

SAN FRANCISCO CANNABIS OVERSIGHT COMMITTEE

Notice of Hearing & Agenda

Meeting held via Webex

**November 17, 2021
1:00 PM-4:00 PM
Regular Meeting**

Committee Members:

Voting Members

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

Non-Voting Members

- Mohammed Malhi or rep. from SFPDH
- Capt. Brian Philpott or rep. from SFPD
- Jeff Buckley or rep. of DBI
- Michael Christensen or rep. of SF Planning
- Quarry Pak or rep. from SFUSD
- Dylan Rice or rep. of SF Entertainment Commission
- Lt. Rick Figari 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

Disability and language accommodations available upon request to: officeofcannabis@sfgov.org or 628-652-0420 at least 48 hours in advance, except for Monday meetings, for which the deadline is 4pm the previous Friday.

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(Chapter 67 of the San Francisco Administrative Code)

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Meeting Materials

Any materials distributed to the members of the Committee within 72 hours of the meeting or after the agenda packet has been delivered to the members are available for inspection at the Office of Cannabis, 49 South Van Ness, San Francisco, CA 94103, during regular office hours.

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The ringing or use of cell phones, pagers, and similar sound-producing electronic devices are prohibited at this meeting. The Chair may order the removal from the meeting room of any person responsible for any ringing or use of a cell phone, pager, or other similar sound-producing electronic device.

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Accessible Meeting Information

Committee hearings are currently being held remotely using the Microsoft WebEx meeting platform. The location is accessible to persons using wheelchairs and other assistive mobility devices.

Disability Accommodations: To request assistive listening devices, real time captioning, sign language interpreters, readers, large print agendas or other accommodations, please contact the Office of Cannabis at www.officeofcannabis.sfgov.org or 628-652-0420 at least 72 hours in advance of the hearing to help ensure availability.

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Allergies: In order to assist the City in accommodating persons with severe allergies, environmental illness, multiple chemical sensitivity or related disabilities, please refrain from wearing scented products (e.g. perfume and scented lotions) to Committee hearings.

SPANISH: Agenda para la Oficina de Cannabis. Si desea asistir a la audiencia, y quisiera obtener información en Español o solicitar un aparato para asistencia auditiva, llame al 628-652-0420. Por favor llame por lo menos 48 horas de anticipación a la audiencia.

CHINESE: 規劃委員會議程。聽證會上如需要語言協助或要求輔助設備，請致電415-554-4420 請在聽證會舉行之前的至少48個小時提出要求。

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.

RUSSIAN: Повестка дня Комиссии по планированию. За помощью переводчика или за вспомогательным слуховым устройством на время слушаний обращайтесь по номеру 628-652-0420. Запросы должны делаться минимум за 48 часов до начала слушания.

Regular Agenda:**1. Call to Order / Roll Call**

- On the call of roll, 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)
 - Nina Parks (v)
 - Brendan Hallinan (v)
 - Theresa Foglio-Ramirez (v)
 - Sara Payan (v)
 - Michael Christensen, SF Planning
 - Dylan Rice, SF Entertainment Commission
 - Lt. Rick Figari, SFFD
- The following Committee Members were not present:
 - Mohanned Malhi, SFPDH
 - Sgt. Chris Oshita, SFPD
 - Jeff Buckley, SFDBI
 - Quarry Pak, SFUSD
- A quorum is established

2. Review and Consideration of Regular Agenda

Committee members review, amend the meeting agenda as necessary and vote to approve agenda.

Discussion,
Action

- No public comment
- **Motion:** There is a motion to approve the meeting agenda
 - **Motion/Second:** Theresa Foglio-Ramirez/Doug Bloch | **Motion Approved**
 - **Ayes:** 8 | **Nays:** 0 | **Abstentions:** 1 | **Absent:** 0

3. Review and Adopt Resolution Making Findings to Allow Teleconferenced Meetings Under California Government Code Section 54953(e)

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.

Discussion,
Action

- No public comment
- The resolution must be adopted at each remote Committee meeting, however meetings will most likely resume to in-person.
- **Motion:** There is a motion to adopt the resolution as written
 - **Motion/Second:** Aaron Flynn/Theresa Foglio-Ramirez | **Motion Approved**
 - **Ayes:** 8 | **Nays:** 0 | **Abstentions:** 1 | **Absent:** 0

4. Review and Approve Minutes from Committee Meeting on October 6, 2021

Committee members review minutes from previous Committee meeting, amending as necessary, and vote to approve.

Discussion,
Action

- Although it is not required for members of an advisory board to file form 700 that discloses financial interest, members discuss the potential to voluntarily file to bolster transparency with the public. It was noted that members are transparent by recusing themselves when there is a potential conflict of interest (e.g. agenda item #5). Members note the need to review form 700 to ensure that business addresses are not disclosed to protect from potential burglary.
- Public comment
 - Charlie Papas appreciates that the minutes were attached to the agenda and that the agenda is clearly worded.
- **Motion:** There is motion to approve the minutes from Committee meeting held on October 6, 2021
 - **Motion/Second:** Theresa Foglio-Ramirez/Ali Jamalian | **Motion Approved**
 - **Ayes:** 9 | **Nays:** 0 | **Abstentions:** 0 | **Absent:** 0

5. Committee Discussion Regarding the Distribution of Grant Funding

Discussion,
Possible
Action

A representative from the San Francisco Human Rights Commission gives a presentation to provide a racial equity grounding for the Committee's discussion on the distribution of the next round of GoBiz grant funding ("Round 2"), and a representative from the Office of Cannabis presents data and threshold questions for the Committee to further incorporate and address in its discussion. The Committee discusses and votes on recommendations regarding a memorandum entitled, "Oversight Committee Agenda Item #5 Memorandum." This memorandum can be found in the packet of materials for this meeting.

- Chair Jamalian notes that the City Attorney confirmed that members cannot opt-out of grant money consideration and therefore need to recuse themselves if they are eligible.
- Chair Jamalian, Member Richards, Member Parks, and Member Hallinan recuse themselves for financial interests related to GoBiz grant.
- Member Foglio-Ramirez takes the role as Chair while Chair Jamalian is recused.
- Director Sheryl Davis from the San Francisco Human Rights Commission presents on the importance of a racial equity lens to this discussion as the Committee considers recommendations for the distribution of the second round of grant funding. The full presentation is available by accessing this link: <https://officeofcannabis.sfgov.org/node/2753>
- Director Davis recommends the following ABC framework for the Committee to consider when determining the criteria for grant eligibility:
 - A. Act with authenticity and transparency
 - B. Build relationships to build community
 - C. Center and define community
 - D. Design and define success
 - E. Expect to be accountable to all decisions
 - F. Follow-up and follow through with equity community
- Director Davis shares Office of Racial Equity (ORE) resources including evaluation and analysis tools. OOC to send ORE resources and OOC equity plan in next OOC communication.
- The OOC presents the following data and threshold questions for the Committee to incorporate and address in their discussion. The full presentation is available by accessing this link: <https://officeofcannabis.sfgov.org/node/2753>
 - The GoBiz Round 2 grant award is ~\$2.1 million dollars compared to ~\$5 million dollars in Round 1.

- ~\$1.6 million (80% of award) will be available for direct grants to equity applicants depending on the amount recommended for technical assistance (currently ~\$200k, 10% of award).
- Funds will be distributed to equity applicants early 2022 to October 31, 2022.
- **Given the significantly reduced amount of grant funding available in Round 2, does the Committee have a preference about the size of the grant awards that are issued?**
 - The OOC notes that, from past experience, as the number of awards increases, so does the possibility that funds may be unspent. Administrative oversight also increases, which may reduce the OOC's responsiveness to other grantees.
- **Who should be eligible for grant awards?**
 - The current universe, at its broadest, of eligible recipient groups includes:
 - Applicants associated with the ~142 active Article 16 applications submitted by verified equity applicants for cannabis business permits
 - 17 Article 16 permanent equity cannabis business permit holders (across 20 equity permits)
 - Lessons from Round 1 include:
 - Not all eligible grantees pursued their award
 - Grantees in later stages of the application process (e.g., build out, approved) were better able to spend down their award
 - A small number of grantees returned some of their advanced grant funds
- **A factor to consider in determining who should be prioritized is the stage of the application process a proposed or permitted Article 16 cannabis business is in:**
 - Current number of applicants in each stage:
 - Part 1 = ~22
 - Planning = ~72
 - Part 2/Buildout = ~29
 - Permitted = 17
 - Importantly, the OOC notes that all data being shared is subject to change depending on the point in time the data is captured. As the application process is not a static process, the same applies to the OOC's data (shared here and below).
- **Another factor to consider in determining who should be prioritized is ownership type:**
 - Current number of applicants by ownership type:
 - Sole proprietors = ~23
 - 51% or greater ownership interest = ~15
 - At least 40% ownership interest = ~54
- **Once a preferred group, or groups, is decided, should a) grantees be identified based on the size of the preferred group(s) at a particular point in time, or b) selected through a randomized lottery within the preferred group?**
- **Should Technical Assistance (TA) be made available?**

- In addition to Round 2 TA funding, there is currently TA opportunities from the Bar Association of San Francisco, Cannabis Law Committee and the Kumin Law Firm available for equity applicants for the foreseeable future.
 - Existing TA opportunities, outside of Go-Biz grant-funded TA opportunities, includes pro bono legal services from the Bar Association of San Francisco, and permit support, compliance and legal review services from the Kumin Law Firm.
 - It was clarified that both services are pro bono; the Bar Association of San Francisco can provide ~5-10 hours of services whereas the Kumin Law Firm's service frequency is dependent on current funds available in their contract.
- **If yes, what areas should be prioritized?**
 - Round 1 TA areas included permit and grant support, workforce development and business development
- Member Flynn notes that a possible oversaturation of the cannabis retail market will not set up new EA (equity applicants) for success and requests a break down of verified applicants by license type. The OOC notes that there is no permit-type requirement for grant distribution.
- Public Comment
 - A community member notes that operators have given direct feedback that technical assistance is helpful.
 - Charlie Papas commends the presentations and inquires how the grant eligibility would effect each of the members who recused themselves. He suggests that the OOC provides a brief overview of the top successful applicants in Round 1.

Committee Discussion:

- Member Bloch acknowledges that the Committee has relied on the perspectives of equity applicant Committee members for these discussions, however they are all currently recused. He requests a recommendation from the OOC as to the most effective strategy to advance equity applicants into the cannabis industry successfully.
 - The OOC notes that a smaller grantee pool can be more effective since the current State allocation of grant funding is more limited than during Round 1. A smaller grantee pool would mean fewer overall grant awards, but larger award sums for those grantees who are prioritized. The OOC also noted that the grantees during Round 1 that were most likely to have spent down their funds were in the build-out phase.
 - Acting Director of the OOC also notes that the availability of funding to grantees in the earlier stages of the application process can also enable them to reach the later stages of the build-out stage of the process.
- The OOC presents data on the costs of associated with cannabis businesses. The full presentation is here under Agenda Item #6:
<https://officeofcannabis.sfgov.org/node/2753>
- Members agree that a smaller grantee pool will allow funds to have more of an impact per project.
- Member McGilley requests the number of equity applicants in stage 2 (e.g. build out, approved) since that appears to be the cohort that was most successful in spending down grant funds.

- There are ~29 applicants in the build-out phase. Of these 29 applicants, 12 are sole proprietors or have 51% ownership or greater.
- The award would be ~\$137.5k for these 12 applicants. Member Bloch acknowledges the injustice that the award for victims of the War on Drugs is ~\$137.5k compared to Amazon's recent tax break of ~\$137 million.
- It was clarified that equity applicants can sell their business after 5 years from the date of application submission with equity commitments from the buyer per the Mayor's Ordinance.
- Member Flynn notes that it would be problematic if grant funds are prioritized in such a way that they are directed to equity applicants who use them to pay rent to keep their applications afloat in the moment but are not in the financial positions to ultimately complete the permitting process. In other words, Member Flynn cautions against making recommendations that would ultimately benefit building landlords without also resulting in successfully permitted cannabis businesses.
- There are ~27 applicants who are sole proprietors or have 51% ownership or greater who have been referred to planning and represent a mix of applications for cannabis storefront retail and non-storefront retail activity permits. A separate ~12 are in the build out phase.
 - Member Flynn notes that cultivation and manufacturing is often more expensive to get started than retail and this may affect equity. The OOC notes that of the equity applicants that are sole proprietors or have 51% ownership or greater, approximately half are retail while the remaining are non-retail with cultivation being the most, followed by distribution and manufacturing. However, this information does not distinguish by where these applicants are in the permitting process.
 - OOC further noted that approximately 2/3rds (low 20s) of the groups mentioned above have been referred to Planning (including build out and approved permit holders). This figure excludes 40% equity owner applicants.
 - The OOC notes that this cohort is subject to change.
- It was clarified that during Round 1, eligible grantees were identified at a particular point in time.
 - In order to notify and support potentially eligible grantees for Round 2, the OOC recommends a one-month period to determine the eligible grantee pool.
- **Motion:** There is a motion to allocate the second round of equity grant funding (Round 2 GoBiz) to sole proprietors and 51% and greater owner equity applicants [and permit holders] that have been referred to the Planning Department. This would include any applicant that meets these categories between the date, November 17, 2021, and December 17, 2021, including those that have been permitted.
 - **Motion/Second:** Aaron Flynn/Sara Payan | **Motion Approved**
 - **Ayes:** 5 | **Nays:** 0 | **Abstentions:** 0 | **Absent:** 4
- The OOC notes that there are over 400 equity applicants that could benefit from TA resources. Committee also notes that supporting organizations that provide TA and serve community is also beneficial.
- Member Flynn notes his TA priorities as direct assistance and grant processing as applicants need to be permitted before professional development TA is useful.
- It was noted that TA providers will be selected by an independent review committee like Round 1.

- **Motion:** There is a motion to provide TA grant awards and in ranking order to prioritize permit support, grant process support, and professional development.
 - **Motion/Second:** Aaron Flynn/Doug Bloch | **Motion Approved**
 - **Ayes:** 5 | **Nays:** 0 | **Abstentions:** 0 | **Absent:** 4
- The following public comments were submitted after the Public Comment portion of Agenda Item #5 was closed and therefore was not incorporated into the meeting.
 - A TA provider notes that in Round 1 applicants had expenses to spend the grant funds on, but did not have enough funds to pay for those expenses in advance and then seek reimbursement from the OOC.
 - A community member inquires if there is a plan to use analytics and metrics for each business to determine what is needed to launch their business successfully.
 - An equity applicant expresses disapproval of Committee members who do not own cannabis businesses making grant distribution decisions. They note that Round 1 grant mistakes were due to not asking equity applicants what they need.
 - An equity applicant had to return funds in Round 1 designated for license application and fees due to delays. They note that they only received a fraction of the funds due to the strict categories for where funds can be spent. They note that less money will be unspent in Round 2 now that marketing is an eligible category.
 - An equity applicant notes that Round 2 funds should be split among eligible operators and current applicants in stage 2 to avoid administrative bottlenecks. They note that many equity applicants in Round 1 did not get what was needed to clear major financial barriers.
 - An equity applicant notes that TA is greatly appreciated, but the money is best served when granted to equity partners especially since funds are limited compared to Round 1.

6. Overview of Cannabis Industry Presentation Part 1

Discussion

The Office of Cannabis provides the first portion of a two-part presentation on the state of the cannabis industry in 2020.

- The OOC presents a data overview of permitting statistics, timeframe, costs and business operations in 2020. The full presentation is available by accessing this link: <https://officeofcannabis.sfgov.org/node/2753>
- Chair Jamalian notes that the architecture and contracting expenses seems low and inquires if it includes all contracting services or only design. The OOC notes that this expense is variable depending on the size of the business.
- Public Comment
 - A community member with cannabis felonies inquires why she does not qualify as an equity applicant due to her military compensation income. She has unsuccessfully attempted to contact the OOC directly.
 - Charlie Papas commends the meeting discussion and data presentation. He encourages the previous community member to contact him about her equity application issues by getting his information from the OOC.

7. General Public Comment

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

- No public comment

8. Adjournment

- The chair adjourns the meeting at 4:30 PM