, except Storefront Cannabis Retailers and Cannabis
3 Microbusinesses that obtain consumption permits from the Department of Public
4 Health; 11) prohibiting until January 1, 2019, tours of cannabis cultivators,
5 manufacturers, and cannabis microbusinesses, and authorizing the Director of
6 Cannabis to extend the prohibition on tours, or establish guidelines for the operation of
7 tours; 12) prohibiting the acceptance of new applications for medical cannabis
8 dispensary permits, starting January 1, 2018; 13) allowing medical cannabis
9 dispensaries to sell adult use cannabis for a period of 120 days, starting January 1,
10 2018, and prohibiting medical cannabis dispensaries from cultivating cannabis under
11 the authority of a medical cannabis dispensary permit, starting April 1, 2018; 14)
12 establishing a sunset date of December 31, 2018, for Article 33 of the Health Code
13 (“Medical Cannabis Act”); 15) requiring the Department of Public Health to implement
14 an ongoing public health education campaign about the safe consumption and health
15 benefits of cannabis; 16) requiring the Controller to submit a report to the Board of
16 Supervisors within one year of the effective date of Article 16 recommending whether
17 the issuance of cannabis business permits should be subject to any limits; 17)
18 establishing an Equity Operator Fund to receive any monies appropriated for the
19 purpose of assisting Equity Operators; and 185) eliminating the duty of the Clerk of the
20 Board of Supervisors to send letters annually to state and federal officials requesting
21 that cannabis be regulated and taxed; and affirming the Planning Department’s
22 determination under the California Environmental Quality Act.

23 NOTE: **Unchanged Code text and uncodified text** are in plain Arial font.
24 **Additions to Codes** are in *single-underline italics Times New Roman font*.
25 **Deletions to Codes** are in *strikethrough italics Times New Roman font*.
Board amendment additions are in double-underlined Arial font.
Board amendment deletions are in ~~strikethrough Arial font~~.

1 states and local law enforcement agencies to address cannabis activity through enforcement of their
2 own narcotics laws.

3 (e) The federal law enforcement priorities articulated in the Cole Memo align with many of San
4 Francisco's priorities including: preventing the distribution of cannabis to minors; preventing
5 cannabis sales revenue from going to criminal enterprises, gangs, and cartels; preventing the diversion
6 of cannabis from states where it is legal to other states; preventing state-authorized cannabis activity
7 from being used as a cover or pretext for the trafficking of other illicit drugs or activity; preventing
8 violence and use of firearms in the cultivation and distribution of cannabis; preventing drugged driving
9 and the exacerbation of other adverse public health consequences associated with cannabis use;
10 preventing the cultivation of cannabis on public lands and the attendant public safety and
11 environmental dangers posed by cannabis production on public lands; and preventing cannabis
12 possession or use on federal property.

13 (f) On October 9, 2015, Governor Brown signed into law the Medical Marijuana Regulation
14 and Safety Act ("MMRSA"), effective January 1, 2016, which established a comprehensive state
15 licensing and regulatory framework for the cultivation, manufacturing, testing, distribution,
16 transportation, dispensing, and delivery of medicinal cannabis, and which recognized the authority of
17 local jurisdictions to prohibit or impose additional restrictions on commercial activities relating to
18 medicinal cannabis. On June 27, 2016, Governor Brown signed into law Senate Bill 837, which
19 amended MMRSA and renamed it the Medical Cannabis Regulation and Safety Act ("MCRSA").

20 (g) On November 8, 2016, the voters of California approved Proposition 64, the Control,
21 Regulate, and Tax Adult Use of Marijuana Act (AUMA), which legalized the nonmedicinal use of
22 cannabis for adults 21 years of age and older, created a state regulatory, licensing, and taxation system
23 for non-medicinal cannabis businesses, and reduced penalties for cannabis-related crimes. San
24 Francisco voters approved Proposition 64 at a rate of 74.3%, compared to 57.1% in the state overall.

1 (h) On November 9, 2016, Mayor Lee issued Executive Directive 16-05, entitled “Implementing
2 Prop 64: Adult Use of Marijuana Act,” directing the Directors of Planning and Public Health, in
3 collaboration with the San Francisco Cannabis State Legalization Task Force and other stakeholders,
4 to lead the process of drafting the legislation required to fully and responsibly implement Proposition
5 64, including ordinances that address land use, local permitting, safety, and youth access.

6 (i) On June 27, 2017, Governor Brown signed into law the Medicinal and Adult-Use Cannabis
7 Regulations and Safety Act (MAUCRSA), effective immediately, reconciling MCRSA and Proposition
8 64, unifying the adult-use and medicinal cannabis markets within the same regulatory regime, and
9 making explicit the protection of the public to be the highest priority for all state licensing authorities
10 in exercising their licensing, regulatory, and disciplinary functions under MAUCRSA. Under
11 MAUCRSA, local jurisdictions may adopt and enforce ordinances to further regulate cannabis
12 businesses, including zoning and permitting requirements and prohibitions on certain types of
13 businesses.

14 (j) In 2015, the City enacted Ordinance No. 115-15, creating the San Francisco Cannabis State
15 Legalization Task Force (“the Task Force”) to advise the Board of Supervisors, the Mayor, and other
16 City departments on matters relating to the potential legalization of adult use cannabis. In December
17 2016, the Task Force submitted its Year I Report, and made recommendations related to Public Safety
18 and Social Environment, Land Use and Social Justice, and Regulation and City Agency Framework for
19 the City’s policymakers to consider.

20 (k) The Board of Supervisors intends to establish a comprehensive regulatory framework for
21 medicinal cannabis and adult use cannabis. In furtherance of this goal, the Mayor’s FY2017-2018
22 budget, approved by the Board through its enactment of Ordinance No. 156-17, included
23 appropriations for the establishment of an Office of Cannabis to coordinate with City departments and
24 state agencies to develop policies and regulate the local cannabis industry to ensure that local public
25 health, safety, and social justice goals are met. In addition, in July 2017, the City enacted Ordinance

1 No. 168-17, Administrative Code Chapter 2A, Article XXVI, to establish an Office of Cannabis; to
2 authorize the Director of the Office of Cannabis to issue permits to cannabis-related businesses; and to
3 require the Director to collect permit application and annual license fees following the enactment of an
4 ordinance establishing the amounts of those fees.

5 (l) In November 2017, the Office of Cannabis, the Office of the Controller, and the
6 Human Rights Commission authored a Cannabis Equity Report, a copy of which is on file with
7 the Clerk of the Board of Supervisors in File No. 171042. Among other things, the Cannabis
8 Equity Report acknowledged that the War on Drugs, which included racially disproportionate
9 arrests and incarceration, had disastrous impacts in San Francisco, including generational
10 poverty, community degradation, disruption of family structures, and the loss of educational
11 and employment opportunities. The Cannabis Equity Report found that:

12 (1) African Americans and Latinos in San Francisco have endured
13 disproportionately higher felony drug arrests than persons of other races.

14 (2) Recent efforts to decriminalize specific drug-related activities have helped to
15 narrow those gaps, but people of color still interact with the justice system at a rate far higher
16 than white people in San Francisco.

17 (3) Even at today's much lower rates of arrest and conviction, large racial
18 disparities persist. In 2016, African Americans in San Francisco experienced felony drug
19 arrest rates 10 times higher than San Franciscans of other races, and 2.4 times higher than
20 African Americans elsewhere in California.

21 (4) Currently, Latino youth are twice as likely as African Americans, five times
22 more likely than whites, and nearly 10 times more likely than Asian Americans to be arrested
23 for a drug felony in San Francisco.

1 (5) While Proposition 64 clears the way for people with a conviction history
2 involving cannabis crimes to enter the cannabis industry, a past criminal history can still
3 present significant challenges, such as accessing financing or signing a lease agreement.

4 ~~(m)~~ The Board of Supervisors is committed to ensuring that the perspectives of communities
5 that have been historically and disproportionately affected by federal drug enforcement policies are
6 included and considered in all cannabis policy decisions.

7 ~~(n)~~ The Board of Supervisors is committed to fostering equitable access to participation in
8 the cannabis industry for San Francisco-based small businesses and individuals by promoting
9 ownership and stable employment opportunities in the industry.

10 ~~(o)~~ Through this Article 16, the Board of Supervisors intends to develop a regulatory
11 framework that: reduces the illegal market for cannabis; minimizes the chances of social harm by
12 protecting and promoting the health of all San Franciscans; limits youth access and exposure to
13 cannabis and cannabis products; ensures safe consumption; maintains the City's progressive clean air
14 policies for residents, businesses, and their employees; creates equitable access to opportunities within
15 the cannabis industry; and creates jobs and tax revenue for the City.

16
17 **SEC. 1601. ADMINISTRATION AND ENFORCEMENT.**

18 ~~(a)~~ This Article 16 shall be administered and enforced by the Office of Cannabis. The Director
19 may adopt rules, regulations, and guidelines to carry out the provisions and purposes of this Article,
20 including, but not limited to: operating guidelines designed to further the goals of reducing the illegal
21 market for Cannabis and Cannabis Products, protecting and promoting the health of all San
22 Franciscans, limiting youth access and exposure to Cannabis and Cannabis Products, ensuring safe
23 consumption of Cannabis and Cannabis Products, and creating equitable access to opportunities
24 within the Cannabis industry; hearing procedures; and standards for the imposition of administrative
25 penalties, permit suspensions and permit revocations. The Director shall adopt rules, regulations,

1 and guidelines to ensure that Storefront Cannabis Retailers and Delivery-Only Cannabis
2 Retailers maintain and Sell an inventory of Medicinal Cannabis and Medicinal Cannabis
3 Products that is sufficient in volume and variety to meet the diverse medical needs of qualified
4 patients, including but not limited to guidelines addressing the availability of Cannabis flowers,
5 and other specific forms of Cannabis or Cannabis Products.

6 *(b) The Director is authorized to enter into agreements with State Licensing Authorities to*
7 *enforce Division 10 of the California Business and Professions Code and its implementing regulations,*
8 *consistent with Section 26202 of the California Business and Professions Code.*

9
10 **SEC. 1602. DEFINITIONS.**

11 *As used in this Article 16, the following words or phrases shall mean:*

12 *“A-license” has the meaning set forth in Section 26001 of the California Business and*
13 *Professions Code, as may be amended from time to time.*

14 *“A-licensee” has the meaning set forth in Section 26001 of the California Business and*
15 *Professions Code, as may be amended from time to time.*

16 *“Adult Use Cannabis” means Cannabis or Cannabis Products intended for adults 21 years of*
17 *age and over.*

18 *“Applicant” means an Owner applying for a Cannabis Business Permit under this Article 16.*

19 *“Bona Fide Order” means an order for the delivery of Cannabis or Cannabis Products to a*
20 *Customer that includes this information supplied by the Customer: (a) the Customer’s name and date of*
21 *birth; (b) the date Delivery is requested and the address of the real property where the Customer would*
22 *like the items Delivered; (c) an itemization of the Cannabis items proposed for Delivery and the*
23 *amount, quantity, and/or volume of each such item; and (d) a statement that the Cannabis or Cannabis*
24 *Product is not for the purpose of resale.*

1 “Bona Fide Proof of Identity and Age” means: (a) a valid document issued by a federal, state,
2 or local government, or subdivision or agency thereof, including, but not limited to, a valid motor
3 vehicle operator's license, that contains the name, date of birth, description of physical characteristics,
4 and photo of the person; (b) a valid passport issued by the United States or by a foreign government; or
5 (c) a valid identification card issued to a member of the United States Armed Forces that includes a
6 date of birth and a photo of the person.

7 “Business Work Hours” means the total hours worked for a Cannabis Business by all
8 workers, whether those workers are employed by the Cannabis Business or any
9 subcontractor.

10 “Cannabis” has the meaning set forth in Section 26001 of the California Business and
11 Professions Code, as may be amended from time to time.

12 “Cannabis Business” means any of the following: Cannabis Cultivation Facility, Cannabis
13 Manufacturing Facility, Cannabis Testing Facility, Cannabis Distributor, Cannabis Microbusiness,
14 Medicinal Cannabis Retailer, Cannabis Retailer, or Delivery-Only Cannabis Retailer.

15 “Cannabis Business Permit” means a permit to operate a specific type of Cannabis Business
16 issued under this Article 16.

17 “Cannabis Business Registration Period” means the period of time during which Persons
18 wishing to apply for Cannabis Business Permits may register with the Office of Cannabis, as set forth
19 in Section 1605 of this Article 16.

20 “Cannabis Cultivation Facility” means a fixed place of business where Cannabis is Cultivated
21 for Commercial purposes.

22 “Cannabis Distributor” means a fixed place of business where Cannabis and/or Cannabis
23 Products are Distributed for Commercial purposes between Cannabis Businesses holding State
24 Cannabis Licenses.

1 “Cannabis Manufacturing Facility” means a fixed place of business where Cannabis Products
2 are Manufactured for Commercial purposes.

3 “Cannabis Microbusiness” means a fixed place of business where Cannabis and/or Cannabis
4 Products are Cultivated, Manufactured, Distributed, and Sold to Customers.

5 “Cannabis Products” has the meaning set forth in Section 26001 of the California Business and
6 Professions Code, as may be amended from time to time.

7 “Cannabis Retailer” means a fixed place of business where Cannabis and/or Cannabis
8 Products are Sold to Customers.

9 “Cannabis Testing Facility” means a fixed place of business where Cannabis and/or Cannabis
10 Products are tested for Commercial purposes.

11 “Canopy” means the designated area(s) at a permitted Premises that will contain Mature
12 Plants.

13 “City” means the City and County of San Francisco.

14 “Commercial” means undertaken for Compensation.

15 “Commercial Cannabis Activity” includes the cultivation, possession, manufacture, processing,
16 storing, laboratory testing, labeling, transporting, distribution, or sale of Cannabis or Cannabis
17 Products for Compensation, as provided for in this Article 16.

18 “Commercial Vehicle” has the meaning set forth in Section 260 of the California Vehicle Code,
19 as may be amended from time to time.

20 “Compensation” means money or anything of value made as a payment, loan, advance,
21 donation, contribution, deposit, forgiveness of debt, or gift.

22 “Consuming” or “Consumption” means ~~Smoking,~~ eating, drinking, chewing, applying
23 topically, or otherwise ingesting, ~~but does not include Smoking.~~

24 “Cultivation” has the meaning set forth in Section 26001 of the California Business and
25 Professions Code, as may be amended from time to time.

1 “Customer” has the meaning set forth in Section 26001 of the California Business and
2 Professions Code, as may be amended from time to time.

3 “Delivery” has the meaning set forth in Section 26001 of the California Business and
4 Professions Code, as may be amended from time to time.

5 “Delivery-Only Cannabis Retailer” means a fixed place of business from which Cannabis
6 and/or Cannabis Products are Delivered and Sold to Customers.

7 “Director” means the Director of the Office of Cannabis, or his or her designee.

8 “Distribution” or “Distribute” has the meaning set forth in Section 26001 of the California
9 Business and Professions Code, as may be amended from time to time.

10 “Hazardous material” has the meaning set forth in Section 1102 of the Health Code, as may be
11 amended from time to time.

12 “Hazardous materials plan” has the meaning set forth in Section 1102 of the Health Code, as
13 may be amended from time to time.

14 “Labor Peace Agreement” has the meaning set forth in Section 26001 of the California
15 Business and Professions Code, as may be amended from time to time.

16 “Local Resident” means an individual who is domiciled, as defined by Section 349(b) of
17 the California Elections Code, within the City for at least seven days immediately prior to
18 commencing work for a Cannabis Business.

19 “M-license” has the meaning set forth in Section 26001 of the California Business and
20 Professions Code, as may be amended from time to time.

21 “M-licensee” has the meaning set forth in Section 26001 of the California Business and
22 Professions Code, as may be amended from time to time.

23 “Manufacture” has the meaning set forth in Section 26001 of the California Business and
24 Professions Code, as may be amended from time to time.

25 “Mature Plant” means a Cannabis plant that is flowering.

1 “Medicinal Cannabis” has the meaning set forth in Section 26001 of the California Business
2 and Professions Code, as may be amended from time to time.

3 “Medical Cannabis Dispensary” means a cooperative or collective operating under the
4 authority of a permit issued by the Director of Health under Article 33 of the Health Code.

5 “Medicinal Cannabis Retailer” means a fixed place of business where Medicinal Cannabis
6 and/or Medicinal Cannabis Products are Sold to individuals who qualify under California Health and
7 Safety Code Sections 11362.7 et seq. to use Medicinal Cannabis.

8 “Office” means the Office of Cannabis or any successor office or agency.

9 “Owner” means any of the following:

10 (a) A Person with an aggregate ownership interest of 20% or more in the Person
11 applying for a Cannabis Business Permit or a Permittee, unless the interest is solely a security, lien, or
12 encumbrance;

13 (b) The chief executive officer of a nonprofit or other entity;

14 (c) A member of the board of directors of a nonprofit; or

15 (d) An individual who will be participating in the direction, control, or management of
16 the Person applying for a permit.

17 “Permittee” means any Person to whom a Cannabis Business Permit is issued under this
18 Article 16, and any authorized agent or designee of such Person.

19 “Person” includes any individual, firm, partnership, joint venture, association, corporation,
20 limited liability company, estate, trust, business trust, receiver, syndicate, or any other entity, or other
21 group or combination acting as a unit. Person includes both the plural and singular.

22 “Physician’s Recommendation” has the meaning set forth in Section 26001 of the California
23 Business and Professions Code, as may be amended from time to time.

1 “Pre-Existing Non-Conforming Operator” means a Cannabis Business that engaged in
2 Commercial Cannabis Activities relating to Medicinal Cannabis as of September 26, 2017, in
3 a location where such activities were not authorized by or consistent with the Planning Code.

4 “Premises” has the meaning set forth in Section 26001 of the California Business and
5 Professions Code, as may be amended from time to time.

6 “Processing” means the drying, curing, trimming, or packaging of Cannabis. “Processing”
7 does not include the growing, planting, or harvesting of Cannabis.

8 “Referring Department” means any City department, agency, office, board, or commission that
9 is required by this Article 16, or its implementing regulations, to review an Applicant’s application for
10 a Cannabis Business Permit prior to issuance of such permit by the Director.

11 “Security Guard” has the meaning set forth in Section 1060 of the Police Code, as may be
12 amended from time to time.

13 “Security Plan” means a plan that adequately addresses the safety of persons and property at
14 Cannabis Businesses, developed in consultation with the Police Department, and approved as a
15 condition of the Cannabis Business Permit by the Director.

16 “Sell,” “sale,” and “to sell” have the meaning set forth in Section 26001 of the California
17 Business and Professions Code, as may be amended from time to time.

18 “Smoke” or “Smoking” has the meaning set forth in Section 11362.3 of the California Health
19 and Safety Code, as may be amended from time to time.

20 “State Cannabis License” means a license to engage in a Commercial Cannabis Activity, issued
21 pursuant to Division 10 of the California Business and Professions Code.

22 “State Licensing Authority” means the state agency responsible for the issuance, renewal, or
23 reinstatement of a State Cannabis License.

24 “Storefront Cannabis Retailer” means either of the following: Medicinal Cannabis Retailer or
25 Cannabis Retailer.

1 “Temporary ~~Medicinal Cannabis Business Permit~~” means a Permit issued by the Director
2 under Section 1605 of this Article 16 authorizing the Temporary Permit holder to engage in time-
3 limited Commercial Activities relating to Medicinal Cannabis and Medicinal Cannabis Products.

4 “Tobacco Products” has the meaning set forth in Section 19H.2 of the Health Code, as may be
5 amended from time to time.

6 “Volatile Solvent” has the meaning set forth in Section 26130(b) of the California Business and
7 Professions Code, as may be amended from time to time.

8
9 **SEC. 1603. PERMITS REQUIRED.**

10 (a) It shall be unlawful to engage in any Commercial Cannabis Activity or to operate a
11 Cannabis Business within the City without obtaining and maintaining:

12 (1) A permit therefor issued by the Office of Cannabis;

13 (2) A license therefor issued by a State Licensing Authority pursuant to Division 10 of
14 the California Business and Professions Code; and

15 (3) Any such other licenses, permits, certifications, or registrations that may be
16 required by State or City law.

17 (b) It shall be unlawful for any Person to engage in any Commercial Cannabis Activity for
18 which a permit has been granted under this Article 16 if such permit has been revoked, or during any
19 period in which such permit is suspended.

20 (c) If any license, permit, certification, or registration required for the operation of a Cannabis
21 Business is denied, suspended, modified, revoked, or expired, the Cannabis Business and any Referring
22 Department responsible for the action shall notify the Director of such action in writing within two
23 business days.

24 (d) It shall be unlawful for any Person who is required to surrender a permit upon the sale of a
25 Cannabis Business, as required by Section 1608 of this Article 16, to fail to do so.

1
2 **SEC. 1604. EQUITY PROGRAM.**

3 (a) The Director, in consultation with the Human Rights Commission, shall
4 ~~establish~~implement an Equity Program designed to foster equitable access to participation in the
5 cannabis industry, including equitable access to promotional and ownership opportunities in the
6 industry. The Equity Program shall provide assistance to communities unfairly burdened by
7 the War on Drugs, and shall be designed to ensure full and equal access to resources and
8 opportunities made available as a result of Proposition 64. In particular, the Cannabis Equity
9 Program shall provide support to individuals who have experienced social indicators that
10 exacerbate inequities, and shall create strategies to uplift communities where those inequities
11 have been concentrated. ~~The Equity Program shall be informed by the findings contained in~~
12 ~~the Equity Report, prepared in accordance with subsection (b)(5) of Section 2A.420 of the~~
13 ~~Administrative Code. The Equity Program shall offer priority permit processing and technical~~
14 ~~assistance to Applicants who meet Equity Criteria (“Equity Applicants”) adopted by the~~
15 ~~Director.~~

16 (b) Equity Applicants. The Equity Program shall offer priority permit processing, as
17 provided in Section 1606, to an individual who meets the following Equity Criteria (“Equity
18 Applicant”):

19 (1) Is a natural person;

20 (2) During the period 1971-2009, lived for at least five years, either
21 ~~consecutively or in total, in San Francisco census tracts where at least 17% of the households~~
22 ~~had incomes at or below the federal poverty level, as determined by the Director;~~

23 (3) At the time of application, has assets, excluding non-liquid assets and
24 retirement accounts, that do not exceed asset limits established by the Director;

1 (43) Submits an application for a Cannabis Business Permit in any of the
2 following capacities:

3 (A) As the sole owner/operator of the Applicant;

4 (B) As an individual with an ownership interest of at least 40% in the
5 corporate Applicant, and who is also the Chief Executive Officer of the corporate Applicant;

6 (C) As an individual with an ownership interest of at least 51% in the
7 corporate Applicant;

8 (D) As the Executive Director or member of the board of directors of a
9 not-for-profit Applicant where a majority of the members of the board of directors satisfy the
10 requirements of subsections (b)(2), (3), and (54) of this Section 1604; or

11 (E) As an individual with a membership interest in an Applicant formed
12 as a cooperative; and

13 (54) Meets ~~two~~three or more of the following additional criteria:

14 (A) At the time of application, is a member of a household that earns no
15 more than 80% of the San Francisco Area Median Income, adjusted for household size;

16 (B) ~~Was arrested or convicted in the state of California during the period~~
17 1971-2009 for a crime, provided the arrest or conviction meets any of the criteria set forth in
18 subsection (a) of Section 4904 of the Police Code relating to the sale, possession, use,
19 manufacture, or cultivation of cannabisDuring the period 1971-2016, was arrested for,
20 convicted of, or adjudged to be a ward of the juvenile court for any crime under the laws of
21 California or any other jurisdiction relating to the sale, possession, use, manufacture, or
22 cultivation of Cannabis;

23 (C) ~~Was arrested or convicted in the state of California during the period~~
24 1971-2009 for a nonviolent crime other than a crime relating to the sale, possession, use,
25 manufacture, or cultivation of cannabis;

1 (DC) Since 1995, experienced housing insecurity in San Francisco, as
2 evidenced by eviction, foreclosure, or revocation of housing subsidy; or

3 (ED) Has a parent, sibling, or child who, during the period 1971-2016,
4 was arrested for, convicted of, or adjudged to be a ward of the juvenile court for any crime
5 under the laws of California or any other jurisdiction relating to the sale, possession, use,
6 manufacture, or cultivation of Cannabis; Has a parent, sibling, or child who was convicted in
7 the state of California during the period 1971-2009 for a nonviolent crime, or for a crime
8 relating to the sale, possession, use, manufacture, or cultivation of cannabis.; or

9 (FE) Attended a school under the jurisdiction of the San Francisco
10 Unified School District for five years, either consecutively or in total, during the period 1971-
11 200916.; or

12 (F) During the period 1971-200916, lived for at least five years, either
13 consecutively or in total, in San Francisco census tracts where at least 17% of the households
14 had incomes at or below the federal poverty level, as determined by the Director.

15 (c) **Equity Incubators.** The Equity Program shall offer priority permit processing, as
16 provided in Section 1606, to Equity Incubators. For purposes of this Article 16, an Equity
17 Incubator is an Applicant that does not qualify as an Equity Applicant, but that submits with its
18 Cannabis Business Permit application a Cannabis Equity Incubator Agreement in which it
19 commits to comply with the following additional operating requirements during its first three
20 years in operation as a Cannabis Business:

21 (1) Ensure that at least 5030% of all Business Work Hours are performed by
22 Local Residents. Business Work Hours performed by residents of states other than California
23 shall not be considered in calculation of the number of Business Work Hours to which this
24 requirement applies;

1 (2) Ensure that at least 50% of the Equity Incubator’s employees satisfy the
2 requirements of subsections (b)(2), (3), and (54) of this Section 1604;

3 (3) Provide a community investment plan demonstrating engagement with
4 businesses and residents located within 500 feet of the site of the proposed Cannabis
5 Business; and

6 (4) Comply with one of the following additional operating requirements:

7 (A) Provide technical assistance and business mentoring to Equity
8 Applicants who have been awarded Cannabis Business Permits (“Equity Operators”)Submit to
9 the Director a written, actionable “Equity Incubator Plan” describing how the Equity Incubator
10 will encourage and support the establishment and growth of Equity Applicants who have been
11 awarded Cannabis Business Permits (“Equity Operators”), by, among other things, providing
12 business plan guidance, operations consulting, and technical assistance; or

13 (B) Provide an Equity Operator with rent-free commercial space owned
14 or leased by the Equity Incubator in which the Equity Operator conducts its Cannabis
15 Business. The rent-free commercial space must equal or exceed 800 square feet or the
16 equivalent of at least 10% of the square footage of the Equity Incubator’s Premises, and must
17 include the Equity Incubator’s provision of security services for the space.

18
19 **SEC. 1605. TRANSITION PROVISION** ~~FOR ACTIVITIES RELATING TO MEDICINAL~~
20 ~~CANNABIS.~~

21 *(a) Cannabis Business Registration. The Office of Cannabis shall initiate a Cannabis*
22 *Business Registration Period in order to collect information from Persons wishing to apply for*
23 *Cannabis Business Permits. During the Cannabis Business Registration Period, such Persons shall*
24 *have the opportunity to register with the Office of Cannabis, and to provide such information as may be*
25 *required by the Director, including but not limited to:*

1 (1) Information regarding the type(s) of Cannabis Business Permit(s) and State
2 Cannabis License(s) for which they intend to apply in 2018;

3 (2) Information about the location of the proposed Cannabis Business, including but not
4 limited to proof that the property owner has authorized the use of the property as a Cannabis Business;

5 (3) Copies of all applicable licenses, permits, certifications, and registrations issued by
6 the City or the State and held by the Owner of the proposed business, including but not limited to
7 Hazardous materials registrations, site permits, Business Registration Certificates, and/or Seller's
8 Permits; and

9 (4) Such other information, documents, and/or attestations as the Director may deem
10 necessary or appropriate for registration.

11 **(b) Registration a Condition of Eligibility for Temporary Medicinal Cannabis Business**
12 **Permit.** Persons that do not register with the Office of Cannabis during the Cannabis Business
13 Registration Period shall not be eligible to apply for or receive a Temporary Medicinal Cannabis
14 Business Permit, as set forth in subsection (d) of this Section 1605.

15 **(c) Medical Cannabis Dispensaries.**

16 (1) To ensure the continued availability of Medicinal Cannabis for individuals who
17 qualify under California Health and Safety Code Sections 11362.7 et seq. to use Medicinal Cannabis, a
18 Medical Cannabis Dispensary that holds a valid permit to operate from the Department of Public
19 Health as of the effective date of this Article 16 may continue to operate as a Medical Cannabis
20 Dispensary at the location identified in its Medical Cannabis Dispensary permit and consistent with the
21 terms of Article 33 of the Health Code, provided that:

22 (A) The Owner of the Medical Cannabis Dispensary provides the Office of
23 Cannabis with information identifying the type(s) of Cannabis Business Permits and State Cannabis
24 Licenses for which the Owner intends to apply in 2018, and such other information as may be required
25 by the Director;

1 (B) The Owner of the Medical Cannabis Dispensary applies for and obtains a
2 temporary or permanent State Cannabis License;

3 (C) The Owner of the Medical Cannabis Dispensary applies for a Cannabis
4 Business Permit within 30 days of the date that the Office of Cannabis makes such applications
5 available; and

6 (D) The Owner of a Medical Cannabis Dispensary agrees to surrender its
7 Medical Cannabis Dispensary permit to the Department of Public Health upon being awarded a
8 Cannabis Business Permit.

9 (2) A Medical Cannabis Dispensary's permit to operate, as issued under Article 33 of
10 the Health Code, shall expire as a matter of law when it is surrendered to the Department of Public
11 Health, as set forth in subsection (c)(1)(D) of this Section 1605, or upon the sunset of Article 33,
12 whichever occurs sooner.

13 (d) ~~Temporary Medicinal Cannabis Business Permits.~~ The Office of Cannabis shall make
14 applications available for Temporary ~~Medicinal Cannabis Business Permits~~ for all permit categories
15 other than Storefront Cannabis Retailers. In order to be eligible for a Temporary ~~Medicinal Cannabis~~
16 Business Permit, an Applicant must do all of the following:

17 (1) Submit an application, on a form to be prescribed by the Director;

18 (2) Demonstrate compliance with the Cannabis Business Registration process set forth
19 in subsection (a) of this Section 1605;

20 (3) Demonstrate that as of September 26, 2017, the Applicant was engaging in
21 Commercial Cannabis Activities relating to Medicinal Cannabis in the City and has continued to
22 engage in such activities without interruption;

23 (4) Demonstrate that the proposed Cannabis Business complies with the Planning
24 Code;

1 (5) Authorize and submit to the inspection of the proposed Premises by the Office of
2 Cannabis, the Fire Department, the Department of Building Inspection, the Department of Public
3 Health, and such other City departments, agencies, and offices as may be necessary to confirm that the
4 proposed Cannabis Business will operate in compliance with law and with the applicable interim
5 health and safety standards;

6 (6) Acknowledge the obligation to pay any non-refundable application and/or
7 inspection fees that the Office of Cannabis and/or the Referring Departments may impose in connection
8 with the application for a Temporary ~~Medicinal~~ Cannabis Business Permit; and

9 (7) Demonstrate that the proposed Cannabis Business complies with applicable interim
10 health and safety standards developed by the Director in consultation with the Department of Building
11 Inspection, the Fire Department, the Police Department, and the Department of Public Health. The
12 interim health and safety standards shall be sufficient to protect the health and safety of employees,
13 neighbors, and Customers of the proposed Cannabis Business, and to prohibit unlawful access to
14 Cannabis and Cannabis Products by underage individuals ~~and individuals who do not qualify to~~
15 use ~~Medicinal~~ Cannabis.

16 (e) **Review, award, and denial of Temporary ~~Medicinal~~ Cannabis Business Permits.** The
17 Director shall ensure that the Premises are inspected by all relevant City Departments, and shall
18 review all documentation submitted by the Applicant for the Temporary ~~Medicinal~~ Cannabis Business
19 Permit in support of the application. If the application is incomplete, the Director shall advise the
20 Applicant of the deficiencies, and give the Applicant 30 days in which to correct them. If the
21 application is complete, the Director shall determine whether the Applicant has demonstrated
22 compliance with subsection (d) of this Section 1605, and any implementing regulations. After
23 determining whether the Applicant has met these standards, the Director shall either award, award
24 with conditions, or deny the Temporary ~~Medicinal~~ Cannabis Business Permit.

1 **(f) Appeal of Denial of Application for Temporary Medicinal Cannabis Business Permit.**

2 *The decision of the Director to award, award with conditions, or deny a Temporary Medicinal*
3 *Cannabis Business Permit may be appealed to the Board of Appeals in the manner prescribed in*
4 *Article 1 of the San Francisco Business and Tax Regulations Code.*

5 **(g) Activities Authorized by Temporary Medicinal Cannabis Business Permit.** *A Temporary*

6 *Medicinal Cannabis Business Permit issued under this Section 1605 shall authorize the Permittee to*
7 *engage in all of the activities authorized by a Cannabis Business Permit of the same category, as set*
8 *forth in Sections 1623 - 1629 of this Article 16; provided, however, that a Temporary Medicinal*
9 *Cannabis Business Permit shall not authorize the Permittee to engage in any Commercial*
10 *Cannabis Activities relating to Adult Use Cannabis or Adult Use Cannabis Products.*

11 **(h) Duration.** *A Temporary Medicinal Cannabis Business Permit issued under this Section*

12 *1605 shall be valid for a period of 120 days and may be extended for additional 90-day periods at the*
13 *discretion of the Director. Notwithstanding the prior sentence, the Director shall not issue a new*
14 *temporary permit after January 1, 2019, and shall not extend the term of a Temporary Cannabis*
15 *Business Permit past January 1, 2019.*

16 **(i) Temporary Medicinal Cannabis Business Permit does not guarantee rights regarding a**

17 **permanent permit.** *A Temporary Cannabis Business Permit does not obligate the Director to issue a*
18 *permanent permit pursuant to Section 1615 of this Article 16, or create a vested right in the holder to*
19 *either an extension of the temporary permit or to the granting of a subsequent permanent permit.*

20 **(j) Duty to apply for permanent permit.** *A Person that is awarded a Temporary Medicinal*

21 *Cannabis Business Permit under this Section 1605 must apply for a Cannabis Business Permit, as set*
22 *forth in Section 1606, within 30 days of when the Office of Cannabis makes applications for such*
23 *permits available. The Director shall not accept applications for Temporary Medicinal Cannabis*
24 *Business Permits after making applications for Cannabis Business Permits available.*

1 (k) Registration of Pre-Existing Non-Conforming Operators. A Pre-Existing Non-
2 Conforming Operator shall be eligible to receive technical assistance and apply for a
3 Cannabis Business Permit, as set forth in Section 1606 of this Article 16, provided it registers
4 with the Office of Cannabis during the Cannabis Business Registration Period and provides
5 the following information and documentation:

6 (1) Information regarding the type(s) of Commercial Cannabis Activities that the
7 operator conducts;

8 (2) Information regarding the type(s) of Cannabis Business Permit(s) and State
9 Cannabis License(s) for which the operator intends to apply in 2018;

10 (3) Demonstration that as of September 26, 2017, the operator was engaging in
11 Commercial Cannabis Activities relating to Medicinal Cannabis in the City;

12 (4) Copies of all applicable licenses, permits, certifications, and registrations
13 issued by the City or the State and held by the Owner of the proposed business, including but
14 not limited to Hazardous materials registrations, site permits, Business Registration
15 Certificates, and/or Seller's Permits;

16 (5) An affidavit or declaration made under penalty of perjury by an Owner
17 certifying that the Pre-Existing Non-Conforming Operator will not engage in Commercial
18 Cannabis Activities in a location where such activities are not authorized by or consistent with
19 the Planning Code; and

20 (6) Such other information, documents, and/or attestations as the Director may
21 deem necessary or appropriate for registration.

22
23 **SEC. 1606. APPLICATIONS FOR CANNABIS BUSINESS PERMITS.**

24 (a) The Director shall not accept applications for Cannabis Business Permits, other
25 than Medicinal Cannabis Retailer permits, until he or she has adopted an Equity Program, as

1 set forth in ~~Section 1604 of this Article 16.~~

2 (a) Prior to January 1, 2019, Except as provided in subsection (b) of this Section
3 1606, the Director shall issue Cannabis Business Permits only to Applicants that meet one or more of
4 the following criteria:

5 (1) Qualify as an Equity Applicant or an Equity Incubator;

6 (2) Possess a valid permit to operate a Medical Cannabis Dispensary issued pursuant
7 to Article 33 of the Health Code prior to the effective date of the ordinance, in Board File Number
8 171042, establishing this Article 16;

9 (3) ~~Was~~ issued a Temporary ~~Medicinal~~ Cannabis Business Permit under Section
10 1605 of this Article 16;

11 (4) ~~Has~~ demonstrated to the Director's satisfaction that the Applicant operated in
12 compliance with the Compassionate Use Act of 1996, and was forced to discontinue operations as a
13 result of federal prosecution or threat of federal prosecution; ~~or~~

14 (5) Applied for a Medical Cannabis Dispensary Permit prior to ~~September 26, 2017~~
15 that required referral to and approval by the Planning Commission, and received approval from the
16 Planning Commission prior to the effective date of the ordinance, in Board File Number
17 171042, establishing this Article 16; ~~or~~

18 (6) Registered with the Office of Cannabis as a Pre-Existing Non-Conforming
19 Operator, as set forth in subsection (k) of Section 1605 of this Article 16.

20 (b) The Director may award a Cannabis Business Permit to an Applicant that does not
21 meet the criteria set forth in subsection (a) of this Section 1606 if the total number of Cannabis
22 Business Permits awarded to Equity Applicants in the permit category sought by the Applicant
23 has reached 50% of the total number of Cannabis Business Permits awarded in that permit
24 category.

1 (b)(c) The Office of Cannabis shall review and process applications for Cannabis Business
2 Permits in an order that reflects the Applicant's priority category:

3 (1) First priority: applications from Equity Applicants;

4 (2) Second priority: ~~applications from Applicants that were operating in~~
5 compliance with the Compassionate Use Act of 1996 before September 1, 2016 and
6 applications from Equity Incubators;

7 (3) Third priority: applications from Applicants, including Pre-Existing Non-
8 Conforming Operators, that were operating in compliance with the Compassionate Use Act of
9 1996 before September 1, 2016;

10 (~~3~~4) ~~Third~~Fourth priority: applications that demonstrate a commitment on the part of
11 the Applicant to provide benefits to the community in which the Cannabis Business is located, including
12 but not limited to workforce opportunities and community benefits contributions; and

13 (~~4~~5) ~~Fourth~~Fifth priority: all other applications.

14
15 **SEC. 1607. CANNABIS BUSINESS PERMITS.**

16 (a) For the purpose of regulating the Commercial Cultivation, Manufacture, Testing,
17 Distribution, Sale, and Delivery of Cannabis, the Director may issue the following permits:

18 (1) Cannabis Cultivation Facility;

19 (2) Cannabis Manufacturing Facility;

20 (3) Cannabis Testing Facility;

21 (4) Cannabis Distributor;

22 (5) Cannabis Microbusiness;

23 (6) Medicinal Cannabis Retailer;

24 (7) Cannabis Retailer; and

25 (8) Delivery-Only Cannabis Retailer.

1
2 **SEC. 1608. TRANSFER OF PERMIT; PORTABILITY OF PERMIT; SALE OF**
3 **CANNABIS BUSINESS; CHANGE IN OWNERSHIP; INTERIM CANNABIS BUSINESS**
4 **PERMITS.**

5 **(a) Permits Nontransferable.** *No permit issued under this Article 16 shall be transferable*
6 *under any circumstances, including but not limited to the sale of the Cannabis Business.*

7 **(b) Permits Portable.** *A Cannabis Business Permittee that closes its Cannabis*
8 *Business may retain its Cannabis Business Permit for up to 18 months from the date of*
9 *closure, and may conduct Commercial Cannabis Activities under that permit at a different*
10 *Premises provided:*

11 **(A1)** *There is no change in ownership;*

12 **(B2)** *The Referring Departments complete all necessary review and inspections*
13 *of the new Premises, and report their determinations to the Office of Cannabis;*

14 **(C3)** *The Permittee demonstrates that the new Premises complies with the*
15 *requirements of this Article 16 and the Planning Code; and*

16 **(D4)** *The Director finds that there are no grounds for denial of a Cannabis*
17 *Business Permit, as set forth in subsections (d)-(e) of Section 1615 of this Article 16.*

18 **(bC) Sale of Cannabis Business.** *If a Permittee sells the Cannabis Business, the Permittee*
19 *shall promptly surrender the permit to the Director. This obligation is not dependent on the Director's*
20 *requesting the surrender, but arises by operation of law on the sale of the Cannabis Business. If the*
21 *Permittee fails to surrender the permit to the Director, the Director may, after giving the Permittee*
22 *notice by mail and electronically of the proposed action and an opportunity to respond, revoke the*
23 *permit.*

24 **(ed) Change in Ownership.** *A Permittee may change partners, shareholders, or other Owners*
25 *of a Cannabis Business provided that: the sale or other transfer of ownership regardless of the form of*

1 ownership results in a new Person owning no more than 20% of the Cannabis Business, and the
2 Permittee obtains an amendment to the Permit as provided in subsection (ed)(2) of this Section 1608.
3 If the sale or other transfer of ownership does not result in any Person (who did not already have such
4 a percentage interest) having an ownership interest of 20% or more, the Permittee is not required to
5 obtain a permit amendment.

6 (1) A Permittee seeking to amend a permit as required under this subsection (ed) shall
7 pay the required filing fee for a permit amendment and that portion of the information required for
8 Applicants under Section 1609, as determined by the Director.

9 (2) The Director shall determine within 30 days of the filing of a complete application
10 for a permit amendment under this subsection (ed) whether to approve it. The Director shall approve
11 the application unless the Director determines that denial is warranted under any of the grounds set
12 forth in Section 1615. The Director shall notify the Permittee of the Director's decision electronically
13 and either by mail or personal delivery.

14 (de) **Interim Cannabis Business Permits.** Once the Director receives a surrendered Cannabis
15 Business Permit to Operate, as set forth in subsection (b) of this Section 1608, the new Owner of the
16 business may apply to the Director for an Interim Cannabis Business Permit, subject to any required
17 Planning Department approvals, for a period not to exceed 90 days from the date of surrender (an
18 "Interim Permit"). An Interim Permit may not be renewed. The Director may grant an Interim Permit
19 provided that:

20 (1) The new Owner has submitted a completed application for a Cannabis Business
21 Permit to the Office of Cannabis, and a completed application for a State Cannabis License to the
22 appropriate State Licensing Authority;

23 (2) The new Owner applies for the same type of Cannabis Business Permit as was held
24 by the prior Owner;

1 (3) The Premises to which the Cannabis Permit applies complies with all existing
2 health, safety, and fire ordinances, and applicable state laws governing Cannabis Businesses; and

3 (4) An Interim Permit is necessary to ensure uninterrupted operations of a Cannabis
4 Business at the Premises, or to minimize interruption of its operations.

5
6 **SEC. 1609. PERMIT APPLICATIONS.**

7 **(a) Application and Fee Required.** Every Applicant for a Cannabis Business Permit shall:

8 (1) File an application with the Director upon a form provided by the Director;

9 (2) Provide such information as may be required by this Article 16 and any regulations
10 promulgated thereto; and

11 (3) Pay a non-refundable application fee, unless the Applicant is eligible for a fee
12 waiver or reduction, as authorized by ordinance.

13 **(b) Information Required of All Applicants for Cannabis Business Permits.** The application
14 form for all Cannabis Business Permit Applicants shall require the Applicant to provide the following
15 information and documentation:

16 (1) The name, street address, and parcel number of the business for which the permit is
17 sought;

18 (2) The name and address of the Applicant as follows:

19 (A) If the Applicant is a corporation, the name of the corporation as shown in its
20 articles of incorporation; the date and place of incorporation; and the name and address of each
21 officer or director;

22 (B) If the Applicant is a Person other than a publicly traded company, the name
23 and address of every Person that directly or indirectly owns or controls 20% or more of the assets,
24 ownership interests, or voting interests in that Person;

1 (3) The name of and contact information for the manager(s) who will, directly or
2 through designees, be on the Premises during hours of operation;

3 (4) The name and address of each Person who appears on the business registration
4 certificate for the Business for which a permit is sought;

5 (5) The name and address of each Person who has or will have authority or control
6 over the Business and a brief statement of the nature and extent of such authority and control, if the
7 Applicant has not otherwise provided this information in the application;

8 (6) The name and address of the Person authorized to accept service of process;

9 (7) For all Applicants, a complete set of fingerprints in the manner required by the
10 Director for the purpose of conducting a criminal background check, and such additional information
11 concerning the criminal histories of Owners, as may be required by the Director;

12 (8) Written verification that the owner of the real property where the Cannabis Business
13 will be located consents to its use as a Cannabis Business. Such written verification must be signed by
14 the property owner or the owner's agent;

15 (9) Where the Applicant leases the Real Property, a copy of the lease;

16 (10) A determination from the Planning Department that the proposed use as a
17 Cannabis Business is in compliance with the Planning Code;

18 (11) An Operations Plan that includes such information as may be required by the
19 Director, including but not limited to:

20 (A) An odor mitigation plan;

21 (B) A Hazardous materials inventory;

22 (C) A power plan;

23 (D) A Security Plan;

24 (E) A track and trace compliance plan;

25 (F) A waste disposal plan; and

1 (G) A water management plan.

2 (12) A copy of the Applicant's business license, as required by Article 2 of the
3 Business and Tax Regulations Code, or where pending, proof of application therefor; For
4 Applicants with 10 or more employees, a statement that the Applicant will enter into, or
5 demonstrate that it has already entered into, and abide by the terms of a Labor Peace
6 Agreement;

7 (13) A copy of the Applicant's business registration certificate, as required by Article
8 12 of the Business and Tax Regulations Code, or where pending, proof of application therefor;

9 (14) A copy of the Applicant's Seller's Permit, as may be required by Section 6067 of
10 the California Revenue and Taxation Code, or where pending, proof of application therefor;

11 (15) A completed Permit Checklist upon a form provided by the Director;

12 (16) A detailed, scaled diagram of the proposed Premises that shows the boundaries of
13 the property and all entrances, exits, interior partitions, walls, rooms, doorways, and common or
14 shared entryways. The diagram must show the areas in which all Commercial Cannabis Activity will
15 take place, including but not limited to areas where access will be limited to employees of the Cannabis
16 Business and Customer access will be prohibited. If the proposed Premises consists of only a portion
17 of property, the diagram shall reflect the Premises used for Cannabis activity and describe the use for
18 the remaining portion of the property;

19 (17) Disclosure of all other previous and current Cannabis-related licenses and permits
20 issued by or sought from the City, the State, and any out-of-state jurisdiction, including the date the
21 permit or license was issued or denied, and the name of the permitting or licensing authority;

22 (18) A signed statement authorizing the Department of the Environment or, where
23 applicable, the Public Utilities Commission to conduct an energy assessment within the first year of
24 operation;

1 (19) A copy of a proposed Good Neighbor Policy, developed in consultation with the
2 Office of Cannabis, under which the Applicant agrees to:

3 (A) Provide to residential and commercial neighbors located within 300 feet of
4 the Cannabis Business the name, phone number, and email address of an onsite manager or community
5 relations staff person who may be contacted concerning any problems associated with operation of the
6 establishment;

7 (B) Maintain the Premises, adjacent sidewalk and/or alley in good condition at
8 all times; and

9 (C) Prohibit loitering in or around the Premises, and post notifications on the
10 Premises advising individuals of this prohibition.

11 (20) A staffing plan that includes an organizational chart, demonstrating the roles and
12 responsibilities of each employee and the reporting structure;

13 (21) A Community Benefits Agreement for consideration by the Director that must, at a
14 minimum:

15 (A) Commit to the development of a First Source Hiring Plan, as set forth in
16 Section 1618 of this Article 16; and

17 (B) Describe the Applicant’s employment outreach and recruitment strategies;
18 and

19 (C) Describe how the Applicant will work to encourage and support the
20 establishment and growth of Equity Applicants, provide employment opportunities to persons
21 that have been disproportionately impacted by the criminalization of Cannabis, and otherwise
22 further the City’s equity goals.

23 (22) A Security Plan;

24 (23) A statement signed by the Applicant that the Applicant will not Sell or maintain on
25 the Premises Tobacco Products or alcoholic beverages;

1 (24) Documents demonstrating that the Applicant engaged in a Community Outreach
2 Strategy to advise neighbors of its intent to apply for a Cannabis Business Permit and to solicit input
3 on its proposed Good Neighbor Policy. An Applicant's Community Outreach Strategy must, at a
4 minimum, include written notice to neighbors within 300 feet of the Premises of the Applicant's intent
5 to open a Cannabis Business at that location, information about how neighbors may provide input on
6 the content of the Applicant's Good Neighbor Policy, and sign-in sheets and minutes for meetings held
7 with neighbors. All materials and notices developed and distributed to neighbors by the
8 Applicant as part of its Community Outreach Strategy must be translated into the languages
9 required by the Language Access Ordinance, Administrative Code Chapter 91:

10 ~~(25) For Applicants with 10 or more employees, a statement that the Applicant~~
11 ~~will enter into, or demonstrate that it has already entered into, and abide by the terms of a~~
12 ~~Labor Peace Agreement;~~

13 (25) For Applicants that submitted an Equity Plan, as set forth in Section 3322
14 of the Health Code, an Equity Progress Report describing the steps the Applicant has taken in
15 compliance with and furtherance of its Equity Plan since its submission to the Director.

16 ~~(25656)~~ Such further information as the Director requires regarding financial and
17 lease arrangements, management authority, operational control of the Business or its Premises, or
18 other matters, when such further information will assist the Director in his/her determination whether
19 to grant or deny the permit; and

20 ~~(26767)~~ A statement signed by the Applicant under penalty of perjury, that the
21 information provided is complete, true, and accurate.

22 **(c) Additional Information Required of Applicants for Cannabis Cultivation Facility permits.**
23 In addition to the information required under subsection (b) of this Section 1609, an Applicant for a
24 Cannabis Cultivation Facility permit shall also submit as part of its application:

1 (1) Copies of all documentation submitted to the State Licensing Authority in support of
2 its application for a State Cannabis License authorizing the Cultivation and/or Processing of
3 Cannabis;

4 (2) A statement declaring the Applicant is an “agricultural employer” as defined by the
5 Alatorre-Zenovich-Dunlap-Berman Agricultural Labor Relations Act of 1975, California Labor Code
6 Section 1140.4, to the extent not prohibited by law;

7 (3) Information demonstrating the size of the planned Canopy, by square footage of
8 Cultivation and/or Processing area(s), as applicable;

9 (4) Indication on the diagram of the proposed Premises of the location of any
10 Hazardous materials and water storage;

11 (5) For Applicants that will engage in the Cultivation of Cannabis, a Cultivation Plan
12 containing such information as may be required by the Director, including but not limited to:

13 (A) A list of pesticides to be used and quantities of pesticides to be stored on the
14 Premises;

15 (B) A list of fertilizers to be used and quantities of fertilizers to be stored on the
16 Premises;

17 (C) A list of any Hazardous materials to be stored on the Premises, and the
18 quantities thereof;

19 (D) A copy of the Applicant’s Hazardous materials plan; and

20 (E) A list of propagative materials to be used for Cultivation.

21 (6) For Applicants that will engage in the Cultivation of Cannabis, a Water Plan
22 containing such information as may be required by the Director, including but not limited to:

23 (A) Identification of the water source and supplier;

24 (B) Where applicable, the point of diversion;

25 (C) A general description of the area in which the water will be used; and

1 (D) A description of all water conservation measures.

2 (7) For Applicants that will engage in the Processing of Cannabis, an Operations Plan
3 containing such information as may be required by the Director, including but not limited to:

4 (A) Identification of the equipment to be used on the Premises;

5 (B) A list of any Hazardous materials to be stored on the Premises, and the
6 quantities thereof; and

7 (C) A copy of the Applicant's Hazardous materials plan.

8 (8) A Power Plan containing such information as may be required by the Director,
9 including but not limited to:

10 (A) The name of the energy generation provider;

11 (B) An indication of the percentage of electricity supplied from California-
12 eligible renewable and large hydroelectric sources; and

13 (C) A description of all planned energy efficiency measures.

14 (d) **Additional Information Required of Applicants for Cannabis Manufacturing Facility**
15 **permits.** In addition to the information required under subsection (b) of this Section 1609, an
16 Applicant for a Cannabis Manufacturing Facility permit shall also submit as part of its application:

17 (1) Copies of all documentation submitted to the State Licensing Authority in support of
18 its application for a State Cannabis License authorizing the Manufacture of Cannabis;

19 (2) A Manufacturing Plan, containing such information as may be required by the
20 Director, including but not limited to:

21 (A) A detailed description of all processes to be used for the extraction,
22 packaging, and/or infusion of Cannabis;

23 (B) A list of any Hazardous materials stored on the Premises, and the quantities
24 thereof;

25 (C) A copy of the Applicant's Hazardous materials plan; and

1 (D) A description of all Cannabis Products that will be Manufactured on the
2 Premises; and

3 (3) A statement signed by the Applicant acknowledging that non-Cannabis products will
4 not be Manufactured on the Premises.

5 (e) **Additional Information Required of Applicants for Cannabis Testing Facility permits.** In
6 addition to the information required under subsection (b) of this Section 1609, an Applicant for a
7 Cannabis Testing Facility permit shall also submit as part of its application:

8 (1) Copies of all documentation submitted to the State Licensing Authority in support of
9 its application for a State Cannabis Testing Laboratory License;

10 (2) Evidence that the Applicant has obtained or has applied for ISO/IEC 17025
11 accreditation;

12 (3) A signed statement attesting that the Applicant has no economic interest in any
13 Cannabis Businesses other than testing laboratories, such as the one for which the permit is sought;

14 (4) A Laboratory Operations Plan containing such information as may be required by
15 the Director, including but not limited to:

16 (A) A description of sampling methods to be used; and

17 (B) A description of the chain of custody controls to be used.

18 (f) **Additional Information Required of Applicants for Cannabis Distributor permits.** In
19 addition to the information required under subsection (b) of this Section 1609, an Applicant for a
20 Cannabis Distributor permit shall also submit as part of its application:

21 (1) Copies of all documentation submitted to the State Licensing Authority in support of
22 its application for a State Distributor License authorizing the Distribution of Cannabis and Cannabis
23 Products;

24 (2) A Distribution Plan containing such information as may be required by the
25 Director, including but not limited to:

1 (A) Information identifying all locations where the Applicant will store
2 Cannabis or Cannabis Products;

3 (B) The Vehicle Information Number for each vehicle that will be used to
4 Distribute Cannabis and Cannabis Products, and proof of insurance therefor.

5 (3) A copy of the Applicant's Cannabis Tax Permit, as may be required by Section
6 34014 of the California Revenue and Taxation Code, as may be amended from time to time, or if
7 pending, proof of application therefor.

8 **(g) Additional Information Required of Applicants for Cannabis Microbusiness permits. In**
9 addition to the information required under subsection (b) of this Section 1609, an Applicant for a
10 Cannabis Microbusiness permit shall also submit as part of its application:

11 (1) Copies of all documentation submitted to the State Licensing Authority in support of
12 its application for a Cannabis Microbusiness License; and

13 (2) All documentation and information set forth in subsections (c), (d), (f), and (h) of
14 this Section 1609.

15 **(h) Additional Information Required of Applicants for Storefront Cannabis Retailer permits.**
16 In addition to the information required under subsection (b) of this Section 1609, an Applicant for a
17 Storefront Cannabis Retailer permit shall also submit as part of its application:

18 (1) Copies of all documentation submitted to the State Licensing Authority in support of
19 its application for a Retailer License.

20 (2) For Applicants that have held a valid Medical Cannabis Dispensary permit,
21 documentation demonstrating whether the on-site Smoking of Cannabis was prohibited by the Planning
22 Department or Planning Commission.

23 (3) A Storefront Cannabis Retailer Operations Plan containing such information as
24 may be required by the Director, including but not limited to:

1 (A) A description of the methods to be used to secure against theft or
2 misappropriation Cannabis Products that are not on display in the store; and

3 (B) A description of where and when shipments of Cannabis and Cannabis
4 Products will be received, and the security measures that will be implemented to ensure the safety of
5 the Retailer's employees, and the public, and to protect against the theft of Cannabis and Cannabis
6 Products;

7 (4) A description of how the Applicant will support the needs of Customers who qualify
8 under California Health and Safety Code Sections 11362.7 et seq. to use Medicinal Cannabis,
9 including but not limited to providing space where Customers may speak confidentially with employees
10 of the Cannabis Business, and ensuring a sufficient supply of Medicinal Cannabis and Medicinal
11 Cannabis Products;

12 (5) Indication of whether the Applicant intends to apply for a Cannabis Consumption
13 permit, as set forth in Article 8A of the Health Code, and a description of the type(s) of Consumption
14 that the Applicant proposes to allow on the Premises.

15 (6) If the Applicant intends to Deliver Cannabis or Cannabis Products to Customers,
16 the Applicant shall also provide:

17 (A) Information about the electronic platform, if any, to be used to receive and
18 process orders for Cannabis and/or Cannabis Products;

19 (B) The Vehicle Information Number for each vehicle that will be used to Deliver
20 Cannabis and Cannabis Products, and proof of insurance coverage therefor;

21 (C) A description of how the Applicant will confirm the age and identity of the
22 Customer prior to and/or upon Delivery;

23 (D) A description of how the Applicant will confirm that a Customer is qualified
24 under California Health and Safety Code Sections 11362.7 et seq. to use Medicinal Cannabis, prior to
25 and/or upon Delivery of Medicinal Cannabis or a Medicinal Cannabis Product.

1 (E) A description of how the Applicant will track drivers and Delivery status.

2 (F) A statement signed by the Applicant affirming that the Applicant:

3 (i) Will provide training to all Delivery employees concerning the laws
4 governing Sales and Deliveries of Cannabis and Cannabis Products;

5 (ii) Will take steps to ensure the personal safety of all Delivery
6 employees; and

7 (iii) Understands that the Delivery of Cannabis or Cannabis Products by
8 anyone other than an employee of the Applicant is a violation of this Article 16.

9 (7) If the Applicant intends to operate a Compassion Program, as set forth in
10 subsection (aa) of Section 1618 of this Article 16, a description of the proposed terms and
11 conditions of such program.

12 (i) **Additional Information Required of Applicants for Delivery-Only Cannabis Retailer**
13 permits. In addition to the information required under subsection (b) of this Section 1609, an
14 Applicant for a Delivery-Only Cannabis Retailer permit shall also submit as part of its application:

15 (1) Copies of all documentation submitted to the State Licensing Authority in support of
16 its application for a license authorizing the Delivery and Sale of Cannabis and/or Cannabis Products
17 to Customers.

18 (2) A description of how the Applicant will support the needs of Customers who qualify
19 under California Health and Safety Code Sections 11362.7 et seq. to use Medicinal Cannabis,
20 including but not limited to ensuring a sufficient supply of Medicinal Cannabis and Medicinal
21 Cannabis Products.

22 (3) A “Delivery-Only Cannabis Retailer Operations Plan” containing such information
23 as may be required by the Director, including but not limited to:

24 (A) Where applicable, a description of the protocols it intends to implement to
25 separately store, sell, and tax Medicinal and Adult Use Cannabis and Cannabis Products;

1 (B) A description of where and when shipments of Cannabis and Cannabis
2 Products will be received, and the security measures that will be implemented to ensure the safety of
3 the Business' employees, and the public, and to protect against the theft of Cannabis and Cannabis
4 Products;

5 (C) Information about the electronic platform, if any, to be used to receive and
6 process orders for Cannabis and/or Cannabis Products;

7 (D) The Vehicle Information Number for each vehicle that will be used to Deliver
8 Cannabis and Cannabis Products, and proof of insurance coverage therefor;

9 (E) A description of how the Applicant will confirm the age and identity of the
10 Customer prior to and/or upon Delivery;

11 (F) A description of how the Applicant will confirm that a Customer is qualified
12 under California Health and Safety Code Sections 11362.7 et seq. to use Medicinal Cannabis, prior to
13 and/or upon Delivery of Medicinal Cannabis or a Medicinal Cannabis Product;

14 (G) A description of how the Applicant will track Delivery employees and
15 Delivery status; and

16 (H) A statement signed by the Applicant affirming that the Applicant:

17 (i) Will provide training to all Delivery employees concerning the laws
18 governing Sales and Deliveries of Cannabis and Cannabis products;

19 (ii) Will take steps to ensure the personal safety of all Delivery
20 employees; and

21 (iii) Understands that the Delivery of Cannabis or Cannabis Products by
22 anyone other than an employee of the Applicant is a violation of this Article 16.

23 (j) Upon receipt of an application for a Medicinal Cannabis Retailer, Cannabis Retailer,
24 or Delivery-Only Cannabis Retailer permit, the Office of Cannabis shall post the name and
25 location of the proposed Cannabis Business on its website, and shall update its website with

1 information about the status of the application until such time as the application has been
2 approved or denied. The Office of Cannabis shall also cause a notice to be posted on the site
3 of the Premises associated with the aforementioned permit applications to notify neighbors
4 that a Cannabis Business Permit is sought at that location.

5
6 **SEC. 1610. WITHDRAWAL OF APPLICATION.**

7 *An Applicant may withdraw an application at any time prior to the Office’s issuance or denial*
8 *of a Cannabis Business Permit. Requests to withdraw an application shall be submitted to the Office in*
9 *writing, dated, and signed by the Person who submitted and signed the application. The Office shall not*
10 *refund application fees for a withdrawn application. An Applicant that has withdrawn an application*
11 *may reapply and pay a new application fee at any time following the withdrawal of an application, but*
12 *such application shall not receive priority review as set forth in subsections ~~(c)(1), (2), and (3)~~ of*
13 *Section 1606.*

14
15 **SEC. 1611. PERMITTEE’S RESPONSIBILITY FOR ACTS OF EMPLOYEES AND**
16 **AGENTS.**

17 *In construing and enforcing the provisions of this Article 16 and regulations promulgated*
18 *thereto, any act, omission, or failure of an agent, officer, or other Person acting for or employed by a*
19 *Cannabis Business, within the scope of his or her employment or agency, shall be deemed the act,*
20 *omission, or failure of the Cannabis Business.*

21
22 **SEC. 1612. INCORPORATION OF REQUIREMENTS OF LOCAL APPROVALS.**

23 *(a) A violation of the terms and conditions of a Cannabis Business Permit shall be treated as a*
24 *violation of this Article 16.*

1 (b) A violation of the terms and conditions imposed on a Cannabis Business by a Referring
2 Department shall be treated as a violation of this Article 16.

3
4 **SEC. 1613. LIMITS ON PERMITS.**

5 (a) A Permittee that holds a Cannabis Testing Facility permit shall be ineligible for and may
6 not be issued a permit to operate any other type of Commercial Cannabis Activity permitted by the
7 City. A Permittee that holds a Cannabis Business Permit other than a Cannabis Testing Facility
8 permit, shall be ineligible for and may not be issued a permit to operate a Cannabis Testing Facility.

9 (b) Except as stated in the first sentence of subsection (a) of this Section 1613, a Person may
10 hold more than one Cannabis Business Permit.

11 (c) The Controller shall track the number of permits that are awarded pursuant to this
12 Article 16. Within one year of the effective date of this Article 16, the Controller shall submit to
13 the Board of Supervisors a report that makes recommendations as to whether the issuance of
14 Cannabis Business Permits should be subject to any numerical, geographical, or other limits.

15
16 **SEC. 1614. REFERRAL OF APPLICATION TO DEPARTMENTS AND AGENCIES.**

17 The Director shall send the application to all appropriate Referring Departments. Those
18 departments shall complete all necessary review and inspections and report their determinations to the
19 Office of Cannabis.

20
21 **SEC. 1615. ISSUANCE AND DENIAL OF CANNABIS BUSINESS PERMITS.**

22 (a) After reviewing an Applicant's application, the Director shall notify the Applicant in
23 writing that the application is complete and accepted for further review, or incomplete. If the Director
24 deems the application to be incomplete, the Applicant shall supply the information or documentation
25 that is required for the application to be deemed complete. The Applicant shall have 90 days from the

1 date that the Director provides notification that the application is incomplete to provide all required
2 information and/or documentation. If the Applicant does not provide such information within 90 days,
3 the application will be deemed abandoned and will not receive further consideration. Applicants that
4 abandon an application may submit a new one, subject to payment of a new application fee.
5 Applicants that submit an ~~A~~application following the abandonment of an earlier ~~A~~application shall not
6 receive priority review, as set forth in subsections ~~(e)(1), (2), and (3)~~ of Section 1606.

7 (b) Upon review of a complete application and consideration of information provided by the
8 Referring Departments, the Director shall either grant or deny a permit, as specified in more detail in
9 subsections (c) and (d).

10 (c) **Approvals.** In granting a permit, the Director may impose conditions as are, in his or her
11 judgment, necessary to protect the health and safety of the Permittee's employees, neighbors, and
12 Customers, prevent access to Cannabis and Cannabis Products by underage persons, and reduce any
13 potential adverse impacts of the Cannabis Business on the immediate neighborhood. Such conditions
14 may include, but are not limited to, conditions relating to the hours of operation.

15 (d) **Mandatory Grounds for Denial.** No Cannabis Business Permit shall be issued if the
16 Director finds that:

17 (1) The Applicant provided materially false information or documents in support of the
18 application.

19 (2) The Applicant failed to provide all information required by this Article 16 and by
20 the Director, in implementing this Article 16.

21 (3) The Applicant has not fully complied with the provisions of this Article 16.

22 (4) The Applicant has not demonstrated eligibility for a permit under this Article 16.

23 (5) The Premises are materially different from the diagram of the Premises submitted
24 by the Applicant.

1 (6) The City has revoked a permit for the operation of a business in the City which
2 permit had been issued to the Applicant or to any other Person who will be engaged in the management
3 of the Cannabis Business unless more than five years have passed between the date of the application
4 and the date of revocation of the other permit.

5 (7) The operation of the Cannabis Business as proposed by the Applicant, if permitted,
6 would not comply with all applicable laws, including but not limited to, the Building, Planning,
7 Housing, Police, Fire, and Health Codes of the City, the provisions of this Article 16 and any
8 regulations promulgated thereto, and the Medicinal and Adult Use Cannabis Regulation and Safety
9 Act, 2017 Cal. Legis. Serv. Ch. 27 (S.B. 94), and its implementing regulations, as may be amended from
10 time to time.

11 (8) The Applicant is employed by any local or state agency responsible for the
12 regulation of Commercial Cannabis Activities.

13 (9) The Applicant denied access to the Premises to the Office and/or to any Referring
14 Department.

15 (10) The Director finds that the Premises or the Cannabis Business will be or is being
16 managed, conducted, or maintained in such a manner as to endanger the health and safety of the
17 employees, Customers or neighbors, or to coerce any employee to engage in illegal conduct.

18 (11) The Planning Department or Planning Commission determines that the
19 Applicant engaged in Commercial Cannabis Activities in a location that was not authorized by
20 or consistent with the Planning Code.

21 (e) **Discretionary Grounds for Denial.** The Director may deny an application for a Cannabis
22 Business Permit if the Director finds that:

23 (1) The Applicant or Owner has been convicted of an offense that is substantially
24 related to the qualifications, functions, or duties of the business or profession for which the application
25 is made, except that if the Director determines that the Applicant or Owner is otherwise suitable to be

1 issued a permit, and granting the permit would not compromise public safety, the Director shall
2 conduct a thorough review of the nature of the crime, conviction, circumstances, and evidence of
3 rehabilitation of the Applicant or Owner, and shall evaluate the suitability of the Applicant or Owner,
4 to be issued a permit based on the evidence found through the review. For purposes of this subsection
5 (e)(1), “offenses that are substantially related to the qualifications, functions, or duties of the business
6 or profession for which the application is made” include, but are not limited to, the following:

7 (A) A violent felony conviction, as specified in subdivision (c) of Section 667.5 of
8 the California Penal Code;

9 (B) A serious felony conviction, as specified in subdivision (c) of Section 1192.7
10 of the California Penal Code;

11 (C) A felony conviction involving fraud, deceit, or embezzlement;

12 (D) A felony conviction for hiring, employing, or using a minor in transporting,
13 carrying, selling, giving away, preparing for sale, or peddling, any controlled substance to a minor; or
14 selling, offering to sell, furnishing, offering to furnish, administering, or giving any controlled
15 substance to a minor; and,

16 (E) A felony conviction for drug trafficking with enhancements pursuant to
17 Section 11370.4 or 11379.8 of the California Health and Safety Code.

18 (2) Except as provided in subsections (e)(1)(D)-(E) of this Section 1615, a prior
19 conviction, where the sentence, including any term of probation, incarceration, or supervised release,
20 is completed, for possession of, possession for sale, sale, manufacture, transportation, or cultivation of
21 a controlled substance is not considered substantially related, and shall not be the sole ground for
22 denial of a permit.

23 (3) ~~The Director concludes that~~ There is good cause to deny the permit in
24 accordance with Section 26 of the Business and Tax Regulations Code.

1 (4) The Applicant has not made a good faith effort to comply with its Equity
2 Plan, as submitted under Section 3322 of the Health Code.

3 (f) In determining whether an Application should be denied on grounds articulated in
4 subsections (d)(1) and (2) of this Section 1615, the Director shall use his or her best efforts to
5 coordinate his or her review of evidence and decision with the State Licensing Authority charged with
6 the review of the Applicant's application for a State Cannabis License.

7
8 **SEC. 1616. PAYMENT OF ANNUAL LICENSE FEE.**

9 The license fee for a Cannabis Business Permit shall be paid annually on or before March 31,
10 in accordance with the provisions of Section 76.1 of the Business and Tax Regulations Code. Upon the
11 failure of the Permittee to pay such fees, the permit shall be considered null and void, and therefore
12 inactive as a matter of law, until the Permittee pays the fees and any penalties that might be assessed
13 by the Director.

14
15 **SEC. 1617. COMPLIANCE WITH PERMIT CONDITIONS.**

16 (a) No Permittee shall operate a Cannabis Business in a manner inconsistent with any permit
17 condition imposed by the Director or by a Referring Department.

18 (b) A Permittee may request a permit amendment to remove or change a condition imposed by
19 the Director by filing a request with the Office of Cannabis and paying such permit amendment
20 application fee as may be required.

21 (c) The Director shall consider whether the amendment of the permit condition sought by the
22 Permittee would jeopardize the health and safety of the Permittee's employees, neighbors, or
23 Customers, increase access to Cannabis and Cannabis Products by underage persons, or increase any
24 potential adverse impacts of the Cannabis Business on the immediate neighborhood, and shall render a
25 decision to remove, change, or maintain the permit condition(s) on the basis of that evaluation or for

1 any good cause.

2 (d) A decision of the Director to impose a permit condition, or to refuse to remove or amend a
3 permit condition, may be appealed to the Board of Appeals in the manner prescribed in Article 1 of the
4 Business and Tax Regulations Code.

5
6 **SEC. 1618. ELIGIBILITY AND OPERATING STANDARDS APPLICABLE TO ALL**
7 **CANNABIS BUSINESSES.**

8 (a) Every Cannabis Business is required to obtain a business license from the City in
9 compliance with Article 2 of the Business and Tax Regulations Code.

10 (b) ~~Every Cannabis Business is required to obtain a business registration certificate~~
11 from the City in compliance with Article 12 of the Business and Tax Regulations Code. ~~Every~~
12 Cannabis Business is required to have paid all outstanding taxes and fees, including any
13 related penalties and interest, owed to the City, and is required to have obtained a business
14 registration certificate from the City in compliance with Article 12 of the Business and Tax
15 Regulations Code.

16 (c) Every Cannabis Business is required to obtain a State Cannabis License prior to engaging
17 in any Commercial Cannabis Activities.

18 (d) Every Cannabis Business is required to prominently display on its Premises its Cannabis
19 Business Permit, State Cannabis License, Business Registration, and Seller's Permit, if required to hold
20 a Seller's Permit.

21 (e) Every Cannabis Business shall operate within fully enclosed and secure structures that are
22 inaccessible to underage persons.

23 (f) It shall be a violation of this Article 16 for a Cannabis Business to sell or maintain alcoholic
24 beverages and/or Tobacco Products on the Premises of the Cannabis Business.

1 (g) Every Cannabis Business shall enter into a First Source Hiring Agreement, as defined by
2 Section 83.4 of the Administrative Code, pursuant to which it agrees to comply with the first source
3 hiring requirements set forth in subsections (b)(1)-(8) of Section 83.9 of the Administrative Code.

4 (h) Every Cannabis Business is required to submit a “modification request” to the Office of
5 Cannabis prior to making any change that would materially or substantially alter the Premises from
6 the diagram of the Premises on file with the Office of Cannabis, and shall not make the proposed
7 change absent approval from the Director.

8 (i) Every Cannabis Business is required to use the business name listed on its Cannabis
9 Business Permit when applying for any other permits or licenses relating to the operation of the
10 Cannabis Business, and when applying for a State Cannabis license.

11 (j) Every Cannabis Business is required to provide identification badges to all employees that
12 display: (1) the name of the Cannabis Business; (2) the number of the Cannabis Business’ Cannabis
13 Business Permit; and (3) a photo of the employee’s face. Such identification badges must be worn by
14 employees at all times when they are on the Premises of the Cannabis Business, and when acting in the
15 scope of their employment.

16 (k) Every Cannabis Business, other than a Cannabis Testing Facility, is required to
17 maintain on the Premises a fire proof safe.

18 (l) A Cannabis Business shall not enter into a sublease for use of any part of the Premises by
19 another entity without the prior approval of the Director.

20 (m) A Physician’s Recommendation for Medicinal Cannabis may not be sought, issued,
21 provided, or procured on the Premises of a Cannabis Business.

22 (n) At any time a Cannabis Business is open for operation, there shall be at least one person on
23 the Premises who is responsible for the operation of the Cannabis Business and who is readily
24 available to respond to and interact with all inspecting departments and agencies, the Director, or any
25 other City employee or official.

1 ~~(o) No Cannabis Business that is an A-licensee may employ an individual who is not at least~~
2 ~~21 years of age, unless authorized by state law.~~ ~~No Cannabis Business that is an M-licensee~~
3 ~~may employ an individual who is not at least 18 years of age. Where a Cannabis Business is~~
4 ~~both an A-licensee and an M-licensee, it may not employ an individual who is not at least 21~~
5 ~~years of age.~~

6 (p) Every Cannabis Business is required to comply with all aspects of the state’s “Track and
7 Trace” program, as set forth in Section 26067 of the California Business and Professions Code, as may
8 be amended from time to time.

9 (q) Every Cannabis Business is required to maintain records demonstrating that all Cannabis
10 and Cannabis Products have been obtained from Cannabis Businesses holding a valid State Cannabis
11 License. The Director shall have the right to examine, monitor and audit such records and
12 documentation, which shall be made available immediately upon request of the Office of Cannabis.

13 (r) None of the following items shall be allowed on the Premises or parking lot of a permitted
14 Cannabis Business:

15 (1) Controlled substances other than Cannabis, except when in the possession or under
16 the control of an individual for whom the controlled substance was prescribed by a licensed physician;
17 and

18 (2) Alcoholic beverages.

19 (s) Every Cannabis Business shall comply with the terms of its Good Neighbor Policy and
20 Security Plan.

21 (t) Every Cannabis Business is required to keep all garbage, recycling, and compost containers
22 on the Premises and hidden from public view, and placed outside only when being serviced by the
23 disposal company. Trash shall be contained and disposed of pursuant to garbage and recycling
24 receptacle guidelines set forth by the Department of Public Works.

1 (u) The Premises of every Cannabis Business shall be adequately soundproofed or insulated for
2 noise, as may be required by the Planning and/or Building Codes, or by permits issued pursuant to
3 those Codes. Noise generated by fixed-source equipment shall not exceed the decibel levels specified in
4 Article 29 of the Police Code, as may be amended from time to time. Violations of this subsection (u),
5 including noise that exceeds the decibel levels specified in Article 29 of the Police Code, are subject to
6 the penalties set forth in this Article 16.

7 (v) Appropriate odor control equipment shall be installed in conformance with the approved
8 odor plan and maintained to prevent any significant noxious or offensive odors from escaping the
9 Premises.

10 (w) Every Cannabis Business shall maintain the main entrance to the Premises and all
11 sidewalks abutting the subject property in a clean and sanitary condition in compliance with the
12 Department of Public Works' Street and Sidewalk Maintenance Standards.

13 (x) Every Cannabis Business shall comply with signage controls as established in accordance
14 with the Planning Code.

15 (y) Every Cannabis Business shall register with the Office each location within the City where
16 Cannabis and Cannabis Products will be stored.

17 (z) Every Cannabis Business shall protect personally identifiable information and protected
18 health information from unauthorized disclosure, to the extent required by the Health Insurance
19 Portability and Accountability Act, the California Medical Information Act, Article 1 of the California
20 Constitution, the California Health and Safety Code and regulations promulgated thereunder, and any
21 other applicable provision of federal or state law.

22 (aa) It shall be a violation of this Article 16 for any Cannabis Business to engage in the nonsale
23 distribution of Cannabis or Cannabis Products, or to permit the nonsale distribution of Cannabis or
24 Cannabis Products by any Person on the Premises of the Cannabis Business, except as authorized by
25 state law. Notwithstanding the forgoing, and as authorized by state law, a Storefront Cannabis

1 Retailer may operate a Compassion Program in which it provides Medicinal Cannabis and/or
2 Medicinal Cannabis Products at no or nominal cost to low-income individuals who are
3 qualified under California Health and Safety Code Sections 11362.7 et seq. to use Medicinal
4 Cannabis. In addition, Cannabis Cultivation Facilities and Cannabis Manufacturing Facilities
5 may provide Medicinal Cannabis and/or Medicinal Cannabis Products at no or nominal cost to
6 Storefront Cannabis Retailers, for distribution through a Compassion Program. The Director
7 shall adopt rules, regulations and guidelines applicable to Compassion Programs, including,
8 but not limited to: eligibility criteria applicable to persons who may receive Cannabis at no or
9 low cost; and recordkeeping requirements. For purposes of this subsection (aa), “nonsale
10 distribution” means to give Cannabis or Cannabis Products to the general public or some segment
11 thereof at no cost, or at nominal cost, or to give coupons, coupon offers, or rebate offers for Cannabis
12 or Cannabis Products to the general public or some segment thereof at no cost or at nominal cost.

13 (bb) A Cannabis Business shall conduct an Energy Efficiency Audit Reporting, as may be
14 required by Chapter 20 of the Environment Code.

15 (cc) Every Cannabis Business shall ensure that the electrical power used for Commercial
16 Cannabis Activities shall be procured from or produced by renewable sources, consistent with
17 Renewable Energy Requirements to be adopted by the Director, in consultation with the Director of the
18 Department of the Environment. In adopting Renewable Energy Requirements, the Director shall
19 establish minimum renewable energy requirements that are consistent with the amount of renewable
20 energy contained in CleanPowerSF’s Green Service. A Cannabis Businesses shall also provide to the
21 Director and the Department of the Environment an annual report documenting the amount and source
22 of energy consumed by the Business in the prior 12 months.

23 (dd) Every Cannabis Business shall advise the Director and the applicable State Licensing
24 Authority in writing of the following events within 48 hours of:

25 (1) Receiving a criminal penalty or civil judgment rendered against the Permittee; or

1 (2) Receiving notification of the revocation of a local license, permit or other
2 authorization from any Referring Department.

3 (ee) Every Cannabis Business shall notify the Director, the Police Department, and the
4 applicable State Licensing Authority within 24 hours after discovering any of the following:

5 (1) Significant discrepancies identified during inventory;

6 (2) Diversion, theft, loss, or any criminal activity pertaining to the operation of the
7 Cannabis Business;

8 (3) The loss or unauthorized alteration of records related to Cannabis or Cannabis
9 Products, registered qualifying patients, primary caregivers, or the employees or agents of the
10 Cannabis Business; and

11 (4) Any other breach of security.

12 (ff) Every Cannabis Business shall ensure that at least 50% of all Business Work
13 Hours are performed by Local Residents, provided, however, that until December 31, 2018,
14 Cannabis Businesses that previously held a Medical Cannabis Dispensary permit under
15 Article 33 of the Health Code shall ensure that at least 35% of all Business Work Hours are
16 performed by Local Residents. Business Work Hours performed by residents of states other
17 than California shall not be considered in calculation of the number of Business Work Hours to
18 which this requirement applies. The Director of the Office of Cannabis may approve a time-
19 limited waiver or reduction of this requirement, upon a showing by the Cannabis Business that
20 it was unable to locate a sufficient number of qualified Local Residents.

21
22 **SEC. 1619. PROHIBITION ON ENTRY BY AND SALES TO UNDERAGE PERSONS.**

23 (a) Entry to Premises Prohibited. It shall be a violation of this Article 16 for a Permittee to
24 allow on the Premises any person under 21 years of age, provided however that a Medicinal Cannabis
25

1 Retailer may allow entry to a person 18 years of age or older who possesses a valid Physician's
2 Recommendation.

3 **(b) Prohibited Sales.**

4 (1) It shall be a violation of this Article 16 for any Storefront Cannabis Retailer,
5 Cannabis Microbusiness, or Delivery-Only Cannabis Retailer to Sell, furnish, give, or cause to be Sold,
6 any Adult Use Cannabis or Adult Use Cannabis Products to any person under the age of 21.

7 (2) It shall be a violation of this Article 16 for any Storefront Cannabis Retailer,
8 Cannabis Microbusiness, or Delivery-Only Cannabis Retailer to Sell, furnish, give, or cause to be Sold,
9 any Medicinal Cannabis or Medicinal Cannabis Products to any person who is under the age of 18
10 and/or who does not possess a valid Physician's Recommendation.

11 **(c) Positive Bona Fide Proof of Identity Required.** No Storefront Cannabis Retailer,
12 Cannabis Microbusiness, or Delivery-Only Cannabis Retailer may Sell Cannabis or Cannabis
13 Products to any Customer without first examining the Customer's Bona Fide Proof of Age and Identity
14 to confirm that the Customer is at least the minimum age under state law to purchase and possess the
15 Cannabis or Cannabis Product. Review of a Customer's Bona Fide Proof of Age must be performed by
16 an employee of the Permittee, in the presence of the prospective Customer.

17 **(d) Proof of Physician's Recommendation Required.** No Storefront Cannabis Retailer,
18 Cannabis Microbusiness, or Delivery-Only Cannabis Retailer may Sell Medicinal Cannabis or
19 Medicinal Cannabis Products to any Customer without first examining verification that the Customer
20 possesses a valid Physician's Recommendation. Review of a Customer's verification of Physician's
21 Recommendation must be performed by an employee of the Permittee, in the presence of the
22 prospective Customer.

23
24 **SEC. 1620. CONSUMPTION AND SMOKING OF CANNABIS AND CANNABIS**
25 **PRODUCTS ON THE PREMISES OF CANNABIS BUSINESSES.**

1 (a) The Consumption and Smoking of Cannabis and Cannabis Products are prohibited on
2 the Premises of all Cannabis Manufacturing Facilities, Cannabis Cultivation Facilities, Cannabis
3 Testing Facilities, Cannabis Distributors, and Delivery-Only Cannabis Retailers.

4 (b) The Consumption of Cannabis Products is not prohibited on the Premises of Medicinal
5 Cannabis Retailers, Cannabis Retailers, and Cannabis Microbusiness, provided, however, that all of
6 the following conditions are present:

7 (1) The Cannabis Business has received and maintained a valid Cannabis Consumption
8 Permit from the Department of Public Health, as set forth in Article 8A of the Health Code, authorizing
9 onsite Consumption of Cannabis Products;

10 (2) Access to the area where the Consumption of Cannabis Products is allowed is
11 restricted to persons 21 years of age and older, or persons 18 years of age and older, if the Permitted
12 Businesses is authorized to Sell Medicinal Cannabis and Medicinal Cannabis Products;

13 (3) Cannabis Consumption is not visible from any public place or nonage-restricted
14 area; and

15 (4) Sale and Consumption of alcohol or Tobacco Products are not allowed on the
16 Premises.

17 ~~(c) The Smoking of Cannabis and Cannabis Products is prohibited on the Premises of~~
18 ~~Medicinal Cannabis Retailers, Cannabis Retailers, and Cannabis Microbusinesses, absent~~
19 ~~authorization from the Director of the Department of Public Health, as set forth in Section~~
20 ~~4009.23 of the Health Code. Where authorized by the Director of Health, the Smoking of~~
21 ~~Cannabis and Cannabis Products shall be subject to the limitations on Consumption set forth~~
22 ~~in subsection (b)(2)-(4) of this Section 1620.~~

23 (dc) All Cannabis Businesses shall:

1 (1) Post clear and prominent signs at each entrance to the Premises advising
2 Customers that the Smoking of Cannabis is prohibited in public places, including on sidewalks and in
3 the entryways of businesses;

4 (2) Post clear and prominent “No Smoking” signs in any area of the Premises where
5 Smoking is prohibited;

6 (3) Post clear and prominent “No Consuming Cannabis” signs in any area of the
7 Premises where the Consumption of Cannabis and Cannabis Products is prohibited; and

8 (4) Request that any person Smoking or Consuming Cannabis or Cannabis Products
9 where Smoking or Consumption are prohibited refrain from Smoking and/or Consuming.

10
11 **SEC. 1621. TOURS.**

12 (a) It shall be a violation of this Article 16 for Cannabis Testing Facilities, Cannabis
13 Distributors, and Delivery-Only Cannabis Retailers to permit a tour to be conducted on the Premises.

14 (b) Prior to January 1, 2019, it shall be a violation of this Article 16 for a Cannabis
15 Manufacturing Facility, a Cannabis Cultivation Facility, or a Cannabis Microbusiness to permit a tour
16 to be conducted on the Premises.

17 (c) For purposes of this Section 1621, a “tour” means an organized or prearranged visit by a
18 member or members of the general public, or segment thereof, whether free or for charge, who wish to
19 view the Premises, learn about its methods of operation, and/or gain insight into the Cannabis industry.

20 A “tour” does not include visits by:

21 (1) Employees of the Cannabis Business;

22 (2) Employees of other Cannabis Businesses licensed by the State of California with
23 which the Permittee is conducting business;

24 (3) Persons authorized to conduct inspections;

25 (4) Persons engaging in law enforcement activities;

1 (5) Persons providing incidental business services, such as repairs or, deliveries; or
2 (6) Persons affiliated with a government agency who have received approval from the
3 Cannabis Business and the Office of Cannabis to conduct a tour of the Cannabis Business.

4 (d) Prior to January 1, 2019, the Director shall adopt rules and regulations governing tours of
5 Cannabis Businesses. The Director is authorized to extend the prohibition on tours set forth in
6 subsection (b) of this Section 1621, or authorize tours, subject to limitations he or she may adopt to
7 protect the health and safety of employees, neighbors and Customers, prohibit access to Cannabis and
8 Cannabis Products by underage persons, preserve the character of the surrounding neighborhood, and
9 mitigate any potential noise and/or traffic congestion.

10
11 **SEC. 1622. DELIVERIES OF CANNABIS AND CANNABIS PRODUCTS TO**
12 **CUSTOMERS.**

13 (a) The Delivery of Cannabis or Cannabis Products to Customers within San Francisco is
14 prohibited except by Storefront Cannabis Retailers and Delivery-Only Cannabis Retailers that are
15 permitted by the Office of Cannabis and receive express authorization to engage in Deliveries from the
16 Director. The Delivery of Cannabis or Cannabis Products within San Francisco by Cannabis
17 Businesses that are located outside of San Francisco is prohibited.

18 (b) Permitted Cannabis Businesses that receive authorization from the Director to engage in
19 Deliveries must comply with such Delivery Standards as may be adopted by the Director, including but
20 not limited to the following:

21 (1) Deliveries may only be conducted by employees of the Permitted Cannabis Business.
22 Deliveries may not be conducted by independent contractors.

23 (2) An employee conducting a Delivery must deliver the Cannabis or Cannabis Product
24 to an address associated with real property (e.g. not to a street corner or location within a park).

1 (3) Orders must be completed by individuals aged 21 or over (with valid California
2 driver's license or Identification card).

3 (4) Deliveries must be made during the Cannabis Business' hours of operation.

4 (5) Delivery may only be made to the individual who placed the Bona Fide Order, and
5 to individuals who are 21 years of age or older, unless the Customer provides verification that the
6 Customer, or a patient for whom he or she is a Primary Caregiver, qualifies under California Health
7 and Safety Code Section 11362.7 et seq. to use Medicinal Cannabis.

8 (6) Upon Delivery, the employee performing the Delivery must:

9 (A) Personally review the Bona Fide Proof of Age and Identity of the Customer
10 to confirm that he or she is the same individual who submitted the Bona Fide Order, and is not
11 underage, as set forth in Section 1619 of this Article 16;

12 (B) Where the product being sold is Medicinal Cannabis or a Medicinal
13 Cannabis Product, personally review documentation verifying that the Customer possesses a valid
14 Physician's Recommendation;

15 (C) Require the Customer to sign a document indicating the type and quantity of
16 Cannabis and/or Cannabis Products that were Delivered; and

17 (D) Distribute to each Customer at the time of sale a fact sheet relating to safe
18 Consumption of Cannabis and Cannabis Products, the content of which shall be produced by the
19 Department of Public Health.

20 (7) A Cannabis Business may not Deliver more than 28.5 grams of non-concentrated
21 Cannabis or eight grams of concentrated Cannabis Products to the same real property (e.g. apartment
22 unit or house) in the same business day.

23 (8) Cannabis and Cannabis Products that are Delivered to a Customer must:

24 (A) Comply with the all State and local packaging and labeling rules; and,

25 (B) Be placed in an opaque child resistant Delivery receptacle.

1 (9) All Cannabis and Cannabis Products shall be kept in a lock-box securely affixed
2 inside the Delivery vehicle.

3 (10) A manifest must be created for each Delivery or series of Deliveries prior to
4 departure, and the Delivery employee may not make any unnecessary stops between Deliveries or
5 deviate substantially from the manifest route, unless a stop is necessary for personal safety.

6 (11) A Cannabis Business authorized to engage in the Delivery of Cannabis and/or
7 Cannabis Products shall comply with all track and trace requirements imposed by state law, and shall
8 document the following information regarding Deliveries pursuant to track and trace:

9 (A) The date and time the Bona Fide Order was received by the Cannabis
10 Business;

11 (B) The date and time the Cannabis and/or Cannabis Products were Delivered;

12 (C) A description of the Cannabis and/or Cannabis Products that were
13 Delivered, including the weight or volume and price paid by the Customer;

14 (D) The name of the Delivery employee who performed the Delivery; and

15 (E) The name of the individual to whom the Delivery was made, and the
16 Delivery address.

17 (12) A Cannabis Business authorized to engage in Deliveries must Deliver Cannabis
18 and Cannabis Products by Vehicle only. Delivery of Cannabis and Cannabis Products by motorcycles,
19 scooters, drones, human powered vehicles, and unmanned vehicles is prohibited.

20
21 **SEC. 1623. CANNABIS CULTIVATION FACILITIES.**

22 (a) **Authorized activities.** A Cannabis Cultivation Facility Permit authorizes the Permittee to
23 engage in the Commercial Cultivation and Processing of Medicinal Cannabis and Adult Use Cannabis,
24 provided that the Permittee is both an A-licensee and an M-licensee. A Cannabis Cultivation Facility
25 Permittee that holds only an A-license may engage in the Commercial Cultivation and Processing of

1 Adult Use Cannabis only. A Cannabis Cultivation Facility Permittee that holds only an M-License may
2 engage in the Cultivation and Processing of Medicinal Cannabis only.

3 (b) **Operating Standards.** In addition to the operating requirements set forth in Section 1618 of
4 this Article 16, a Cannabis Cultivation Facility shall comply with the following Cultivation operating
5 standards:

6 (1) The Premises to be used as a Cannabis Cultivation Facility may not exceed 22,000
7 square feet of total Canopy. Canopy shall be calculated on a square foot basis and shall include any
8 vertical growth space, such as shelving.

9 (2) A Cannabis Cultivation Facility may engage in the indoor Cultivation of Cannabis
10 only; the outdoor Cultivation of Cannabis is prohibited. For purposes of this Article 16, “indoor
11 Cultivation” and “outdoor Cultivation” shall have the meaning set forth in regulations promulgated by
12 the California Department of Food and Agriculture pursuant to the Medicinal and Adult Use Cannabis
13 Regulation and Safety Act.

14 (3) All Cultivation activities must not be visible from the public right-of-way.

15 (4) A Cannabis Cultivation Facility must have weighing and measuring devices used in
16 connection with the Sale or Distribution of Cannabis that meet state standards.

17
18 **SEC. 1624. CANNABIS MANUFACTURING FACILITIES.**

19 (a) **Authorized activities.** A Cannabis Manufacturing Facility Permit authorizes the Permittee
20 to engage in the Commercial Manufacture of Medicinal Cannabis Products and Adult Use Cannabis
21 Products, provided that the Permittee is both an A-licensee and an M-licensee. A Cannabis
22 Manufacturing Facility Permittee that holds only an A-license may engage in the Commercial
23 Manufacture of Adult Use Cannabis Products only. A Cannabis Manufacturing Facility Permittee that
24 holds only an M-License may engage in the Manufacturing of Medicinal Cannabis Products only.

1 **(b) Operating Standards.** *In addition to the operating requirements set forth in Section 1618 of*
2 *this Article 16, a Cannabis Manufacturing Facility shall comply with the following Manufacturing*
3 *operating standards:*

4 **(1) A Cannabis Manufacturing Facility may Manufacture Cannabis Products only; it**
5 **may not Manufacture products that do not contain Cannabis.**

6 **(2) A Cannabis Manufacturing Facility may engage in Cannabis oil extraction, subject**
7 **to any limitations imposed by the Planning Code, the Planning Department or the Planning**
8 **Commission.**

9 **(3) A Cannabis Manufacturing Facility may not produce or Sell Edible Cannabis**
10 **Products that do not comply with the requirements of Sections 26130 and 26131 of the California**
11 **Health and Safety Business and Professions Code, as may be amended from time to time, and any**
12 **regulations promulgated thereto.**

13 **(4) A Cannabis Manufacturing Facility may use Volatile Solvents only if the operator**
14 **holds a State Cannabis License authorizing their use.**

15 **(5) A Cannabis Manufacturing Facility using Volatile Solvents for Manufacturing**
16 **Cannabis Products must operate in a manner to reduce the risk of explosion or danger to public health,**
17 **including through the use of a close-loop or solvent dispersion system consistent with the requirements**
18 **of California Health and Safety Code Section 11362.775, as may be amended from time to time.**

19
20 **SEC. 1625. CANNABIS TESTING FACILITIES.**

21 **(a) Authorized activities.** *A Cannabis Testing Facility Permit authorizes the Permittee to*
22 *engage in the Commercial testing of Medicinal Cannabis and Cannabis Products and Adult Use*
23 *Cannabis and Cannabis Products.*

24 **(b) Operating Standards.** *In addition to the operating requirements set forth in Section 1618 of*
25 *this Article 16, a Cannabis Testing Facility shall:*

1 (1) Notify the Department of Public Health and Office of Cannabis of any tests
2 performed on Cannabis or Cannabis Products Cultivated or Manufactured by a Cannabis Business
3 located in San Francisco where the Cannabis batch fails the testing requirements established by state
4 regulation within five business days of conducting such test. Such notification shall include the name,
5 State license number and local Permit number of the Manufacturer that provided the Cannabis to be
6 tested, and information related to the test results, reason for failure, and any applicable track and trace
7 information;

8 (2) Notify the Office of Cannabis within 24 hours of conducting a test if a sample that
9 was Cultivated, Manufactured, or supplied by a Cannabis Business located in San Francisco is found
10 to contain levels of a contaminant not allowable by the State that could be injurious to human health if
11 Consumed. The Office of Cannabis shall provide this information to appropriate City and state
12 departments, including but not limited to the Department of Public Health;

13 (3) Notify the Office of Cannabis within one business day after receipt of notice that
14 accreditation as a Cannabis Laboratory has been denied, suspended or revoked; and

15 (4) Employ at least one full-time employee responsible for quality control.

16
17 **SEC. 1626. CANNABIS DISTRIBUTORS.**

18 (a) **Authorized activities.** A Cannabis Distributor Permit authorizes the Permittee to engage in
19 the Commercial Distribution of Medicinal Cannabis and Adult Use Cannabis, provided that the
20 Permittee is both an A-licensee and an M-licensee. A Cannabis Distributor that holds only an A-
21 license may engage in the Commercial Distribution of Adult Use Cannabis and Cannabis Products
22 only. A Cannabis Distributor that holds only an M-License may engage in the Commercial
23 Distribution of Medicinal Cannabis and Cannabis Products only.

24 (b) **Operating Standards.** In addition to the operating requirements set forth in Section 1618 of
25 this Article 16, a Cannabis Distributor shall comply with the following operating standards:

1 (1) A Cannabis Distributor shall inspect all Cannabis and Cannabis Products received
2 by it for quality assurance prior to Distribution.

3 (2) A Cannabis Distributor shall Distribute Cannabis and Cannabis Products by
4 Commercial Vehicle only. Distribution by non-Commercial Vehicles, drones, human powered vehicles,
5 and unmanned vehicles is prohibited.

6
7 **SEC. 1627. CANNABIS MICROBUSINESSES.**

8 (a) **Authorized activities.** A Cannabis Microbusiness Permit authorizes the Permittee to
9 engage in the Commercial Cultivation, Manufacture, Distribution, and Sale of Medicinal Cannabis and
10 Cannabis Products and Adult Use Cannabis and Cannabis Products, provided that the Permittee is
11 both an A-licensee and an M-licensee. A Cannabis Microbusiness that holds only an A-license may
12 engage in the aforementioned Commercial activities relating to Adult Use Cannabis and Cannabis
13 Products only. A Cannabis Microbusiness that holds only an M-License may engage in the
14 aforementioned Commercial activities relating to Medicinal Cannabis and Cannabis Products only.

15 (b) **Operating Standards.** In addition to the operating requirements set forth in Section 1618, a
16 Cannabis Microbusiness shall comply with the operating standards set forth in Sections 1623, 1624,
17 1626, and 1628 of this Article 16, and shall comply with the following additional operating standards:

18 (1) A Cannabis Microbusiness shall conduct all four categories of Commercial activity
19 (Cultivation, Manufacture, Distribution, and Sale) on the same Premises.

20 (2) The area on which a Cannabis Microbusiness Cultivates Cannabis must be less than
21 10,000 square feet.

22 (3) The use of Volatile Solvents by a Cannabis Microbusiness is prohibited.

23
24 **SEC. 1628. STOREFRONT CANNABIS RETAILERS.**

25 (a) **Authorized activities.**

1 (1) A Medicinal Cannabis Retailer permit authorizes the Permittee to engage in the
2 retail Sale of Medicinal Cannabis and Medicinal Cannabis products only.

3 (2) A Cannabis Retailer permit ~~authorizes~~requires the Permittee to engage in the
4 retail Sale of both Medicinal and Adult Use Cannabis and Cannabis Products, ~~provided that the~~
5 ~~Permittee is both an A-licensee and an M-licensee.~~ A Cannabis Retailer Permittee that holds
6 only an A-license may engage in the retail Sale of Adult Use Cannabis and Cannabis
7 Products only. A Cannabis Retailer Permittee that holds only an M-License may engage in
8 the retail Sale of Medicinal Cannabis and Cannabis Products only.

9 (3) A Storefront Cannabis Retailer permit does not authorize the Permittee to engage in
10 the Delivery of Cannabis or Cannabis Products to Customers unless the Director has authorized the
11 Permittee to engage in deliveries, as set forth in Section 1622 of this Article 16.

12 (b) **Operating Standards.** In addition to the operating requirements set forth in Sections 1618,
13 a Storefront Cannabis Retailer shall comply with the following additional operating requirements:

14 (1) A Storefront Cannabis Retailer must be operated from a fixed place of business. It
15 may not be operated out of a bus, truck, car, van, or any other mobile location or location that is
16 capable of being mobile.

17 (2) A Storefront Cannabis Retailer shall post staff at the point of entry to the Premises
18 to confirm that all Customers who enter are not underage, as set forth in Section 1619 of this Article
19 16.

20 (3) A Storefront Cannabis Retailer must distribute to each Customer at the time of Sale,
21 a fact sheet relating to safe Consumption of Cannabis and Cannabis Products, to be produced by the
22 Department of Public Health.

23 (4) A Storefront Cannabis Retailer shall not employ or enter into any agreements with
24 any physicians who recommend Medicinal Cannabis or with any third party that employs physicians
25 who recommend Medicinal Cannabis.

1 (5) A Storefront Cannabis Retailer licensed to sell Adult Use Cannabis may not Sell
2 more than 28.5 grams of non-concentrated Adult Use Cannabis or eight grams of concentrated Adult
3 Use Cannabis Products to a Customer in the same business day.

4 (6) A Storefront Cannabis Retailer licensed to sell Medicinal Cannabis may not Sell
5 more than 28.5 grams of non-concentrated Medicinal Cannabis or eight grams of concentrated
6 Medicinal Cannabis Products to a Customer in the same business day, unless the Customer provides a
7 Physician's Recommendation requiring a greater amount.

8 (7) A Storefront Cannabis Retailer may not:

9 (A) Allow Customers on the Premises during hours of closure;

10 (B) Store Cannabis or Cannabis Products in any location other than on the
11 permitted Premises;

12 (C) Sell Cannabis or Cannabis Products through a drive-up window;

13 (D) Give away or Sell pressurized containers of butane or other materials that
14 could be used in the home production of Cannabis extract.

15 (8) A Storefront Cannabis Retailer may accept returns of Cannabis and Cannabis
16 Products that were previously sold by the Storefront Cannabis Business, but shall not resell Cannabis
17 or Cannabis Products that have been returned. A Storefront Cannabis Retailer shall treat any
18 Cannabis and Cannabis Products that are abandoned on the Premises as a return. A Storefront
19 Cannabis Retailer shall destroy all Cannabis and Cannabis Products that have been returned as
20 required by the State of California.

21 (9) A Storefront Cannabis Retailer must maintain an electronic age verification device
22 to determine the age of any individual attempting to purchase Cannabis or Cannabis Products, which
23 device shall be used for the Sale of the Cannabis or Cannabis Products to the Customer. The device
24 shall be maintained in operational condition and all employees shall be instructed in its use. Cannabis
25

1 and Cannabis products shall not be sold to a Customer if the electronic age verification device is not
2 functioning.

3 (10) All operating standards applicable to Sales of Cannabis and Cannabis Products that
4 are made on the Premises of the Cannabis Business shall apply equally to Sales that are made by Delivery
5 pursuant to Section 1622.

6
7 **SEC. 1629. DELIVERY-ONLY CANNABIS RETAILERS.**

8 **(a) Authorized Activities.**

9 A Delivery-Only Cannabis Retailer permit ~~authorizes~~requires the Permittee to engage in the
10 Delivery and Sale of both Medicinal Cannabis and Cannabis Products and Adult Use Cannabis and
11 Cannabis Products, ~~provided that the Permittee is both an A-licensee and an M-licensee.~~ A
12 Delivery-Only Cannabis Retailer Permittee that holds only an A-license may engage in the
13 Delivery and retail Sale of Adult Use Cannabis and Cannabis Products only. A Delivery-Only
14 Cannabis Retailer Permittee that holds only an M-License may engage in the Delivery and
15 retail Sale of Medicinal Cannabis and Cannabis Products only.

16 (b) Only Delivery Authorized. The Premises of a Delivery-Only Cannabis Retailer must be
17 closed to the public and all Sales must be conducted exclusively by Delivery. A Delivery-Only
18 Cannabis Retailer may not permit entry on to its Premises by Customers.

19 (c) Operating Standards. In addition to the operating requirements set forth in Sections 1618,
20 a Delivery-Only Cannabis Retailer shall comply with the following additional operating requirements:

21 (1) A Delivery-Only Cannabis Retailer licensed to sell Adult Use Cannabis may not
22 Sell more than 28.5 grams of non-concentrated Adult Use Cannabis or eight grams of concentrated
23 Adult Use Cannabis Products to a Customer in the same business day.

24 (2) A Delivery-Only Cannabis Retailer licensed to sell Medicinal Cannabis may not Sell
25 more than 28.5 grams of non-concentrated Medicinal Cannabis or eight grams of concentrated

1 Medicinal Cannabis Products to a Customer in the same business day, unless the Customer provides a
2 Physician's Recommendation requiring a greater amount.

3 (3) All inventory must be stored on the Premises.

4 (4) A Delivery-Only Cannabis Retailer may not employ or enter into any agreements
5 with any physicians who recommend Medicinal Cannabis or with any third party that employs
6 physicians who recommend Medicinal Cannabis.

7 (5) A Delivery-Only Cannabis Retailer must provide to all Delivery personnel a remote
8 electronic age verification device to determine the age of any individual attempting to purchase
9 Cannabis or Cannabis Products, which device shall be used upon the Delivery of the Cannabis or
10 Cannabis Products to the Customer. The device shall be maintained in operational condition and all
11 employees shall be instructed in its use. Cannabis and Cannabis products shall not be Delivered to a
12 Customer if the electronic age verification device is not functioning.

13
14 **SEC. 1630. INSPECTIONS.**

15 (a) Any member of the Office of Cannabis, the Police Department, the Department of Public
16 Health, the Department of Building Inspection, the Planning Department, and/or any other Referring
17 Department (collectively, "Inspecting Departments") may enter and inspect the Premises of any
18 Cannabis Business and any vehicle used for the purpose of Distribution or Delivery, to determine
19 whether the Cannabis Business is operating in compliance with State law or this Article 16 (including
20 compliance with conditions on the permit).

21 (b) Pursuant to this Section 1630, the Inspecting Departments shall have access to the
22 Cannabis Business Premises, video footage, business records, data, inventory levels and information
23 relating to Customers, vendors, Cannabis Products, plans and agreements (collectively, "Confidential
24 Information"). To the extent authorized by law, an Inspecting Department shall not disclose
25 Confidential Information to the public, and shall use the Confidential Information only for purposes

1 specified in this Article 16 or other laws and regulations of the City specifically related to the City
2 Permittees from whom such Confidential Information has been received. Notwithstanding the
3 foregoing, the City may disclose Confidential Information:

4 (1) As may be required by the California Public Records Act or the San Francisco
5 Sunshine Ordinance or other state or City law, or pursuant to a valid subpoena or court order; or

6 (2) In connection with any City enforcement proceeding relating to compliance with
7 laws specifically applicable to Cannabis Businesses, but only to the extent the Confidential Information
8 is relevant to the proceeding.

9 (c) The Police Department may conduct random, onsite “sting” operations on the Premises of
10 Cannabis Retailers to determine compliance with Section 1619 of this Article 16. In conducting these
11 inspections, the Police Department may enlist the assistance of persons under 21 years of age.

12
13 **SEC. 1631. NOTICE OF VIOLATION; HEARING AND APPEAL.**

14 (a) If the Director determines that a Cannabis Business is operating in violation of this Article
15 16 (which is deemed in the entirety of this Section 1631 to include a violation of a permit condition
16 and/or a violation of the rules and regulations adopted pursuant to this Article), the Director may issue
17 a Notice of Violation to the Cannabis Business, the owner of real property where the violation
18 occurred, and/or any other Persons the Director deems responsible for causing the violation.

19 (b) The Notice of Violation shall include the following information:

20 (1) That the Director has made a determination that the Cannabis Business is operating
21 in violation of this Article 16;

22 (2) The alleged acts or failures to act that constitute the basis for the Director’s
23 determination;

24 (3) That the Director intends to take enforcement action against the Cannabis Business,
25 owner of real property, and/or any other Person deemed responsible for causing the violation(s), and

1 the nature of that action, including the administrative penalty and enforcement costs to be imposed,
2 additional conditions on Cannabis Business Permit(s) that may be imposed, and/or the suspension or
3 revocation of Cannabis Business Permit(s);

4 (4) That the Cannabis Business, owner of real property, and/or any other Person
5 deemed responsible for causing the violation(s) has the right to request a hearing before the Director
6 within 15 days after the Notice of Violation is mailed, and that the written request for hearing must
7 state facts demonstrating that:

8 (A) If the violation is disputed, the Cannabis Business was operating in
9 compliance with this Article 16 and/or the rules and regulations adopted pursuant to this Article; and

10 (B) Whether or not the violation is disputed, the Cannabis Business is currently
11 operating in compliance with this Article 16 and/or the rules and regulations adopted pursuant to this
12 Article, and has taken reasonable steps to prevent violations similar to the alleged violation(s), and
13 arranged for the Director to re-inspect the Cannabis Business to confirm such reasonable steps.

14 Where no such showing has been made, any Person or entity served with a notice or order by the
15 Director setting forth the nature of the violation of this Article, such person shall be presumed, in
16 subsequent administrative and/or civil proceedings, not to have corrected such violation.

17 (c) If no request for a hearing is filed with the Director within the appropriate period, or the
18 request for hearing does not include the information required by subsection (b)(4) of this Section 1631,
19 the right to request a hearing shall be deemed waived, and the Director's determination shall become
20 final and effective 15 days after the Notice of Violation was mailed. The Director shall issue an order
21 imposing the enforcement action and mail the order to the Persons served with the Notice of Violation.
22 In subsequent civil proceedings, such violations shall be presumed not to have been corrected. Where
23 no hearing is timely requested, an order suspending, revoking, or imposing additional conditions on a
24 permit is final. The failure of the Person on whom the Notice of Violation is served to request a
25 hearing shall constitute a failure to exhaust administrative remedies and shall preclude the Person

1 from obtaining judicial review of the validity of the enforcement action.

2 (d) Upon a timely request for a hearing that includes the information required by subsection
3 (b)(4) of this Section 1631, the Director shall, within 15 days of the request, notify the requester of the
4 date, time, and place of the hearing. The Director shall make available to the requester the
5 photographs and other recorded evidence obtained in support of the Notice of Violation as well as a
6 copy of the report prepared by the Director's designee, if any, to support the Notice of Violation. Such
7 hearing shall be held no later than 60 days after the Director receives the request, unless time is
8 extended by mutual agreement of the requester and the Director.

9 (e) The Director shall conduct the hearing, or a hearing officer may be designated, who shall
10 have the same authority as the Director to hear and decide the case and make any orders consistent
11 with this Article 16. The Cannabis Business, owner of real property, or other Person(s) deemed
12 responsible for causing the violation(s) may present evidence for consideration, subject to any rules
13 adopted by the Director or hearing officer for the orderly conduct of the hearing. Within 30 days of the
14 conclusion of the hearing, the Director or hearing officer shall render a decision in the form of a
15 written order, which the Director shall promptly serve on the Cannabis Business, owner of real
16 property, or any other Persons charged in the Notice of Violation. The order shall state whether the
17 Notice of Violation has been upheld (in whole or in part), and the enforcement action taken against
18 each party.

19 (f) If the order directs the Cannabis Business, owner of real property, or other person to pay an
20 administrative penalty and/or enforcement costs, such amount shall be paid within ten days from the
21 mailing of the order; the order shall inform the recipient of such deadline for payment.

22 (g) If the order suspends or revokes a permit, or imposes additional permit conditions, it may
23 be appealed to the Board of Appeals in the manner prescribed in Article 1 of the Business and Tax
24 Regulations Code; the order shall inform the recipient of such right to appeal.

1 **SEC. 1632. ADMINISTRATIVE PENALTIES AND ENFORCEMENT COSTS.**

2 (a) **Penalty Amounts.** Any Person who violates this Article 16 (which is deemed in the entirety
3 of this Section 1632 to include a violation of a permit condition and/or a violation of the rules and
4 regulations adopted pursuant to this Article) shall be subject to an administrative penalty imposed by
5 order of the Director, not to exceed \$1,000 for each violation, for each day such violation occurs.
6 However, in the case of a continuing violation, the Director shall not impose a daily administrative
7 penalty for the second and subsequent days of such violation where the Director finds all of the
8 following:

9 (1) In the 12 months preceding issuance of the Notice of Violation, the Cannabis
10 Business was not issued a Notice of Violation, which was later upheld in whole or in part, for a similar
11 violation;

12 (2) In the 12 months preceding issuance of the Notice of Violation, the Cannabis
13 Business was issued no more than two Notices of Violation, which were later upheld in whole or in
14 part, for any violation of this Article;

15 (3) The violation occurred notwithstanding that the Cannabis Business was acting in
16 good faith; and

17 (4) The Cannabis Business promptly took reasonable steps to prevent future violations
18 similar to the alleged violation(s), and arranged for the Director to re-inspect the Cannabis Business to
19 confirm such reasonable steps.

20 (b) **Setting Administrative Penalty.** In setting the amount of the administrative penalty, the
21 Director shall consider any one or more of the relevant circumstances presented, including but not
22 limited to the following: the nature and seriousness of the misconduct giving rise to the violation, the
23 number of violations, the persistence of the misconduct, the length of time over which the misconduct
24 occurred, the willfulness of the responsible party's misconduct, and the responsible party's assets,
25 liabilities, and net worth.

1 (c) **Setting Enforcement Costs.** In any action where a violation is found, the Director shall
2 assess the Office’s costs of enforcement against the Cannabis Business or any other Persons the
3 Director finds responsible for causing the violation.

4 (d) **Payment and Collection of Administrative Penalty and Enforcement Costs.** Any
5 administrative penalty and/or enforcement costs assessed under this Article 16 is a debt to the City and
6 County of San Francisco and shall be paid to the Treasurer of the City and County of San Francisco.
7 Any amount paid late shall be subject to an additional late fine of 10% on the unpaid amount. The sum
8 of the unpaid amount and the 10% late fine shall accrue interest at the rate of 1% per month (or
9 fraction thereof) until fully paid; any partial payments made shall first be applied to accrued interest.
10 The City may file a civil action or pursue any other legal remedy to collect such unpaid amount, fine,
11 and interest. In any civil action for collection, the City shall be entitled to obtain a judgment for the
12 unpaid amounts, fine, and interest, and for the costs and attorneys’ fees incurred by the City in
13 bringing such civil action.

14 (e) **Lien for Administrative Penalty.** Where an activity or condition on San Francisco real
15 property has caused, contributed to, or been a substantial factor in causing the violation, the Director
16 may initiate proceedings to make any unpaid administrative penalty, enforcement costs, fine, and
17 interest, and all additional authorized costs and attorneys’ fees, a lien on the property. Such liens shall
18 be imposed in accordance with Administrative Code Sections 10.230—10.237, or any successor
19 provisions. Before initiating lien proceedings, the Director shall send a request for payment under
20 Administrative Code Section 10.230A.

21
22 **SEC. 1633. PERMIT SUSPENSIONS AND REVOCATIONS.**

23 (a) **Grounds for Suspension or Revocation.** The Director may revoke or suspend any
24 Cannabis Business Permit if the Director finds any of the following circumstances to exist:
25

1 (1) Facts sufficient to support the denial of such permit on any ground set forth in
2 Section 1615 of this Article 16;

3 (2) The Permittee has refused to permit an inspection of its business Premises or its
4 operations under this Article;

5 (3) The Permittee has engaged in any conduct in connection with the operation of the
6 Cannabis Business that violates this Article 16 (which is deemed in the entirety of this Section 1633 to
7 include a violation of a permit condition and/or a violation of the rules and regulations adopted
8 pursuant to this Article), or the Medicinal and Adult Use Cannabis Regulation and Safety Act, and any
9 regulations promulgated thereto;

10 (4) The Director determines that such Cannabis Business is being managed, conducted,
11 or maintained in a way that threatens the health or safety of ~~clients~~Customers, employees, or the
12 public at large;

13 (5) The Director finds good cause to suspend or revoke the permit in accordance with
14 Business and Tax Regulations Code Sections 24 and 26;

15 (6) An Owner or manager of the Cannabis Business willfully violated this Article;

16 (7) An Owner or manager of the Cannabis Business willfully made a false statement to
17 the Office, or discovered a false statement made to the Office by any employee or agent of the Cannabis
18 Business and failed to promptly correct such statement; or

19 (8) An Owner has been convicted of a controlled substance felony subsequent to the
20 award of a Cannabis Business Permit;

21 (9) The Permittee was awarded a Cannabis Business Permit as an Equity
22 Incubator and the Permittee has failed to make a good faith effort to comply with its Cannabis
23 Equity Incubator Agreement, as set forth in subsection (c)(4) of Section 1604 of this Article 16.

24 (b) The Director may not suspend or revoke a Cannabis Business Permit under this Article 16
25 until the Director has issued a Notice of Violation and provided the Cannabis Business an opportunity

1 to be heard and respond as provided in Section 1631 of this Article 16. A Cannabis Business whose
2 permit has been suspended or revoked must cease operations within 24 hours of the suspension or
3 revocation order being final.

4 (c) Notwithstanding subsection (b) of this section 1633, the Director may suspend summarily
5 any Cannabis Business Permit issued under this Article 16 when, in the judgment of the Director, the
6 public health or safety requires such summary suspension. The Director shall provide written notice of
7 such summary suspension to the permit holder by hand delivery, registered mail, or electronic mail.
8 No more than three days after written notice of such summary suspension is given, the Director shall
9 issue a Notice of Violation identifying the alleged acts or failures to act that constitute the basis for the
10 summary suspension, and provide the Cannabis Business an opportunity to be heard and respond as
11 provided in Section 1631 as to why the summary suspension should end. However, the time for hearing
12 and decision shall be accelerated as follows: Upon a timely request for a hearing that includes the
13 information required by subsection (b)(4) of Section 1631, the Director shall set any requested hearing
14 within seven days, unless time is extended by mutual agreement of the affected parties; and the
15 Director, or a designated hearing officer who shall have the same authority as the Director to hear and
16 decide the case, and make any orders consistent with this Article 16, shall issue a decision on the
17 summary suspension within seven days after hearing.

18 (ed) If the Permittee appeals a decision by the Director or hearing officer upholding a
19 summary suspension to the Board of Appeals, the summary suspension shall remain in effect until a
20 final decision is issued by the Board of Appeals. Where a permit is revoked after a summary
21 suspension, the revocation shall be effective immediately and, if the Permittee appeals to the Board of
22 Appeals, shall remain in effect until a final decision is issued by the Board of Appeals.

23
24 **SEC. 1634. ADDITIONAL ADMINISTRATIVE ENFORCEMENT ORDERS.**

1 (a) Order to Cease Operations Without Permit. Upon a determination by the Director that
2 any Cannabis Business is operating without all valid, effective, and current permits required by this
3 Article 16, the Director shall issue an Order to Cease Operations Without Permit, which shall be
4 posted prominently on the Premises and mailed to the Cannabis Business. Such Order shall state:

5 (1) The required permits which are lacking;

6 (2) That the Cannabis Business has 72 hours from the time of posting to demonstrate to
7 the Director's satisfaction that the Cannabis Business has the required valid, effective, and current
8 permits;

9 (3) If the Cannabis Business has not made such demonstration within 72 hours, that the
10 Cannabis Business must immediately close until such time as it demonstrates to the Director's
11 satisfaction that the Cannabis Business has the required permits; and

12 (4) If the Cannabis Business fails to close as required by this subsection (a), that the
13 Director shall issue an Immediate Closure Order and close the Premises.

14 (b) Order to Cease Operations without a Permit Inapplicable to Permit Suspensions and
15 Revocations. As set forth in subsection (b) of section 1633, a Cannabis Business whose permit has
16 been suspended or revoked must cease operations within 24 hours of the suspension or revocation
17 order being final. The Director is not required to issue an Order to Cease Operations without a Permit
18 to a Cannabis Business whose Cannabis Business Permit is subject to a final order of suspension or
19 revocation.

20 (c) Immediate Closure Order. The Director shall issue an Immediate Closure Order ordering
21 closure of a Cannabis Business under the following circumstances:

22 (1) 72 hours after the issuance of an Order to Cease Operations Without Permit, the
23 Cannabis Business has not demonstrated to the Director's satisfaction that the Cannabis Business has
24 the required permits, and the Cannabis Business nevertheless continues to operate;

1 (2) 24 hours after the suspension or revocation of a permit becomes final, the Cannabis
2 Business continues to operate;

3 (3) Without delay, after issuance of a summary suspension.

4 (d) **Enforcement.** It is the duty of a Cannabis Business and any person owning or managing a
5 Cannabis Business, to obey all orders issued under this Section 1634. To enforce an Immediate
6 Closure Order, the Director shall take such steps as the Director views as reasonable and necessary to
7 enforce such order, including but not limited to securing and barricading the Premises. The Director
8 is hereby authorized to call upon the Police Department and other departments and bureaus to aid and
9 assist the Director in such enforcement, and it shall then be their duty to enforce the provisions of this
10 Article and to perform such duties as may come within their respective jurisdictions.

11 (e) **Enforcement Costs.** Following an Order under this Section 1634, the Director shall issue a
12 separate order assessing the City's costs of enforcement, including the costs incurred by the Office as
13 well as the costs incurred by any other City departments, against the Cannabis Business. Such
14 assessments shall be paid within 10 days of issuance of the separate order. Unpaid amounts shall
15 accrue late fines, penalties, and interest, and may be collected as provided in Section 1632 of this
16 Article 16.

17
18 **SEC. 1635. NUISANCE.**

19 Any building or place used by a Cannabis Business in violation of this Article, or where any
20 Commercial Cannabis Activity occurs in violation of this Article 16, is a nuisance which may be
21 remedied as provided by law, including but not limited to the provisions of Article 3 (commencing with
22 Section 11570) of Chapter 10 of Division 10 of the California Health and Safety Code.

23
24 **SEC. 1636. ENFORCEMENT BY CITY ATTORNEY.**
25

1 (a) The City Attorney may at any time institute civil proceedings for injunctive and monetary
2 relief, including civil penalties, against any Person for violations of this Article 16, without regard to
3 whether the Director has issued a notice of violation, instituted abatement proceedings, scheduled or
4 held a hearing on a notice of violation, or issued a final decision.

5 (b) At any time, the Director may refer a case to the City Attorney's Office for civil
6 enforcement, but a referral is not required for the City Attorney to bring a civil action under subsection
7 (a).

8 (c) **Action for Injunction and Civil Penalty.** Any Person that violates any provision of this
9 Article 16 shall be enjoined and shall be subject to a civil penalty in an amount not to exceed \$1,000
10 for each day such violation is committed or permitted to continue, which penalty shall be assessed and
11 recovered in a civil action brought in the name of the people of the City and County of San Francisco
12 by the City Attorney in any court of competent jurisdiction. In assessing the amount of the civil penalty,
13 the court shall consider any one or more of the relevant circumstances presented by any of the parties
14 to the case, including but not limited to, the following: the nature and seriousness of the misconduct
15 giving rise to the violation, the number of violations, the persistence of the misconduct, the length of
16 time over which the misconduct occurred, the willfulness of the defendant's misconduct, and the
17 defendant's assets, liabilities and net worth.

18 (d) **Attorneys' fees.** The prevailing party in any court case or special proceeding to enforce
19 this Article 16 shall recover reasonable attorneys' fees if the City Attorney elects, at the initiation of the
20 action, to seek recovery of attorneys' fees and provides notice of such intention to the adverse party or
21 parties. In no court case or special proceeding shall an award of attorneys' fees to a prevailing party
22 exceed the amount of reasonable attorneys' fees incurred by the City.

23 (e) Remedies under this Section 1636 are non-exclusive and cumulative to all other remedies
24 available at law or equity.

1 **SECTION 1637. PUBLIC HEALTH EDUCATION CAMPAIGN.**

2 The Department of Public Health shall conduct an ongoing public health education
3 campaign with a particular focus on youth designed to educate the public about the safe
4 consumption and health benefits of cannabis and cannabis products. The Department of
5 Public Health shall launch this campaign within 60 days of the effective date of the ordinance,
6 in Board File Number 171042, establishing this Article 16.

7
8 **SEC. 16378. UNDERTAKING FOR THE GENERAL WELFARE.**

9 In enacting and implementing this Article 16, the City is assuming an undertaking only to
10 promote the general welfare. It is not assuming, nor is it imposing on its officers and employees, an
11 obligation for breach of which it is liable in money damages to any person who claims that such breach
12 proximately caused injury. To the fullest extent permitted by law, the City shall assume no liability
13 whatsoever, and expressly does not waive sovereign immunity, with respect to the permitting and
14 licensing provisions of this Article, or for the activities of any Cannabis Business. To the fullest extent
15 permitted by law, any actions taken by a public officer or employee under the provisions of this Article
16 shall not become a personal liability of any public officer or employee of the City.

17
18 **SEC. 16389. SEVERABILITY.**

19 If any section, subsection, sentence, clause, phrase, or word of this Article 16, or any
20 application thereof to any person or circumstance, is held to be invalid or unconstitutional by a
21 decision of a court of competent jurisdiction, such decision shall not affect the validity of the remaining
22 portions or applications of the ordinance. The Board of Supervisors hereby declares that it would have
23 passed this Article and each and every section, subsection, sentence, clause, phrase, and word not
24 declared invalid or unconstitutional without regard to whether any other portion of this ordinance or
25 application thereof would be subsequently declared invalid or unconstitutional.

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Section 3. Article 1 of the Business and Regulations Code is amended by revising Section 8, to read as follows:

SEC. 8. METHOD OF APPEAL TO THE BOARD OF APPEALS.

Except for variance decisions and permits issued by the Entertainment Commission or its Director, appeals to the Board of Appeals shall be taken within 15 days from the making or entry of the order or decision from which the appeal is taken. Appeals of variance decisions shall be taken within 10 days.

Appeals of actions taken by the Entertainment Commission or its Director on the granting, denial, amendment, suspension, or revocation of a permit, or on denial of exceptions from regulations for Extended-Hours Premises Permit, shall be taken within 10 days from the making of the decision. Nothing in this Section is intended to require an appeal to the Board of Appeals if any provision of Article 15, Article 15.1 (Entertainment Regulations Permit and License Provisions) or Article 15.2 (Entertainment Regulations for Extended-Hours Premises) of the Police Code governing these permits otherwise provides. Appeals shall be taken by filing a notice of appeal with the Board of Appeals and paying to said Board at such time a filing fee as follows:

* * * *

(i) Additional Requirements.

(1) Notice of appeal shall be in such form as may be provided by the rules of the Board of Appeals.

(2) On the filing of any appeal, the Board of Appeals shall notify in writing the department, board, commission, officer or other person from whose action the appeal is taken of such appeal. On the filing of any appeal concerning a structural addition to an existing

1 building, the Board of Appeals shall additionally notify in writing the property owners of
2 buildings immediately adjacent to the subject building.

3 (3) The Board of Appeals shall fix the time and place of hearing, which shall be
4 not less than 10 nor more than 45 days after the filing of said appeal, and shall act thereon not
5 later than 60 days after such filing or a reasonable time thereafter. In the case of a permit
6 issued by the Entertainment Commission or its Director, the Board of Appeals shall set the
7 hearing not less than 15 days after the filing of said appeal, shall act thereon not more than 30
8 days after such filing, and shall not entertain a motion for rehearing.

9 (4) With respect to any decision of the Board of Appeals related to any "dwelling"
10 in which "protected class members" are likely to reside (each as defined in Administrative
11 Code Chapter 87), the Board of Appeals shall comply with the requirements of Administrative
12 Code Chapter 87 which requires, among other things, that the Board of Appeals not base any
13 decision regarding the development of such units on information which may be discriminatory
14 to any member of a "protected class."

15 (5) Pending decision by the Board of Appeals, the action of such department,
16 board, commission, officer or other person from which an appeal is taken, shall be
17 suspended, except for: (1) actions of revocation or suspension of permit by the Director of
18 Public Health when determined by the Director to be an extreme public health hazard; ~~and~~ (2)
19 actions by the Zoning Administrator or Director of the Department of Building Inspection
20 stopping work under or suspending an issued permit; ~~and~~ (3) actions of suspension or
21 revocation by the Entertainment Commission or the Director of the Entertainment Commission
22 when the suspending or revoking authority determines that ongoing operation of the activity
23 during the appeal to the Board of Appeals would pose a serious threat to public safety; ~~and~~ (4)
24 actions of the Director of the Office of Cannabis awarding a Temporary Medicinal Cannabis Business
25 Permit.

1
2 Section 4. The Health Code is amended by adding new Article 8A, consisting of
3 Sections 8A.1-8A.8, to read as follows:
4

5 **ARTICLE 8A: CANNABIS CONSUMPTION PERMITS**
6

7 **SEC. 8A.1. DEFINITIONS.**

8 *(a) Terms not defined in this Article 8A shall have the meaning attributed to them in Section*
9 *1602 of the Police Code.*

10 *(b) As used in this Article 8A, the following words or phrases shall mean:*

11 *“Designated Smoking Room” means a designated area on the Premises of a Cannabis*
12 *Business where Customers may Smoke Cannabis.*

13 *“Director” means the Director of the Department of Public Health, or his or her designee.*

14 *“Permittee” means any person or business to whom a Cannabis Consumption Permit is issued*
15 *under this Article 8A, and any authorized agent or designee of such person or business.*

16 *“Pre-packaged Cannabis Product” means a Cannabis Product that is packaged by a cannabis*
17 *business that holds a valid license from the state of California authorizing it to engage in the*
18 *distribution or manufacture of Cannabis Products, and that is served to a customer in its original*
19 *packaging.*

20 *“Preparing” or “Preparation” means the heating, re-heating, or serving of Cannabis Products,*
21 *and does not include cooking or infusing.*

22
23 **SEC. 8A.2. PERMITS FOR THE ON-SITE CONSUMPTION OF CANNABIS.**

24 *It shall be unlawful to allow the Consumption of Cannabis or Cannabis Products on the*
25 *Premises of a commercial business without obtaining and maintaining:*

1 (a) A permit therefor issued by the Department of Public Health; and

2 (b) A Medicinal Cannabis Retailer, Cannabis Retailer, or Cannabis Microbusiness permit
3 issued by the Office of Cannabis; and

4 (c) A State Cannabis License.

5
6 **SEC. 8A.3. CANNABIS CONSUMPTION PERMIT TYPES.**

7 There are ~~two~~three types of permits available for the purpose of legalizing and regulating the
8 Consumption of Cannabis Products on the Premises of commercial businesses:

9 **(a) Cannabis Consumption – Prepackaged Cannabis Products – No Preparation.** A
10 Permittee in possession of this permit type may allow the on-site Consumption of Pre-Packaged
11 Cannabis Products but may not engage in the Preparation of Cannabis Products.

12 **(b) Cannabis Consumption – Limited Preparation of Cannabis Products.** A Permittee in
13 possession of this permit type may allow the on-site Consumption of Pre-Packaged Cannabis Products,
14 and may also Prepare and allow the Consumption of Cannabis Products.

15 **(c) Cannabis Smoking.** A Permittee in possession of this permit type may allow the
16 on-site Smoking of Cannabis, and may also allow the Consumption of Pre-packaged
17 Cannabis Products, and/or the Consumption of prepared Cannabis Products, subject to
18 approval by the Director.

19
20 **SEC. 8A.4. PERMIT APPLICATIONS AND AWARDS.**

21 (a) Every applicant for a Cannabis Consumption Permit shall file an application with the
22 Director upon a form provided by the Director and provide such additional information as may be
23 required by the Director, in the exercise of his or her discretion. Every applicant shall pay a non-
24 refundable application fee, unless the applicant is eligible for a fee waiver or reduction, as
25 authorized by ordinance.

1 (b) A person may not file and the Director may not accept an application for a Cannabis
2 Consumption Permit until after the Director has adopted rules, regulations, and/or guidelines to
3 establish the minimum health and safety standards applicable to Permittees, as set forth in Section
4 8A.8.

5 (c) Upon receipt of a complete application, the Director shall refer the application to the
6 Planning Department, the Department of Building Inspection, and Fire Department (the “Referring
7 Departments). The Referring Departments shall determine whether an inspection of the premises is
8 warranted in light of the type of Cannabis Consumption Permit sought and any inspection history at the
9 premises, and shall conduct inspections as may be required. Said departments shall advise the
10 Director in writing whether they recommend approval or denial of the application for the Cannabis
11 Consumption permit, and the basis for that recommendation.

12 (d) Upon review of a complete application and consideration of the recommendations of the
13 Referring Departments, the Director shall either grant or deny a permit, as specified in more detail in
14 subsections (e) and (f) of this Section 8A.4.

15 (e) In granting a permit, the Director may impose conditions as are, in his or her judgment,
16 necessary to protect the health and safety of the Permittee’s employees and customers.

17 (f) No Cannabis Consumption permit shall be issued if the Director finds that:

18 (1) The applicant has provided materially false information or documents (which
19 includes omitting material information or documents) in support of the application.

20 (2) The applicant failed to submit a complete application and/or did not provide all of
21 the information required in connection with the application.

22 (3) The applicant has not demonstrated that it can meet the health and safety standards
23 adopted by the Director under Section 8A.8.

24 (4) The applicant for a Cannabis Smoking permit has not demonstrated to the
25 Director’s satisfaction that the Designated Smoking Room meets or will meet the ventilation

1 standards set forth in subsection (i) of Section 8A.6, or the ventilation standards set forth in
2 subsection (g)(4) of this Section 8A.4, where applicable.

3 (45) A Referring Department recommends that the application be denied and states a
4 sound basis for such recommendation.

5 (56) The on-site Consumption of Cannabis or Cannabis Products, if permitted, would
6 not comply with all applicable laws, including but not limited to the Building, Planning, Housing,
7 Police, Fire, and Health Codes, and the Medicinal and Adult Use Cannabis Regulation and Safety Act,
8 2017 Cal. Legis. Serv. Ch. 27 (S.B. 94), and its implementing regulations, as may be amended from
9 time to time.

10 (g) Notwithstanding anything in this Article 8A, a Medicinal Cannabis Retailer,
11 Cannabis Retailer, or Cannabis Microbusiness that applies for a Cannabis Smoking
12 Consumption Permit (“Cannabis Smoking Permit Applicant”) may allow Smoking on the
13 Premises until such time as its application for a Cannabis Consumption permit has been
14 approved or denied by the Director, provided that:

15 (1) The Cannabis Smoking Permit Applicant previously held a permit to operate
16 a Medical Cannabis Dispensary at the same location, issued by the Director under Article 33
17 of the Health Code, or demonstrates to the Director’s satisfaction that it had operated in
18 compliance with the Compassionate Use Act of 1996, and was forced to discontinue
19 operations as a result of federal prosecution or threat of federal prosecution;

20 (2) The Cannabis Smoking Permit Applicant was not prohibited by the Planning
21 Department, the Planning Commission, or the Director from allowing smoking on the premises
22 of the formerly permitted Medical Cannabis Dispensary; and

23 (3) The Cannabis Smoking Permit Applicant submits its application for a
24 Cannabis Smoking Consumption Permit not less than 30 days after such applications are
25 made available by the Director; and

1 (4) The Cannabis Smoking Permit Applicant demonstrates that it provides
2 adequate ventilation within the structure such that doors and/or windows are not left open for
3 such purposes resulting in odor emission from the premises.

4
5 **SEC. 8A.5. PAYMENT OF ANNUAL LICENSE FEE.**

6 The license fee for a Cannabis Consumption Permit shall be paid annually on or before March
7 31, in accordance with the provisions of Section 76.1 of the Business and Tax Regulations Code.

8
9 **SEC. 8A.6. OPERATING STANDARDS.**

10 (a) No Permittee shall allow the on-site Consumption of Cannabis or Cannabis Products in a
11 manner inconsistent with any permit condition imposed by the Director, or inconsistent with any rules,
12 regulations, or guidelines promulgated by the Director under Section 8A.8.

13 (b) Any employee or agent of the Department of Public Health may enter and inspect the
14 Premises of a Permittee during business hours, without notice.

15 (c) No Permittee shall authorize the on-site Consumption of Cannabis or Cannabis Products
16 outside of the business' operating hours, as such hours may be established by law or regulation or
17 required as a condition of the permit.

18 (d) Permittees shall post one or more notices of sufficient size, lettering, and prominence to
19 advise customers that the Consumption of Cannabis Products on the sidewalk or in other areas
20 adjacent to the Premises is prohibited.

21 (e) Access to the area where the Consumption of Cannabis Products is allowed shall be
22 restricted to persons 21 years of age and older, or persons 18 years of age and older if the Permittee is
23 authorized to Sell Medicinal Cannabis Products.

24 (f) Cannabis Consumption shall not be visible from any public place or any nonage-restricted
25 area on the Premises.

1 (g) The sale and Consumption of alcohol or tobacco products are not allowed on the Premises.

2 (h) A Permittee shall comply with laws governing Cannabis Businesses and retail food
3 establishments, including but not limited to the California Retail Food Code and Article 8 of the Health
4 Code, where applicable.

5 (i) A Designated Smoking Room must meet the following ventilation standards:

6 (1) The Designated Smoking room must have a separate heating, ventilation,
7 and air-conditioning (HVAC) system such that none of the air in the Designated Smoking
8 Room will be recirculated into other parts of the Cannabis Business' Premises.

9 (2) The air from a Designated Smoking Room must be directly exhausted to the
10 outdoors by a filtration system that, at a minimum, eliminates all odor and smoke.

11 (3) Smoke from the Designated Smoking Room must not drift to other portions
12 of the Premises.

13 (4) The Designated Smoking Room must be completely separated from the
14 remainder of the Premises by solid partitions or glazing without openings other than doors,
15 and all doors leading to the Designated Smoking Room must be self-closing. All doors to the
16 Designated Smoking Room must be installed with a gasket to provide a seal where the door
17 meets the stop.

18 (5) The Designated Smoking Room must meet such other health and safety
19 standards as are adopted by the Director under Section 8A.8 of this Article 8.

20 (j) A Permittee with a Cannabis Smoking permit may not require employees to enter
21 the Designated Smoking Room as a condition of their employment.

22
23 **SEC. 8A.7. ADMINISTRATIVE PENALTIES; PERMIT SUSPENSIONS AND**
24 **REVOCATIONS; NOTICE OF VIOLATIONS; HEARING AND APPEAL.**

25 (a) Any Person who violates this Article 8A (which is deemed to include a violation of

1 the rules, regulations, and guidelines adopted pursuant to this Article 8A) shall be subject to
2 an administrative penalty imposed by order of the Director, not to exceed \$1,000 for each
3 violation, for each day such violation occurs.

4 (b) The Director may revoke or suspend a Cannabis Consumption permit if the Director
5 finds that the Permittee has engaged in conduct that violates this Article 8A or its
6 implementing rules, regulations, and guidelines, or if the Director finds that the Permittee is
7 being managed, conducted, or maintained in a way that threatens the health or safety of
8 Customers, employees, or the public at large.

9 (ac) If the Director determines that a Cannabis Business is operating in violation of this Article
10 8A or rules, regulations, or guidelines adopted pursuant to this Article, the Director shall issue a
11 Notice of Violation to the Permittee. The Notice of Violation shall include the following information:
12 the alleged act or failure to act that constitutes the basis for the Director’s determination; that the
13 Director intends to take enforcement action against the Permittee, and the nature of that action,
14 specifically, the administrative penalty to be imposed, additional permit conditions to be imposed,
15 and/or suspension or revocation of the permit; and that the Permittee may request a hearing before the
16 Director within 15 days after the Notice of Violation is mailed, to challenge the Director’s
17 determination and/or the proposed enforcement action.

18 (bd) If no request for a hearing is timely filed with the Director, the right to request a hearing
19 shall be deemed waived, and the Director’s determination shall become final and effective 15 days
20 after the Notice of Violation was mailed. The failure of the Person on whom the Notice of Violation is
21 served to request a hearing shall constitute a failure to exhaust administrative remedies and shall
22 preclude the Person from obtaining judicial review of the validity of the enforcement action.

23 (ee) Upon a timely request for a hearing, the Director shall, within 15 days of the request,
24 notify the requester of the date, time, and place of the hearing.

1 (ef) The Director shall conduct the hearing, or may designate a hearing officer who shall have
2 the same authority as the Director to hear and decide the case.

3 (eg) An order after hearing to suspend or revoke a permit, or to impose additional permit
4 conditions, may be appealed to the Board of Appeals in the manner prescribed in Article 1 of the
5 Business and Tax Regulations Code; and such an order shall inform the recipient of this right to
6 appeal.

7
8 **SEC. 8A.8. RULES AND REGULATIONS.**

9 (a) The Director shall adopt rules, regulations, and/or guidelines to establish the minimum
10 health and safety standards that businesses must maintain to be eligible to receive and maintain a
11 Cannabis Consumption permit. Such health and safety standards shall be sufficient in the Director’s
12 judgment to, among other things: protect the health and safety of consumers and employees of the
13 cannabis business, prevent the ingestion of adulterated Cannabis Products, promote sanitary
14 conditions in the Consumption and Preparation areas, and prevent food-borne diseases that might
15 occur through unsafe food or Cannabis Product handling procedures.

16 (b) The Director may adopt rules, regulations, and guidelines that are not inconsistent with this
17 Article 8A, for the purpose of implementing and enforcing this Article.

18
19 Section 5. Article 19F of the Health Code is hereby amended by revising Sections
20 1009.22 and 1009.23, to read as follows:

21
22 **SEC. 1009.22. PROHIBITING SMOKING IN BUILDINGS, CERTAIN VEHICLES,**
23 **CERTAIN UNENCLOSED AREAS, ENCLOSED STRUCTURES CONTAINING CERTAIN**
24 **USES, AND SPORTS STADIUMS.**

1 (a) Smoking is prohibited in buildings and enclosed structures, throughout the building
2 or structure and in the common areas, such as the elevators, hallways, stairways, restrooms,
3 conference and meeting rooms, and eating and break rooms, and certain unenclosed areas
4 that contain any of the facilities or uses set forth below.

5 (1) Facilities owned or leased by the City and County of San Francisco; every
6 commission, department, or agency, with jurisdiction over such property shall adopt
7 regulations or policies implementing the provisions of this Article 19F; provided, however, with
8 respect to facilities located outside the City and County of San Francisco, the regulations or
9 policies shall prohibit smoking in enclosed areas during all times;

10 (2) Facilities in which the business of any governmental body or agency is
11 conducted, including hearing rooms, courtrooms, or places of public assembly;

12 (3) Polling places;

13 (4) Health facilities, including, but not limited to, hospitals, long term care
14 facilities, doctors' and dentists' offices, inpatient rooms, and outpatient examination and
15 treatment rooms;

16 (5) Educational facilities;

17 (6) Business establishments, ~~except that persons qualifying under California~~
18 ~~Health and Safety Code Sections 11362.7 et seq. to use medicinal cannabis may smoke the~~
19 ~~smoking of medicinal cannabis or and adult use cannabis may occur on the premises of a~~
20 ~~Medicinal Cannabis Retailer, or a Cannabis Retailer, or a Cannabis Microbusiness with a valid~~
21 ~~permit issued by the Office of Cannabis under Article 16 of the Police Code, subject to the~~
22 ~~limitations set forth in Section 1009.23 of this Article 19F;~~

23 (7) Nonprofit establishments, except that persons qualifying under California
24 Health and Safety Code Section 11362.7 et seq. to use medical marijuana may smoke
25 medical marijuana on the premises of a Medical Cannabis Dispensary with a valid permit

1 issued by the Department of Public Health under Article 33 of the Health Code prior to
2 September 26, 2017, provided that the medical cannabis dispensary was not prohibited by the Planning
3 Department, the Planning Commission, or the Director of Health from allowing smoking on the
4 premises;

5 (8) Aquariums, galleries, libraries, and museums;

6 (9) Child care facilities, except when located in private homes;

7 (10) Facilities used for exhibiting motion pictures, drama, dance, musical
8 performance, lectures, or other entertainment;

9 (11) Sports arenas; provided, however, that subsubsection (b) shall govern sports
10 stadiums as defined in that subsection;

11 (12) Convention facilities;

12 (13) Restaurants, ~~except that smoking will be allowed in outdoor and sidewalk dining~~
13 ~~areas of restaurants until six months after the effective date of this ordinance;~~

14 (14) Bars and Taverns, except for historically compliant semi-enclosed smoking
15 rooms, the portion of an outdoor patio at least ~~ten~~10 feet away from the entry, exit, or operable
16 window of the bar or tavern, or as specified in Section 1009.23(c) or 1009.23(d);

17 (15) Tourist Lodging Facilities;

18 (16) Homeless Shelters, including, but not limited to, the sleeping areas of
19 those buildings;

20 (17) Tobacco Shops, except as specified in Section 1009.23(e);

21 (18) Facilities used to conduct charity bingo games pursuant to California Penal
22 Code Section 326.5, during such times that persons are assembled in the facility in
23 connection with such games; and,

24 (19) Farmers Markets, whether on public or private property.

25 * * * *

1
2 **SEC. 1009.23. EXCEPTIONS.**

3 The following places shall not be subject to this Article 19F:

4 * * * *

5 (f) Medicinal Cannabis Retailers, Cannabis Microbusinesses, and Cannabis Retailers
6 that have received and maintain:

7 (1) A Cannabis Business Permit issued by the Director of the Office of
8 Cannabis under Article 16 of the Police Code; and

9 (2) A Cannabis Consumption Permit that authorizes the smoking of cannabis,
10 issued by the Director of Health under Article 8A of the Health Code, unless the smoking of
11 cannabis is authorized under subsection (g) of Section 8A.4, pending the approval or denial of
12 an application for such permit, permitted by the Office of Cannabis under Article 16 of the
13 Police Code that submit to the Director all documents required by the Director to demonstrate
14 that the Medicinal Cannabis Retailer or Cannabis Retailer: previously held a valid permit to
15 operate a Medical Cannabis Dispensary, issued by the Director under Article 33 of the Health
16 Code prior to September 26, 2017, at the same location; was not prohibited by the Planning
17 Department or the Planning Commission from allowing smoking on the premises of the
18 Medical Cannabis Dispensary; and meets such ventilation standards as may be established
19 by the Director to protect the health and safety of the Medicinal Cannabis Retailer's or
20 Cannabis Retailer's employees, neighbors, and customers.

21 ~~(1) A Medicinal Cannabis Retailer or Cannabis Retailer that qualifies for an~~
22 ~~exemption under this subsection (f) may allow the smoking of medicinal cannabis and adult~~
23 ~~use cannabis in such indoor area(s) within its premises as may be approved by the Director,~~
24 ~~but may not allow the smoking of tobacco products or adult use cannabis.~~

1 ~~——— (2) A Medicinal Cannabis Retailer or Cannabis Retailer that seeks to allow the~~
2 ~~smoking of medicinal cannabis or adult use cannabis on its premises pursuant to this~~
3 ~~subsection (f) shall have three months from the date of receipt of its Cannabis Business~~
4 ~~Permit to demonstrate compliance with the ventilation standards established by the Director.~~

5 ~~——— (3) This exemption is nontransferable and immediately expires if any of the~~
6 ~~following occur:~~

7 ~~————— (A) There is a change in the ownership interest(s) in the Medicinal~~
8 ~~Cannabis Retailer or Cannabis Retailer, meaning the aggregate change of 50% or more of the~~
9 ~~ownership of the business;~~

10 ~~————— (B) There are structural alterations made to the area where smoking is~~
11 ~~approved that are not approved by the Director;~~

12 ~~————— (C) The Medicinal Cannabis Retailer or Cannabis Retailer is no longer~~
13 ~~located in the original permitted commercial building; or~~

14 ~~————— (D) The Medicinal Cannabis Retailer or Cannabis Retailer found to have~~
15 ~~permitted smoking of tobacco or nicotine products or adult use cannabis, or to have allowed~~
16 ~~the smoking of medicinal cannabis or adult use cannabis in places or by persons not~~
17 ~~authorized by the Director.~~

18
19 Section 6. Article 33 of the Health Code is hereby amended by revising Sections 3301
20 and 3308, and adding new Sections 3322 and 3323, to read as follows:

21
22 **SEC. 3301. DEFINITIONS.**

23 For the purposes of this Article 33:

24 * * * *

1 (f) "Medical cannabis dispensary" means a cooperative or collective of ten or more
2 qualified patients or primary caregivers that facilitates the lawful cultivation and distribution of
3 cannabis for medical purposes and operates not for profit, consistent with California Health &
4 Safety Code Sections 11362.5 et seq., with the Guidelines for the Security and Non-diversion
5 of Marijuana Grown for Medical Use issued by the California Attorney General in August
6 2008, and with this ordinance. A cooperative or collective shall be deemed to be of 10 or more
7 qualified patients or primary caregivers if it distributes cannabis to more than 10 persons during any
8 consecutive 30-day period. A cooperative must be organized and registered as a Consumer
9 Cooperative Corporation under the Corporations Code, Sections 12300, et seq., or a
10 Nonprofit Cooperative Association under the Food and Agricultural Code, Sections 54002, et
11 seq. A collective may be organized as a corporation, partnership, or other legal entity under
12 state law but must be jointly owned and operated by its members. As set forth in Section
13 3308(q), a medical cannabis dispensary may purchase or obtain cannabis only from members
14 of the cooperative or collective and may sell or distribute cannabis only to members of the
15 cooperative or collective. As set forth in Section 3308(c), a medical cannabis dispensary may
16 operate only on a not-for-profit basis and pay only reasonable compensation to itself and its
17 members and pay only reasonable out-of-pocket expenses.

18 * * * *

19
20 **SEC. 3308. OPERATING REQUIREMENTS FOR MEDICAL CANNABIS**
21 **DISPENSARY.**

22 * * * *

23 (bb) A medical cannabis dispensary must be operated from a fixed place of business. It may
24 not be operated out of a bus, truck, car, van, or any other mobile location or location that is capable of
25 being mobile.

1
2 **SEC. 3322. TRANSITION PROVISION.**

3 (a) Terms not defined in this Section 3322 shall have the meaning attributed to them in
4 Section 1602 of the Police Code.

5 (a) Notwithstanding any provision in this Article 33, starting January 1, 2018, a person may
6 not file and the Department of Public Health may not accept an application for a medical cannabis
7 dispensary permit.

8 (b) Notwithstanding any provision in this Article 33, starting April 1, 2018, a medical
9 cannabis dispensary is not authorized by this Article 33 to engage in the cultivation of cannabis.

10 (d) Notwithstanding any provision in this Article 33, starting January 1, 2018 on the
11 effective date of the ordinance in Board File Number 171042 establishing Article 16 of the
12 Police Code, a medical cannabis dispensary that meets the eligibility criteria set forth in
13 subsection (e) of this Section 3322 may Sell Adult Use Cannabis and Cannabis Products for a
14 period of 120 days, provided the medical cannabis dispensary:

15 (1) Applies for and receives a State Cannabis License authorizing the retail
16 Sale of Adult Use Cannabis;

17 (2) Receives a determination from the Planning Department that the Sale of
18 Adult Cannabis on the Premises is in compliance with the Planning Code; and

19 (3) Complies with all of the requirements and prohibitions imposed on Cannabis
20 Retailers under Article 16 of the Police Code and its implementing rules and regulations, any
21 violation of which shall be treated as a violation of this Article 33, subject to the penalties set
22 forth in Sections 3314 and 3315; and

23 (4) Complies with subsection (c) of Section 1605 of the Police Code; and

24 (5) Submits to the Director a "Good Neighbor Policy," as described in
25 subsection (b)(19) of Section 1609 of the Police Code, and a "Security Plan," as defined in

1 Section 1602 of the Police Code, along with written verification from the Office of Cannabis
2 that the Director of the Office of Cannabis, or his or her designee, has determined that the
3 policy and plan are adequate to enhance public safety and neighborhood needs;

4 (6) For medical cannabis dispensaries that have more than 10 employees,
5 demonstrates to the satisfaction of the Director that within 120 days of the effective date of the
6 ordinance in Board File Number 171042 establishing Article 16 of the Police Code, at least
7 30% of all Business Work Hours are performed by workers who meet at least three of the
8 criteria set forth in subsection (b)(4) of Section 1604 of the Police Code; and

9 (7) Submits to the Director of the Office of Cannabis a written, actionable
10 “Equity Plan” describing the concrete steps the medical cannabis dispensary will take to
11 encourage and support the establishment and growth of Equity Operators, as defined in
12 Section 1604 of the Police Code; provide employment opportunities to persons that have
13 been disproportionately impacted by the criminalization of cannabis; and otherwise further the
14 City’s equity goals.

15 (e) The authorization to Sell Adult Use Cannabis and Cannabis Products set forth in
16 subsection (d) of this Section 3322 applies only to:

17 (1) A medical cannabis dispensary that holds a valid permit under this Article 33
18 as of the effective date of the ordinance in Board File Number 171042; and

19 (2) A medical cannabis dispensary that is awarded a permit under this Article 33
20 at any time prior to December 31, 2018, provided the medical cannabis dispensary:

21 (A) Submitted a complete application for a medical cannabis dispensary
22 permit to the Department of Public Health prior to July 20, 2017; and

23 (B) Demonstrates to the satisfaction of the Director that it operated a
24 cannabis business in compliance with local law and the Compassionate Use Act of 1996, and
25

1 was forced to discontinue operations as a result of federal prosecution or threat of federal
2 prosecution.

3 (f) The Director may extend the authorization to Sell Adult Use Cannabis for an
4 additional 90 days beyond the 120 day period set forth in subsection (d) of this Section 3322
5 upon a finding that:

6 (1) The Office of Cannabis has not had sufficient time to review and process
7 applications for Cannabis Business Permits under Article 16 of the Police Code; and

8 (2) The medical cannabis dispensary has demonstrated good faith compliance
9 with its Equity Plan to the satisfaction of the Director of the Office of Cannabis.

10 (eeg) For purposes of Section 26050.1 of the California Business and Professions Code, a
11 valid medical cannabis dispensary permit shall serve as a valid license, permit, or other authorization
12 to engage in the retail sale of medicinal cannabis, ~~and medicinal cannabis products, adult use~~
13 cannabis, and adult use cannabis products at the permitted location, but shall not serve as a valid
14 license, permit, or other authorization to engage in the ~~retail sale of adult use cannabis or~~
15 cannabis products, or the commercial cultivation of cannabis of any kind.

16
17 **SEC. 3323. SUNSET PROVISION.**

18 This Article 33 shall expire by operation of law on December 31, 2018, at which time all
19 permits authorizing the operation of a Medical Cannabis Dispensary issued under this Article 33 shall
20 be rendered invalid. Upon expiration of the Article, the City Attorney shall cause it to be removed from
21 the Health Code.

22
23 Section 7. The Business and Tax Regulations Code is hereby amended by revising
24 Article 1, Sections 1 and 1.77, to read as follows:
25

1 **SEC. 1. DESIGNATING DEPARTMENTS FOR ISSUANCE OF PERMITS.**

2 Permits shall be issued for the location and conduct of the businesses, enterprises, or
3 activities, enumerated hereinafter in Sections 1.1 to 1.76Z, inclusive, by the department or
4 office authorized by Sections 1.1 to 1.76Z, inclusive, and Section 2 of this Article I to issue
5 each such class of permit, and subject to the approval of other departments and offices of the
6 City and County, where specifically designated in any such case; provided that permit or
7 license fees as required by ordinance shall be collected by the Tax Collector as provided in
8 Section 3 of this Article.

9 * * * *

10
11 **SEC. 1.77. ~~MEDICAL CANNABIS~~ BUSINESSES/DISPENSARIES.**

12 For the establishment, maintenance, and operation of ~~medical cannabis dispensaries~~ by
13 ~~the Department of Public Health~~ Cannabis Businesses by the Office of Cannabis.

14
15 Section 8. The Administrative Code is hereby amended by revising Section 96B.7, to
16 read as follows:

17
18 **SEC. 96B.7. ~~MARIJUANA~~ CANNABIS POLICY REFORM.**

19 ~~(a)~~—It shall be the policy of the City and County of San Francisco to support policies to
20 tax and regulate ~~marijuana~~ cannabis for adults.

21 ~~(b)~~—~~Beginning three months after the effective date of this Ordinance and continuing annually~~
22 ~~thereafter, the Clerk of the Board of Supervisors shall send letters to Governor of California, the~~
23 ~~President of the United States, and all elected officials representing San Franciscans in the U.S. House~~
24 ~~of Representatives, the U.S. Senate, the California Assembly and the California Senate. The letters shall~~
25 ~~state, “The Board of Supervisors of the City and County of San Francisco has passed an ordinance to~~

1 ~~deprioritize marijuana offenses by adults, and requests that the Federal and California State~~
2 ~~governments take immediate steps to tax and regulate marijuana use, cultivation, and distribution and~~
3 ~~to authorize State and local communities to do the same.” The Clerk shall send this letter annually until~~
4 ~~State and Federal laws are changed accordingly.~~

5
6 Section 9. Renumbering of Police Code Article 23 Sections. Existing Sections 1600-
7 1618 of Article 23 of the Police Code shall be renumbered as new Sections 2300-2318,
8 respectively, and any cross-references in the Municipal Code to existing Sections 1600-1618
9 shall be renumbered accordingly. These changes are not made for any substantive reason
10 and shall have no substantive effect. The City Attorney shall direct the publisher of the
11 Municipal Code to take all appropriate steps to effectuate this provision.

12
13 Section 10. The Administrative Code is amended by adding new Section 10.100-162
14 to Chapter 10, Article XIII, to read as follows.

15
16 **SEC. 10.100-162. Office of Cannabis Equity Operator Community Reinvestment**
17 **Fund.**

18 (a) Establishment of Fund. The Equity Operator Community Reinvestment Fund
19 (“the Fund”) is established as a category six fund to receive any monies appropriated or
20 donated for the purpose of assisting Cannabis Businesses that are owned or managed by
21 individuals who meet the criteria for Equity Applicants set forth in Section 1604 of the Police
22 Code, and Equity Applicants who have been awarded a Cannabis Business Permit by the
23 Office of Cannabis (“Equity Operators”); providing assistance to entities and organizations
24 working to address the impact of: racially disproportionate arrests and incarceration,
25 generational poverty, community degradation, housing insecurity, loss of educational and

1 employment opportunities, disruption of family structures, and other burdens of the failed War
2 on Drugs.

3 (b) Use of Fund. The Fund shall be used exclusively by the Director of the Office of
4 Cannabis or his or her designee (“Director”) to provide the following types of assistance to
5 Equity Applicants and Equity Operators:

6 —— (1) Providing access to technical assistance, mentoring, and business
7 consulting services;

8 —— (2) Financing capital improvements, construction, renovations, and leasehold
9 improvements; and

10 —— (3) Providing access to legal services relating to the operation of the Cannabis
11 Business.

12 (1) Workforce development;

13 (2) Access to affordable commercial real estate;

14 (3) Access to investment financing;

15 (4) Access to legal services and business administration.

16 (c) Disbursement. The Director shall authorize disbursements to eligible Equity
17 Applicants and Equity Operators on a case-by-case basis in accordance with the policy
18 adopted pursuant to subsection (d).

19 (d) Administration of Fund. By no later than April 1, 2018, the Director shall adopt a
20 policy for implementation of this Section 10.100-162, which the Director may modify from time
21 to time as the Director deems necessary or appropriate.

22 (e) Annual Report. The Director shall submit an annual written report to the Mayor,
23 the Board of Supervisors, and the Controller within the first two weeks of July, showing for the
24 prior fiscal year donations or appropriations received, the nature and amount of such
25

1 donations or appropriations, and the disposition thereof, together with a description of the
2 individual payments made from the Fund.

3
4 Section 101. Effective Date. This ordinance shall become effective 30 days after
5 enactment. Enactment occurs when the Mayor signs the ordinance, the Mayor returns the
6 ordinance unsigned or does not sign the ordinance within ten days of receiving it, or the Board
7 of Supervisors overrides the Mayor’s veto of the ordinance.

8
9 Section 142. Scope of Ordinance. In enacting this ordinance, the Board of
10 Supervisors intends to amend only those words, phrases, paragraphs, subsections, sections,
11 articles, numbers, punctuation marks, charts, diagrams, or any other constituent parts of the
12 Municipal Code that are explicitly shown in this ordinance as additions, deletions, Board
13 amendment additions, and Board amendment deletions in accordance with the “Note” that
14 appears under the official title of the ordinance.

15
16 APPROVED AS TO FORM:
17 DENNIS J. HERRERA, City Attorney

18 By: _____
19 Anne Pearson
20 Deputy City Attorney

21
22
23
24
25
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