



SAN FRANCISCO CANNABIS STATE LEGALIZATION TASK FORCE

AGENCY OVERSIGHT, LAND USE AND RETAIL LICENSING

Meeting 7

June 14, 2017

Agenda Item 1:

Welcome, Agenda Review and Announcements

Agenda Item 2:

Local Agency Oversight: Presentation from Office of Mayor Ed Lee and Office of City Administrator

Agenda Item 3:

Public Comment – Local Agency Oversight

Agenda Item 4:

Local Agency Oversight: Discussion and Recommendation

Local Agency Oversight Discussion and Recommendation

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Year I Regulation and City Agency Framework Recommendation #21 stated that “San Francisco should consider new and/or existing regulatory and regulatory oversight structures for adult use cannabis regulation.”

The recommendation includes the following options:

- **Option 1:** Standalone agency with its own staff and commission
- **Option 2:** Standalone agency with its own staff, no commission
- **Option 3:** Part of an existing agency or agencies

Agenda Item 5:

Issue Brief #7 Presentation

Cannabis Legalization Landscape and California State Regulatory and Legislative Updates

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Issue Brief

I. National Cannabis Landscape

II. Research Updates to Year I Report

- ▣ Public Safety and Social Environment
- ▣ Land Use and Social Justice
- ▣ Regulation and City Agency Framework

III. California State Regulatory and Legislative Cannabis Updates

I. National Cannabis Landscape

- ❑ **Potential Impact of the Presidential Administration**
 - ❑ Statements from the U.S Attorney General and White House Press Secretary suggest a potential shift in federal cannabis law enforcement efforts.
- ❑ **Requests to the Department of Justice from Senators and Governors**
 - ❑ In separate letters to the Department of Justice, eleven state senators and four governors from states that have legalized adult use cannabis requested the preservation of DOJ cannabis law enforcement priorities.
- ❑ **Federal Legislative Update**
 - ❑ Thirteen federal bills have been introduced with provisions that would address discrepancies between state and federal cannabis laws.

II. Research Updates to Year I Report: Public Safety and Social Environment

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- ❑ **Public Safety**

- ❑ California: High levels of potentially toxic pesticides were reported in legal medical cannabis from dispensaries in Southern California. Media reports that the State Bureau of Medical Cannabis Regulation will craft regulations to address consumer safety by January 2018.

- ❑ **Public consumption**

- ❑ Colorado: A bill moving through the legislature would prohibit open and public cannabis consumption, and authorize local governments to allow cannabis "consumption locations" that restrict access to the public.

II. Research Updates to Year I Report: Land Use and Social Justice

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- ❑ **Social Justice**

- ❑ Oakland, CA: The Oakland City Council removed a three-year Oakland residency requirement and made further amendments in response to concerns that the original equity programs' eligibility requirements would exclude people of color with existing access to the medical cannabis industry.

II. Research Updates to Year I Report: Regulation and City Agency Framework

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❑ **Licensing**

- ❑ Portland, Oregon: passed an ordinance to permit delivery-only adult use cannabis businesses.
- ❑ Colorado: Two bills recently approved by the Colorado State Legislature aim to restrict the illicit cannabis market. Another bill approved by the Colorado Senate would allow the state licensing authority to reclassify retail cannabis licensees as medical cannabis licensees to avoid federal enforcement action.

❑ **Taxation and Revenue**

- ❑ Washington: Lawmakers seek to protect the cannabis industry from potential federal action by prohibiting the use of public resources to assist the federal government in any activity that might interfere with state revenue allocated for cannabis regulation.

III. California State Regulatory and Legislative Cannabis Updates

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❑ **State Regulatory Updates**

- ❑ The State Cannabis Banking Working Group met in March 2017 to identify conflicts and solutions regarding alignment of state and federal cannabis policies

- ❑ The Bureau of Marijuana Control announced that it is accepting applications for the Cannabis Advisory Committee

- ❑ Governor Jerry Brown's Administration released a budget trailer bill aimed at aligning the medical and adult use cannabis regulatory frameworks in the Medical Cannabis Regulatory and Safety Act (MCRSA) and Proposition 64

III. California State Regulatory and Legislative Cannabis Updates

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❑ **Public Safety and Social Environment**

Public Safety

- ❑ SB 698: specifies the blood content threshold for illegal consumption of cannabis and alcohol while operating a vehicle
- ❑ SB 65: clarifies that the consumption of cannabis while operating a vehicle is illegal

Youth Access and Exposure

- ❑ AB 350: prohibits sale of cannabis products deemed appealing to children
- ❑ SB 663: prohibits sale of cannabis products that resemble food products currently on the market that do not contain cannabis

III. California State Regulatory and Legislative Cannabis Updates

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❑ **Regulation and City Agency Framework**

Regulation

- ❑ SB 175: specifies marketing of county of origin must be location cannabis was grown
- ❑ AB 175: requires the State Department of Public Health to approve adult use cannabis

Licensing

- ❑ AB 64: Dispensary licensing, advertising, and public safety funding
- ❑ SB 311: authorizes a licensee to conduct quality assurance testing

III. California State Regulatory and Legislative Cannabis Updates

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Taxation and Revenue

- ❑ AB 963: specifies tax evasion penalties and appeals processes for the cannabis industry
- ❑ SB 148: increases the number of locations that accept cash tax and fee payments from cannabis businesses
- ❑ AB 1410: authorizes a distributor to collect cannabis cultivation taxes from the cultivator upon his or her request.

Agency Oversight

- ❑ AB 1578: prohibits State and local cooperation with federal authorities regarding cannabis activity without a court order signed by a judge

Other

- ❑ SB 5: Federal rescheduling of cannabis from a Schedule I drug

Agenda Item 6:

General Public Comment

Agenda Item 7:

Finalize Land Use Recommendations

Agenda Item 8:

10-min break

Agenda Item 9:

Spotlight Panel

Agenda Item 10:

**Retail Licensing Recommendation
Drafting Session**

Work Groups

| Technical | Social Justice and Community Engagement |
|-----------------------------------|---|
| Department of Public Health | Police Department |
| Planning Department | SFUSD |
| Fire Department | Entertainment Commission |
| Department of Building Inspection | Sara Payan |
| Board of Equalization | Barbara Fugate |
| Erich Pearson (Facilitator) | Thea Selby (Facilitator) |
| Sarah Shrader (Facilitator) | Jon Ballesteros |
| Jesse Stout | Laura Thomas (Facilitator) |
| Tom McElroy | Kevin Reed |
| Terrance Alan | Jen Garcia |
| Duncan Talento Ley | Kai Keli'ihō'omalū |
| | Planning Department (second representative) |

Recommendation Drafting Tips

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STRONG

use action words such as “must” and “shall” instead of “could”

RELEVANT

responsive to an issue or need within non-retail licensing, and addresses how non-retail licensing intersects with social justice and community engagement, as appropriate

ACTIONABLE

is implementable with available resources, stakeholders, and time

CLEAR

easily understood by other stakeholders and members of the public

SPECIFIC

identifies the scope, outcome, and timeframe as appropriate

Reference: Year I Recommendations

Public Safety and Social Environment

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Recommendations from the San Francisco Cannabis State Legalization Task Force Year I Report that pertain to retail licensing are included here (on slides 21-35) for quick reference.

Public Safety and Social Environment (PSSE)

Recommendation 4: San Francisco should develop cannabis business operating standards to form part of the business permitting process. These standards would ensure that cannabis businesses are “good neighbors” to the communities in which they are located.

Recommendation 5: Cannabis businesses should be like any other business in San Francisco in appearance and manner: well-lit, clean, appropriate hours of operation, guidelines for security, etc.

Reference: Year I Recommendations

Public Safety and Social Environment

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Public Safety and Social Environment (PSSE)

Recommendation 10: San Francisco should allow on-site consumption at cannabis retail locations.

Recommendation 11: San Francisco's on-site consumption requirements should not be stricter than those outlined in Proposition 64.

Reference: Year I Recommendations

Public Safety and Social Environment

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Public Safety and Social Environment (PSSE)

Recommendation 26: San Francisco should collaborate with stakeholders to develop policies that achieve an appropriate balance between discretion and visibility of adult use cannabis culture. Along these lines, the City should create pathways that allow tourists to access adult use cannabis products and legal consumption spaces while preventing undesired exposure for those who prefer limited interaction with the cannabis industry. Strategies could include the following:

- a) Allow cannabis consumption indoors to prevent unintended exposure
- b) Limit visibility of consumption in adult use retail storefront locations to prevent exposure from the street
- c) Collaborate with tourism/hospitality stakeholders to provide tourists with educational materials and information about safe access and consumption of adult use cannabis.

Reference: Year I Recommendations

Public Safety and Social Environment

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Public Safety and Social Environment (PSSE)

Recommendation 28: There is a notable desire within the culinary community to incorporate adult use cannabis in dining options/opportunities, including the use of cannabis as a meal ingredient and the establishment of food/cannabis pairing options. San Francisco should collaborate with key stakeholders, such as culinary and hospitality organizations, to develop strategies for increasing these opportunities for restaurants and other food establishments. Strategies could include:

- a) Developing, proposing and pursuing a state legislative approach that would create an exemption for these types of culinary experiences.
- b) Development of a patron notification process for any food establishment offering these opportunities
- c) Development of mechanisms to determine the appropriate distribution of cannabis-friendly dining venues throughout the City.

Reference: Year I Recommendations

Public Safety and Social Environment

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Public Safety and Social Environment (PSSE)

Recommendation 30: San Francisco, in collaboration with key City Agencies and stakeholders, should develop educational materials and trainings for cannabis retail licensees, their employees, and cannabis business license applicants on serving cannabis and cannabis products safely, responsibly, and legally. The Licensee Education on Alcohol and Drugs (LEAD) Program could serve as a model for this.

Reference: Year I Recommendations

Land Use and Social Justice

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Land Use and Social Justice (LUSJ)

Recommendation 3: San Francisco should develop meaningful qualitative findings for the Planning Commission and/or other commission(s) to use when reviewing adult use retail applications.

Recommendation 4: San Francisco should reduce the distance new cannabis retailers can operate in proximity to sensitive uses to one that is less than the State- required 600 feet. San Francisco should also measure this distance with a "path of travel" approach rather than a straight line, parcel to parcel measurement.

Reference: Year I Recommendations

Land Use and Social Justice

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Land Use and Social Justice (LUSJ)

Recommendation 5: San Francisco should develop reasonable quantitative standards to regulate the location of, and permitting process for, adult use retail locations in San Francisco. These standards should include, but are not limited to:

- a) Strategies to facilitate meetings between the applicant and neighboring community prior to the Planning Commission hearing and/or application process to address neighborhood concerns
- b) Strategies to prevent clustering (as discussed below)
- c) Considerations for proximity to sensitive uses (as discussed below)

Recommendation 6: San Francisco should further define and/or refine definitions of “sensitive uses” and expand locations in which new cannabis retailers could operate, where appropriate.

Reference: Year I Recommendations

Land Use and Social Justice

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Land Use and Social Justice (LUSJ)

Recommendation 7: San Francisco should consider varying approval processes (e.g. neighborhood notice only; notice plus mandatory Discretionary Review hearing; notice plus Conditional Use Authorization; etc.) for different zoning districts, with more rigorous review processes in Neighborhood Commercial Districts or other locations which present potential land use conflicts and less rigorous processes in other districts, such as Downtown or industrial districts.

Reference: Year I Recommendations

Land Use and Social Justice

Land Use and Social Justice (LUSJ)

Recommendation 8: San Francisco should develop policies to prevent clustering of adult use cannabis retailers. Strategies may include:

- a) Use of “buffer zones” around other adult use retail locations. The distance of these buffer zones should balance both community concerns and business interests, with the aim of preventing too high a concentration of retail locations in a given district while also encouraging healthy competition.
- b) Stricter clustering provisions in Neighborhood Commercial Districts to balance neighborhood concerns, and less strict clustering requirements in other districts, such as Downtown or Industrial districts.

Reference: Year I Recommendations

Land Use and Social Justice

Land Use and Social Justice (LUSJ)

Recommendation 9: San Francisco should include adult use cannabis retail businesses in existing Formula Retail rules. Note: Formula retail rules state that if an establishment has eleven or more retail locations worldwide, it is subject to a more stringent review and authorization process.

Recommendation 10: San Francisco should allow retail locations in areas other than the ground floor, such as spaces located at basement level, second floor or higher.

Recommendation 11: San Francisco should develop a mechanism to prioritize the re-permitting of medical cannabis business operators who were shut down by the federal government or lost their original permit due to sale of building and loss of lease.

Reference: Year I Recommendations

Land Use and Social Justice

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Land Use and Social Justice (LUSJ)

Recommendation 12: San Francisco should align regulations for adult use cannabis retail signage on store fronts with regulations for other retail businesses.

Recommendation 13: Medical cannabis dispensaries have more stringent ADA requirements to increase access for patients, which may not be necessary for adult use retailers. Therefore, adult use cannabis retailers, as distinct from medical use cannabis retailers, should not be subject to the heightened ADA requirements that currently apply to MCDs.

Reference: Year I Recommendations

Land Use and Social Justice

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Land Use and Social Justice (LUSJ)

Recommendation 14: San Francisco should craft a reasonable process for current medical cannabis dispensaries to transition into the adult use market. A “transition” would include a medical dispensary adding adult use products or a medical dispensary switching to an adult use business model. Such “grandfathered” medical cannabis businesses should be exempt from any new, more restrictive land use provisions that may be applicable to adult use retail businesses.

Reference: Year I Recommendations *Regulation and City Agency Framework*

Regulation and City Agency Framework (RCAF)

Recommendation 3: San Francisco should support existing businesses to participate in cannabis industry by allowing for dual (i.e. the ability to sell both non-cannabis & cannabis products) licensing opportunities.

Recommendation 8: San Francisco should consider a local license that would allow for adult use mobile delivery/retail services without the brick and mortar retail requirement. Adult use cannabis retailers that possess a delivery-only license should have a hub, or centralized location, to process orders. In-home cannabis businesses could have impacts on residential neighborhoods, so these hubs should be in non-residential or live/work commercial zoning locations

Reference: Year I Recommendations

Regulation and City Agency Framework

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Regulation and City Agency Framework (RCAF)

Recommendation 9: Delivery drivers will need proof of authority to fill delivery orders. The driver should possess an order manifest that includes patient name, order date, delivery date, business name, items ordered, and order time. However, delivery address should not be included, as inclusion of this information may pose a safety risk to consumers.

Recommendation 10: San Francisco should allow permitted medical cannabis dispensaries that currently operate delivery services to continue to provide deliveries.

Recommendation 11: Delivery drivers should receive appropriate training to minimize potential safety risks.

Reference: Year I Recommendations

Regulation and City Agency Framework

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Regulation and City Agency Framework (RCAF)

Recommendation 12: San Francisco should allow cannabis retailers to participate in both the medical cannabis and adult use cannabis markets.

Recommendation 13: The licensing process for medical cannabis dispensaries should not be more restrictive than that for adult use retail licensees.

Recommendation 14: San Francisco should consider creating a licensing priority for current medical cannabis dispensary operators in operation as of, or prior to, September 1, 2016, to apply for adult use cannabis licenses. This aligns with Proposition 64's existing licensing priority provision.

Agenda Item 11:

Recommendation Presentation

Agenda Item 11:

Recommendation Presentation

Agenda Item 12:

Wrap-up and Next Steps

NEXT MEETING

| DATE | TIME | LOCATION |
|---------------|-------|---|
| July 12, 2017 | 1-4pm | 1 South Van Ness Ave Atrium Conference Room San Francisco, CA 94102 |