

SAN FRANCISCO CANNABIS OVERSIGHT COMMITTEE

Notice of Hearing & Agenda

Meeting held via Webex

**December 1, 2022
1:00 PM-4:00 PM
Regular Meeting**

Committee Members

Voting Members

- Ali Jamalian
- Aaron Flynn
- Ryan McGilley
- Doug Bloch
- Shawn Richard
- Nina Parks
- Brendan Hallinan
- Theresa Foglio-Ramirez
- Sara Payan

Non-Voting Members

- Mohammed Malhi or rep. from SFPDH
- Sgt. Chris Oshita or rep. from SFPD
- Stephen Kwok or rep. of DBI
- Matthew Chandler or rep. of SF Planning
- Quarry Pak or Rosalia Lopez or rep. from SFUSD
- Dylan Rice or rep. of SF Entertainment Commission
- Lt. Dennis Sy or rep. from SFFD

Meeting materials are available at:

Website: www.officeofcannabis.sfgov.org

Office of Cannabis, City Hall
1 Dr Carlton B Goodlett Pl #18
San Francisco, CA 94102

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TAGALOG: Adyenda ng Komisyon ng Pagpapalano. Para sa tulong sa lengguwahe o para humiling ng Pantulong na Kagamitan para sa Pagdinig (headset), mangyari lamang na tumawag sa 628-652-0420. Mangyaring tumawag nang maaga (kung maaari ay 48 oras) bago sa araw ng Pagdinig.

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Regular Agenda:**1. Call to Order / Roll Call [00:00:00/3:12:14]**

- Chair Jamalian opens the meeting and thanks Committee members, the OOC, the Board of Supervisors, and the City departments that engaged with the Committee. Chair Jamalian also notes the efforts of Supervisor Mandelman's Office to champion legislation relevant to the OOC and COC.
- Chair Jamalian announces the opportunity to apply for a seat on the Cannabis Oversight Committee and encourages community members to apply.
- Upon roll call, the following Committee Members were noted present [(v)= voting member]
 - Ali Jamalian (v)
 - Aaron Flynn (v)
 - Ryan McGilley (v)
 - Doug Bloch (v)
 - Shawn Richard (v) [joined Panel during Agenda Item #7 and amended record to include votes on previous agenda items]
 - Nina Parks (v)
 - Brendan Hallinan (v)
 - Theresa Foglio-Ramirez (v)
 - Stephen Kwok, Department of Building Inspection (DBI)
 - Mathew Chandler, SF Planning
 - Dylan Rice, SF Entertainment Commission
 - Inspector Norman Wong, SF Fire Department (SFFD)
- The following Committee Members were not present:
 - Mohammed Malhi, Department of Health (DPH)
 - Capt. Brian Philpott or Sgt. Chris Oshita, SFPD
 - Quarry Pak or Rosalia Lopez, SFUSD
 - Lt. Dennis Sy, SFFD
 - Jeff Buckley or Patrick O'Riordan, DBI
- A quorum is established [00:04:49/3:12:14]

2. Review and Adopt Resolution Making Findings to Allow Teleconferenced Meetings Under California Government Code Section 54953(e) [00:04:53/3:12:14]Discussion,
Action

Committee members review and adopt a resolution making findings required under state law to allow the Committee to meet remotely, as is currently required by order of the Mayor. The Committee will need to adopt these findings at each future meeting, at least until in-person meetings are allowed to resume in San Francisco. Refer to proposed "Resolution" included in the materials accompanying this agenda.

- No public comment [00:05:13/3:12:14]
- **Motion:** There is a motion to adopt the resolution as written. [00:07:29/3:12:14]
 - **Motion/Second:** Brendan Hallinan/Theresa Foglio-Ramirez | **Motion Approved**
 - **Ayes:** 8 | **Nays:** 0 | **Abstentions:** 0 | **Absent:** 1

3. **Review and Consideration of Regular Agenda [00:08:44/3:12:14]** Discussion, Action
Committee members review and amend the meeting agenda as necessary and vote to approve.
- No public comment [00:09:24/3:12:14]
 - **Motion:** There is a motion to adopt the agenda as presented. [00:11:11/3:12:14]
 - **Motion/Second:** Brendan Hallinan/Ali Jamalian | **Motion Approved**
 - **Ayes:** 9 | **Nays:** 0 | **Abstentions:** 0 | **Absent:** 0
4. **Review and Approve Minutes from Committee Meeting on 10/19/2022 [00:12:58/3:12:14]** Discussion, Action
Committee members review minutes from previous Committee meeting, amending as necessary, and vote to approve.
- No public comment [00:14:35/3:12:14]
 - **Motion:** There is a motion to adopt the previous October 19, 2022 meeting minutes for Agenda Items 1, 2, 3, 4, 5, and 7. [00:15:38/3:12:14]
 - **Motion/Second:** Brendan Hallinan/Sara Payan | **Motion Approved**
 - **Ayes:** 8 | **Nays:** 0 | **Abstentions:** 0 | **Absent:** 1
 - **Motion:** There is a motion to adopt the previous October 19, 2022 meeting minutes for Agenda Item 6. [00:16:54/3:12:14]
 - **Motion/Second:** Theresa Foglio-Ramirez/Doug Bloch | **Motion Approved**
 - **Ayes:** 8 | **Nays:** 0 | **Abstentions:** 0 | **Absent:** 1
5. **Legislative Update [00:18:00/3:12:14]** Discussion
A legislative update re: File # 221070 will be provided by Supervisor Mandelman's Office.

Director Patel reads a statement provided by Supervisor Mandelman's Office:

- San Francisco has always led the way when it comes to cannabis, and this is a critical moment for the legal cannabis industry. A joint is already taxed at over double the rate of a bottle of wine or cocktail and nine percent higher than a soda. We cannot expect legal cannabis operators to effectively compete with the unregulated market while adding new taxes. Delaying the effective date of this tax supports business owners who have opted into the legal cannabis market despite significant challenges. A recent review of San Francisco's cannabis market conducted by The Controller's Office shows that while overall sales remain stagnant, the legal cannabis industry faces significant challenges including unique cost pressures, a persistent illicit market, extreme price volatility, and a high overall tax burden. The Controller's Report highlighted the burdens business owners face as a result of cannabis being classified as a Schedule One Controlled Substance for Section 8-12 of the Controlled Substances Act. These burdens include a lack of access to conventional banking and an inability to deduct ordinary business expenses per IRS Code 280E. The long-term sales and gross receipt tax revenue that will come from ensuring all operators are above board will outweigh any short-term gains from squeezing the small share of the market that is opting to absorb the significant costs of operating legally for an extra tax. It is also important to point out that legalization was born of this recognition, that the War on Drugs failed, that we cannot enforce our way out of this. If we still believe that, we have to take every opportunity possible to give the legal industry a competitive advantage, or in this case, mitigate their overwhelming disadvantage.

- Director Patel shares additional information about how the tax went before the board of Supervisors, for a vote and passed 9 to 2, and is currently in a period of 10 days during which the Mayor can take action, and will go into effect 30 days later. *(Note: this section was subsequently corrected in the minutes for accuracy purposes)* For any questions, Director Patel encouraged listeners to reach out to Supervisor Mandelman's office.

- No Public comment [00:21:06/3:12:14]
- No Committee Discussion

6. Compassionate Care and Fee Administration [00:22:26/3:12:14]

Discussion,
Action

Committee members will discuss the fee(s) associated with the administration of state Medical Marijuana Identification Cards and possibly vote on recommendations for actions the Board of Supervisors could take to reduce the burden of these fees on patients. As a part of this discussion, the Committee will review and consider the memorandum titled, "Compassionate Care and Fee Administration Memorandum," which provides information on this topic. This document will be included in the packet of materials for this meeting prior to the meeting

Member Payan presents this agenda item, noting that this agenda item is about the well-being of patients and that being chronically ill is expensive, especially for those on fixed income or unable to work:

- Member Payan details ongoing issues with the Department of Public Health's Cannabis Card Program: the program is expensive, the hours are limited, and because many program participants are homebound.
- Member Payan notes that MediCAL/Medicare members can receive cards for \$50. However, when local patient advocates approached the program administrator, they learned that San Francisco does not reduce or remove fees on the cards for participants of the program because of San Francisco's participation in "Healthy San Francisco," even though many or all other counties do reduce fees for program participants.
- Member Payan emphasizes that this program affects people living in poverty and the most vulnerable people, especially given that San Francisco is an expensive city in which to live.
- Member Payan emphasizes the need for a recommendation for: a) no fee cards for people in need, b) extended hours for people in the program so people can do administrative business and get their cards, and c) get an online portal to better service patients.
- Member Payan shares a personal story of having stage 3 colon cancer while employed, and that her cannabis care was still expensive and challenging to access the program while working and receiving cancer care. Member Payan emphasizes this agenda item is about letting supervisors know about the need to take care of San Francisco's most vulnerable community members.

Committee Discussion [00:25:33/3:12:14]

- Chair Jamalain notes that in drafting recommendations, the Committee should consider that Vital Records is the body/department that charges the fee and that the legislation/code doesn't allow for a fee waiver, but rather a fee reimbursement.
- Member Hallinan asks about historical participation in the card program and whether patients can get medical care prescriptions/referrals from primary care physicians or if they have to go to specialty doctors, and expresses wanting to understand the financial implications for patients to access specialty doctors
- Member Payan responds that many low-income and indigent patients are able to get referrals/prescriptions from San Francisco General Hospital and that the reason the

Department of Public Health is not making changes is due to low program participation, but Member Payan emphasizes that likely the changes would increase participation because the card is what eliminates the state tax, which is expensive for potential participants.

- Member Hallinan asks about how many people are currently enrolled in the program.
- Member Payan does not have current program participation data.
- Member Hallinan expresses support for this fee waiver and DPH program changes.
- Chair Jamalian adds that the Committee should consider not only the reimbursement of the card but also should examine doctors' fees which is a potential barrier to accessing the card program.
- Member Hallinan adds that a portal is a great idea to address the challenge of limited hours and addressing geographic/mobility barriers to access.
- Member Payan shares context that during the COVID-19 pandemic there were activists working on proposing a portal but were not successful in this effort.
- Chair Jamalian asks about whether a patient with a medical card can order delivery from retail orders of up to 4 ounces rather than the 1 ounce limit.
- Member Hallinan expresses a wondering about how many people use the program.
- Member Payan shares that the system at Apothecarium allowed customers to provide their medical card information to waive the sales tax and purchase within legal limits. Member Payan also adds that there are people coming from areas without legal medical cannabis who need to purchase up to the legal limit because they need to stock up.
- Member Payan adds that many people may not understand that medical cannabis still exists in California given the movement around legal cannabis generally.

Public Comment [00:32:24/3:12:14]

- Hi, this is Graham Goodwin from Brownie Mary Democratic Club. Thanks to Sarah for bringing this item up. It's crucially important. And I won't go through all the other things that everyone else has said but I was part of the working group for an online portal and I did talk to San Francisco Public Health and they said they weren't interested and that they liked the system the way it was. My real comment is: I really believe, I'm a medical patient, that it is a chicken and egg situation. If you make it difficult, you make it expensive, the outcome is predictable: you don't have many medical patients. You make it very accessible number one. Number two: Public Health should do outreach throughout the city stating that this program exists and that it can be accessed for free. So, thank you for doing it. My last thing would be my understanding is that we have to go through the Board of Supervisors to get the Healthy San Francisco exemption lifted, so I think we need a group or something to really work on these details and move forwards. Thank you.
- This is Malcom Joshua Weitz, I wanted to thank the Oversight Committee for allowing me to address you guys today. Being that I started as a Prop 215 delivery business with Mirage Medicinal, the issues of medical patients' easy access to cannabis medicine is very near and dear to my heart. So, I just wanted to say and thank Sarah and Graham for being the sharp tip of the spear here and leading the conversation here. I want to agree with what both of them say. There should be no cost options or reimbursement, however it needs to be phrased and whatever needs to be done to make sure that medical patients don't have to come out of pocket for their ID cards or for their medical recommendations. There definitely should be a portal for people that are not so mobile as well as some public outreach, I'm sure there's emails of past medicinal patient cardholders that we can refresh that and reach out to them through the DPH camp. That is my comment and thank you very much.

Committee Discussion [00:36:38/3:12:14]

- Chair Jamalian opens for Committee Discussion.

- Member Parks thanks Member Payan for championing patients and keeping focus on medicinal properties of the plant.
- Member Parks expresses a wondering about Leafwell, other online platforms, and partnerships generally that would support issuing medical cards or integrating telemedicine portals into existing platforms to mitigate costs to City in developing its own platform.
- Member Payan agrees with this suggestion of partnerships.
- Chair Jamalian agrees that using existing interfaces was a great idea. Chair Jamalian referenced the public comment by Graham given his work in the working group and his tech background, and suggested Members reach out to him to explore this opportunity.
- Chair Jamalian emphasized that the Committee can have an impact by getting the reimbursement for medical cards from the Office of Vital Records.
- Member Payan agreed and emphasized that the fees are the most problematic aspect of the program.
- Member Payan also emphasizes that if the hours and portal won't be changed, then there may be an option for caregivers to do things on behalf of patients. Member Payan also elevates the need to submit a photo electronically instead of having the photo taken at the office.
- Members discuss their experiences with the process of submitting identification, photos, and proof of documentation.
- Member Parks suggests the Committee make a recommendation for Vital Records around best practices to make it easier for the department to ensure they're waiving the fee for the right person.
- Chair Jamalian summarizes that the Committee should formulate a recommendation that includes: 1) receiving the card by mail especially if you can get a drivers' license by mail; 2) reimbursement of fee by Vital Records of Public Health Department; 3) and give the Board of Supervisors the chance to research exact verbiage that's needed.
- Member Payan agrees.
- Member McGilley revisits Member Parks' recommendation around partnerships and suggested that partnerships shouldn't be limited to private sector but rather that there are multiple states with online registration, such as Hawaii's system for out of state medical licenses and suggested working off of public sector platforms.
- Member Payan adds that verification for state cards already exists at dispensaries.
- Member Hallinan proposes that in the Bulletin when the OOC introduces Matthew Chandler, the Bulletin should also include a blurb that the San Francisco Department of Health is still processing medical patients to promote awareness among medical cannabis patients.
- Member Payan recognizes the collaboration with patient activists to inform recommendations and encouraged other members' input. Members discussed various elements to include in the final recommendations
- **There is a motion to adopt the following recommendations [00:56:28/3:12:14]:**
 - Recommendations addressed to both the Board of Supervisors and Department of Public Health:
 - Extend the hours of operation for DPH's in-person MMIC Program to Monday to Friday from 9am to 5pm
 - Addition of online and postal verification and processing of applications for MMIC
 - Reimbursement of card fees by DPH Office of Vital Records
 - Reimbursement of medical record fees for low-income patients
 - Recommendations addressed to DPH:
 - Outreach from DPH on how dispensaries can honor their obligations for cardholders
 - Access to resources through other city departments (such as public libraries)

- **Motion/Second:** Sara Payan/Ali Jamalian | **Motion Approved**
- **Ayes:** 9 | **Nays:** 0 | **Abstentions:** 0 | **Absent:** 0

7. **Temporary Cannabis Event Permits [00:59:02/3:12:14]**

Discussion,
Action

The Office of Cannabis will provide an update regarding the temporary cannabis event pilot program. The Committee may discuss and vote on recommendations for potential amendments to the pilot program following its expiration in December 2023.

Director Patel shares that although the pilot program expires in December of 2023, the terms of Committee members expire well before that, so today's agenda item presents an opportunity to gain feedback from the Committee on recommendations for when work is being done at a legislative level to move the pilot program to a permanent fixture.

Committee Discussion [01:00:32/3:12:14]

- Chair Jamalian opens the floor for Committee discussion.
- Member Parks recognizes that Cannabis events only began in 2022 due to COVID-19 pandemic and celebrated the four events held in 2022.
- Member Parks elevates that the sales tax is too high which discourages vendors from wanting to sell at events when they cannot recoup the cost of sales taxes. Member Parks shares an update that there have been conversations with Supervisor Mandelman's to draft pilot program legislation to change the sales limits for next year, specific for smaller community events like street fair events run by non-profits. Member Parks distinguishes these types of events from major concerts like Outside Lands. One recommendation is to lift San Francisco's sales cap as the only county that has the upper limits of 7 grams of flower and 2 grams of concentrate. Another recommendation is to lift the requirement around the number of retailers.
- Member Parks shares that the draft recommendations need to address these challenges, and more.
- Chair Jamalian echoes the high cost of events and shared a list of potential recommendations for drafting local ordinances, including: 1) consideration to small and private events; 2) streamlining applications for special events with a 72-hour turnaround; 3) removal of lower purchase limits; and 4) removal of three-retailer requirement.
- Chair Jamalian suggests that instead of having a rotation requirement for retailers, a specialized type of retailer may arise for events.
- Member Hallinan poses a question to Member Parks about whether relevant data from the temporary events pilot was part of the conversation with Supervisor Mandelman.
- Member Parks reports that Supervisor's Mandelman's office is amenable to changing the pilot program. Member Parks is now collecting signatures through a letter to show broad support for these changes, and then the Supervisor's Mandelman's office will convene a group to plan for making changes. Supervisor's Mandelman's office is open to changes because it is a pilot program and anticipate that events will continue going forward.
- Member Hallinan asks whether the current recommendations should be about fixing what is currently in place rather than a new type of ordinance.
- Member Parks proposes that the recommendations could address having independent events rather than the pilot's restriction to pre-existing events, now that pilot has tested out permitting for events.

- Members discuss the wording of a potential recommendation and motion.

Public comment [01:14:48/3:12:14]

- This is Graham Goodwin again. I just want to call and support Nina on this. It's so important! Just like we talked about on the prior thing, to get more access to different things at a lower cost. One of the biggest problems in the cannabis space is, through the regulatory system, is making costs that put people who are entrepreneurs at financial risk. We have to lower that financial risk so that they're going to then have more events and different kinds of events. There's a theme here, you make things difficult for people, they don't work out. So, I just want to support Nina, Ali, everybody that -- we want to be treated like other kinds of social activities, not like a stigma situation. And this kind of added expense, there's no evidence that any of these things are risky. I was down in the Mission when Nina, etc. did that great event. People loved it, the Fire Department loved it. So anyways, support, please, vote for the resolution. Thank you.
- The pilot program excludes smaller event operators and doesn't allow for new events. Event operators need to partner with pre-existing gatekeepers for their established events. This is unfair competition and stifles innovation. Please do not extend the pilot program. Draft new legislation. The previous Director said that enforcement was an obstacle. Could the OOC hire temporary enforcement officers just to enforce the event regulations? Thank you.
- Hi, I will make this very quick. My name is Bianca Gutierrez. I am a social equity event planner in this cannabis space in San Francisco as well and I wanted to echo Nina's and Graham's statements today because I was witness to the Carnaval consumption and sales area that Nina worked really hard on. And everybody just walked away unfortunately not making any -- sorry I have my son here -- it was really disheartening to see that all the work that goes into it, to break the stigma, to normalize cannabis at these vents, but then people walk away losing money. It's really unfortunate. So, I wanted to thank you Nina for supporting this and getting this through. And that's all I wanted to say.

Committee Discussion

- Member Parks wants to add to the resolution that cannabis equity event planners should receive fee waivers from the different departments, rather than limiting fee waivers to brick and mortar businesses. This would allow equity event planners to benefit from the equity grant program.
- **There is a motion to adopt the following recommendations for temporary/pilot & future events [01:20:51/3:12:14]:**
 - Raising the current daily sales cap to align with the state's standards
 - Removing the mandate for 3 retailers for temporary events
 - Streamlining the permitting process and imposing a 72-hour turnaround time on the temporary event permit process
 - Fee waivers for equity event planners
- **There is a motion to adopt the following recommendations for Future Consideration beyond the pilot program [01:20:51/3:12:14]:**
 - Drafting of local ordinances and regulations with considerations for smaller events and other commercial events
 - Expanding the list of qualifying events beyond pre-existing events
 - **Motion/Second:** Sara Payan/Ali Jamalian | **Motion Approved**
 - **Ayes:** 9 | **Nays:** 0 | **Abstentions:** 0 | **Absent:** 0

8. Cannabis Oversight Committee and Future Appointments [01:22:57/3:12:14]

Discussion

The Committee will discuss and possibly vote on future agenda items for the next set of Cannabis Oversight Committee members to advance. As a part of this discussion, the Committee will review and consider the memorandum titled, "Topics to Consider in the Future Memorandum," which provides information for this item. This document will be included in the packet of materials for this meeting prior to the meeting.

Director Patel reflects the memo into the record by presenting it visually.

- Chair Jamalain summarizes a few key components of the memo, such as allowable hours of operation for cannabis dispensaries past 10 p.m., use a mechanism to collect accurate data when considering moratoria, and address predatory practices taking advantage of social equity program and social equity operators.

Public Comment [01:26:00/3:12:14]

- Hi, my name is Malcolm Joshua Weitz. I am a verified social equity applicant and I also have a store on Union St. (1861 Union) with MedMen is my partner over there. My comment is regarding the tool of a shot clock which the Office of Cannabis has had at their disposal since the beginning, as a mechanism to clear out the pipeline and clear off the board, to get a supposedly "real" look at who is going to open or not. That's much too little, we need to move, and the Oversight Committee, whether this one or the next one, needs to move immediately to recommend a moratorium. The reason being, that, some of those applications on there could find investment even in this hard atmosphere if there was a moratorium. Basically, a cap, or a moratorium, because we would open up later down the road because that is what investors want to know. Investors want to know: how many, is this going to be endless applications? If there was a moratorium, we could say 'no, it's closed right now, we'll get some breathing room, have time, let the ecosystem rebuild back up after COVID, after everything that's happened, this macroeconomic meltdown we're having right now.' That would give investors the confidence, we need that confidence right now, which we needed nine months ago. I have been very vocal about that. I will continue to be vocal about that, but that is my comment. Thank you very much.

9. Committee Discussion Regarding the Distribution of Grant Funding [01:30:09/3:12:14]Discussion,
Action

The OOC will briefly recap a presentation from the previous meeting regarding the next round of GoBiz grant funding ("Round 3"). The Committee will continue its discussion and vote on recommendations in response to a memorandum entitled, "Oversight Committee Agenda Item #9 Memorandum." This memorandum can be found in the packet of materials for this meeting.

- Director Patel states that this grant effort is due to the committee's work and is important work regardless of whether it's visible or not. Director Patel thanks current members for their service to the Committee. Director Patel encourages anyone listening to the meeting to apply to the Oversight Committee.
- Member Parks states that she is honored to serve the Committee for two terms including as the first Chair, to learn about city leadership, and how to move efforts along in an official capacity. Member Parks states that she will not be applying for the

seat again to allow for diversity of voice and for other people to bring their experience to the table.

- Member Hallinan expresses thanks for the OOC, members of the Committee, and members of the public that supported meetings. Member Hallinan states that whether current members are a part of the Committee next year or not, all need to be involved in progressing its goals.
- Chair Jamalain designates Member Flynn to chair the rest of the meeting.
- Chair Jamalain reviews the process for recusals.
- Member Richard expresses gratitude to Committee members and states that he will not be applying for next year.
- Chair Jamalain recuses their self, stating a financial interest in an equity license, Sunset Connect LLC.
- Member Shawn Richard recuses their self, stating a financial interest as well as conflict of interest as an equity applicant.
- Member Nina Parks recuses their self, stating a financial interest in Gift of Doja, and as an equity applicant.
- Member Brendan Hallinan recuses their self, stating a financial interest in North Beach Pipeline.

Committee Discussion [01:39:13/3:12:14]

- Designated Chair Flynn states that previous Committee discussion covered three out of four recommendations to consider and reviewed the soft recommendation from the previous meeting and shared the priorities to narrow the pool, increase the grant award amount, and focusing on grant operators most likely to complete their projects. The soft recommendation was to prioritize: Grants should be awarded to VEAs 40% or greater that are at built-out or further. Designated Chair Flynn shared that this encompasses 45 grantees for \$88,215.23 per grantee.
- Designated Chair Flynn asks Director Patel if anything has changed significantly since last committee discussion.
- Director Patel answers that nothing has changed significantly.
- Designated Chair Flynn suggests reviewing items 1-3 to confirm the previous soft recommendation and then moving to item 4 to review the utilization threshold.
- Director Patel reviews the components of the soft recommendation, including the Office's four questions posed to the Committee, the total available funds and grant award totals, operator phases, lottery options, and utilization threshold.
- OOC Staffer Jeremy Schwartz states that City of San Francisco has to see that grantees realized most of grant awards. Schwartz also states that similar to prior grant exercises, the OOC will do a reallocation effort for grantees that were able to spend down grant to receive unspent funds. The reallocation will happen in Spring 2023 based on which grantees are best suited to spend down the entirety of the awards. Schwartz further states that the OOC will evaluate this as well as how many grantees will be given reallocated money; system will be paused around Spring 2023.
- Designated Chair Flynn asks when Phase 1 of grant distribution occurs.
- OOC Staffer Jeremy Schwartz states that the OOC aims to circulate Letters of Intent in January to see how many eligible grantees want to move forward with contracting, disperse and receive signed contracts during February and March, grantees would be able to spend grant awards from March through May, and then the OOC would assess the reallocation based on Committee recommendation from May through June of 2023.
- Designated Chair Flynn asks the duration of the two spend down periods are, and whether the first time period is shorter than the second.

- OOC Staffer Schwartz responds that each term would ideally be equal, yet it is a fluid situation based on when grantees get contracted. Schwartz further states that if a grantee was contracted in February, they have four months for each phase.
- Designated Chair Flynn posits if grantees were to spend 50% of overall allocation in the first phase, with a consistent spending cadence, then they could spend down the rest in the next phase. Designated Chair Flynn asks if OOC has any sense in the spending cadence of grantees or if grantees spent more in the first phase of the distribution rather than the second phase.
- OOC Staffer Schwartz states that data from the current 31 eligible grantees shows the majority were able to spend down most of their award, that 4 grantees did not pursue the award, and that because grantees have gone through the supplier system, it has shortened the timeline for realizing the award. Schwartz states that new grantees who have not gone through the supplier system will have to embark on a procedural journey before they receive funding requests and can spend down on their award.
- Designated Chair Flynn states that it would be unfortunate to set the utilization rate too high to push new grantees into a situation where they would have to spend down too quickly. Designated Chair Flynn further states that the committee does not want to encourage unnecessary spending for this spend down rate and intends to balance not setting the rate so high for new grantees and not setting it so low that we risk the potential of affecting these funds in the future.
- Director Patel asks OOC Staffer Schwartz if he has a sense of how many grantees would be first time grantees.
- OOC Staffer Schwartz estimates that out of the 45 total grantees, 10 would be new to the grant program.
- Designated Chair Flynn states that that information is helpful as the Committee wants to be as inclusive as possible while being realistic and taking into account grantees that are going through processes for the first time. Designated Chair Flynn opens the floor to other Committee members if they have thoughts.
- Member Bloch thanks members for thoughtful discussion and states that Committee intends to ensure that the grant supports companies that can succeed without cutting off equity applicants.
- Member Payan supports Member Bloch's sentiments.
- Designated Chair Flynn thanks members for their input and suggests that members review the dollar amounts of this grant. Designated Chair Flynn states that with the current soft recommendation, each grantee would have \$88,000. Designated Chair Flynn further states that with a 70% utilization rate, grantees would have to spend down \$62,000 in the first phase and \$26,000 in the second phase. Designated Chair Flynn states that operators likely have contractors and plans in the queue, so they can frontload spending. Designated Chair Flynn then suggests a 70% utilization rate since spending the money should not be too difficult, with the remaining \$26,000 in the second three months due to inflation and costs. Designated Chair Flynn states that 70% could be a starting point for other OOC members and panelists to discuss.
- Director Patel states that allocation of \$88,000 per applicant could increase depending on if some grantees reject upcoming contract. Director Patel further states that the OOC has to be able to show an 80% spend down rate to the state.
- Member Payan states that a 70% utilization rate sets up the equity grant program well for an 80% spend down.
- Designated Chair Flynn state that given experience with build-out, operators would likely not have a difficult time spending about \$62,000 in three months.

- OOC Staffer Schwartz states that since the first iteration of the pilot program, eligibility categories have extended and have been added to strengthen support to equity businesses.
- Designated Chair Flynn states that it seems like the Committee is reaching consensus for utilization rates and encourages additional comments.
- Member Bloch states that they also agree that the Committee seems to be reaching a consensus.
- Director Patel states that the change between a utilization rate of 70% versus 80% is about \$8,000.
- Designated Chair Flynn states that once spending is in motion, bills and expenses are coming consistently. Designated Chair Flynn states that if an operator has been able to do \$62,000, they will not have trouble with \$26,000. Designated Chair Flynn further states that setting the utilization rate higher excludes operators.
- Member Payan states that they would support a 70% utilization rate.
- Member Bloch states that they would also support a 70% utilization rate.
- Member Foglio-Ramirez states that they would support a 70% utilization rate.
- Designated Chair Flynn states that the Committee's decision feels like more than a soft recommendation and asks how to push towards a resolution.
- Director Patel states that nothing has been put to a vote yet and explains the remaining process for public comment and putting forward a motion.
- Designated Chair Flynn opens the floor for public comment.

Public Comment [02:16:24/3:12:14]

- Dear Office of Cannabis and Cannabis Oversight Committee. We are writing to express our comments about how San Francisco should spend \$3,969,685.20 in direct assistance grants. Preferred groups: VEAS 40% or greater approved, should be the group to receive funds. Rules: no round 1 and 2 applicants should receive any funds. Spend-down: all applicants must be required to demonstrate meeting spend downs before contracting with San Francisco. Amount to award: option 1) 10 awards of \$200,000 in emergency awards to Verified Equity Applicants for \$2,000,000. Option 2) 24 awards totaling \$100,000 each for \$2.4 million. The remaining funds can be distributed however they like. Emergency Option: we are asking the OOC Oversight Committee to adopt Emergency Rules or Powers from COVID to ensure timely issuance of funds. In the month of December, a new Oversight Committee will be established and could extend the timeline for rule-making and overall distribution of equity funds. Our reasoning: every dispensary that is open is likely on the verge of closing and struggling with the market effects of over-supply, competition, inflation, and the illicit market. This is the third year of equity grants, and we want to challenge this idea of "equity for all." What is the purpose of supporting future dispensaries or operators when the ones that are currently open are barely hanging on? We ask that this support be given to the ones who have accomplished attaining a permit. For example, we were not able to receive any round 2 funds because we did not meet the threshold of 51% VEA and yet we still prevailed and opened our store. To give money to VEAs that are in the build out or planning would diminish the sacrifice and all the components of partnerships, finance, goal setting, and decision-making that is needed to obtain a cannabis business permit. In our minds, because this is year 3, equity funds should not be given to build-out or planning VEA groups when they might not make it through the process for numerous reasons such as falling out with your business partners, lengthy build out delays, landlord issues, or loss of financing. We highly doubt that OOC or COC

could demonstrate that round 1 or round 2 funds went to VEAs that all subsequently obtained a permit.

- Thank you, Cannabis Oversight Committee, for allowing me to address you today, my name is Malcolm Joshua Weitz, I'm back again, I'm a VEA social equity CEO, 40% owner, my current license club is open at 1861 Union Street, in San Francisco's Cow Hollow Neighborhood. I've been following along for this talk and I agree with most of what Aaron said. I want to add my experience, having my personal recommendation that we should issue money to social equity owners operating licenses, including though, SF equity applicants who are in build out and those who hold temporary event permit licensing. Full disclosure, my sister is Nina Parks, but my understanding in hearing the talk earlier is that there is only three of them, it's a pilot program, they're basically guinea pigs. We put them out there to get policy recommendations and now they might be in the hole, they should definitely be able to access the grant. I think it's only fair that they should be able to access the grant as well, for the pilot people in the event licenses. Also, I would like to end off that as long as those social equity owners maintain 40% equity, and they're in build out or further they should be able to access the grant. I'm also okay with the utilization rate of 70% that was recommended for the first tranche. That is my public comment. Thank you very much.
- Connor Johnson, thank you for considering this and hearing me out. I am a partner in a couple existing social equity dispensaries, including the first approved social equity dispensary. I also actually consult new social equity retailers get online and as everyone in this meeting knows, it is a bloodbath out there. If your revenue isn't down 40 or 50% then you're probably lucky, if you haven't had to lay off staff, you're probably lucky. When all is said and done at the end of the year, then the IRS wants 30+% of your revenue. So, I don't know any existing operators honestly who are making money in this environment. And I think it speaks to the fact that the existing operators need as much assistance as this grant program and as the local and state government can provide. The punitive tax reform from the state is not really going to move the needle unfortunately. And unless and until we have serious federal reform, it is going to continue to be a bloodbath. We've got to support the existing operators. Obviously, I'm biased in saying that because I am one, but I say it because it's true. We need help, we need grant money, we need support. The social equity business owners, the social equity applicants are going to face the prospects of going out of business which is a damn shame given all the promises we've made to them over the years. Thank you.
- Ed Brown, speaking on behalf of Poncho Brotherz, we would like the Office of Cannabis and the Committee to give money to those who are 40% or more equity holders. We feel that this money should be given to people who have not received rounds 1 and rounds 2. They should be given money to some other kind of further consideration or some redistribution. We are totally against any kind of lottery unless you want to have a lottery for people who are just in the build out phase. We are concerned that San Francisco won't get any more money because of the spend down requirements from GoBiz so we would like the City to really look at and this Committee to really look at whether or not 70% threshold is the appropriate amount given that we won't get any more funding anytime soon. We feel that the money should be at 100% of the utilization threshold to guarantee and ensure that those people can meet their spend-down requirements before they're contracted with the City. And my last comment: we have not kept track of round 1 and round 2 money that was given to people and did those funds actually go to someone who opened a business or furthered the business at a second point in time. So, with this money being critical that potentially not getting it. I think we should really look at having people, awardees, meet the grant

requirements before they're awarded any money to make sure that this money goes to people that can actually spend it down. Those who are permitted should be able to easily show funds. We can easily demonstrate that we can meet that requirement of \$88,000 and spend our whole utilization.

- Thank you to everybody for showing up today. We really appreciate having you all here. In the efforts to be as inclusive as possible and making funds as significant as possible and putting the actual business owners who are at 51% or greater threshold in the best position possible, I propose 51% or greater in the build out should be priority at \$124,052.66 which would be 16 of those applicants; at 51% or greater at planning, should be put at \$45,110.06 at 22 applicants; and for those who are below that 50% threshold, should be at the remainder which would be \$19,459.24 at 51 applicants. I think this would truly incorporate all applicants, it would truly be as inclusive as possible taking care of the actual business owners and that's what I would propose given that.
- Hi this is Johnny Delaplane calling on behalf of the San Francisco Cannabis Retailers alliance. Thanks to everyone for taking up this very important issue. We're just here to support the soft recommendations that the Committee has made with an emphasis on how tough it is out there for these operating businesses. So, thanks for taking up the matter. This is an environment that is kind of unprecedented with the complete crash of the market here and all the existing businesses need the support as much as they can. Anything in the build out phases need help to get open as well. So, we're here to support the soft recommendations and thank everyone for taking up this important issue. Thank you.
- Thank you to all Committee members for your service and thoughtful commentary.
- I second all of the soft recommendations with the following caveat: grants should be distributed to VEAs with building permits or alter in the process, but I feel that funds should be prioritized for VEAs with ownership at 51% or more, these folks need the most support and prioritizing them will lead to more independently owned businesses. I also second the 70% threshold requirement and a reasonable deadline to show that spending.

Committee Discussion [02:30:10/3:12:14]

- Designated Chair Flynn states that everyone in the market is under fire right now and states that the Committee is trying to balance the needs of open retailers and maintain current ecosystem while also supporting those in the build-out process. Designated Chair Flynn states that the Committee wants to be as inclusive as possible while being as realistic as possible. Designated Chair Flynn asks about possibilities for future grant funding opportunities for operators.
- Director Patel states that things are in flux.
- OOC Staffer Schwartz states that The City of San Francisco will potentially reply to an RFP solicitation with smaller finds available and GoBiz Round 4 might be smaller than what they are expecting right now. Schwartz also states that there may be opportunities for additional support through free technical assistance, such as permitting, grant support, professional development, security, training.
- Designated Chair Flynn states that public comment emphasized that the needs of the community are spread out. Designated Chair Flynn proposes moving forwards with the soft recommendation for grantees with VEA 40% greater for built out and further, and to implement at a 70% utilization rate.
- OOC Staffer Schwartz poses the scenarios of whether eligibility determined as of the recommendation date of December 1, 2022 or whether eligibility is determined at time of contracting.

- Designated Chair Flynn states that the intent of the Committee is to be inclusive and therefore eligibility should be determined whether equity applicants met eligibility as of December 1, 2022.
- Designated Chair Flynn expresses gratitude for Committee's and the heavy lifting of OOC since 2018.
- **There is a motion to adopt the following recommendation [02:52:04/3:12:14]:**
 - Grants should be awarded to VEAs 40% or greater that are at build-out or further as of December 1, 2022, with grant amounts equally distributed within this group. The Committee recommends a utilization threshold of 70%, which would determine eligibility for redistributing grant awards in the late Spring of 2023.
 - **Motion/Second:** Aaron Flynn/Sara Payan/Ali Jamalian | **Motion Approved**
 - **Ayes:** 5 | **Nays:** 0 | **Abstentions:** 0 | **Absent:** 0

10. General Public Comment [02:55:06/3:12:14]

Members of the public address the Committee with a maximum of 2 minutes per individual

- Hello, I wanted to make a quick comment. My project is self-funded. I'm 100% owner. I don't believe it would be fair to those that have worked hard to retain 51% equity or higher percentage to get the same grant amount as those that gave up control of their business. Any equity applicant that made a conscious business decision to partner with another group who hopefully added some kind of ongoing impactful financial contribution to their business, while the rest of us have worked really hard to retain our controlling percentage. I believe in the idea of equity. And I don't know if I'm missing something but, to me, it sounds strange that someone who is an equity applicant who doesn't own a controlling interest would get a large grant. I actually struggled the first entire year, I missed the deadline, narrowly missed it, and I had to make due. I'm on my 20th month of paying rent, I'm in the build out phase, and I don't mean to rain on someone else's parade, but it just doesn't make sense to me that someone who has a partner or someone who is helping out financially who owns 60% of their business can get a grant to applied to their business of this size. That's my comment. Thank you.
- This is Graham Goodwin. I just wanted to thank the Committee and Nikesh and the Office of Cannabis. I know it's been a difficult period, there's a lot of issues. I just would like to say that we need a strong public forum such as this to help educate the public and our elected officials, because it's a regulated business. It's not like other businesses. Thank you for your service, I'm sure we'll see everybody along the way. Have a good evening.
- Hi this is Malcolm Joshua Weitz again. I'm all over this one because I know this is the last Committee meeting for the group sitting on the Committee. I wanted to thank you guys, I've been tracking social equity cannabis since it transitioned from Prop 215. A lot of the people that have been on the Committee have also and I want to thank you guys for helping grow this very young industry. We are not in a good place, it's very rocky, but we would be in a worse place if it wasn't for your service. I know you take time away from your families and your own businesses to do this. So, I want to thank you very, very much.
- Just to go ahead and piggyback on the previous comment I had mentioned and give a bit more clarity on the breakdown, and the reasoning. It definitely seems as we are continuing to be as inclusive as possible with the proposed distribution, we're leaving

out those 40% who are in planning whereas if we go two quarters to those who are at 51% or greater in the build out phase, a quarter to those at 51% or greater in the planning phase, and all others who are lower than that 50% to have the remainder quarter of those funds distributed. I think this would be most inclusive to all equity applicants. I think this would be the best possible situation so that everyone is assisted with this grant.

- This is William Dolan. This is really just a gratitude comment where I wanted to say thank you to everybody. It's really been a pleasure, over 4 years now, most of the Committee has been sitting on our Oversight Committee. I want to thank everybody and the Office of Cannabis for your thoughtful leadership and I appreciate each and every one of you. I wanted to say have a great holiday season and all the best in 2023 and hopefully I can see all of you in person sometime. Thank you very much.
- To exclude 40% or more owners is segregation and would unfairly a very small group of social equity operators. We are asking that round 1 and 2 recipients do not receive a subsequent grant unless there is redistribution efforts made to support them.
- Hello, I had a question, if the VEA has 40% ownership or more, but it's still in planning, would he be eligible for round 3 grant?

11. Adjournment [03:03:34/3:12:14]

- Members and Director Patel expressed gratitude for each other's contributions, past members' contributions, the achievements and milestones reached, and the influence and impact the Cannabis Oversight Committee has made in San Francisco.
- Meeting adjourned at 4:29 PM [Meeting Length 3:12:14]