

San Francisco Cannabis State Legalization Task Force

**Issue Brief #8 – Cannabis Legalization Landscape and California State  
Regulatory and Legislative Updates**

## INTRODUCTION

The purpose of the Cannabis State Legalization Task Force, created by the San Francisco Board of Supervisors via Ordinance in July 2015, is “to advise the Board of Supervisors, the Mayor, and other City departments on matters relating to the potential legalization of cannabis so that the City's policymakers are fully prepared to address the policy questions through legislation, administrative actions, and otherwise, following the adoption of a State law.”

Currently in Year II of its active period, the Task Force is discussing policy issues related to adult use cannabis legalization and developing cannabis legalization recommendations for consideration by San Francisco's policymakers. To assist the Task Force in this process, this issue brief summarizes cannabis-related research and regulatory and legislative updates occurring nationally, in the state of California, in other states that have legalized cannabis for adult use, and in local jurisdictions in California since the release of Issue Brief #7 in May 2017.

## SECTION I. NATIONAL CANNABIS LANDSCAPE

### Presidential Administration Updates

**In July, 2017 a U.S. Department of Justice crime reduction task force recommended an evaluation of cannabis enforcement priorities and the development of guidelines for financial institutions and cannabis policy enforcement. In its response to letters from four governors of states that have legalized adult use cannabis, The Department of Justice raised concerns about legalized cannabis, primarily regarding health, safety, and effective regulatory systems.**

As discussed in Issue Brief #6 (February 2017), the legal status of medical and adult use cannabis in California and other states represents a conflict between federal and state law because cannabis remains a Schedule I substance under the Controlled Substances Act (CSA) and is therefore illegal to possess or use under federal law.<sup>1</sup> Two significant texts that guide federal treatment of cannabis are: 1) the U.S. Department of Justice's (DOJ) current priority area enforcement guidance (i.e., 2013 Cole Memorandum<sup>3</sup>) for states with cannabis legalization laws, and 2) the Rohrabacher-Blumenauer Amendment<sup>a</sup> (formerly Rohrabacher-Farr), which prevents the DOJ from allocating

<sup>a</sup> This amendment is part of Congressional budget documents and is subject to renewal each fiscal year.

federal funds to block states from “implementing a law that authorizes the use, distribution, possession, or cultivation” of medical cannabis.<sup>4</sup> Currently, the Cole Memorandum is in place and the Rohrabacher-Farr Amendment is set to expire on December 8, 2017.<sup>5</sup> President Trump has not formally announced a position on cannabis, and the DOJ is reviewing its drug enforcement priorities.

### ***Department of Justice Direction Regarding Cannabis Enforcement Priorities***

As described in Issue Brief #7 (May 2017), Attorney General Jeff Sessions created a DOJ Task Force on Crime Reduction and Public Safety (“Task Force”) in April 2017 and instructed the Task Force to review existing federal cannabis enforcement policies by July 2017 to “ensure consistency with the Department’s overall strategy on reducing violent crime and with Administration goals and priorities.”<sup>6, 7</sup>

According to the Associated Press, which reviewed excerpts of the Task Force’s as yet unpublished report, the Task Force made the following recommendations to the DOJ: reevaluate the Cole Memorandum to determine whether to “maintain, revise, or rescind” it; work with the Department of Treasury to develop guidance for financial institutions related to the cannabis industry; develop “centralized guidance, tools and data” related to cannabis enforcement; and oppose rules that prevent the DOJ from interfering with states’ medical cannabis programs. Media reports did not specify whether the Task Force report distinguished between medical and adult use cannabis activities.<sup>8, 9</sup>

In response to these recommendations, Attorney General Jeff Sessions issued a general statement on July 26, 2017, noting that he is in the process of reviewing and acting on the Task Force’s recommendations.<sup>10</sup> The statement did not specify his intentions or actions related to cannabis.<sup>11</sup>

Media reported that at separate events in September 2017, Attorney General Sessions and Deputy Attorney General Rod Rosenstein spoke of cannabis legalization laws, without differentiating between medical and adult use cannabis. Attorney General Sessions stated that he has “never felt that we should legalize [cannabis],” and that “federal law remains in effect.”<sup>12</sup> Deputy Attorney General Rosenstein stated that cannabis is an illegal controlled substance and that there is “evidence that [cannabis] turns out to be more harmful than a lot of people anticipated, and it’s more difficult to regulate than I think was contemplated ideally by some of those states.” He further clarified his interpretation of the Cole Memorandum, noting, “[it’s] been perceived in some places almost as if it creates a safe harbor, but it doesn’t... even if, under the terms of the memo you’re not likely to be prosecuted, it doesn’t mean that what you’re doing is legal or that it’s approved by the federal government or that you will be protected from prosecution in the future.” He said that the Trump Administration will “take that all into consideration and then make a determination whether or not to revise that policy.”<sup>13, 14</sup>

### ***Response from the Department of Justice to State Governors***

## Cannabis State Legalization Task Force

As described in Issue Brief #7 (May 2017), in April 2017, Governors Kate Brown of Oregon, John Hickenlooper of Colorado, Jay Inslee of Washington, and Bill Walker of Alaska submitted a letter to Attorney General Jeff Sessions and Secretary of the Treasury Steve Mnuchin to emphasize the importance of the Cole Memorandum and the related Financial Crimes Enforcement Network (FinCEN) guidance. They requested that the federal government engage with them in federal cannabis policy decision-making processes.<sup>15</sup>

In July 2017, Attorney General Sessions responded with separate letters to each governor. The letters referenced regional data and each state's data<sup>b</sup> highlighting concerns about public health and safety, cannabis diversion, youth use, and non-compliance with state cannabis laws.<sup>16, 17, 18</sup> He requested the governors' plans to address these issues. In official responses to Attorney General Sessions, Alaska Governor Walker and state Attorney General Jahna Lindemuth, Washington Governor Inslee, Colorado Governor Hickenlooper, and Oregon Governor Brown questioned the information cited about their states, noting that it was incomplete, inaccurate, and/or outdated and provided additional detail about cannabis regulatory systems and drug enforcement priorities in their states.

### *Drug Enforcement Administration and Office of National Drug Control Policy Appointments*

At the moment, two key federal drug policy and enforcement positions are temporarily filled or open. First, Chuck Rosenberg resigned from Acting Administrator of the Drug Enforcement Administration (DEA) in September 2017, and Robert Patterson was appointed as Acting Administrator the next month.<sup>19, 20</sup>

On September 2, 2017, President Donald Trump announced his intent to nominate Congressman Tom Marino (R-Pennsylvania) to direct the Office of National Drug Control Policy (ONDCP), which advises the President on drug policy and coordinates national and international drug control efforts.<sup>21</sup> According to media reports, Congressman Marino withdrew from consideration for the position on October 17, 2017 after news reports that he supported legislation that hindered federal efforts to address the opioid epidemic in the U.S.<sup>22</sup>

### *Office of National Drug Control Policy Request for Medical Cannabis Patient Data*

The purpose of the Office of National Drug Control Policy's High Intensity Drug Trafficking Area (HIDTA) program is to reduce drug trafficking and production in the U.S.<sup>23</sup> In August 2017, the media reported that federal officials from the HIDTA program and its National Marijuana Initiative (NMI) had requested demographic information about registered medical cannabis patients from at least eight states with legalized medical cannabis.<sup>24</sup> Media also reported that the HIDTA program

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<sup>b</sup> Data sources cited include a 2015 Annual Drug Report by Alaska State Troopers, January 2017 Oregon state police report, and September 2016 report from the Rocky Mountain High Intensity Drug Trafficking Area (HIDTA), a federally funded agency operated by the White House Office of National Drug Control Policy.

requested data from the last five years (2012 through 2016) on age, gender and medical condition of registered patients; number of medical cannabis cards issued each year; and reasons for their authorization. According to media reports and interviews, NMI representatives stated that such data requests are part of its comparative demographic research in states with medical cannabis provisions, that NMI had contacted all twenty-nine states with legalized medical cannabis to compare usage rates in states with and without legalized medical cannabis laws, and that the research serves “part of [its] mission to examine the impacts of medical and recreational marijuana.”

Media also reported that in response to the NMI data requests, California, Oregon and Nevada referred Mr. Quigley to their public websites, which provide aggregate general demographic data on medical cannabis users. Officials in Connecticut stated that they intend to respond similarly with publicly available information.<sup>25</sup> According to media reports, NMI views these responses to be sufficient.

## Federal Cannabis Law Enforcement Priorities

**President Trump extended the Rohrabacher-Blumenauer Amendment, which prevents the federal government from using its resources to prevent states from implementing their own medical cannabis laws, through December 8, 2017. A joint House-Senate committee is expected to reconcile a discrepancy between House and Senate budget decisions regarding whether to approve the amendment for fiscal year 2018.**

On May 1, 2017, media reported that Attorney General Sessions sent a letter to Speaker of the House Paul Ryan, Senate Majority Leader Mitch McConnell, House Minority Leader Nancy Pelosi and Senate Minority Leader Charles Schumer requesting removal of restrictions in Congressional appropriations legislation that prohibit the use of DOJ funds to prevent states from implementing medical cannabis legalization laws (i.e., the Rohrabacher-Blumenauer amendment).<sup>26</sup>

On July 27, 2017, the U.S. Senate Commerce, Justice, Science (CJS) Appropriations Committee approved the Rohrabacher-Blumenauer Amendment for fiscal year 2018.<sup>27</sup> A conflicting decision was made on September 6, 2017, when, according to media reports, the U.S. House Committee on Rules blocked a House floor vote to renew the amendment.<sup>28</sup> On September 8, 2017, President Trump agreed to a Rohrabacher-Blumenauer clause in a short-term federal budget. The amendment, initially set to expire on September 30, 2017, was therefore extended through December 8, 2017.<sup>29</sup>

According to media reports, a joint House-Senate committee is expected to reconcile the discrepancy between House and Senate budget decisions this fall, and thus clarify options for the federal government's approach regarding state cannabis legalization laws.<sup>30</sup>

## Federal Legislative Update

**Twenty-three federal bills have been introduced with provisions that would address discrepancies between state and federal cannabis laws.**

A total of twenty-three federal bills are active as of October 12, 2017, that contain provisions addressing discrepancies between state and federal cannabis laws. Thirteen of these bills were introduced before April 26, 2017, and their potential impacts are summarized in Issue Brief #7. Several of the more recent proposed bills seek to achieve impacts similar to those outlined in Issue Brief #7, including:

- 1) adding criminal protections so that cannabis users in compliance with their state's cannabis laws would not be subject to federal arrest or fines, and cannabis consumption in states where cannabis is legal could not be used to justify deportation or denial of entry to the country;
- 2) allowing individuals with a federal charge for a cannabis-related activity or possession of an ounce or less of cannabis in states with legalized cannabis to petition for clearing of their criminal records;
- 3) protecting banks that provide services to cannabis-related legitimate businesses that are compliant with state laws from federal criminal charges; and
- 4) making medical cannabis or cannabidiol more accessible for research purposes.<sup>31, 32, 33, 34</sup>

There are two additional key areas of potential impact of federal bills introduced since Issue Brief #7, as follows:

- 5) Declassifying cannabis: Currently, the Controlled Substances Act lists cannabis as a Schedule I drug. Proposed bills would either remove cannabis or cannabidiol from the U.S. Controlled Substances Act, making it legal in the U.S., subject to state law; or render the Controlled Substances Act inapplicable with respect to cannabis in states that have legalized it.<sup>35, 36, 37, 38, 39, 40, 41</sup>
- 6) Protecting communities from the effects of disproportionate cannabis law enforcement regarding cannabis: One bill proposes creating a \$500 million "Community Reinvestment Fund" to invest in programs such as job training, reentry, and community centers for communities most impacted by the War on Drugs. It also seeks to impose penalties, such

## Cannabis State Legalization Task Force

as a reduction in federal funding for state law enforcement and prison construction, on states with disproportionate rates of arrest or incarceration of low-income individuals and people of color for cannabis offenses. Additionally, it would establish expungement and resentencing processes for cannabis offenses at the federal level, and prevent deportations of individuals for cannabis offenses.<sup>42, 43</sup>

## SECTION II. OTHER STATES' IMPLEMENTATION AND LEGISLATIVE UPDATES

### 1. Implementation Updates in States with Early Adult Use Cannabis Legalization Experience <sup>c</sup>

#### Colorado

**As part of a voter-approved initiative, Denver has begun accepting applications from businesses interested in pursuing licenses for social consumption areas. These lounges will be the first permitted cannabis consumption lounges in the United States. In addition, Colorado banned edible cannabis in shapes that may be appealing to children.**

In November 2016, voters in Denver, Colorado, approved Initiative 300, which created a pilot program to allow existing businesses that do not have a license for other commercial cannabis activity to apply for a license to permit adult use cannabis consumption in designated consumption areas not visible to the public.<sup>44, 45</sup> The sale or distribution of cannabis or alcohol on the premises of those businesses is not allowed. According to media reports, in August 2017, the City of Denver began accepting applications from businesses interested in pursuing licenses for social consumption areas, and as of September 18, no businesses had been issued a permit.<sup>46</sup> Media reported that the original authors of Initiative 300 were critical of the version that eventually passed, largely because they view its requirement of a 1,000-foot buffer between a social consumption area and any “sensitive use” facility (i.e., school, child-care establishment, drug or treatment facility, city park, pool or recreation center) as too restrictive, severely limiting the areas where businesses can provide social consumption areas.<sup>47, 48, 49</sup> As of October 17, 2017, Denver remains the only municipality with permitted cannabis consumption lounges.

On October 1, 2017, a rule in House Bill 16-1436, which passed in June 2016, went into effect prohibiting the production and sale of edible medical or adult use cannabis in the shape of people, animals, or fruit. This legislation was enacted to limit the appeal of edible cannabis products to children.<sup>50</sup>

#### Washington

<sup>c</sup> See previous issue briefs for more information about the Cole Memorandum and related Financial Crimes Enforcement Network (FinCEN) guidance from the federal government.

<sup>c</sup> This section includes implementation updates from Alaska, Colorado, District of Columbia, Oregon, and Washington relevant to the work of the Task Force, since more information is readily available for those states.

**The Washington State Liquor and Cannabis Board will conduct a study of regulatory options for the legalization of residential adult use cannabis cultivation and provide related recommendations to the State Legislature.**

Currently, the state of Washington does not allow residential cannabis cultivation for adult use. As mandated by Substitute Senate Bill 5131, the Washington State Liquor and Cannabis Board will conduct a study of three regulatory options for residential adult use cannabis cultivation to inform policy recommendations due to the Legislature on December 1, 2017. The three regulatory options under consideration are: 1) a statewide regulatory system that requires a permit for and tracking of adult use cannabis plants cultivated residentially; 2) a statewide regulatory framework that grants local jurisdictions the ability to authorize, control, and enforce residential adult use cannabis cultivation; or 3) a prohibition on residential adult use cannabis cultivation. Regulatory options 1 and 2 would allow a maximum of four residentially grown cannabis plants for adult use.<sup>51, 52</sup>

## Oregon

Research for this Issue Brief did not reveal implementation updates for Oregon as of November 15, 2017.

## Alaska

**The Alaska Marijuana Control Board (MCB) is considering regulatory amendments to permit retail cannabis licensees to have onsite cannabis consumption areas.**

In July 2017, the Anchorage Municipal Assembly passed a resolution requesting that state regulations permit onsite cannabis consumption at cannabis retailers in order to provide tourists and residents with a legal place to smoke or consume cannabis outside of private homes.<sup>53</sup> In August 2017, the Alaska Marijuana Control Board (MCB) announced its consideration of an amendment to its regulations to permit retail cannabis licensees to have onsite cannabis consumption areas.<sup>54</sup> The proposed amendment would allow cannabis to be consumed in such areas via smoking or edibles, and would exclude cannabis concentrates.<sup>55</sup> Consumption areas would be required to be separated from the remainder of the premises, either by being outdoors, in a separate building, or in the same building with a secure door and separate ventilation system. Consumption of alcohol or tobacco would not be permitted in the consumption area. The amendment is currently open for comment and will be discussed at a MCB meeting in mid-November.

## District of Columbia

**Arrests for distribution and public consumption of cannabis nearly tripled in 2016,  
leading to criticism from some civil rights advocates.**

Washington, D.C., allows for personal possession, transfer, and cultivation, but not retail sales, of adult use cannabis.<sup>56</sup> In July 2017, media reports citing police arrest records indicated that rates of arrest for cannabis distribution and for public cannabis consumption nearly tripled from 2015, when Initiative 71 legalizing possession of cannabis went into effect, to 2016. The data included arrests by D.C. police and other law enforcement agencies in the city.

Some civil rights advocates noted that the increase in arrests disproportionately affected low-income people and people of color. Media reported that Jonathan Smith, Executive Director of the Washington Lawyers' Committee for Civil Rights and Urban Affairs, called the arrests "very troubling," further noting that "a rise in marijuana enforcement, especially at a time of historic and dropping levels of crime in the District, suggests a return to failed practices of overpolicing and underserving communities of color."<sup>57</sup>

## **2. Legislative and Implementation Updates in States that Legalized Adult Use Cannabis in 2016**

### **Nevada**

**Sale of adult use cannabis began on July 1, 2017. Public cannabis consumption is not currently allowed, though Nevada's Legislative Counsel Bureau determined that state law does not prohibit city or county governments from permitting cannabis consumption areas. Clark County officials are discussing the potential to permit social consumption areas.**

Sale of adult use cannabis in Nevada began on July 1, 2017. Public cannabis consumption is not currently allowed, though Nevada's Legislative Counsel Bureau recently determined that state law does not prohibit local governments from permitting cannabis consumption areas, such as special events and lounges, provided that entry is restricted to people ages 21 and over.<sup>58</sup> Media reported that in Clark County, which includes municipalities such as Las Vegas, officials are discussing the potential for social consumption areas, and have indicated a desire to learn from Denver, Colorado's experience with cannabis consumption lounges before developing regulations. In a media interview, one Clark County Commissioner expressed support for developing consumption lounge regulations, acknowledging that the absence of cannabis consumption areas currently places tourists at risk of violating the law, as there is no place for them to legally consume cannabis. Nevada Governor Brian Sandoval has expressed concern in other media reports that cannabis consumption lounges may attract federal scrutiny of Nevada's cannabis industry, and noted that the opinion of the Legislative Counsel Bureau does not carry the same weight as that of the state Attorney General. The Department of Taxation therefore

formally requested an opinion from Attorney General Adam Laxalt about whether state law allows such activities.<sup>59, 60, 61, 62</sup>

## Massachusetts

**The Massachusetts Cannabis Control Commission is in the process of collecting public input to inform its adult use cannabis regulations, which will be developed in March, 2018.**

The Massachusetts Cannabis Control Commission (CCC) is currently in the process of collecting public input to inform its cannabis regulations. According to state law legalizing adult use cannabis, the CCC must have regulations in place to license cannabis establishments by March 15, 2018 and must begin accepting licensing applications by April 1, 2018.<sup>63</sup>

## Maine

**On November 6, 2017, the Main House voted to sustain Governor Paul LePage's veto of legislation to establish the retail licensing and regulatory structure for adult use cannabis.**

Maine voters legalized adult use cannabis in November, 2016, and current law allows possession of up to 2.5 ounces of cannabis and residential cultivation of up to six plants. It does not provide regulatory guidance for commercial cannabis production or retail sales, and a moratorium on adult use cannabis sales is currently in place and will expire on February 1, 2018.<sup>64, 65</sup>

On November 3, 2017, Governor Paul LePage vetoed an amendment that proposed to establish the retail licensing and regulatory structure for adult use cannabis, which Governor LePage cited several reasons for his veto of the legislation, including a discrepancy with federal law and compatibility issues with the existing medical cannabis regulatory structure. On November 6, 2017, the Maine House voted to sustain the veto by Governor LePage.<sup>66, 67, 68</sup>

## 3. Update on Pending State Bills to Legalize Adult Use or Medical Cannabis

### West Virginia

**On April 19, 2017, West Virginia Governor Jim Justice signed the West Virginia Medical Cannabis Act to legalize medical cannabis.**

On April 19, 2017, West Virginia Governor Jim Justice signed the West Virginia Medical Cannabis Act, Senate Bill 386, into law. It states that, beginning no sooner than July 2019, qualifying patients with written certification from a doctor for medical cannabis will be allowed to register with the health department to use medical cannabis and to purchase cannabis in certain forms (e.g., as pills, oils, and extracts, but not plants or edibles) from regulated dispensaries.<sup>69, 70</sup>

## New Hampshire

**On July 18, 2017, New Hampshire Governor Chris Sununu signed House Bill 640 to decriminalize the possession of up to three-quarters of an ounce of nonmedical cannabis.**

On July 18, 2017, New Hampshire Governor Chris Sununu signed House Bill 640 into law to decriminalize nonmedical cannabis possession. This legislation reduces the penalty for possession of up to three-quarters of an ounce of cannabis from a criminal misdemeanor to a civil violation.<sup>71</sup> Medical cannabis was legalized by House Bill 573, which was signed into law on June 18, 2013.<sup>72</sup>

## Wisconsin

**Pending legislation seeks to legalize medical and adult use cannabis and decriminalize cannabis possession.**

In August 2017, fifteen Wisconsin State Representatives introduced Assembly Bill 482 to allow medical and adult use cannabis cultivation, production, and distribution.<sup>73</sup> In June 2017, state lawmakers also introduced Senate Bill 318 and Assembly Bill 409 to decriminalize cannabis possession, specifically to reduce the penalty for possessing less than 10 grams of cannabis from up to six months imprisonment and/or a fine of up to \$1,000 to a \$100 fine. These three bills are currently being deliberated in the Assembly Committee on Criminal Justice and Public Safety.

## North Carolina

**Three pending bills pending seek to legalize and/or decriminalize medical cannabis.**

Companion bills pending in the North Carolina legislature, House Bill 185 and Senate Bill 648, seek to legalize medical cannabis create a system of cultivation, production, and distribution for medical marijuana and medical marijuana products, ensuring that patients whose doctors recommend that they use cannabis have safe and reliable access to it.<sup>74, 75</sup> Senate Bill 579 aims to decriminalize medical cannabis, and would insulate medical cannabis patients and their doctors from criminal and civil penalties for medical cannabis use.<sup>76</sup>

## **SECTION III. CALIFORNIA STATE REGULATORY AND LEGISLATIVE CANNABIS UPDATES**

The information presented below is current as of December 8, 2017.

### **STATE REGULATORY UPDATES**

#### **STATE CANNABIS BANKING WORKING GROUP**

On November 7, 2017, California State Treasurer John Chiang released a report, Banking Access Strategies for Cannabis Related Businesses, developed by the Cannabis Banking Working Group (CBWG). Members of the CBWG included representatives from local and state government, the cannabis industry, financial institutions and law enforcement.<sup>77</sup> The report provides recommendations to expand access to banking services for the cannabis industry, since the current discrepancy between state and federal cannabis policy has led the cannabis industry to operate primarily in cash; mitigate public safety risks; and improve revenue collection. The following is a summary of the recommendations excerpted from the report:<sup>78</sup>

- Improve cash handling for the collection of taxes and fees: State and local public agencies would contract with armored courier services to collect tax and licensing payments made in cash, and deposit the cash with the Federal Reserve or a commercial bank willing to take such funds.
- Expand cannabis industry access to banking services under current law: Create an online portal to collect data from local governments and state regulatory agencies, which would help banks fulfill a federal obligation to “know their customers” before accepting deposits.
- Research the creation of a state-backed financial institution: Conduct a feasibility study on the creation of a state-owned bank to provide financial services to the cannabis industry.
- Develop federal access to banking solutions: Organize a multi-state consortium, including representatives of cannabis-legal states, local governments and the cannabis and financial services industries. The consortium would provide public education and outreach, serve as a resource for cannabis-legal states, and lobby federal lawmakers.

## BUREAU OF CANNABIS CONTROL

On April 28, 2017, the Bureau of Cannabis Control (BCC), the Department of Food and Agriculture, and the Department of Public Health released draft regulations for the Medical Cannabis Regulation and Safety Act (MCRSA) of 2015, and planned to draft separate regulations for Proposition 64: The Adult Use of Marijuana Act of 2016. However, on June 27, 2017, the Governor signed the Medicinal and Adult-Use Cannabis Regulation and Safety Act (MAUCRSA, also known as Senate Bill 94), which aligned the regulatory systems for both medical and adult-use cannabis. The aforementioned cannabis licensing authorities released emergency regulations November 16, 2017. The BCC is also in the process of holding California Environmental Quality Act (CEQA) hearings and public licensing workshops in preparation for the BCC's issuing of temporary licenses in January, 2018.<sup>79</sup> On December 8, 2017, the BBC launched its online licensing application system and is accepting applications for commercial cannabis licenses for retailers, distributors, microbusinesses, testing laboratories and cannabis events. The link to the online licensing system can be accessed here: <http://online.bcc.ca.gov/>.

## CANNABIS MARKET SHARE ANALYSIS

On February 23, 2017, the University of California Agricultural Issues Center released a state-sponsored study on the economic costs and benefits for the implementation of the Medical Cannabis Regulation and Safety Act (MCRSA). The report estimated that as of November 2016, total annual cannabis sales were \$7.7 billion. Of the total cannabis sales, 25% (approximately \$2 billion) was sold in the legal medical cannabis market, and the remaining 75% (\$5.7 billion) of cannabis was sold in the illicit market.<sup>80</sup> The analysis projected that after adult use regulations are implemented, slightly more than half of the current demand in the illicit cannabis market will transition to the legal adult-use market “to avoid the inconvenience, stigma, and legal risks of buying from an unlicensed seller.” Thus, legal adult use cannabis will account for about 61.5% of the overall market, illicit cannabis will make up about 29.5%, and legal medical cannabis use will represent about 9% of the overall market, the analysis estimated.<sup>81,82</sup>

## OTHER STATE UPDATES

- *The California Department of Public Health*

In September, 2017, the California Department of Public Health (CDPH) launched an informational website as part of its cannabis education campaign. The website provides information about medical and adult use cannabis laws, use, and potential health impacts for different populations, including adults, pregnant and breastfeeding women, youth, parents and mentors, and health care providers.<sup>83</sup>

- *The California Department of Insurance*

In November, 2017, the California Department of Insurance announced that cannabis businesses licensed by the State of California may now purchase commercial insurance coverage from admitted commercial insurance companies. Insurance Commissioner Dave Jones has approved the filing of the first admitted commercial insurance so that the insurer can offer coverage for cannabis business owners.<sup>84</sup>

## STATE LEGISLATIVE UPDATES

- *Assembly Bill 133 – Cannabis regulation*

Proposition 64 authorizes any person who obtains a state license to engage in commercial adult use cannabis activity in accordance with their obtained license and applicable local ordinances. Senate Bill 94 consolidates prior legislation to create an aligned licensing and regulatory system for commercial medical and adult use cannabis activities.<sup>85</sup>

On September 16, 2017, Governor Jerry Brown signed Assembly Bill 133, which revises several regulatory provisions detailed in Senate Bill 94, primarily through technical or clarifying changes. For example, the bill clarifies language in Senate Bill 94, including providing new definitions for “delivery” and “primary caregiver.” The bill also creates consistency with Proposition 64, stipulating 8 grams, not 4 grams, of concentrated cannabis as the amount that results in infraction penalties for possession.<sup>86</sup>

- *Assembly Bill 208 – Deferred entry of judgment: pretrial diversion*

Existing Penal Code provisions allow individuals charged with certain qualifying crimes to receive deferred entry of judgment. When such individuals plead guilty and enter a drug treatment program, entry of judgement can be deferred for 18 months to three years with charges dismissed upon program completion.<sup>87</sup>

On October 14, 2017, Governor Brown signed Assembly Bill 208, which converts the existing deferred entry of judgment (DEJ) program into a pretrial drug diversion program. If an individual meets revised qualifications (e.g., charged offense did not involve violence or threat of violence, charged offense did not involve narcotics or restricted dangerous drugs, and individual has had no felony or drug offense exempt from diversion in the past five years), then the defendant can enter a not guilty plea and enter a drug treatment program for 12-18 months or longer if requested with good cause.<sup>88</sup>

- *Senate Bill 65 – Vehicles: alcohol and marijuana: penalties*

Existing laws prohibit drinking an alcoholic beverage while driving a motor vehicle on highways and other specified lands, and drinking an alcoholic beverage as a motor vehicle passenger on a highway. Proposition 64 includes a provision prohibiting open

containers of cannabis in a moving vehicle, but does not specify whether cannabis can be consumed by the driver or passengers in other forms.

Senate Bill 65, signed into law by Governor Brown on September 11, 2017, enhances provisions in Proposition 64 and existing alcohol laws by prohibiting smoking or consuming cannabis while driving or riding as a passenger in a vehicle on a highway or other specified lands.<sup>89</sup>

- ***Senate Bill 94 – Cannabis: medicinal and adult use***

On June 27, 2017, Governor Brown signed Senate Bill 94, the Medicinal and Adult-Use Cannabis Regulations and Safety Act (MAUCRSA), into law. MAUCRSA reconciled the Medical Cannabis Regulation and Safety Act (MCRSA) and Proposition 64, the Control, Regulate, and Tax Adult Use of Marijuana Act (AUMA) and established a regulatory scheme for medical and adult use cannabis. Issue Brief #7 (May 2017) summarizes key differences between Proposition 64 and MCRSA and explains how the cannabis regulation budget trailer bill (precursor to MAUCRSA) reconciled them.

MAUCRSA makes some technical changes to the Budget Act of 2017, including replacing “marijuana” with “cannabis” throughout the document. MAUCRSA also streamlines sections of the Budget Act that are no longer relevant due to the alignment of medicinal and adult use regulatory systems. Among other provisions, the Act:

- includes public and consumer protection provisions, for example, specifying that all cannabis products must be in opaque exit packaging and requiring retail security measures.
- addresses driving under the influence by creating a new infraction if a person has opened adult use cannabis or cannabis products in a vehicle, establishing a Driving Under the Influence of Drugs (DUID) Task Force, appropriating \$3 million for the California Highway Patrol to train drug recognition experts, and requiring a contract with the Center for Medicinal Cannabis Research to study the impact of cannabis on motor skills.<sup>90, 91</sup>
- ***Senate Joint Resolution 5 – Federal rescheduling of marijuana from a Schedule I drug***

Under current federal law, cannabis and its derivative forms are classified as a Schedule I drug, which places limitations on research. On September 18, 2017, the California state legislature passed a joint resolution requesting that the federal government reclassify cannabis and its derivatives to an alternative schedule, thereby facilitating increased research opportunities.<sup>92</sup>

The resolution also calls for the federal government to allow the legal commerce of

cannabis. This change would enable businesses conducting cannabis transactions to use traditional banks or financial institutions, in turn providing a legal vehicle for those businesses to pay taxes.<sup>93</sup>

The request was sent to President Trump, Vice President Pence, House Speaker Paul Ryan and Senate Majority Leader Mitch McConnell, in addition to California's two U.S. Senators and other Congresspeople.<sup>94</sup>

## **SECTION IV. LOCAL REGULATORY AND LEGISLATIVE CANNABIS UPDATES**

The information presented below is current as of October 20, 2017.

### **SAN FRANCISCO**

#### **REGULATORY STRUCTURE**

On July 27, 2017, legislation establishing the Office of Cannabis (OOC), which resides under the Office of the City Administrator, was signed into law.<sup>95, 96</sup> Its duties are to implement San Francisco's regulatory structure in coordination with all relevant departments and to ensure that equity is considered in all policy decisions. The Director of the OOC is also authorized to issue permits to cannabis businesses and collect any accompanying fees. Nicole Elliott was appointed Director of the OOC in August, 2017.

The Board of Supervisors (BOS) instructed the OOC Director to prepare two reports by November 1, 2017: an Equity Report and a Medicinal Access Report.

#### ***Cannabis Equity Report***

On November 1, the OOC, the Human Rights Commission and the Controller's Office released the Cannabis Equity Report, which provides an analysis of disparities in the cannabis industry and recommendations regarding policy options to foster equitable access to the industry, invest City tax revenue in historically disenfranchised communities, mitigate adverse effects of drug enforcement policies, and prioritize individuals who have been previously arrested or convicted for cannabis-related offenses. The following findings and recommendations are excerpted from the report:<sup>97</sup>

- **Equity Analysis:** African Americans in San Francisco have endured disproportionately higher felony drug arrests and crackdowns. More recent decriminalization efforts helped to narrow those gaps, but people of color still interact with the justice system at a rate far higher than white San Franciscans. Significant social hurdles result from disproportionate

arrest and incarceration rates.

Although local data is incomplete at best and misleading at worst, it reveals a strong correlation between poverty and cannabis arrests. Taken together, this paints a troubling picture of the War on Drugs' impact on communities of color, even in a progressive city like San Francisco. In addition, data suggests that San Francisco's cannabis industry, and the national industry, skews disproportionately white and male.

- Barriers to Entry: Financial and real estate barriers present major equity hurdles to individuals seeking to enter the regulated cannabis industry. Other barriers include the soft skills of entrepreneurship, compliance, and legal complexity.

While Proposition 64 clears the way for people convicted of cannabis crimes to enter the industry, a past criminal history can still present significant challenges, like accessing financing or signing a lease. Where the City allows cannabis businesses to operate will have important impacts on whether it can grow the industry equitably.

- Cannabis Equity Programs Analysis: Oakland and Los Angeles both have real or proposed equity programs that may serve as a good model for San Francisco. Both cities aim to help people who have been either arrested for cannabis or residents of high-enforcement neighborhoods, and offer a suite of fee waivers, technical assistance, and subsidized loans to equity applicants. Other cities and states also put in place policies to try to correct for historical imbalances.
- Findings & Recommendations: The Office of Cannabis and supporting agencies chose to present a series of findings and recommendations to guide the Mayor and Board of Supervisors as they legislate an equity program. The following policy areas of focus represent the report's core recommendations:
  1. Eligibility: inform eligibility criteria with data, set tiered eligibility criteria to allow most affected groups to receive higher-value benefits, while extending some benefits to a wider range of applicants impacted by the War on Drugs.
  2. Permitting: prioritize and assist Equity Applicants during the permitting process, and establish an incubator program to incentivize partnerships between Equity Applicants and other cannabis operators.
  3. Community Reinvestment: direct new potential funding from local cannabis taxes or the state toward programming for communities impacted by the War on Drugs. Businesses should also be required to describe how their business will provide community benefits.

## Cannabis State Legalization Task Force

4. Workforce Development: promote equitable employment opportunities at all cannabis businesses, especially for formerly incarcerated individuals and those living in neighborhoods impacted by the War on Drugs. Expand First Source and Local Hire to cover the cannabis industry.
5. Financial & Capital Access: take an active advocacy role to open up banking services, particularly through state and local credit unions, for the cannabis industry.
6. Technical Assistance: direct Equity Operators to existing technical assistance resources in the City, and create new technical resources within the Office of Cannabis. Facilitate partnerships with other existing Operators and non-profits to help overcome technical barriers.
7. Criminal History: hold streamlined expungement events for citizens convicted of eligible cannabis offenses.
8. Stakeholder Engagement: create culturally sensitive and district-specific outreach, and extend Task Force membership to include representatives from communities with high concentrations of individuals eligible for Equity status.
9. Public Awareness & Education: deploy an outreach campaign for the Equity Program.
10. Data Collection & Accountability: gather data on General and Equity Applicants on a regular basis to analyze the outcomes of the Equity Program, and use this data to refine the program. Enforce compliance of commitments made by applicants.
11. Modification & Course Correction: permitting in phases and communicating with stakeholder groups will allow for steady improvement of the regulatory structure.
12. Land Use & Zoning: create land use controls that mitigate overconcentration in disenfranchised neighborhoods.

### *Medicinal Access Report*

The OOC has prepared the Medicinal Access Report in consultation with the Department of Public Health and Controller to analyze the needs of individuals who use cannabis for medicinal purposes and provide recommendations regarding policy options that would preserve affordable and/or free access to medical cannabis patients; ensure medical cannabis patients continue to receive high-quality, appropriate care; and provide uninterrupted access to medical cannabis patients.<sup>98</sup> The following findings and recommendations are excerpted from the report:

## Cannabis State Legalization Task Force

1. Continued Access to Medical Cannabis: The City has a long history of providing medical cannabis to patients, and this access should continue in 2018 and beyond.

- The City should require all retailers to maintain medical use as a condition of their permit.
- The City should further prioritize permit processing for medical only applicants.

2. Cost Concerns: There are concerns that patients, particularly low income and indigent patients, will not be able to afford medical cannabis.

- Compassion programs should be targeted to low income and indigent populations, veterans, and patient populations who can identify need.
- The City should remain thoughtful about the tax burden on the medical cannabis supply chain and patient consumers when crafting a local tax structure.
- The City should allow samples in certain circumstances, to allow patient consumers to test products before having to purchase products at full or reduced cost.
- The City should advocate for dosage flexibility for medical products at the State level if higher dosage levels are not addressed in emergency regulations this November.

3. Clarity and Advocacy for State Allowance of Compassion Programs: Stakeholders would like the City to advocate for Compassion Programs that reflect San Francisco's values.

- The City should advocate to the State to allow counties to maintain compassion programs, and provide clear regulations related to compassion programs within the M-Type supply chain.

4. Preservation of Compassionate Care Model: The compassionate care model has provided patients with access to medicinal cannabis, is an important harm reduction tool, and these programs should be maintained.

- Similar to the mandate passed unanimously by the Board of Supervisors in File No. 071505 (2007), the City should create a compassion program or allow for retailers to establish their own compassion program. Descriptions of these programs and how the program will meet track and trace requirements should be detailed in their application for an Article 16 permit.
- The City should consider the creation of nonprofit licenses for compassionate care programs in 2018. This could include contemplating a lower license fee.
- The City should allow for flexibility in implementing a Compassion Program. An example of this is the City could create a Compassion Fund administered by the City.

## Cannabis State Legalization Task Force

In lieu of creating an onsite program, retailers could provide a percentage of monthly gross revenue to this fund to offset licensing fees for future nonprofit permit permits and costs of products.

5. Determine Eligibility: There is a need to create eligibility criteria that is discrete and confidential to ensure patient privacy.

- The City should leverage its existing programs, such as the Medical Marijuana Identification Card (MMIC) program, as a pathway to 1) determine eligibility; and 2) provide a method by which patients can prove their eligibility to retailers or potential nonprofits. This resource should be provided at little to no cost to the patient.

6. Consumption Space: Consumption of medical cannabis can be a social experience, therefore, patients would like spaces to be provided that allow for social consumption.

- The City should encourage the retention of existing Medicinal Cannabis Consumption Space.
- The City should disallow retailers from mandating a certain amount of product be purchased in order to access the onsite smoking/vaping/consumption lounge.

7. Safe Consumption Information: Patient consumers would benefit from having access to consistent education related to safe consumption.

- The Department of Public Health should create fact based information to be provided to all consumers, including patients, at the point of sale.

8. Advocacy for Patient Community: The City would benefit from continued advice from patients, patient advocates, and businesses.

- The City should amend the Cannabis State Legalization Task Force membership to ensure a broad set of stakeholders representing patient advocacy are reflected in the makeup of the body, and can further inform and advise future task force recommendations, notably about the evolution of policy related to compassion programs. One of these members should have experience in running a non-profit compassion program.

9. Data & Accountability: The City needs to gather data and report out on it regularly to ensure we are iterating our policies and meeting our goals.

- The Office of Cannabis and the Health Department should continue to monitor the effects of cannabis legalization on medical cannabis use in San Francisco.
- Data collection should be consistent with patient privacy guidelines, and should be incorporated into the Office of Cannabis' overall data management strategy.

- The Office of Cannabis, in collaboration with the Department of Public Health, should provide a report and recommendations to further inform the City's path forward with medical cannabis by December 31, 2018.

## MORATORIUMS

On September 15, 2017, an ordinance was enacted to limit the number of medical cannabis dispensaries in Supervisorial District 11 (Excelsior, Ocean View, Merced Heights, and Ingleside neighborhoods), to three.<sup>99, 100</sup> There are currently three MCDs located in District 11, all within the Excelsior Outer Mission Street Corridor. The legislation referenced detrimental land use impacts from the clustering of MCDs along the Mission Street corridor. The Planning Commission had recommended that the San Francisco Board of Supervisors (BOS) modify the ordinance to propose “a Citywide interim moratorium on the approval of MCD applications until the City adopts new MCD regulations informed by the forthcoming Adult Use Cannabis controls.”<sup>101</sup>

On September 22, 2017, the Mayor approved an interim zoning moratorium on the land use approval of new medical cannabis dispensary (MCD) permits for 45 days, which would provide the BOS additional time to consider regulations for medical and adult use cannabis retailers, while still allowing legally permitted MCDs to operate.<sup>102</sup>

## LOCAL ORDINANCES

On September 26, 2017, two ordinances sponsored by the Mayor and Supervisor Jeff Sheehy regarding medical and adult use cannabis regulation were submitted to the Board of Supervisors (BOS) for consideration. These ordinances (171042 and 171041) seek to “authorize and comprehensively regulate commercial activities relating to the cultivation, manufacture, distribution, testing, sale, and delivery of medicinal and adult use cannabis.”<sup>103, 104</sup>

Public meetings discussing the legislation were held at the Planning Commission, the Cannabis State Legalization Task Force, the Small Business Commission, and the Building Inspection Commission.<sup>105</sup> The Mayor approved the legislation on December 6, 2017.

The summary below identifies key provisions of ordinance 171042 (amending the Administrative, Business and Tax Regulations, Health, and Police Codes) and ordinance 171041 (amending the Planning Code) as originally introduced on September 26, 2017, and organizes them by the Task Force Year II recommendation categories. It is followed by a list of final amendments to ordinance 171042, organized by sections of the legislation, from November 28, 2017.

### Provisions of Original File Nos. 171042 and 171041

#### RETAIL AND NON-RETAIL LICENSING

- ***Define Eligibility for Temporary and Permanent Cannabis Business Permits***  
In 2018 and after the Equity program is established, the only businesses that would be eligible to receive permanent cannabis business permits will be Equity applicants;

businesses that were operating in compliance with the Compassionate Use Act of 1996 that were forced to discontinue operations as a result of federal prosecution or threat of prosecution; and temporary medicinal cannabis business permit holders.

- ***Define Permitted Cannabis Business Types***

Under the proposed ordinance, permits for the following cannabis businesses would be available: Cultivation Facility, Manufacturing Facility, Testing Facility (may not hold any other permit types), Distributor, Microbusiness, Medicinal Cannabis Retailer, Medicinal and Adult Use Cannabis Retailer, and Medicinal and Adult Use Cannabis Non-Storefront (Delivery-Only) Retailer. A business that receives a local cannabis business permit would be required to apply for and receive a state cannabis license in order to operate.

- ***Define Cannabis Business Operating Standards***

The proposed ordinance establishes operating standards for cannabis businesses, including compliance with all applicable local and State standards.

## RETAIL LICENSING

- ***Replace the Medical Cannabis Act***

Article 33 of the San Francisco Health Code (“Medical Cannabis Act”), which was adopted in 2005, authorizes the San Francisco Department of Public Health to oversee the permitting of medical cannabis dispensaries. Under the proposed ordinance, the Medical Cannabis Act would sunset on March 31, 2018, and a new regulatory structure would replace it.

- ***Transition Current Businesses into New Regulatory Scheme***

All businesses that engage in commercial cannabis activities would be required to obtain a permit from the Office of Cannabis.

The proposed process for current Medical Cannabis Dispensaries to transition into the new regulatory scheme is to: 1) register with the Office of Cannabis and complete an inspection to ensure the business does not pose an immediate threat to health or safety; 2) apply for a temporary medicinal cannabis business permit, which would be valid for 120 days and could be renewed for additional 90-day periods; and 3) apply for permanent cannabis business permits, which would authorize activities relating to both medicinal and adult use cannabis. Permanent cannabis business permits would be available only after the Equity Program is established and would not be guaranteed for all temporary medicinal cannabis business permit holders.

- ***Define Permitted Delivery Services***

Permitted Cannabis Retailers would need to seek authorization from the Director of Cannabis to enable their employees to deliver cannabis and cannabis products to consumers using a commercial vehicle, and would be subject to reporting requirements.

- ***Define Permitted Cannabis Smoking and Vaping Areas***

As originally introduced, the smoking and vaping of cannabis would be prohibited on the premises of all cannabis businesses, except for some existing Medicinal Cannabis Retailers .Note that the proposed ordinance was recently amended to...[insert].  
Retailers authorized to allow the smoking of cannabis in indoor area(s) within its premises could not also allow the smoking of tobacco products.

- ***Define Permitted Cannabis Consumption (Non-Smoking and Vaping) Areas***

Storefront Cannabis Retailers and Cannabis Microbusinesses may seek a cannabis consumption permit from the Department of Public Health to permit cannabis consumption by means other than smoking or vaping. Access to cannabis and cannabis product consumption area would be restricted to persons 21 years of age and older, or persons 18 years of age and older if the business is authorized to sell medicinal cannabis and medicinal cannabis products. Adequate “no smoking” signage would need to be displayed and the cannabis consumption could not be visible from any public place or non-age-restricted area. The sale or consumption of alcohol or tobacco products would be prohibited on the premises.

## SOCIAL JUSTICE

- ***Establish the Equity Program***

The Director of the Office of Cannabis would establish an Equity Program to promote equitable ownership and employment opportunities in the cannabis industry. The Equity Program would prioritize permit processing for Equity applicants and provide them with technical assistance.

## LAND USE

- ***Expand Permissible Areas for Medical Cannabis Dispensaries***

The proposed ordinance would change the zoning controls for MCDs to allow them to locate in additional areas, for example to permit them in some Neighborhood Commercial Districts in which they are currently prohibited, subject to applicable Planning Commission review. It would also repeal the ordinance that limited the number of medical cannabis dispensaries in Supervisorial District 11 to three.

- ***Establish Location and Operating Conditions for Cannabis Businesses***

This ordinance would establish location and operating provisions for MCDs, cannabis retail establishments, and other cannabis businesses. For example, it would prohibit a cannabis retail business or MCD from operating within 600 feet of a public or private school, which represents a decrease from the current distance requirement of 1,000 feet. In addition, cannabis retail businesses or MCDs could not be located within 300 feet of another cannabis retail business or MCD.

The information presented below is current as of December 6, 2017.

**Amendments to File No. 171042 (the page numbers below are aligned to File File No. 171042 included in the Appendix)**

## AMENDMENTS TO ARTICLE 16

- ***Sec. 1600. Findings and Purpose***

This section was amended to include information from the Cannabis Equity Report issued on November 2017, which was authored Office of Cannabis, the Office of the Controller, and the Human Rights Commission (pp. 6-7).

- ***Sec. 1601. Administration and Enforcement***

This section was amended to include language to allow the Director of the Office of Cannabis to adopt rules, regulations, and guidelines to ensure that Storefront Cannabis Retailers and Delivery-Only Cannabis Retailers maintain and Sell an inventory of Medicinal Cannabis and Medicinal Cannabis Products that is sufficient in volume and variety to meet the diverse medical needs of qualified patients, including but not limited to guidelines addressing the availability of Cannabis flowers, and other specific forms of Cannabis or Cannabis Products (pp. 7 -8).

- ***Sec. 1602. Definitions***

This section was amended to include definitions of Business Work Hours, Labor Peace Agreement, Local Resident, and Pre-Existing Non-Conforming Operator. Also it amended the definition of consumption to include smoking, and the definition of Temporary Cannabis Business Permit (pp. 9, 11 & 13).

- ***Sec. 1604. Equity Program***

This section was amended to establish the program and move the efforts to implement the permitting of Equity Applicants and Equity Incubators. The criteria for someone to qualify as an Equity Applicants was changed to reflect public feedback (pp. 15-18).

- ***Sec. 1605. Transition Provision***

This section was amended to include a transition provision for both medicinal and adult use temporary permits. New language was also included to provide a process for the registration of Pre-Existing Non-Conforming Operators (pp. 18-23).

- ***Sec. 1606. Applications for Cannabis Business Permits***

This section was amended to remove the provision of not accepting Cannabis Business Permits and developed criteria for Director of the Office of Cannabis to accept applications (pp. 23-25).

- ***Sec. 1608. Transfer of Permit; Portability of Permit; Sale of Cannabis Business; Change in Ownership; Interim Cannabis Business Permits***

This section was amended to include a provision and criteria that would make the Cannabis Business Permit portable (p. 26).

- ***Sec. 1609. Permit Applications***

This section was amended to add language for a fee waiver or reduction of the application fee. It also includes language that all materials developed for community outreach be translated into the languages required by the Language Access Ordinance. A new provision was added that requires an applicant to describe how the

Applicant will work to encourage and support the establishment and growth of Equity Applicants, provide employment opportunities to persons that have been disproportionately impacted by the criminalization of Cannabis, and otherwise further the City's equity goals. The applicant that submits an Equity Plan will need to develop a report describing the steps the Applicant has taken in compliance with and furtherance of its Equity Plan. Language was added to this section that include a requirement for the applicant to state if they intend to operate a Compassion Program.

A new amendment was also approved requiring the Office of Cannabis upon receiving the of an application for a Medicinal Cannabis Retailer, Cannabis Retailer, or Delivery-Only Cannabis Retailer permit, to post the name and location of the proposed Cannabis Business on its website, and update the website with information about the status of the application until the application has been approved or denied. The Office of Cannabis will also post a notice on the site of the Premises associated with the permit applications to notify neighbors that a Cannabis Business Permit is sought at that location (pp. 28, 30, 31, 32, 38, 39).

- ***Sec. 1613. Limits on Permits***

This section was amended to add language that the Controller will track the number of permits that are awarded pursuant to this Article 16. Within one year of the effective date of this Article 16, the Controller will submit to the Board of Supervisors a report that makes recommendations as to whether the issuance of Cannabis Business Permits should be subject to any numerical, geographical, or other limits (p. 41).

- ***Sec. 1615. Issuance and Denial of Cannabis Business Permits***

This section was amended to add language requiring the Planning Department or Planning Commission to determine that the applicant engaged in Commercial Cannabis Activities is located on a premise not authorized by or consistent with the Planning Code. Language was also added under this section that allows the Director to deny a permit if the applicant has not made a good faith effort to comply with its Equity Plan (pp. 43 & 45).

- ***Sec. 1618. Eligibility and Operating Standards Applicable to all Cannabis Businesses***

This section was amended to add language requiring that every Cannabis Business has paid all outstanding taxes and fees, including any related penalties and interest, owed to the City, and is required to have obtained a business registration certificate from the City in compliance with Article 12 of the Business and Tax Regulations Code. This section was amended to exclude a Cannabis Testing Facility from the requirement maintaining a fire proof safe on the Premises. This section was also amended to comply with the state law that a person under 21 can work in a Cannabis Business.

This section also allows a Storefront Cannabis Retailer to operate a Compassion Program in which it provides Medicinal Cannabis and/or Medicinal Cannabis Products at no or nominal cost to low-income individuals who are qualified under

California Health and Safety Code Sections 11362.7 et seq. to use Medicinal Cannabis. In addition, Cannabis Cultivation Facilities and Cannabis Manufacturing Facilities may provide Medicinal Cannabis and/or Medicinal Cannabis Products at no or nominal cost to Storefront Cannabis Retailers, for distribution through a Compassion Program. The Director shall adopt rules, regulations and guidelines applicable to Compassion Programs, including, but not limited to: eligibility criteria applicable to persons who may receive Cannabis at no or low cost; and recordkeeping requirements.

This section was amended to also require every Cannabis Business shall ensure that at least 50% of all Business Work Hours are performed by Local Residents, provided, however, that until December 31, 2018, Cannabis Businesses that previously held a Medical Cannabis Dispensary permit under Article 33 of the Health Code shall ensure that at least 35% of all Business Work Hours are performed by Local Residents. Business Work Hours performed by residents of states other than California shall not be considered in calculation of the number of Business Work Hours to which this requirement applies. The Director of the Office of Cannabis may approve a time-limited waiver or reduction of this requirement, upon a showing by the Cannabis Business that it was unable to locate a sufficient number of qualified Local Residents (pp. 46-51).

- ***Sec. 1620. Consumption of Cannabis and Cannabis Products on the Premises of Cannabis Businesses***

This section was amended to remove the provision of prohibiting smoking of Cannabis and Cannabis Products is prohibited on the Premises of Medicinal Cannabis Retailers, Cannabis Retailers, and Cannabis Microbusinesses (p. 53).

- ***Sec. 1628. Storefront Cannabis Retailers***

This section was amended to remove the provision that incorporated the state law governing commercial cannabis activities into local law (p. 62).

- ***Sec. 1629. Delivery-Only Cannabis Retailers***

This section was amended to remove the provision that incorporated the state law governing commercial cannabis activities into local law (p. 64).

- ***Sec. 1633. Permit Suspensions and Revocations***

This section was amended to include language that a Permittee may have their Cannabis Business Permit as an Equity Incubator suspended or revoked if the Permittee has failed to make a good faith effort to comply with its Cannabis Equity Incubator Agreement (p. 72).

- ***SECTION 1637. Public Health Education Campaign***

This section was amended to add a new provision requiring the Department of Public Health shall conduct an ongoing public health education campaign with a particular focus on youth designed to educate the public about the safe consumption and health benefits of cannabis and cannabis products. The Department of Public Health shall launch this campaign within 60 days of the effective date of the ordinance (p. 75).

## AMENDMENTS TO SECTION 4

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

### ARTICLE 8A: CANNABIS CONSUMPTION PERMITS

- ***Sec. 8A.1. Definitions***

This section was amended to include the definition of Designated Smoking Room (p. 79).

- ***Sec. 8A.3. Cannabis Consumption Permit Types***

This section was amended to include a permit for Cannabis Smoking (p. 80).

- ***Sec. 8A.4. Permit Applications and Awards***

This section was amended to include for a fee waiver or reduction, as authorized by ordinance (p. 80).

- ***Sec. 8A.4. Permit Applications and Awards***

This section was amended to include the Department of Building Inspection as referring Department. This section was also amended to include language that allows existing approved smoking location to continue to smoke as long as they continue to meet the guidelines of the Department of Public Health (pp. 80-83).

- ***Sec. 8A.6. Operating Standards***

This section was amended to include language on operation standards for future cannabis smoking for individual that want to include a designated separate smoking room at their cannabis retail location (p. 84).

- ***Sec. 8A.7. Administrative Penalties; Permit Suspensions and Revocations; Notice of Violations; Hearing and Appeal***

This section was amended to include language on administrative penalties not to exceed \$1000 for each violation , permit suspension and revocation for a retail location that are found to have violated the rules and regulation developed by the Department of Public Health (pp. 84-85).

## AMENDMENTS TO SECTION 5

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

- ***Sec. 1009.22. Prohibiting Smoking in Buildings, Certain Vehicles, Certain Unenclosed Areas, Enclosed Structures Containing Certain Uses, and Sports Stadiums***

This section was amended to include language that allows for onsite smoking of

cannabis in retail locations permitted by the Department of Public Health Business establishments (pp. 87-88).

- ***Sec. 1009.23. Exceptions***

This section was amended to include language that provides exception for the smoking of cannabis at are issued permits by the Office of Cannabis for Medicinal Cannabis Retailers, Cannabis Microbusinesses, and Cannabis Retailers and A Cannabis Consumption Permit that authorizes the smoking of cannabis, issued by the Director of Health (pp. 89-90).

## **AMENDMENTS TO SECTION 6**

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

- ***Sec. 3301. Definitions***

This section amended the definition of Medical Cannabis Dispensary to include: “A cooperative or collective shall be deemed to be of 10 or more qualified patients or primary caregivers if it distributes cannabis to more than 10 persons during any consecutive 30-day period” (p. 91).

- ***Sec. 3308. Operating Requirements for Medical Cannabis Dispensary***

This section amended to include language that a Medical Cannabis Dispensary must be operated from a fixed place of business. It may not be operated out of a bus, truck, car, van, or any other mobile location or location that is capable of being mobile (p. 91).

- ***Sec. 3322. Transition Provision***

This section amended to include language indicating that terms that were not included in the section will have the meaning attributed to them in Section 1602 of the Police Code. Language was also included the criteria and transition provision for existing Medical Cannabis Dispensaries to sell Adult Use Cannabis and Cannabis Products (pp. 92-94).

## **AMENDMENTS TO SECTION 10**

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

- ***Sec. 10.100-162. Office of Cannabis Equity Operator Community Reinvestment Fund***

This section amended to include language that would establish a Fund, how the Fund would be used, distributed, and administered. Language was also included requiring the Director to submit an annual written report to the Mayor, the Board of Supervisors, and the Controller within the first two weeks of July, showing for the prior fiscal year donations or appropriations received, the nature and amount of such donations or appropriations, and the disposition thereof, together with a description of the individual payments made from the Fund (pp. 96-97).

## Amendments to File No. 171041

The following planning code amendments were approved:

- A cannabis retailer or microbusiness must be 600 feet (radius) away from any public or private school.
- A cannabis retailer or microbusiness must be 600 feet (radius) away from another cannabis retailer or microbusiness.
- A 312 notification that they are operating a cannabis retailer or microbusiness must be provided to owners within 150 feet of the cannabis location.

## OTHER LOCAL UPDATES

- *San Francisco Department of Public Health Impact Assessment*

In the fall of 2017, the San Francisco Department of Public Health (SFDPH) Office of Policy and Planning released a report that assesses the potential health impacts from adult use cannabis legalization in San Francisco and outlines strategies for their preventions and mitigation.<sup>106</sup>

## OTHER LOCAL JURISDICTIONS

### EMERALD TRIANGLE – MENDOCINO, HUMBOLDT, AND TRINITY COUNTIES

Counties in the North Coast were among the first counties in California to develop local cannabis cultivation permits after Proposition 64 was approved in 2016, and subsequently nearly 3,500 cannabis cultivators have sought local permits in the counties of Mendocino, Humboldt, and Trinity (also known as the Emerald Triangle). The status of regulation of cannabis activity other than cultivation varies by county (see subsections by county below).<sup>107, 108, 109</sup>

According to media reports from August 2017, the law enforcement division of the California Department of Fish and Wildlife has targeted and raided cannabis cultivators in the Emerald Triangle with approved or pending applications for county cannabis cultivation permits. California lawmakers expressed concern that this would discourage cannabis cultivators from entering the regulated cannabis industry. They have requested that Fish and Wildlife wardens seeking to protect natural resources work with municipalities to avoid undermining local efforts to transition cannabis cultivators into the regulated industry.<sup>110</sup> Specifically, State Senator Mike McGuire (D-Healdsburg) had requested to meet with California Fish and Wildlife Director Chuck Bonham, and Trinity County supervisors drafted a letter to the California Natural Resources Agency, which oversees the Department of Fish and Wildlife, to express their concerns regarding the department's investigations of their current cannabis cultivation licensees and applicants.

#### Mendocino County

Local oversight responsibilities reside with the Planning and Building Services Department and Agriculture department.<sup>111</sup> Mendocino County adopted legislation regulating medical cannabis cultivation in April, 2017. In October, 2017, Mendocino County adopted an ordinance permitting non-cultivation aspects of the cannabis industry, such as retail sales, distribution, testing and manufacturing, and this ordinance will take effect on November 16, 2017.<sup>112, 113, 114</sup>

### **Humboldt County**

Local oversight responsibilities reside with the Cannabis Services Division of the Planning and Building Department.<sup>115</sup> In September, 2017, the Humboldt County Planning and Building Department released a draft cannabis ordinance with regulations for commercial medical and adult use cannabis activities, including cultivation, processing, manufacturing, distribution, testing, and sale in the inland areas, and the ordinance is currently moving through the legislative process.<sup>116, 117, 118</sup>

### **Trinity County**

The local oversight agency for commercial cannabis resides within the Trinity County Planning Department.<sup>119</sup> On October 3, 2017, the Trinity County Board of Supervisors approved a new ordinance to regulate commercial cannabis cultivation, and plans to reissue licenses in November, 2017. Cannabis manufacturing and retail activities are not currently allowed in the County.<sup>120, 121</sup>

## **LOS ANGELES COUNTY**

The local oversight agency is the Los Angeles County Office of Cannabis Management, which is a unit within the Los Angeles County Chief Executive Office.<sup>122</sup> In October 2017, media reported that Los Angeles County issued its first cannabis business license under the new regulations to a medical cannabis dispensary in the City of Malibu. Los Angeles County prohibits all cannabis businesses in the unincorporated areas of the county, according to Keith Knox, chief deputy treasurer and tax collector for the county.<sup>123</sup>

### ***City of Los Angeles***

On March 7, 2017, Los Angeles votes approved Measure M to repeal the City's previous law regarding medical cannabis, and Proposition D to authorize the City Council to adopt new regulations regarding commercial medical and adult use cannabis activity after conducting public hearings.<sup>124</sup> On September 14, 2017, the Los Angeles City Planning Commission approved draft regulations for commercial cannabis activity, and on November 1, 2017, the Los Angeles City council established a regulatory framework for commercial cannabis and other cannabis-related activities.<sup>125, 126, 127</sup> The Los Angeles Department of Cannabis Regulation is the local oversight agency.<sup>128</sup> Additional legislation moving through the legislative process proposes to regulate cannabis advertising, support workforce and worker retention, and compliance and management

of tax revenue.<sup>129, 130</sup>

The Los Angeles Department of City Planning released maps that show where cannabis retailers could operate according to the 800-foot buffer zone distance between cannabis retailers and schools, parks, public libraries, churches, drug and alcohol treatment facilities, and other dispensaries.<sup>131</sup> According to media reports, under this rule the city estimates about 135 existing cannabis retailers could continue to operate legally. This represents less than 15% of the current illicit market, as estimates indicate there are currently 1,000 cannabis retailers operating illegally in Los Angeles. Media reported that the executive director of the independent trade group Los Angeles Cannabis Task Force, Ruben Honig, said that the 800-foot buffer zone is "a bad idea" because it would "reinforce the illicit market and make it a lot harder for disadvantaged communities to participate in this industry." He recommended that the city align its regulations with the state's 600-foot buffer zones.<sup>132</sup>

Media reported that in July 2017, City Council President Herb Wesson recommended that the city explore whether to create a public Bank of Los Angeles to provide financial services to the cannabis industry and to finance local entrepreneurs and affordable housing.<sup>133</sup> In October 2017, a City Council committee began to explore legal and financial questions related to the creation of a public bank, according to media reports.

## SACRAMENTO COUNTY

### *City of Sacramento*

The Office of Cannabis Policy & Enforcement is the local oversight agency for the City of Sacramento.<sup>134</sup> As of November, 2017, legislation that seeks to allow medical cannabis dispensaries to sell adult use cannabis and to establish an equity program is moving through the legislative process.<sup>135</sup>

## SAN FRANCISCO BAY AREA JURISDICTIONS

### **Alameda County**

According to media reports in September 2017, the cities of Oakland and Berkeley have funded a study to analyze the feasibility of establishing a public bank in Oakland that could provide financial services to the cannabis industry. The study would define the cost, governance structures, benefits, and risks of a multi-jurisdictional public bank. The author of the study proposal, Oakland Councilmember Rebecca Kaplan, stated the goal of public banking would be to support small businesses and create a low-cost fund for public projects, in addition to improving the financial prospects of local medical cannabis dispensaries. Councilmember Kaplan stated that the study will begin soon and a status update will be released in several months.<sup>136</sup>

### *City of Berkeley*

In October, 2017, Berkeley City Council city code approved an amendment to its city code to grant temporary adult use cannabis retail licenses to the three existing medical cannabis dispensaries in the city. The amendment is expected to go into effect in November, 2017.<sup>137</sup>

### *City of Emeryville*

In September, 2017, the city of Emeryville released a request for qualifications to grant one permit to a cannabis dispensary/retailer with a storefront. The application was due in early October, and the city intends to select a storefront for permitting in November.<sup>138, 139</sup>

### *City of Oakland*

On May 24, 2017, the City of Oakland released medical cannabis permit applications, which served as the first step in implementing the Equity Permit Program. The Equity Permit Program aims to address disparities in the cannabis industry by prioritizing victims of the War on Drugs and minimizing barriers they face to entering the industry.<sup>140</sup> Medical cannabis permit applicants may apply for a permit without a site, but need to secure a site in order to receive a final permit. Early data cited by news reports suggests that Equity applicants are experiencing challenges securing locations for their cannabis businesses. As of July 21, 2017, a total of 81 people had applied for licenses (excluding dispensaries), according to a media report citing facts from Assistant City Manager Greg Minor. Out of these, 35 were Equity applicants, and only ten of these Equity applicants had secured a business location. In comparison, 39 of the remaining 46 general applicants had secured a business location.<sup>141</sup> According to media reports, other challenges faced by Equity applicants include confusion about the instructions for obtaining the permit and difficulty providing the required documentation to demonstrate eligibility for the Equity Permit Program. To address these challenges, city officials said they are exploring solutions such as using non-residential, city-owned properties for cannabis businesses; expanding permissible locations where edibles can be made (e.g., so existing commercial kitchens could rent space to people making edibles); and expanding acceptable documents for Equity applicants (e.g., to include school records, social service agency documentation and rental agreements).<sup>142</sup>

## Santa Clara County

### *City of Campbell*

On April 25, 2017, voters in Campbell voted against a measure that sought to allow medical cannabis dispensaries, delivery, and cultivation, and also passed a measure that imposed a two-year moratorium on cannabis dispensaries.<sup>143</sup>

***City of Cupertino***

On September 19, 2017, Cupertino enacted an interim ordinance banning medical and adult use cannabis dispensaries, cultivation, and commercial cannabis activities for one year.<sup>144</sup>

***City of Los Gatos***

On November 7, 2017, the Town Council of Los Gatos passed an ordinance banning all commercial medical and adult use cannabis activities, prohibiting outdoor residential cannabis cultivation, and regulating indoor cannabis cultivation for personal use.<sup>145</sup>

***City of Palo Alto***

On October 20, 2017, the Palo Alto City Council adopted an ordinance prohibiting medical cannabis dispensaries and commercial cannabis activities, with the exception of cannabis deliveries, which it allows.<sup>146</sup>

***City of San Jose***

On November 14, 2017, the San Jose City Council approved an ordinance allowing the city's existing 16 licensed medical cannabis collectives to sell adult use cannabis, and to cultivate, process, manufacture, and distribute adult use cannabis to other state-licensed cannabis businesses.<sup>147</sup>

***City of Saratoga***

On June 7, 2017, the Saratoga City Council approved an ordinance to prohibit commercial cannabis activities and outdoor cannabis cultivation, and to regulate indoor cannabis cultivation for personal use.<sup>148</sup>

***San Mateo County***

The San Mateo County Board of Supervisors has drafted an ordinance to permit mixed-light cannabis cultivation and greenhouse nurseries, and to allow cannabis cultivation for personal medical use and indoor cannabis cultivation for personal adult use. It prohibits all other cannabis activities, including personal and commercial outdoor cannabis cultivation, indoor commercial cannabis cultivation, and other commercial cannabis activities within the unincorporated area of the county.<sup>149, 150</sup>

***City of San Mateo***

On February 21, 2017, the San Mateo City Council approved an ordinance to prohibit the cultivation, manufacturing, processing, and sale of adult use cannabis, with the exception of indoor cannabis cultivation for personal use, which is allowed.<sup>151</sup>

## CONCLUSION

The adult use cannabis landscape remains dynamic and fast-moving at the national, state, and local levels. The Task Force will continue to closely monitor the experiences of states with legalized adult use cannabis laws and the implementation of the Medicinal and Adult-Use Cannabis Regulations and Safety Act and related legislation as it develops recommendations to inform the creation of an effective and equitable local regulatory system

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## Cannabis State Legalization Task Force

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Cannabis State Legalization Task Force

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## Cannabis State Legalization Task Force

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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 establishimplement 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.

**NOTE:** **Unchanged Code text and uncodified text** are in plain Arial font.  
**Additions to Codes** are in single-underline italics Times New Roman font.  
**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                   **Asterisks (\* \* \* \*) indicate the omission of unchanged Code**  
2                   **subsections or parts of tables.**

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

4                   Section 1. The Planning Department has determined that the actions contemplated in  
5                   this ordinance comply with the California Environmental Quality Act (California Public  
6                   Resources Code Sections 21000 et seq.). Said determination is on file with the Clerk of the  
7                   Board of Supervisors in File No. 171042 and is incorporated herein by reference. The Board  
8                   affirms this determination.

9                   Section 2. The Police Code is hereby amended by adding Article 16, consisting of  
10                  Sections 1600 to 16398, to read as follows:

12                  **ARTICLE 16: REGULATION OF CANNABIS**

14                  **SEC. 1600. FINDINGS AND PURPOSE.**

15                  *(a) In 1996, the voters of California approved Proposition 215, The Compassionate Use Act,*  
16                  *allowing persons in need of cannabis for specified medical purposes to obtain and use cannabis.*

17                  *(b) In 2001, the City adopted Resolution No. 955-01, declaring San Francisco to be a*  
18                  *“sanctuary for medical cannabis.” In 2005, the City enacted Ordinance No. 275-05, Health Code*  
19                  *Article 33, known as the Medical Cannabis Act, which implemented a local regulatory scheme for*  
20                  *Medical Cannabis Dispensaries operating in San Francisco.*

21                  *(c) In 2006, the City enacted Ordinance No. 297-06, Administrative Code Chapter 96B, making*  
22                  *cannabis offenses by adults the lowest law enforcement priority in San Francisco.*

23                  *(d) On August 29, 2013, in response to the number of states seeking to legalize cannabis, the*  
24                  *United States Department of Justice issued a memorandum known as the Cole Memo, outlining federal*  
25                  *cannabis enforcement priorities and specifying that the federal government would continue to rely on*

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            (I) 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                   ~~(Am)~~ *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                   ~~(mn)~~ *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                  ~~(no)~~ *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.

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

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

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

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

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

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

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

“Cannabis Distributor” means a fixed place of business where Cannabis and/or Cannabis Products are Distributed for Commercial purposes between Cannabis Businesses holding State 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 establishimplement 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               (32) 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 twothree 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 5five 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        (ab) 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~~ere~~ issued a Temporary Medicinal Cannabis Business Permit under Section  
10 1605 of this Article 16;

11            (4) Has~~ve~~ -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           (bec) 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          (34) ThirdFourth 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          (45) FourthFifth 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           (f) **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           (g) **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

(G) A water management plan.

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

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

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

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

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

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

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

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

22                  (22) A Security Plan;

23                  (23) A statement signed by the Applicant that the Applicant will not Sell or maintain on  
24 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

(D) A description of all water conservation measures.

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

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

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

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

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

(A) The name of the energy generation provider;

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

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

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

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

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

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

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

(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**  
**AGENTS.**

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

20

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

22 *(a) A violation of the terms and conditions of a Cannabis Business Permit shall be treated as a*  
23 *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 Aapplication following the abandonment of an earlier Aapplication 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:

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

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

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

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

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

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

(3) The Director concludes that ~~t~~There is good cause to deny the permit in  
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

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 areis 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 1009.23 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                         (d) 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.

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.

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.

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

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.

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

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

(1) As may be required by the California Public Records Act or the San Francisco Sunshine Ordinance or other state or City law, or pursuant to a valid subpoena or court order; or  
(2) In connection with any City enforcement proceeding relating to compliance with laws specifically applicable to Cannabis Businesses, but only to the extent the Confidential Information is relevant to the proceeding.

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

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

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

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

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

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

(3) That the Director intends to take enforcement action against the Cannabis Business, 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.*

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.**

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

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

16                  **SEC. 16389. SEVERABILITY.**

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

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

4  
5       **SEC. 8. METHOD OF APPEAL TO THE BOARD OF APPEALS.**

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

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

19                  \* \* \* \*

20        (i) Additional Requirements.

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

23        (2) On the filing of any appeal, the Board of Appeals shall notify in writing the  
24 department, board, commission, officer or other person from whose action the appeal is taken  
25 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.

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

## **ARTICLE 8A: CANNABIS CONSUMPTION PERMITS**

### *SEC. 8A.1. DEFINITIONS.*

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

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

"Designated Smoking Room" means a designated area on the Premises of a Cannabis Business where Customers may Smoke Cannabis.

*"Director" means the Director of the Department of Public Health, or his or her designee.*

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

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

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

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

*It shall be unlawful to allow the Consumption of Cannabis or Cannabis Products on the 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                   (d) 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                   (e) 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 ~~s~~Subsection (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~~s~~ 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

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

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

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

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

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

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

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

11             (4) Complies with subsection (c) of Section 1605 of the Police Code;.

12             (5) Submits to the Director a "Good Neighbor Policy," as described in  
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

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:

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 1.767, inclusive, by the department or  
4 office authorized by Sections 1.1 to 1.767, inclusive, and Section 2 of this Article 1 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                  **SEC. 1.77. MEDICAL CANNABIS BUSINESSES~~DISPENSARIES~~.**

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

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

15                  **SEC. 96B.7. MARIJUANA~~CANNABIS~~ POLICY REFORM.**

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

18                  (b) *Beginning three months after the effective date of this Ordinance and continuing annually*  
19 *thereafter, the Clerk of the Board of Supervisors shall send letters to Governor of California, the*  
20 *President of the United States, and all elected officials representing San Franciscans in the U.S. House*  
21 *of Representatives, the U.S. Senate, the California Assembly and the California Senate. The letters shall*  
22 *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 OperatorCommunity Reinvestment**  
17 **Fund.**

18       (a) Establishment of Fund. The Equity OperatorCommunity 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.

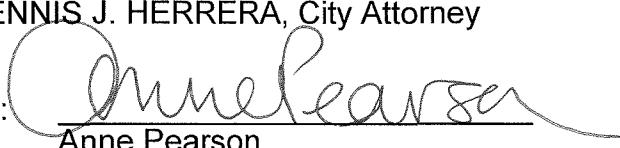
22 (e) Annual Report. The Director shall submit an annual written report to the Mayor,  
23 the Board of Supervisors, and the Controller within the first two weeks of July, showing for the  
24 prior fiscal year donations or appropriations received, the nature and amount of such

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

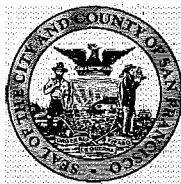
3  
4       Section 101. Effective Date. This ordinance shall become effective 30 days after  
5       enactment. Enactment occurs when the Mayor signs the ordinance, the Mayor returns the  
6       ordinance unsigned or does not sign the ordinance within ten days of receiving it, or the Board  
7       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      n:\legana\as2017\1700478\01236584.docx



**City and County of San Francisco**  
**Tails**  
**Ordinance**

City Hall  
1 Dr. Carlton B. Goodlett Place  
San Francisco, CA 94102-4689

**File Number:** 171042

**Date Passed:** December 05, 2017

Ordinance amending the Administrative, Business and Tax Regulations, Health, and Police Codes to comprehensively regulate commercial activities relating to the cultivation, manufacture, distribution, testing, sale, and delivery of medicinal and adult use cannabis by, among other things: 1) requiring businesses that engage in commercial cannabis activities to obtain a permit from the Office of Cannabis; 2) requiring the Director of the Office of Cannabis to implement an Equity Program to promote equitable ownership and employment opportunities in the cannabis industry by providing priority permitting for Equity Applicants and Equity Incubators, as defined; 3) defining eligibility for temporary and permanent cannabis business permits; 4) establishing priorities for the review of cannabis business permit applications; 5) establishing operating standards for cannabis businesses; 6) establishing criteria for granting, denying, suspending, and revoking cannabis business permits; 7) requiring all cannabis businesses to ensure that 50% of work hours are performed by San Francisco residents, and cannabis businesses with ten or more employees to adopt labor peace agreements; 8) authorizing the imposition of fines and penalties for violation of local and state laws governing cannabis businesses, and establishing procedures by which cannabis businesses may appeal a fine or permit penalty; 9) allowing pre-existing non-conforming cannabis operators to register with the Office of Cannabis and apply for cannabis business permits in 2018; 10) prohibiting the consumption of cannabis and cannabis products on the premises of all cannabis businesses, except Storefront Cannabis Retailers and Cannabis Microbusinesses that obtain consumption permits from the Department of Public Health; 11) prohibiting until January 1, 2019, tours of cannabis cultivators, manufacturers, and cannabis microbusinesses, and authorizing the Director of Cannabis to extend the prohibition on tours, or establish guidelines for the operation of tours; 12) prohibiting the acceptance of new applications for medical cannabis dispensary permits, starting January 1, 2018; 13) allowing medical cannabis dispensaries to sell adult use cannabis for a period of 120 days, starting January 1, 2018, and prohibiting medical cannabis dispensaries from cultivating cannabis under the authority of a medical cannabis dispensary permit, starting April 1, 2018; 14) establishing a sunset date of December 31, 2018, for Article 33 of the Health Code ("Medical Cannabis Act"); 15) requiring the Department of Public Health to implement an ongoing public health education campaign about the safe consumption and health benefits of cannabis; 16) requiring the Controller to submit a report to the Board of Supervisors within one year of the effective date of Article 16 recommending whether the issuance of cannabis business permits should be subject to any limits; 17) establishing an Equity Operator Fund to receive any monies appropriated for the purpose of assisting Equity Operators; 18) eliminating the duty of the Clerk of the Board of Supervisors to send letters annually to state and federal officials requesting that cannabis be regulated and taxed; and affirming the Planning Department's determination under the California Environmental Quality Act.

November 01, 2017 Rules Committee - AMENDED, AN AMENDMENT OF THE WHOLE BEARING NEW TITLE

November 01, 2017 Rules Committee - CONTINUED TO CALL OF THE CHAIR AS AMENDED

November 07, 2017 Rules Committee - AMENDED, AN AMENDMENT OF THE WHOLE BEARING NEW TITLE

November 07, 2017 Rules Committee - CONTINUED TO CALL OF THE CHAIR AS AMENDED

November 13, 2017 Rules Committee - AMENDED, AN AMENDMENT OF THE WHOLE BEARING SAME TITLE

November 13, 2017 Rules Committee - AMENDED, AN AMENDMENT OF THE WHOLE BEARING SAME TITLE

November 13, 2017 Rules Committee - DUPLICATED

November 13, 2017 Rules Committee - RECOMMENDED AS AMENDED AS A COMMITTEE REPORT

November 14, 2017 Board of Supervisors - AMENDED, AN AMENDMENT OF THE WHOLE BEARING SAME TITLE

Ayes: 11 - Breed, Cohen, Farrell, Fewer, Kim, Peskin, Ronen, Safai, Sheehy, Tang and Yee

November 14, 2017 Board of Supervisors - AMENDED, AN AMENDMENT OF THE WHOLE BEARING SAME TITLE

Ayes: 11 - Breed, Cohen, Farrell, Fewer, Kim, Peskin, Ronen, Safai, Sheehy, Tang and Yee

November 14, 2017 Board of Supervisors - AMENDED, AN AMENDMENT OF THE WHOLE BEARING SAME TITLE

Ayes: 11 - Breed, Cohen, Farrell, Fewer, Kim, Peskin, Ronen, Safai, Sheehy, Tang and Yee

November 14, 2017 Board of Supervisors - NOT AMENDED

Ayes: 5 - Breed, Farrell, Safai, Sheehy and Tang

Noes: 5 - Fewer, Kim, Peskin, Ronen and Yee

Excused: 1 - Cohen

November 14, 2017 Board of Supervisors - CONTINUED AS AMENDED ON FIRST READING

Ayes: 11 - Breed, Cohen, Farrell, Fewer, Kim, Peskin, Ronen, Safai, Sheehy, Tang and Yee

November 28, 2017 Board of Supervisors - AMENDED, AN AMENDMENT OF THE WHOLE BEARING SAME TITLE

Ayes: 11 - Breed, Cohen, Farrell, Fewer, Kim, Peskin, Ronen, Safai, Sheehy, Tang and Yee

November 28, 2017 Board of Supervisors - AMENDED, AN AMENDMENT OF THE WHOLE BEARING SAME TITLE

Ayes: 11 - Breed, Cohen, Farrell, Fewer, Kim, Peskin, Ronen, Safai, Sheehy, Tang and Yee

November 28, 2017 Board of Supervisors - AMENDED, AN AMENDMENT OF THE WHOLE BEARING SAME TITLE

Ayes: 10 - Breed, Cohen, Farrell, Kim, Peskin, Ronen, Safai, Sheehy, Tang and Yee

Noes: 1 - Fewer

November 28, 2017 Board of Supervisors - AMENDED, AN AMENDMENT OF THE WHOLE BEARING SAME TITLE

Ayes: 11 - Breed, Cohen, Farrell, Fewer, Kim, Peskin, Ronen, Safai, Sheehy, Tang and Yee

November 28, 2017 Board of Supervisors - AMENDED, AN AMENDMENT OF THE WHOLE BEARING SAME TITLE

Ayes: 11 - Breed, Cohen, Farrell, Fewer, Kim, Peskin, Ronen, Safai, Sheehy, Tang and Yee

November 28, 2017 Board of Supervisors - AMENDED, AN AMENDMENT OF THE WHOLE BEARING SAME TITLE

Ayes: 11 - Breed, Cohen, Farrell, Fewer, Kim, Peskin, Ronen, Safai, Sheehy, Tang and Yee

November 28, 2017 Board of Supervisors - PASSED ON FIRST READING AS AMENDED

Ayes: 10 - Breed, Cohen, Farrell, Fewer, Kim, Peskin, Ronen, Sheehy, Tang and Yee

Noes: 1 - Safai

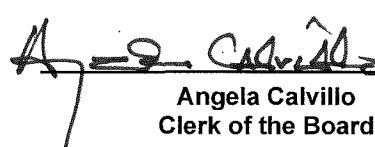
December 05, 2017 Board of Supervisors - FINALLY PASSED

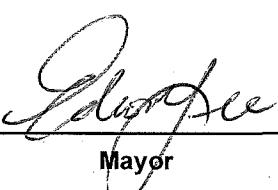
Ayes: 10 - Breed, Cohen, Farrell, Fewer, Kim, Peskin, Ronen, Sheehy, Tang and Yee

Noes: 1 - Safai

File No. 171042

I hereby certify that the foregoing  
Ordinance was FINALLY PASSED on  
12/5/2017 by the Board of Supervisors of  
the City and County of San Francisco.

  
Angela Calvillo  
Clerk of the Board

  
\_\_\_\_\_  
Mayor

  
\_\_\_\_\_  
Date Approved