



Legislative Background (Updated – 10/21/2017)

BOS File Nos. 171041 and 171042

171041: Planning Code - Cannabis Regulation
 171042: Various Codes - Regulation of Cannabis Businesses

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Terminology:

- “Permit” refers to local level authorization in San Francisco.
- “License” refers to state level authorization.
- “Article 33” refers to the San Francisco Health Code Medical Cannabis Act (2005).
- “Article 16” refers to the proposed addition to the Police Code (pages 2-63 of BOS File No. 171042).

Background Information

1996: California became the first state to legalize medical cannabis with the passage of the Compassionate Use Act (Proposition 215). The law made it legal for patients and qualified caregivers to possess and cultivate cannabis for personal medical use, but did not outline a regulatory structure.

2003: The California State Legislature passed SB 420, which created a voluntary state ID card program, authorized the Attorney General to establish possession and cultivation limits, and allowed local jurisdictions to set higher limits.

2005: San Francisco developed guidelines for medical cannabis dispensaries with the passage of the Medical Cannabis Act (Article 33 of the Health Code). This created a dispensary permit (but no permit for any other stage in the supply chain) and mandated that businesses operate on a not-for-profit basis within closed-loop collectives or cooperatives. It also specified indoor cultivation limits and called for a part time senior inspector to conduct bi-annual inspections.

2015: The California State Legislature passed the Medical Cannabis Regulation and Safety Act (MCRSA), legalizing the for-profit sale of medical cannabis. Unlike the aforementioned laws, the MCRSA created a licensing scheme from cultivation through retail. It passed with over 70% support in the Assembly and 75% support in the Senate.

2016: California voters passed the Adult Use of Marijuana Act (AUMA / Proposition 64), legalizing the recreational use of cannabis by adults at least 21 years of age. Like the MCRSA, AUMA provided a licensing scheme from cultivation through retail and left certain decisions to local control.

2017: The Governor passed two trailer bills (SB 94 and AB 133) to reconcile differences between MCRSA and AUMA and to create a single regulatory structure for medicinal and adult use commercial cannabis activities. State law requires the issuance of state medicinal and adult use cannabis licenses beginning on January 1, 2018.

The state regulatory structure defers to local jurisdictions to make a range of decisions. This document offers a summary of the two proposed local ordinances, questions to be addressed, and policy recommendations arising from analysis of state and local law, priorities expressed by various stakeholders, and practical considerations.

Voter Support for Legalization of Cannabis

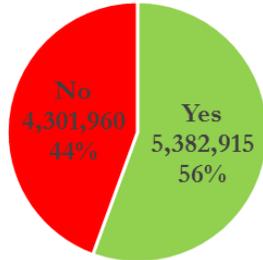
The graphs below reflect election results for:

- 1) Proposition 215 (1996): medical cannabis
- 2) Proposition 64 (2016): “adult use” (non-medical) cannabis

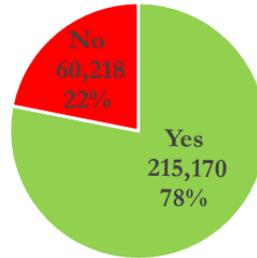
During two elections that occurred more than 20 years apart, the voters of San Francisco have shown overwhelming support for the legalization of medicinal and recreational cannabis. In both elections, voter support was approximately 20 percentage points greater in San Francisco than statewide. The election results provide a clear mandate to policymakers that constituents strongly favor the legalization of cannabis production, sale, and consumption in San Francisco.

Proposition 215: Comparison of California and San Francisco Election Results

State of California:
Proposition 215 Election Results

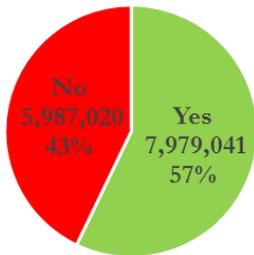


San Francisco:
Proposition 215 Election Results

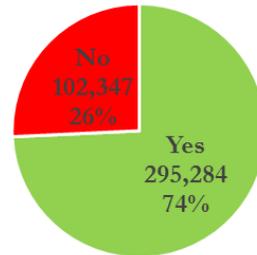


Proposition 64: Comparison of California and San Francisco Election Results

State of California:
Proposition 64 Election Results



San Francisco:
Proposition 64 Election Results



Timelines

1. Register with the Office of Cannabis (9/26/17 - 11/9/17)

(Police Code, Section 1605(a), pages 12-13)

- Purpose: gather information from potential Cannabis Business Permit applicants; begin the inspection process; project licensing interest and trends; and assess workforce trends.
- This is a required step for businesses to obtain a temporary medicinal cannabis business permit (see step 2 below).
- Potential applicants will provide information such as:
 - Location, with proof of legal right to occupy (copy of deed or statement from landowner).
 - Business Registration Certificate (BRC), dated before September 26, 2017.
 - Types of activity on premises and type(s) of license(s) the applicant plans to apply for.
 - Copies of licenses, permits, etc. issued by the City or State.
 - Date medical cannabis activity began at the location and proof (copies of articles of incorporation, invoices, rent, utility bills and other documents to confirm the date).
- Candidates who do not meet the requirements need a different pathway to register.

POLICY CHALLENGE

Many existing businesses (cultivators, manufacturers, cottage operators, delivery services) will be unable to provide all the necessary information to complete the registration process and therefore lack a pathway to be included in the temporary permit process. This challenge applies to:

- Businesses that are not properly zoned.
- Businesses whose landlords haven't approved and/or aren't aware of cannabis-related activities on the premises.
- Businesses that are non-compliant with Article 33 (ex: delivery services operating without a delivery-only MCD permit from DPH).
- Businesses that have begun activities (such as R&D), but may not have sold any product (waiting for regulations to be released).

POLICY RECOMMENDATIONS

1) Separate the registration process into 2 steps.

Step 1: ALL existing businesses register and show they were in operation. Reduce the amount of information required for registration to proof of existence by 9/26/17. This mirrors Oakland's process, which does not require a location (that requirement is considered a barrier to entry).

Step 2: Offer a provisional temporary permit to allow nonconforming businesses to move toward compliance, without having to wait until the general applications (step 5, after the equity program is established).

Without this adjustment, many cultivators, manufacturers, and delivery operators will be not be permitted to operate in 2018. Potential consequences include the exclusion of many founding members of the SF cannabis industry from the legal market and interruptions in the supply chain. MCDs in San Francisco, which do have a pathway to obtain temporary medicinal cannabis permits, presently obtain cannabis flower and products from a variety of non-conforming producers. Once MCDs transition from Article 33 to the Article 16 regulatory structure (see page 6 below for a description of the MCD conversion process), the legal link between producers and retailers will be broken. It is also possible that without a pathway under Article 16, small businesses that had complied with Proposition 215 and Article 33 would be diverted to the illegal market.

★ This issue has been raised by Small Business Commissioners, the cannabis business community, and the broader business community. Members of the cannabis community have approached staff to explain that cottage manufacturing, cultivation, and other activities in improperly zoned locations are essential to the supply chain for MCDs.

2) Extend the registration period.

The window for existing businesses to register is 9/26/17 to 11/9/17. Applicants aiming for licensure on January 1, 2018 will need time to complete public health and safety inspections (projected to conclude by 12/20/17). Certain applicants should be subject to the 11/9/17 deadline. However, it would be helpful to extend the registration period for those not seeking licensure on 1/1/18, to allow a greater number of existing businesses to connect with the Office of Cannabis. (In addition, the legislation will not have become law by the registration deadline.)

2. Apply for a SF Temporary Medicinal Cannabis Permit (timing: TBD)

(Police Code, Section 1605(d), pages 14-15)

Definition: Temporary Medicinal Cannabis Business Permit

(Police Code, Section 1602)

“Temporary Medicinal Cannabis Business Permit” means a Permit issued by the Director under Section 1605 of this Article 16 authorizing the Temporary Permit holder to engage in time-limited Commercial Activities relating to medicinal cannabis and medicinal cannabis products. Permits allowing for adult use commercial cannabis activity will not be issued until after the Equity Program is established (see steps 4 and 5, pages 8-10 below).

Regulations:

- Allows for medicinal cannabis activity only (no adult use cannabis activity will be permitted initially).
- The initial duration of the permit is 120 days. 90-day extensions are possible at the discretion of the Director of the Office of Cannabis. Temporary permits may not be extended beyond 1/1/19. (Note: the City’s temporary permit duration and extensions mirror the temporary licensing provisions at the state level.)
- Authorization for a temporary permit is not a guarantee of a permanent permit.

To obtain a temporary permit, applicants must:

1. Submit an application.
2. Have registered with the Office of Cannabis during the Cannabis Business Registration Period (9/26-11/9/17).
3. Show that they are:
 - Already permitted under Article 33, or
 - Have applied for the MCD permit and received approval from the Planning Commission by 9/22/17, or
 - Have applied for the MCD permit and received Planning Commission approval following a hearing that that was scheduled as of 9/11/17, or
 - Engaging in commercial cannabis activities (medicinal) in San Francisco as of 9/26/17.
4. Demonstrate compliance with the Planning Code.
5. Authorize and submit to the inspection of the proposed premises.
6. Agree to pay non-refundable application and/or inspection fees.
7. Demonstrate compliance with applicable health and safety standards.
 - For storefront retailers, the Article 33 MCD standards apply.
 - Standards for the other permit types will be developed.

QUESTIONS

1605(d)(3)(D): Non-MCD applicants must demonstrate engagement in commercial cannabis activities as of 9/26/17 in order to be eligible for a temporary medicinal cannabis business permit. Would these businesses be considered eligible?

- The business was producing, but had not sent product to a retailer.
- The business was conducting research and development, but no sales.

POLICY RECOMMENDATION

3) Clarify the registration process for pipeline applicants.

It is unclear how applicants who have not yet obtained the MCD permit from the Department of Public Health will be able to obtain a temporary permit. Some applicants will not have received the MCD permit by the time temporary permit applications are due under the MCD conversion process (Section 1605(c), page 13-14; also summarized below). Others have paid the MCD permit fee (which includes the recovery cost of Planning Department/Commission approvals), but are not able to show the eligibility criteria under Section 1605(d)(3) for a temporary permit.

★ This issue has been raised by Small Business Commissioners and the cannabis business community.

Conversion of Existing MCDs

(Section 1605(c), pages 13-14)

- Permitted MCDs may continue to operate at the permitted location as of the effective date of Article 16, provided that the owner:
 - Tells the Office of Cannabis which permits and state licenses will be sought in 2018.
 - Applies for and obtains a temporary or permanent state license.
 - Applies for a temporary permit within 30 days of the application becoming available.
- Existing MCDs are not subject to the locational restrictions for new cannabis retail (see Cannabis Retail Land Use information under the “Licensing, Regulations, and Land Use by Business Type”).
- MCDs with ancillary distribution, cultivation, etc. need to register each activity separately with the office.
- MCD permit holders as of the ordinance’s effective date may convert to a Cannabis Retail Use without obtaining Conditional Use authorization or seeking Mandatory Discretionary Review, by obtaining a building permit authorizing the change of use (subject to neighborhood notification requirements).
- Once the MCD’s application for a temporary medicinal cannabis business permit is approved or denied, the Article 33 MCD permit is rendered invalid.
- Completed application for the change of use due to Department of Building Inspection by 6/30/18.
- First approval by Planning Department or Planning Commission required by 12/31/19.
- Conversion provisions in the Planning Code (Section 190) expire on 1/1/20.

QUESTIONS

- MCDs are required to apply for a temporary permit within 30 days of the application becoming available. What if the applicant has not yet cleared the provisional phase? Will the 30 days begin once the applicant becomes an MCD?
- Will pipeline applicants who paid the MCD application fee, but who did not complete the Planning Commission portion of the process (a requirement to proceed under the interim moratorium) and were not in operation as of 9/26/17, be eligible for a temporary permit? If they are not, will their permit application fees be refunded?
- If a current MCD is denied a local temporary permit, will the business be able to continue operating until the sunset date of Article 33 on 3/31/18? (Police Code, Section 1605(c)(2))
- Will existing MCDs which have received complaints from the community be allowed to convert?

POLICY RECOMMENDATIONS

4) Modify the appeals process.

MCDs that have been permitted following a period of public input should not be subjected to an additional appeals process. Any transition provisions impacting current permitted medical dispensaries should ensure that the issuance of temporary permits is a ministerial action by city government. The discretionary review option unnecessarily jeopardizes the continued operation of lawful businesses.

- ★ The cannabis business community and Task Force have raised this issue.

5) Clarify ownership structure requirements.

Allow an MCD that is currently permitted under Article 33 to still be considered compliant during the conversion process, when they may change the ownership structure to a for-profit model. Article 33 may need to be amended to allow this.

- ★ The business community has raised this issue.

3a. Apply for a State Temporary License (estimated: December 2017)

(CA Business & Professions Code, Section 26050, pages 30-31 of SB 94)

- Initial duration of the permit is 120 days. 90-day extensions are possible at the discretion of the licensing authority. Temporary permits may not be extended beyond 1/1/19.
- No guarantee of a non-temporary license.
- Bureau of Cannabis Control¹
 - Distribution, Testing, Retail, Microbusiness
 - Announced that it will start issuing temporary licenses 1/1/18 and expects to begin accepting applications prior to 1/1/18.
 - Temporary licenses only issued if the applicant has a valid license, permit, or other authorization issued by the local jurisdiction.
 - Currently developing emergency regulations; expected release in November 2017.
- CA DFA CalCannabis Cultivation Licensing²
 - Cultivation
 - As of 10/12/17, has not announced details of a temporary licensing program, but staff confirmed that the agency intends to issue temporary licenses.
 - Currently developing emergency regulations; expected release in Fall 2017.

¹ <http://www.bcc.ca.gov/licensees/index.html>

² <http://cannabis.cdfa.ca.gov/>

³ <https://www.cdph.ca.gov/Programs/CEH/DFDCS/Pages/MCSB.aspx>

3b. Apply for a State License (timing: TBD)

- CA DPH Manufactured Cannabis Safety Branch (MCSB)³
 - Manufacturing Level 1 (light, non-volatile), Manufacturing Level 2 (involves volatile solvents)
 - Currently developing emergency regulations; expected release in late November.
 - Has not announced a temporary licensing program (as of 10/12/17), but it is possible that, like BCC and CDFA, they will offer temporary licenses. This will likely be clarified in the regulations.
 - Website currently states that MCSB anticipates receiving license applications beginning on 1/1/18.

4. Office of Cannabis et al, with public input: Develop equity criteria

(Police Code, Section 1604, page 12)

- Equity Program to be established by Director of Office of Cannabis, in consultation with the Human Rights Commission.
- Purpose/Intent: “foster equitable access to participation in the cannabis industry, including equitable access to promotional and ownership opportunities in the industry.”
- Informed by Equity Report findings
 - Equity Report due to BOS and MYR by 11/1/17.
 - Prepared in consultation with HRC and Controller.
 - Report analyzing disparities in the cannabis industry.
 - Will include policy recommendations regarding equitable access, investment of City tax revenues, mitigation of adverse effects of drug enforcement, and prioritize certain individuals with past marijuana-related offenses.
- No applications for cannabis business permits may be accepted until Equity Criteria are adopted.
 - In the meantime, only temporary permits will be issued (which are for medicinal commercial activity only) and businesses must meet certain conditions (see Temporary Medicinal Cannabis Permits section above).
 - No one else will be able to get a City permit (or a state license) until the equity criteria are adopted.

QUESTIONS

- What potential criteria are currently under consideration?
- What is the deadline for equity criteria to be adopted? Is it possible for the process to extend into 2019, thereby preventing adult use commercial cannabis activity and preventing any new businesses from starting in this industry for more than a year after it becomes legal in the State of California?

³ <https://www.cdph.ca.gov/Programs/CEH/DFDCS/Pages/MCSB.aspx>

POLICY RECOMMENDATIONS

6) Consider differences in Conditional Use (CU) requirements and rent affordability when developing the Equity Program.

Consideration should be given to the possibility that an equity applicant seeking a retail license could be denied CU authorization and that rent may be unaffordable in areas that do not require CU authorization.

7) Existing small businesses should be allowed to apply for new permits drafted under the Equity Program.

MCDs that have been permitted following a period of public input should not be subjected to an additional appeals process. Any transition provisions impacting current permitted medical dispensaries should ensure that the issuance of temporary permits is a ministerial action by city government. The discretionary review option unnecessarily jeopardizes the continued operation of lawful businesses.

8) Consider expanding the scope of felonies beyond marijuana-related felonies.

★ Small Business Commissioners and the small business community have raised these points.

5. Apply for a Local Permit (timing: TBD; after Equity Criteria adopted)

(Police Code, Section 1606, pages 17-18)

- “Cannabis Business Permit” (Medicinal or AU+Medicinal)
- 1 year permit
- Applications not accepted until Equity Criteria adopted.
- Before 1/1/19, the Office of Cannabis may only issue a permit to an applicant that:
 - Qualifies as an equity applicant (after such criteria are adopted).
 - Was issued a local Temporary Medicinal Cannabis Permit.
 - Has demonstrated compliance with the Compassionate Use Act of 1996, and was forced to discontinue operations as a result of federal prosecution or threat of federal prosecution.
- Prioritization for Cannabis Business Permits:
 1. Equity Applicants.
 2. Applicants that were operating in compliance with the Compassionate Use Act of 1996 before September 1, 2016.
 3. Applications that demonstrate a commitment on the part of the Applicant to provide benefits to the community in which the Cannabis Business is located, including but not limited to workforce opportunities and community benefits contributions.
 4. All other Applicants.
- Applicants must:
 1. Submit an application.
 2. Provide information required of all applicants (see Police Code, Section 1609(b)) and information required based on the permit type (see Police Code, Section 1609(c-i)).
 3. Pay a non-refundable application fee. The Office of Cannabis, in consultation with the Controller, is required to submit to the Board of Supervisors a proposed ordinance that sets a schedule of permit application and annual license fees by 11/1/17. Fees are intended to recover

costs for application-related and licensing-related activities (see Administrative Code, Section 2A.421).

- Every Cannabis Business must:
 - Obtain a business license.
 - Obtain a business registration certificate.
 - Obtain a state cannabis license prior to engaging in any commercial cannabis activities.

General Licensing Information and Operating Standards

Multiple Permits

(Police Code, Section 1613, page 31)

- A permittee may hold multiple cannabis business permits, unless the permittee holds a Testing Facility Permit.

Mandatory grounds for denial

(Police Code, Section 1615(d), pages 32-33)

Article 16 contemplates that no cannabis business permit (any of the permits licensed under Article 16) may be issued if the Director of the Office of Cannabis finds any of the following:

- Falsification of information in the application or any other matter before the Director.
- Failure to provide all required information or to demonstrate eligibility.
- The applicant has not fully complied with Article 16 provisions.
- There are material differences between actual premises and submitted diagram of premises.
- Revocation of a permit within the past five years.
- Failure to comply with Article 33 (existing MCD Program) requirements.

QUESTION

Failure to comply with Article 33 (existing MCD Program) requirements leads to mandatory denial. Article 33 outlines guidelines for dispensaries, but says little about other parts of the supply chain.

- Under what circumstances (if any) would this provision lead to mandatory denial of an existing cottage manufacturer or cultivator? Would they become 4th priority applicants (Section 1606(c))?

Transfers, sales, and changes in ownership

(Police Code, Section 1608, pages 18-19)

- Permits are nontransferable.
- With the sale of a cannabis business, the permittee must promptly surrender the permit to the Office of Cannabis. Failure to do so may lead to revocation of permit.
- If ownership changes such that a new person owns more than 20% of the cannabis business, the permittee must obtain a permit amendment. Permit amendment filing fee may be required. Subject to approval by the Office of Cannabis director within 30 days of filing.
- If a Cannabis Business Permit is surrendered due to sale of the business, the new owner may apply for an interim cannabis business permit, subject to any required Planning Department approvals, valid for no more than 90 days from the surrender date and non-renewable.

Article 33 Sunset

(Health Code, Section 3322, page 67)

- Article 33 (current MCD system) expires on March 31, 2018, rendering permits invalid.
- Existing MCDs need to have temporary medicinal cannabis permits by that time.

Operating Standards

(Police Code, Section 1618, pages 36-40)

- Tobacco products may not be maintained on the premises.
- Controlled substances or paraphernalia used for the consumption of controlled substances (other than cannabis) and alcoholic beverages are not allowed on the premises or parking lot.
- A physician's recommendation may not be sought, issued, provided, or procured on the premises.
- Distribution at no cost or nominal cost is prohibited.
- Age of persons on the premises:
 - M-licensee (retail only): 18 years or older with a valid physician's recommendation.
 - A-licensee (non-retail): 21 years or older.
 - A- and M- licensee: 18 years or older with a valid physician's recommendation and 21 years or older without.
- Every business must:
 - Prominently display its cannabis business permit, state license, business registration, and seller's permit (if required).
 - Operate within fully enclosed and secure structures that are inaccessible to underage persons.
 - Enter into a First Source Hiring Agreement ([Administrative Code, Section 83.4](#))
 - Submit a modification request and obtain approval prior to materially or substantially altering the permitted premises.
 - Use the business name listed on its permit on all other permit/license applications, including the state cannabis license.
 - Provide ID badges to all employees that display certain required information.
 - Maintain a fire proof safe on the premises.
 - Obtain prior approval to sublease any part of the premises.
 - Maintain on the premises during business hours at least one person who is responsible for the operation of the business and who is readily available to regulatory authorities.
 - Comply with the state's track and trace program.
 - Maintain records demonstrating that all cannabis and cannabis products have been obtained from valid sources (other state licensees).
 - Employ individuals that are at least 21 years of age.
 - Comply with the terms of its Good Neighbor Policy and Security Plan.
 - Follow waste management requirements.
 - Follow noise requirements.
 - Implement appropriate odor control measures.
 - Maintain main entrance and sidewalks.
 - Comply with signage controls and requirements.
 - Register with the Office of Cannabis every location within the City where product will be stored.
 - Protect patient information as required by law.
 - Conduct an Energy Efficiency Audit Reporting ([Environment Code, Chapter 20](#)).
 - Advise local and state licensing authorities of criminal penalty or civil judgment against the permittee, revocation of a local license or other authorization, inventory discrepancies, loss or alteration of records, or any other breach of security.

POLICY RECOMMENDATION

9) Allow persons 18 and over (with a valid physician’s recommendation) to work for medicinal cannabis businesses.

The proposed ordinance states that no cannabis business shall employ an individual who is not at least 21 years of age (BOS File No. 171042, p. 37). State law (BPC Section 26140) does not require M-licenses to employ persons 21 and over.

★The Small Business Commission raised this point.

Tours

(Police Code, Section 1621, pages 42-43)

No tours allowed on the premises:

- Testing facilities
- Distributors
- Delivery-only retailers

No tours allowed before January 1, 2019:

- Manufacturing facilities
- Cultivation facilities
- Microbusiness

The Office of Cannabis shall adopt rules and regulations governing tours of cannabis businesses by January 1, 2019. The Director may extend the prohibition or authorize tours with conditions attached.

Licensing, Regulations, and Land Use by Business Type

Cultivation

Definition: Cannabis Cultivation Facility

(Police Code, Section 1602)

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

State License Types	City Permit Type
<ul style="list-style-type: none">• Specialty and Specialty Cottage Cultivation• Small Cultivation• Medium Cultivation• Nursery Cultivation• Proposed state license type: Processor• Not permitted in San Francisco: Large Cultivation (>22,000 sq. ft. canopy)	<ul style="list-style-type: none">• Cannabis Cultivation Facility

Regulations

- Indoor cultivation permitted; outdoor cultivation prohibited.
- Activities must not be visible from the public right-of-way.
- Must have weighing and measuring devices that meet state standards.
- On-site consumption and smoking prohibited on the premises.
- May engage in cultivation for Adult Use, Medicinal, or both with the appropriate state license(s).

Land Use

Definition: Industrial Agriculture⁴

(Planning Code, Section 102)

Agriculture, Industrial Greenhouse. An Agricultural use that involves the cultivation of plants for wholesale sales or industrial uses ~~inside a glass building~~. This use includes, but is not limited to, plant nurseries and cannabis cultivation operations, and is subject to the location and operating conditions listed in Section 202.2(c). For the cultivation of cannabis, this definition includes all cultivation pursuant to state license types that allow for indoor and/or mixed-light cultivation with up to 22,000 sq. ft. of canopy. ~~This definition does not include accessory structures located in a required rear yard that comply with Section 136(e)(22) of this Code.~~

Radius requirements / Buffer zones:

- No minimum radius from a cannabis-related use to an existing school, day care center, or youth center, unless specified by a state licensing authority.

⁴ “Large-Scale Urban Agriculture” and “Neighborhood Agriculture” do not include cannabis-related activities.

Manufacturing

Definition: Cannabis Manufacturing Facility

(Police Code, Section 1602)

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

State License Types	City Permit Type
<ul style="list-style-type: none">• Manufacturer 1 (non-volatile)• Manufacturer 2 (volatile)	<ul style="list-style-type: none">• Cannabis Manufacturing Facility

Regulations

- May not manufacture products that do not contain cannabis.
- Edible cannabis products must comply with CA Health and Safety Code requirements.
- On-site consumption and smoking prohibited on the premises.
- May engage in manufacturing for Adult Use, Medicinal, or both with the appropriate state license(s).

Land Use

Manufacturer 1: Light Manufacturing

Manufacturer 2: Agricultural and Beverage Processing 2

Definition: Light Manufacturing

(Planning Code, Section 102)

Manufacturing, Light. An Industrial Use that provides for the fabrication or production of goods, by hand or machinery, for distribution to retailers or wholesalers for resale off the premises, primarily involving the assembly, packaging, repairing, or processing of previously prepared materials. Light manufacturing uses include production and custom activities usually involving individual or special design, or handiwork, such as the following fabrication or production activities, *as may be* defined by the Standard Industrial Classification Code Manual as light manufacturing uses:

- (a) Food processing;
- (b) Apparel and other garment products;
- (c) Furniture and fixtures;
- (d) Printing and publishing of books or newspapers;
- (e) Leather products;
- (f) Pottery;
- (g) Glass-blowing;
- (h) Commercial laundry, rug cleaning, and dry cleaning facility; ~~or~~
- (i) Measuring, analyzing, and controlling instruments; photographic, medical, and optical goods; watches and clocks; *or*
- (j) Manufacture of cannabis products or cannabis extracts that are derived without the use of volatile organic compounds (any use requiring License Type 6—Manufacturer 1, as defined in California Business and Professions Code, Division 10).

It shall not include Trade Shop, *Agricultural and Beverage Processing 1 or 2*, or Heavy Manufacturing 1, 2, or 3. This use is subject to the location and operation controls in Section 202.2(d).

Definition: Agricultural and Beverage Processing 2

(Planning Code, Section 102)

Agricultural Food, Fiber and Beverage Processing 2. An Industrial Use that involves the processing of ~~food stuffs~~, agricultural products fibers, and beverages with a high potential for noxious fumes, noise and nuisance to the surrounding area, including but not limited to a flour mill; sugar refinery; manufacturer of cannabis products or extracts that are derived by using volatile organic compounds (any use requiring License Type 7—Manufacturer 2, as defined in California Business and Professions Code, Division 10); and facility for wool pulling or scouring. This use does not include the processing of wood pulp, and is subject to the operating conditions outlined in Section 202.2(d).

Radius requirements / Buffer zones:

- No minimum radius from a cannabis-related use to an existing school, day care center, or youth center, unless specified by a state licensing authority.

POLICY RECOMMENDATIONS

10) Allow small /cottage businesses to register and be considered in a non-conforming use process.

Much of the cannabis industry is comprised of small businesses (small growers, edibles/topicals/light manufacturers, and delivery operators) that operate “below the radar” in locations that the draft legislation does not authorize for such uses. These “cottage businesses” may actually co-exist in some, if not all, neighborhoods. They are part of MCD collectives and supply chains. If the City decides not to provide a 2-step registration process for a temporary permit and/or not to allow continued operation as a “non-conforming use,” two results are likely: 1) The businesses will continue to operate unlicensed and unpermitted, and 2) To maintain licensure, MCDs may have to discontinue business with them (potentially in favor of businesses outside of San Francisco).

Allow a “non-conforming use” for light manufacturing and delivery in RC, NC, C2, and PDR-1 districts and allow these businesses to register with the Office of Cannabis and obtain a temporary medicinal cannabis business permit, under the condition that they relocate to an appropriately zoned location within 18 months.

For light manufacturing, agriculture, and delivery in R districts, allow businesses to register with the Office of Cannabis and obtain a temporary medicinal permit to operate once the business has relocated to an appropriately zoned location. (This may be conditioned upon the business ceasing operations until they relocate, but they would be in the queue for temporary permits.)

★ The Chamber of Commerce and cannabis business community have flagged this as a significant limitation of the proposed ordinance.

11) Immediately develop guidelines for commercial kitchens to allow both cannabis and non-cannabis food manufacturing in the same facility.

This will be necessary to allow current food manufacturers to move into commercial kitchen spaces without displacing non-cannabis food manufacturing. This is a particularly urgent concern, as a good number of edible products are made in cottage food locations and they will need to relocate to commercial facilities.

★ The Small Business Commission and cannabis business community have raised these points.

POLICY RECOMMENDATIONS

12) Provide regular reporting on real estate and manufacturing trends.

For the first 3 years starting January 1, 2018, the Office of Economic and Workforce Development should report to the Board of Supervisors on the cost of rents and the utilization of space by cannabis and non-cannabis manufacturers in PDR districts and San Francisco commercial kitchens, to understand how cannabis manufacturers are impacting commercial kitchen and PDR spaces.

13) Allow cottage manufacturing for topical cannabis products.

This will ease some pressures on increasing demand for manufacturing space. If prohibited by the state, advocate for an amendment.

★The Small Business Commission and cannabis business community have raised these points.

Testing

Definition: Cannabis Testing Facility

(Police Code, Section 1602)

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

State License Type	City Permit Type
• Testing Laboratory	• Cannabis Testing Facility

Regulations

- Testing permittees may not hold any other cannabis business permits.
- Testing requirements established through state regulation (anticipated release by the Bureau of Cannabis Control in November 2017).
- Employ at least one full-time employee responsible for quality control.
- Notify SFDPH and the Office of Cannabis within 5 business days when a batch fails testing requirements.
- Notify the Office of Cannabis within 24 hours when a sample is found to contain high levels of a contaminant not allowed by the state.
- Notify the Office of Cannabis within 24 hours if accreditation as a cannabis laboratory is denied, suspended, or revoked.
- On-site consumption and smoking prohibited on the premises.
- May engage in testing for both Adult Use and Medicinal under a single state license.

CLARIFYING AMENDMENT

14) Clarify Section 1625(a) to reflect that the state will issue a single license for testing facilities.

CA Business and Professions Code Section 26050(b):

With the exception of testing laboratory licenses, which may be used to test cannabis and cannabis products regardless of whether they are intended for use by individuals who possesses a physician’s recommendation, all licenses issued under this division shall bear a clear designation indicating whether the license is for commercial adult-use cannabis activity as distinct from commercial medicinal cannabis activity by prominently affixing an “A” or “M,” respectively. Examples of such a designation include, but are not limited to, “A-Type 1” or “M-Type 1.” Except as specifically specified in this division, the requirements for A-licenses and M-licenses shall be the same. For testing laboratories, the bureau shall create a license that indicates a testing laboratory may test both adult-use and medicinal cannabis.

Land Use

Definition: Laboratory

(Planning Code, Section 102)

Laboratory. A Non-Retail Sales and Services Use intended or primarily suitable for scientific research. The space requirements of uses within this category include specialized facilities and/or built accommodations that distinguish the space from Office uses, Light Manufacturing, or Heavy Manufacturing. Examples of laboratories include the following:

- (a) Chemistry, biochemistry, or analytical laboratory;
- (b) Engineering laboratory;
- (c) Development laboratory;
- (d) Biological laboratories including those classified by the Centers for Disease Control (CDC) and National Institutes of Health (NIH) as Biosafety level 1, Biosafety level 2, or Biosafety level 3;
- (e) Animal facility or vivarium, including laboratories classified by the CDC/NIH as Animal Biosafety level 1, Animal Biosafety level 2, or Animal Biosafety level 3;
- (f) Support laboratory;
- (g) Quality assurance/Quality control laboratory; ~~and~~
- (h) Core laboratory; and
- (i) Cannabis testing facility (any use requiring License Type 8—Testing Laboratory, as defined in California Business and Professions Code, Division 10).

Radius requirements / Buffer zones:

- No minimum radius from a cannabis-related use to an existing school, day care center, or youth center, unless specified by a state licensing authority.

Distribution

Definition: Cannabis Distributor

(Police Code, Section 1602)

“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.

State License Type	City Permit Type
• Distributor	• Cannabis Distributor

Regulations

- Responsible for quality assurance inspections for all received cannabis and cannabis products prior to distribution.
- May only use a commercial vehicle for distribution.
- On-site consumption and smoking prohibited on the premises.
- May engage in distribution for Adult Use, Medicinal, or both with the appropriate state license(s).

Land Use

Definition: Wholesale Sales

(Planning Code, Section 102)

Wholesale Sales. A Non-Retail Sales and Service Use that exclusively provides goods or commodities for resale or business use, including accessory storage. *This use includes cannabis distribution (any use requiring License Type 11—Distributor, as defined in California Business and Professions Code, Division 10).* It shall not include a nonaccessory storage warehouse.

Radius requirements / Buffer zones:

- No minimum radius from a cannabis-related use to an existing school, day care center, or youth center, unless specified by a state licensing authority.

POLICY RECOMMENDATION

15) Ensure that distributors licensed in other cities will be able to operate in San Francisco.

They would need to register their business in San Francisco but could have premises elsewhere. This is a critical part of the supply chain (taxes are collected; batches are tested; distributors are the link to move product between licensees), but this may not be a popular license type in San Francisco for practical reasons. Distributors need space to store product, potentially for months at a time while a batch is undergoing testing at a lab.

- ★ The Chamber of Commerce and cannabis business community raised this point.

Storefront Retail

Definition: Storefront Cannabis Retailer

(Police Code, Section 1602)

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

Definition: Medicinal Cannabis Retailer

(Police Code, Section 1602)

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

Definition: Cannabis Retailer

(Police Code, Section 1602)

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

State License Type	City Permit Types
<ul style="list-style-type: none">• Retailer	<ul style="list-style-type: none">• Medicinal Cannabis Retailer• Cannabis Retailer

Regulations

- May deliver with authorization from the Office of Cannabis.
- Sale or consumption of alcohol or tobacco products is not allowed on premises.
- Drive-up window sales prohibited.
- Sale to a visibly intoxicated person is prohibited.
- May not provide cannabis or cannabis products at no cost or nominal cost as a prize, premium, or part of a competition.
 - On-site consumption (includes eating, drinking, chewing, applying topically, or otherwise ingesting; excludes smoking) is allowed with a Cannabis Consumption Permit from SFDPH. There could be approximately 40 cannabis retailers allowing for on-site consumption in 2018 (assuming all existing MCDs obtain the temporary medicinal cannabis permit). Consumption must not be visible from any public place or nonage-restricted area.
- On-site smoking would only be allowed at MCDs that were previously authorized by the Planning Department and that convert to Medicinal Cannabis Retailers (medicinal only; no adult use cannabis sales or smoking). There were 8 such establishments as of mid-September.
 - Permitted Medicinal Cannabis Retailers may be exempted from Health Code Article 19F (which prohibits smoking in certain places).
 - Conditions for on-site smoking:
 - Permitted by the Office of Cannabis as a Medicinal Cannabis Retailer.
 - Previously permitted to operate a Medical Cannabis Dispensary (MCD) under Article 33.
 - Received authorization from the Planning Department to allow smoking on the premises of the MCD.
 - Demonstrates compliance (within 3 months of the permit date) with ventilation standards established by Director of Office of Cannabis.

- Indoor smoking may only occur in an area approved by the Office of Cannabis.
- No smoking of tobacco products or adult use cannabis allowed.
- Immediately expires if any of the following occurs:
 - Change in ownership interest (50% or more within a 12-month period).
 - Unapproved structural alterations in approved smoking area.
 - Moves from the original permitted commercial building.
 - Found to have permitted smoking of tobacco products or adult use cannabis.
 - Found to have permitted smoking of medicinal cannabis in unapproved areas or by unauthorized persons.
- Must distribute DPH fact sheet regarding safe consumption at the time of sale.
- May not enter into agreements with physicians or third parties related to the recommendation of medicinal cannabis.
- Limits on adult use sale per customer per day: 28.5 grams (non-concentrated) or 8 grams (concentrated).
- Limits on medicinal sale per customer per day: 28.5 grams (non-concentrated) or 8 grams (concentrated), unless the customer provides a physician’s recommendation requiring a greater amount.
- Customers not allowed on premises outside of business hours.
- Cannabis and cannabis products may not be stored in any location other than the permitted premises.
- A Medicinal Cannabis Retailer may sell medicinal cannabis and cannabis products (with a state M-license).
- A Cannabis Retailer may sell medicinal and adult use cannabis and cannabis products (with state M- and A- licenses).

RETAIL POLICY RECOMMENDATIONS

16) Expand on-site consumption options.

Current legislation only allows for consumption (“consumption” means eating, drinking, chewing, applying topically, or otherwise ingesting; does not include smoking) at retail locations and microbusinesses.

Proposed buffer zones and other land use restrictions limit the number of possible retail locations. Considering the volume of tourists that visit the City each year and the likely perception of San Francisco as a cannabis tourism destination, the shortage of legal places to consume can be expected to create undesirable effects in the community. Expansion of on-site consumption options beyond cannabis retailers would help to reduce the occurrence of unlawful cannabis consumption in public spaces. In addition, there is significant interest in allowing for consumption at events and as part of entertainment and culinary experiences. Addressing that interest in the current regulations allows for orderly consumption while providing opportunities for other San Francisco businesses to participate in the industry.

★The Small Business Commission, Task Force, Chamber of Commerce, and cannabis business community have flagged this as one of the most significant limitations of the proposed ordinance.

RETAIL POLICY RECOMMENDATIONS

17) Create opportunities for on-site smoking and/or vaping of adult use cannabis; expand opportunities for on-site smoking and/or vaping of medicinal cannabis.

In the proposed legislation, on-site smoking would only be allowed at MCDs that were previously authorized by the Department of Public Health and Planning Department and that convert to Medicinal Cannabis Retailers (medicinal only; no adult use cannabis sales or smoking). If the former MCD obtains a Cannabis Retailer permit instead, it will no longer be allowed to have on-site smoking. This means that if the former MCDs seek the Cannabis Retailer permit (allows for both medicinal and adult use) once cannabis business permits are available, there will be NO locations that allow on-site smoking.

The lack of options for on-site smoking creates undesirable consequences, including:

- Smoking in public places such as on sidewalks and in parks. This would be counterproductive in preventing youth access and exposure.
- Incentives to create an edibles-based cannabis industry. The experience of Colorado in this area is cautionary. Unfamiliarity with the effects of edibles and the delay between consumption and the onset of effects has led to issues with overconsumption. Smoking/vaping allows for more controlled dosing than edibles and the way the body reacts to each form of use is different.

★The Small Business Commission, Task Force, Chamber of Commerce, and cannabis business community have all flagged this as one of the most significant limitations of the proposed ordinance.

17) Separate smoking and vaping to allow for on-site vaping where on-site consumption is allowed.

There are currently 8 MCDs permitted to have on-site smoking. There is a strong argument for providing a separate classification for each. Vaping may be easier to contain indoors (compared to smoking, which involves combustion) with the proper ventilation. If these are separated, the City could offer more on-site vaping options for patients and consumers.

18) Develop accessory use permits for sale of cannabis in 2019.

Establishing an accessory use permit will allow current small businesses to participate in the sale of products, expand the culinary opportunities for food based businesses that do not want to convert to cannabis-only, and expand on-site consumption spaces.

State law will need to be amended to remove the requirement that only individuals at least 21 years of age can enter a business that sells cannabis (exception: retain the age requirement for on-site consumption spaces). California easily handles this with alcohol by requiring age verification (with ID) at the point-of-sale.

The Planning Code legislation will allow for accessory use when permits are established. It may be too early to establish a permitting structure for accessory use. The Commission may provide direction regarding when the City should begin that process. Staff proposes that the process begin in 2019.

★The Small Business Commission, small business community, Task Force, and cannabis business community have identified this as one of the most important issues for the City to address.

RETAIL POLICY RECOMMENDATIONS

20) Ensure that the regulations allow the City to adequately prepare for cannabis tourism.

The draft legislation makes consumption, especially by visitors, almost impossible. Loosen restrictions on consumption at licensed premises and create consumption-only permits for establishments that are not cannabis retailers (such as a 21 and over limited restaurant), special event permits, and special use permits for indoor and outdoor events.

Policy Discussion: Does the Commission want to recommend that permits for consumption-only spaces or special use permits be included in this round of legislation or that they are established later, perhaps by April 2018 before the peak tourist season?

★The Small Business Commission, Task Force, Chamber of Commerce, hospitality industry and cannabis business community have all flagged this as one of the most significant limitations of the proposed ordinance.

CLARIFYING AMENDMENT

21) Clarify that retailers have only the following two options: 1) medicinal sales, 2) medicinal and adult use sales.

Police Code Section 1628(a)(2) allows an option for a retailer to sell adult use cannabis only:

“A Cannabis Retailer Permittee that holds only an A-license may engage in the retail Sale of Adult Use Cannabis and Cannabis Products only.”

However, storefront retailers must include the following information in their application for a permit (Section 1609(h)), which suggests that no retailer may sell adult use cannabis without also selling medicinal cannabis:

- (4) A description of how the Applicant will support the needs of Customers who qualify under California Health and Safety Code Sections 11362.7 et seq. to use Medicinal Cannabis, including but not limited to providing private space where confidential communications may occur, and ensuring a sufficient supply of Medicinal Cannabis and Medicinal Cannabis Products.

The Office of Cannabis has advised that no standalone adult use cannabis retailer permits will be issued.

Land Use

Definition: Cannabis Retail

(Planning Code, Section 102)

Cannabis Retail. A Retail Sales and Service Use that sells or otherwise provides cannabis and cannabis-related products for adult use, and that may also include the sale or provision of cannabis for medicinal use. Cannabis may be consumed on site pursuant to authorization by the City’s Office of Cannabis and Department of Public Health, as applicable. A Cannabis Retail establishment may only be operated by the holder of (a) a valid license from the State of California (License Type 10—Retailer, as defined in California Business and Professions Code, Division 10) and (b) a valid permit from the City’s Office of Cannabis. This use is subject to operating and location restrictions set forth in Section 202.2(a).

Radius requirements / Buffer zones:

- Minimum distance from an existing school: 600 feet (equivalent to the state default radius; state law allows local jurisdictions to specify a different radius, lower or higher).
- Minimum distance from another cannabis retailer/medicinal cannabis retailer: 300 feet.
- No minimum distance to an existing day care center or youth center unless specified by a state licensing authority.

RETAIL LAND USE POLICY RECOMMENDATIONS

22) Consider the appropriateness of the chosen policy tools in addressing the specified concerns.

During its first informational hearing about the proposed cannabis ordinances, the Planning Commission raised thoughtful questions about whether the chosen policy tools would be appropriate for the problems they aim to prevent or solve. Radius, clustering, and density limits assume a causal connection between geographic proximity and undesirable effects (ex: increased youth access and inconveniences to nearby residents and businesses). Given the influence of land use decisions on the development of the cannabis industry, it would be helpful to know whether research confirms the assumed causal connection, or if other policy tools would be more effective.

★ The Planning Commission raised this point.

RETAIL LAND USE POLICY RECOMMENDATIONS

23) If a radius is the preferred policy tool, specify a radius of 600 feet or less.

State law specifies a default radius of 600 feet from schools, but a local jurisdiction is free to specify a different radius. A radius above 600 feet would be more restrictive, relegating cannabis retail (and therefore, consumption spaces) to a few parts of the City. Conversely, a lesser radius opens up additional options throughout the City and allows for more dispersion across districts and neighborhoods.

The Planning Commission voted on 10/19/17 to recommend an *increase* of the buffer zone from 600 to 1,000 ft. (well over the 600 ft. state default) and to recommend an “orbit” model in which no more than 3 dispensaries would be allowed per 1,000 ft. radius (2,000 ft. diameter). This is a restrictive recommendation, considering the size and density of San Francisco. The radius is 600 feet in Oakland, Santa Rosa, and Berkeley.

Note that 1,000 ft. is the current buffer zone for MCDs (established in 2005). To compare the green zones under a 600 ft. versus 1,000 ft. radius, please see the map on the last page of this document. The purple areas represent the current green zone (1,000 ft. radius) and the green areas represent the expanded green zone under a 600 ft. radius. The map illustrates that the Castro district, for example, would not be able to have a single retailer under a 1,000 ft. radius requirement, but a retailer could open in the Castro with a 600 ft. radius requirement.

A 1,000-ft. radius requirement combined with the ‘orbit’ option could have several negative consequences:

- Would inhibit rather than facilitate the dispersion of businesses throughout the City. Policymakers and community members have consistently identified proper dispersion of retailers as a priority.
- Would create de facto “caps” in certain districts that have very few green zones under a 1,000-ft. radius requirement.
- Concentration of retail in certain parts of the City may also prompt debates about how to divide up tax revenue fairly.
- Equity applicants may face increased difficulty in opening retail establishments.
- Promotes oligopoly.
- An increase in non-retail businesses (which are subject to less restrictive land use requirements) without a proportional increase in retailers would create imbalances in the San Francisco supply chain.
- The relatively small number of retailers could be a bottleneck in serving an increasing number of consumers (this will be more pronounced once adult use cannabis retail is permitted in San Francisco).

Furthermore, 74% of San Francisco voters favored the legalization of adult use cannabis (and 20+ years ago, 78% were in favor of medical cannabis legalization). Highly restrictive policies do not align with the strong support San Francisco voters have shown for cannabis.

★The Small Business Commission, Task Force, Chamber of Commerce, and cannabis business community support dispersion throughout the City and oppose “caps.”

RETAIL LAND USE POLICY CONSIDERATIONS

24) Tobacco Paraphernalia Establishments

The proposed zoning controls changes do not account for cannabis sales by Tobacco Paraphernalia Establishments. The continuing need for this land use designation is questionable. The Commission could recommend reevaluating this land use designation in 2019, along with accessory use. Currently under Section 1618(r)(2) on page 39 (Eligibility and Operating Standards Applicable to all Cannabis Businesses), *Paraphernalia used for consumption is not allowed on the premises of a cannabis business or parking lot.* This protects the tobacco paraphernalia retailers but simultaneously prohibits on-site consumption.

To protect current tobacco paraphernalia retailers, and if the Commission recommends on-site consumption, it may want to consider amending the above regulation to *Paraphernalia used for consumption is not allowed for sale on the premises of a cannabis business or parking lot.*

25) PDR / Eastern Neighborhoods

- PDR/Eastern Neighborhoods: Cannabis Agriculture is permitted without CU authorization in most of these zoning designations. Policy consideration: Does the Commission want to recommend permit limits on the number of properties that may become cultivation facilities?

QUESTION

- Yerba Buena and Treasure Island: What are the cannabis zoning designations?

Delivery

Definition: Delivery-only Retailer (Brick & Mortar without storefront)

(Police Code, Section 1602)

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

Definition: Delivery

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

(CA Business and Professions Code, Section 26001(p))

“Delivery” means the commercial transfer of cannabis or cannabis products to a customer. “Delivery” also includes the use by a retailer of any technology platform.

State License Type	City Permit Type
<ul style="list-style-type: none">Retailer	<ul style="list-style-type: none">Delivery-Only Cannabis Retailer

Regulations

(Police Code, Section 1609, pages 28-30; Section 1622, pages 44-46)

- Premises must be closed to the public and all sales must be conducted exclusively by delivery.
- On-site consumption and smoking prohibited on the premises.
- Delivery from businesses located outside of San Francisco is prohibited.
- Must receive authorization from the Office of Cannabis.
- Can deliver both Medicinal and Adult Use cannabis and cannabis products as long as the business has the corresponding state licenses from Bureau of Cannabis Control.
- Businesses must comply with delivery standards detailed in Police Code Section 1622(b).
- Deliveries may only be conducted by an employee of the cannabis business, but need not be a qualified patient or primary caregiver for medicinal cannabis deliveries.
- Vehicle must be registered as a commercial vehicle under Section 260 of the CA Vehicle Code.

QUESTION

- ❑ Does the proposed ordinance restrict San Francisco-based businesses from delivering into adjacent cities and counties?

POLICY DISCUSSION

While some MCDs own their delivery vehicles, many do not and their employees use personal vehicles. A majority of MCDs are located in areas with limited parking. If the MCD has to own its delivery vehicles, it may cause further parking challenges in the area when the vehicles are not in use.

Delivery-only cannabis retailer has been an area of business that offers individuals, some of whom may be candidates equity permitting, an opportunity to enter the industry. Requiring these businesses to purchase a fleet of vehicles significantly increases operating costs and would therefore be a barrier for an equity applicant.

The Director of the Office of Cannabis has stated that only delivery businesses based in San Francisco can register to be eligible for the temporary medicinal cannabis permit. A number of these businesses are not zoned properly and therefore cannot currently complete the registration. An unintended consequence is that unregistered businesses from other cities that are not licensed to deliver in SF (such as web-based platforms that deliver throughout the Bay Area) may continue to operate in order to satisfy consumer demand, resulting in lost revenue for SF. One solution is to separate registration into a 2-step process (as detailed on page 4 above).

If the legislation is not amended to allow for a 2-step cannabis business registration process, some San Francisco delivery businesses may choose to relocate outside the City.

Land Use

Definition: Service, Parcel Delivery

(Planning Code, Section 102)

Service, Parcel Delivery. A Non-Retail Automotive Use limited to facilities for the unloading, sorting, and reloading of local retail merchandise for *home* deliveries, including but not limited to cannabis and cannabis products, where the operation is conducted entirely within a completely enclosed building, including garage facilities for local delivery trucks, but excluding repair shop facilities. Where permitted in PDR Districts, this use is not required to be operated within a completely enclosed building.

Radius requirements / Buffer zones:

- No minimum radius from a cannabis-related use to an existing school, day care center, or youth center, unless specified by a state licensing authority.

QUESTIONS

- ❑ Confirm that parcel delivery service is the correct zoning designation for delivery-only retail.
- ❑ Can a delivery service conduct some operations from a home office if cannabis storage and delivery origination occurs at a properly zoned commercial location? Must both locations be located within San Francisco?
- ❑ Does the delivery vehicle have to be owned by the retailer?

POLICY DISCUSSION

- If the storefront or delivery-only retailer must own the vehicle, does the Commission believe this places an onerous requirement on the business for vehicle storage?
- If the ordinance does require the business to own its delivery vehicles, the City should:
 - Allow the business to obtain one Residential Parking Permits per vehicle, and
 - Allow commercial vehicles under Section 260 of the CA Vehicle Code to park in all yellow zones in the downtown districts.

Microbusiness

Definition: Cannabis Microbusiness

(Police Code, Section 1602)

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

State License Type	City Permit Type
• Microbusiness	• Cannabis Microbusiness

Regulations

- Not authorized for delivery (as Section 1622 is currently written).
- Must meet requirements for cultivation, manufacturing, distribution, and retail activities.

QUESTIONS

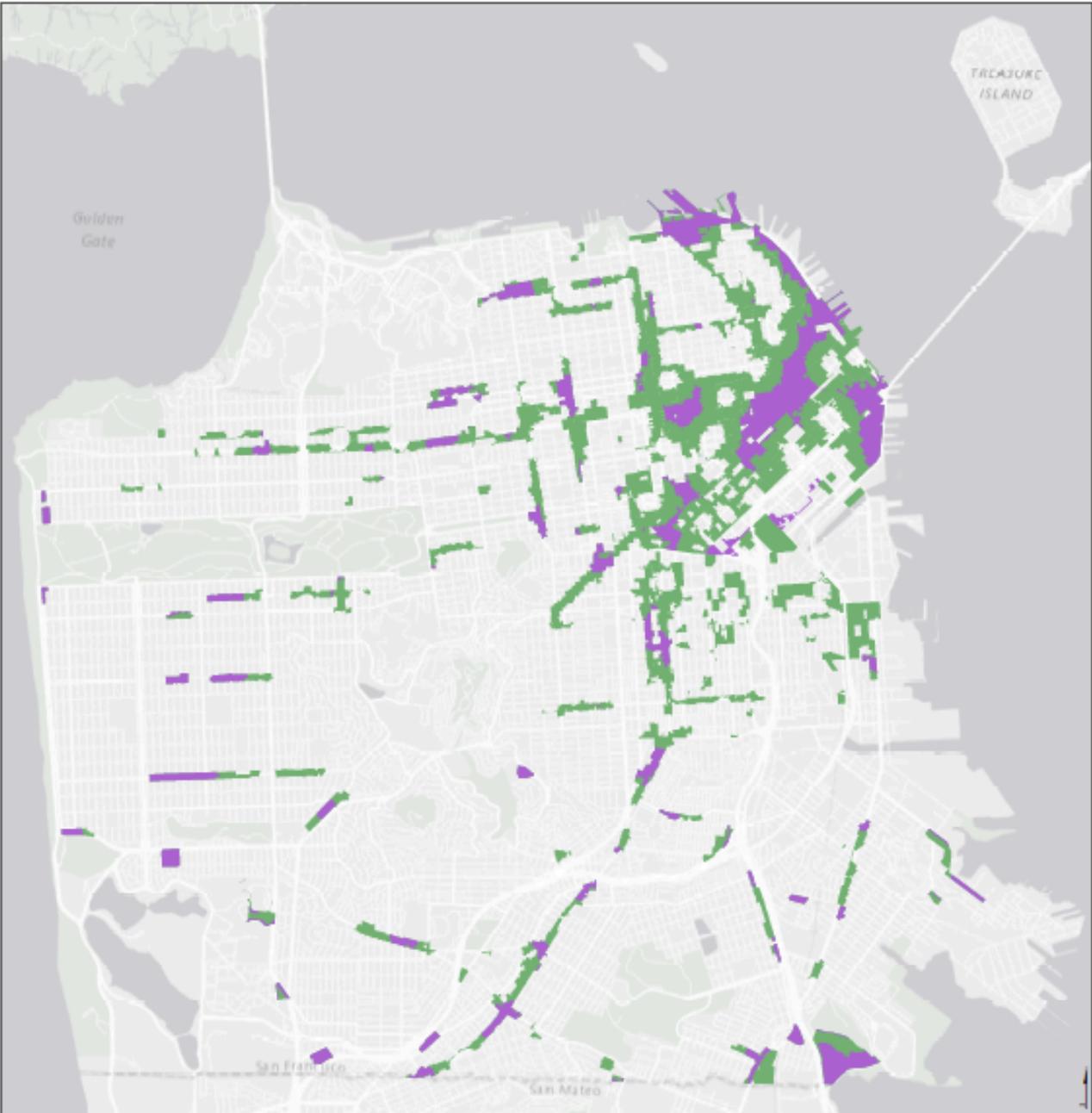
- May an existing MCD obtain a microbusiness permit? If yes, is it allowed to have on-site smoking if it meets the associated requirements?
- Must a microbusiness engage in all 4 activities (cultivation, manufacturing, distribution, and retail)?
- Must all activities occur on the same premises? Does distribution need to be kept separate?
- Clarify the land use requirements if all 4 activities must occur in same place.
- Confirm that microbusinesses will not be authorized to deliver. (Section 1622(a) says that delivery will only be allowed by storefront cannabis retailers and delivery-only cannabis retailers with express authorization.)

Map: Comparison of Existing and Proposed Buffer Zones (1000-ft. and 600-ft.)

Existing and Proposed Medical Cannabis Dispensary (MCD) and Cannabis Retail (CR) "Green Zones"



- Existing "Green Zone"
- Proposed Expansion to "Green Zone"



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