



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

OFFICE OF SMALL BUSINESS
REGINA DICK-ENDRIZZI, DIRECTOR

July 11, 2017

Ms. Angela Calvillo, Clerk of the Board
City Hall Room 244
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4689

RE: BOS File No. 170516 [Planning Code - Medical Cannabis Dispensaries in Supervisorial District 11]

Small Business Commission Recommendation to the Board of Supervisors: **Do not approve**

Dear Ms. Calvillo,

On July 10, 2017, the Small Business Commission voted unanimously (6-0, 1 absent) to recommend that the Board of Supervisors not approve BOS File No. 170516.

The proposed legislation would limit the number of medical cannabis dispensaries (MCDs) in District 11 to three at any given time. Three MCDs are currently in operation in District 11; therefore, this legislation would prevent any new MCDs from opening unless one of the three businesses closes.

The Small Business Commission expressed concern in the following areas:

1. The commercial sale of medicinal and adult use cannabis will be regulated in the State of California beginning on January 1, 2018. State rules and regulations are to be released soon. The City & County of San Francisco is presently working to draft local laws. Pursuant to Executive Directive 16-05, City departments shall provide draft ordinances to the Mayor and Board of Supervisors by September 1, 2017. The Commission noted that it would be prudent to first review the forthcoming ordinances.
2. The sponsor's office and speakers articulated a number of grievances and noted that they are not against the cannabis industry itself; their grievances pertain to the irresponsible operators. They discussed one MCD operator in the district who makes positive contributions to the community and whose practices are considered exemplary. The Commission noted that the legislation would unfairly single out the legal medical cannabis industry and impede other exemplary MCDs from opening in District 11.
3. By limiting the total number of MCDs to three, the proposed legislation would actually be counterproductive to its stated objectives. Rather than addressing grievances with the two offending operators in District 11 or seeking punitive measures, the proposed limit would instead protect and promote them by creating an oligopoly: three businesses would dominate the cannabis market in the district.
4. The proposed legislation would further skew the distribution of MCDs in the City. District 11 presently has a relatively small number of MCDs. Other districts, such as Districts 3 and 6 have at least 10 MCDs in operation and additional applications under review (see table on next page). A cap of three in District 11 would push new businesses to other districts; patients whose needs are not served by the three existing businesses would need to travel to other districts, potentially creating other issues (such as increased congestion).

Commissioners reviewed election data while preparing to consider the proposed legislation. Past election data demonstrates that the majority of voters support cannabis in District 11. Proposition 215, which opened the door for MCDs, passed in 1996 with the support of 68% of voters in Excelsior and Ingleside. In 2016, 59% of voters in District 11 supported the passage of Proposition 64 to legalize the commercial sale of adult use (non-medical) cannabis. One would expect equal or stronger support for medical cannabis than for adult use cannabis.

The Commission encourages Supervisor Safai to explore solutions that would more appropriately address the concerns raised by constituents without restricting economic activity or consumers' ability to access a dispensary. One solution might be to urge the Department of Public Health to require the problematic operators to rectify the situation as a condition of maintaining the permit. The Entertainment Commission had issues with problematic businesses in the past and utilized enforcement tools to improve behavior. Another possible solution would be to heighten engagement with law enforcement and parking control officers.

As the City & County of San Francisco prepares for the legal commercial sale of cannabis in 2018, it can leverage its experience with MCDs to craft a stronger regulatory system. The Commission supports the City in taking action against businesses that are disruptive to neighbors and that negatively impact the economic vitality of the neighborhood commercial corridors. There are currently 28 applications under consideration (see table below). San Francisco may wish to consider immediate development and application of good neighbor standards as a condition for operating. Having a more robust good neighbor policy in place would be helpful in the transition to a new regulatory system in 2018.

Number of MCDs in San Francisco by District

District	MCDs in Operation	MCD Applications in Review	Total
1	1	0	1
2	0	1	1
3	10	1	11
4	0	5	5
5	2	0	2
6	13	13	26
7	1	1	2
8	2	0	2
9	5	3	8
10	1	3	4
11	3	1	4
TOTAL	38	28	66

The Small Business Commission respectfully requests that you do not approve this legislation.

Thank you for considering the Small Business Commission's comments. Please feel free to contact me should you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Regina Dick-Endrizzi". The signature is fluid and cursive, with the first name "Regina" being the most prominent.

Regina Dick-Endrizzi
Director, Office of Small Business

cc: Ahsha Safai, Board of Supervisors
Nicole Elliott, City Administrator's Office
Mawuli Tugbenyoh, Mayor's Office
John Rahaim, Planning Department
Lisa Pagan, Office of Economic and Workforce Development
Alisa Somera, Land Use & Transportation Committee