

SAN FRANCISCO CANNABIS OVERSIGHT COMMITTEE

Regular Meeting Minutes:

Monday, January 6, 2020, 1:00 PM-4:00 PM
101 Grove St, San Francisco, CA 94102 Room #300

1 Call to Order / Roll Call :

On the call of roll, the following Committee Members were noted present [(v)= voting member]

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| ▪ Ali Jamalian (v) | ▪ Mohammed Malhi, SFPDH |
| ▪ Aaron Flynn (v) | ▪ Quarry Pak, SFUSD |
| ▪ Jessica Cry (v) | ▪ Patrick O’Riordan, SFDBI |
| ▪ Doug Bloch(v) | ▪ Michael Christensen, SF Planning |
| ▪ Theresa Foglio (v) | ▪ Kaitlyn Azevedo, SF Entertainment Commission |
| ▪ Nina Parks (v) | ▪ Larry Dean, SFFD |
| ▪ Jesse Stout (v) | |
| ▪ Sara Payan(v) | |

- A quorum was present

2 Review and Consideration of Regular Agenda

- Public Comment:
 - Request to move “General Public Comment” to beginning of agenda
- Motion is made to approve the meeting agenda and is seconded; motion is approved unanimously with 8 yeas.

3 Review and Approve Minutes from December 9th Committee Meeting

Committee members amended minutes as follows:

- Add “Article 16 Equity Applicant” to description of Committee Seat 13.
- Add the approved motion of convening regular Committee meetings on the 1st Monday, every other month.
- Motion is made to approve the meeting minutes with the previously listed and is seconded; motion is approved unanimously with 8 yeas.

4 Presentation from the Controller’s Office

Cody Reneau and Jeff Pomrenke from the Controller’s Office provide a presentation to the Committee. (See Appendix A for materials)

- Committee Member Stout inquires why there is a limited dataset of operators when comparing payroll per sales. Controller’s Office clarifies that the dataset was acquired by payroll tax data and not all operators’ payroll taxes were filed at the time of the report publication.
- Committee Members note and agree on the need for discussion about how other city departments can help streamline equity applicant permitting process. The Office of Cannabis (OOC) responds that support from the Mayor’s Office is also needed and that this could be explored in future meetings.
- Committee Member Flynn asks if the increase in the cost of business will be factored into the follow-up report. The Controller’s Office clarifies that there are no plans for a follow-up report.

- Committee Member Bloch asks representatives from Office of Cannabis if they have the staff and resources to help equity applicants and to enforce regulations that will decrease illicit market activity based on the data (Slide 15); what the budget is for hiring OOC staff; and what is the viability of hiring equity applicants?
 - The OOC responds that they do not have the resources or staffing to enforce regulations but would like to engage with the Committee to strategize how to make it more difficult to sell cannabis illegally without further criminalization.
- Committee Member Flynn requests further clarification about the cultivator datasets by cities across California (Slide 9) and within San Francisco (Slide 11).
 - Controller's Office clarifies that Slide 9 is a comparison by city from the California Bureau of Cannabis whereas Slide 11 are cultivators authorized to operate in the city of California.
 - The OOC clarifies that anyone who wants to cultivate (or operate any cannabis business for that matter) in San Francisco needs two permits (one from the Office of Cannabis and a corresponding license from the State) and both are needed in order to legally operate a cannabis business. Slide 9 reflects the entire operational dataset of cultivators that have both permits.

5 Presentation from the Office of Cannabis

Ray Law and Nikesh Patel from the Office of Cannabis provide a presentation to the Committee. (See Appendix B)

- Responding to Committee Members' questions the OCC shares the following:
 - There has been a significant decline in equity applications- in December, four applications received versus the 20 to 30 per month received when the process originally opened.
 - A new application typically takes two to four weeks; reviewing operating agreements is what takes the most time to ensure applicants are conforming with Article 16.
 - The OOC currently uses Screendoor, a shared platform to submit information electronically to different departments and it has been working well since its introduction in 2018.
 - The OOC clarifies that 14 equity applicants are in "part two" of the application process with two completed and ten referred to Planning. Eighty-percent of these applicants are retail. Committee members request that future OOC reports also disaggregate equity applicants by permit type.
- The Committee Chair requests that Committee members representing city departments provide updates about the permitting process for equity applicants:

Michael Christensen, Planning:

- The initial zoning review is a quick, high-level check. After part one, difficulty occurs once an applicant is referred to Planning by the OOC as there is the misconception that the referral itself initiates application review when in fact the applicant still needs to submit separate filing before Planning can review. Of the 60 sites that have been referred, about half still have not submitted an application. Twenty have been approved and the other ten are currently being processed. Other challenges for applicants include the lack of availability of architects and/or qualifying persons required to file for small retail projects, and the length of time that public discretionary review hearings can take.

Larry Dean, Fire Department:

- Two initial bulletins have been shared on the website that details all permits the Fire Dept. require for extraction and cultivation facilities. Delays happen when people try to

circumvent or miss requirements, particularly those unrelated to construction (i.e. propane/gas permits). Committee Member Jamalian asks if edible cannabis is considered “growing” or “extraction” to which Committee Member Dean responds that he will take this back to Fire Dept for further clarification.

Mohanned Malhi, Public Health Department

- Currently, the department works with Screendoor and assists clients to understand the process. If interested in a Cannabis consumption permit, they offer the first hour of consultation free for equity applicants. The Department is currently reviewing plans for structural requirements for manufacturing facilities, and overseeing the regulations for pesticides, hazardous materials, weights and measures for temporary permit operators.
- Public Comment
 - Request for a visual map comparing the saturation of liquor stores versus cannabis stores
 - Comment that DPH should not charge equity applicants at all for consultation services
 - Request to include alcohol industry and San Francisco real estate data in benchmarking reports.
 - Need for continued effort to destigmatize cannabis through consumption lounges
 - Request that the OCC follow up with all applicants whose submission is denied to provide justification for why their application was denied.
- Committee Members Comments:
 - Committee Members note that only one other California city (Los Angeles) is used to compare prices by city in the Controller’s report, without factoring in permit and facility expenses, packaging laws, rent prices, minimum wage, and cost of living. The Controller’s Office clarifies that Los Angeles was the only other California data point available and that the chief concern is the comparison between rising prices versus decreasing average annual sales in San Francisco.
 - Committee Member Flynn asks where cultivation permits go first- to the Fire Department or to the Mechanical Department. Committee Member Dean responds that specifically for the Cannabis industry, there is conflicting information regarding this and it is holding up operators.
 - Ali Jamalian requests to identify how much special funding Oakland allocates for equity applicants.
 - Doug Bloch recommends hiring San Francisco equity applicants for public service jobs within the Office of Cannabis to diminish the illicit market and help companies succeed.
 - Committee Member Stout motions that the Controller’s Office be tasked with providing the presentation to the Board of Supervisors and the Mayor. Nikesh, OOC, clarifies that the intent of the motion can be accomplished through the drafting of a letter from the Committee recommending this to the Board of Supervisors and Mayor.
 - Committee Member Jamalian motions for the drafting of a letter recommending that the Board of Supervisors and Mayor receive the presentation from the Controller’s Office, to be approved in the next meeting. The motion is seconded and passes unanimously with 8 yeas.

6 Review of Committee Bylaws

- Committee Members do not have any additional amendments to the draft bylaws.

- Members request update on filling of Seat 12. The Chair reports that this seat is filled and that the seat will be in attendance at the next meeting.
- No public comment
- Motion to approve the bylaws as amended and to adopt them as currently written in the following regular committee meeting. The motion is seconded.
- Motion is approved unanimously with 8 yeas

7 Proposed Future Agenda Items

- Committee member Bloch proposes that the OOC present their budget and what full-time or temporary positions they need to expedite permitting:
 - Marisa Rodriguez, director of the OOC clarifies that there is no available funding the hiring of additional positions. The OOC applied for a grant from the State for 1.3 million and 10% will be used for office needs and the rest will be for technical assistance for applicants- about \$5,000 per equity applicant.
- Members identify the following areas for possible discussion:
 - Incubators and funding for equity applicants prior to permitting
 - S-type licensing to get more equity applicants through the pipeline
 - Approaches to restorative justice to incorporate into equity program
- Members discuss the possibility of holding a Special Meeting in either February or April to focus on recommendations for Cannabis 3.0 legislation
 - Ray, OOC, reports that the latest updates from the Board Supervisors suggest that Cannabis 3.0 legislation will likely not be introduced until March. Once the draft legislation is introduced, it will likely initiate a 30-day period before a committee hearing can be scheduled, during which public comment can be heard. Thus, a special convening is not necessary in February as this topic can be addressed in the March meeting.
 - Committee members agree to hold the possibility for convening a special meeting in April if necessary
- Public Comment
 - Recommendation that regulations require arbitration clauses in ownership agreement contracts between equity applicants and general partners
 - Recommendation that all social equity owners as well as partners have credentials that allow for access to the California Track and Trace CCT system
 - Recommendation to increase industry education resources for equity applicants like Oaksterdam University in Oakland
 - Member from Success Centers speaks about programs that are working directly with equity applicants in San Francisco through scholarship programs, business workshops and private funding
- Motion to prioritize the following items for the Meeting #3 agenda:
 - Discuss solutions for reducing the queue (more funding for OOC, addressing incubators)
 - Update on Cannabis 3.0 legislation
 - Discuss mechanisms to increase access to capital and funding for equity applicants (i.e grants, investments)
 - Discuss restorative justice in regards to equity program
 - Vote to approve letter to Board of Supervisors and the Mayor

- Motion passes unanimously with 8 yeas

8 General Public Comment

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

- Request to increase the number of Committee meetings as currently there are only 5 meetings scheduled for this year
- Written question as to whether the OOC accepts volunteers to help expedite the application process

9 Adjournment

- Meeting is adjourned (4:05 P.M.)

DRAFT