

Equity Commitments and Ownership Transfer

Cannabis Oversight Committee 04/27/2022



Objective

- Review the details of Article 16, section 1608, available [here](#) and in the Appendix A of this presentation
- Discuss factors that should influence the implementation of this legislation

Summary of Legislation

1. Permittees must **apply for a permit amendment** from the OOC to reduce the ownership interest of an equity applicant in a business (or for a material change in the degree of the Equity Applicant's participation in the Business)
2. If the combined ownership interest in the business by all verified Equity Applicants is amended to **less than 20%**, that Cannabis Business must take action to **support the City's equity goals**, on an ongoing basis through the life of the Cannabis Business Permit
3. Amendments shall include a detailed written description of the proposed equity actions, the dates by which the Cannabis Business will take the actions, an estimated dollar value for each action, and the dollar amount of gross sales of cannabis by the Cannabis Business during the most recently completed fiscal year

Specified Actions

1. **Annual contributions** of cash, in-kind goods, services, and/or technical assistance **equivalent to 1% of the gross sales of cannabis** by the Cannabis Business to one or more community organizations that serve equity goals Training, mentorship, and employment opportunities to equity applicants
2. Providing **training, mentorship, and employment opportunities** to workers who are eligible to be certified as equity applicants
3. Providing **financial support, technical assistance, rent-free commercial space,** and/or other support to one or more Equity Operators or Equity Applicants
4. Ensuring that a substantial portion of **Cannabis-related products** promoted and/or sold by the Cannabis Business are **sourced from Equity Applicants** that have been awarded Cannabis Business Permits or verified as the local equivalent of Equity Applicants outside of San Francisco

NB: Business cannot provide assistance to organizations or businesses in which they have ownership or other financial interest

Appendix A: Full Legislation

(9) Notwithstanding any other provision of this subsection (c), a Permittee must obtain a permit amendment if a change in ownership results in a decrease in an Equity Applicant's ownership interest, as defined in Section 1604(b), in the Cannabis Business, a change in the Equity Applicant's role as Chief Executive Officer or member of the Board of Directors, or a material change in the degree of the Equity Applicant's participation in the direction, control, or management of the Cannabis Business. Applications for a permit amendment in accordance with this subsection (c)(9) must include the terms of the change in ownership. The Director shall require, as a condition of granting a permit amendment under this subsection where the combined ownership interest in the Cannabis Business by all verified Equity Applicants following the amendment would total less than 20%, that the Cannabis Business commit to take one or more specific actions to support the City's equity goals as described in Section 1604(a) on an ongoing basis through the life of the Cannabis Business Permit. Applications for such a permit amendment shall include a detailed written description of the proposed equity action(s), the dates by which the Cannabis Business will take the action(s), an estimated dollar value for each action, and the dollar amount of gross sales of cannabis by the Cannabis Business during the most recently completed fiscal year. The Director shall not approve such permit amendment unless the Director finds that that proposed action(s) represent a substantial commitment to equity by the Cannabis Business for the life of the Cannabis Business Permit, taking into consideration the dollar amount of gross sales of cannabis by the Cannabis Business during the most recently completed fiscal year, and the Director's assessment of the likely impact of the proposed action(s) in support of the City's equity goals. In approving such permit amendment, the Director shall include as conditions of the amended permit specified equity action(s), and a further requirement that the Cannabis Business provide annual reports to the Director on or before February 1 of each year for the life of the Cannabis Business Permit, documenting the Cannabis Business's action(s) taken during the prior calendar year to satisfy all permit conditions. Actions a Cannabis Business may propose in its permit application to satisfy the equity commitment required upon a reduction in the combined ownership interest in the Cannabis Business by all verified Equity Applicants below 20% include but are not limited to the following:

(A) Contributing, on an annual basis, an amount of cash, in-kind goods, services, and/or technical assistance equivalent to 1% of the gross sales of cannabis by the Cannabis Business during the most recently completed fiscal year prior to the submission of the application for permit amendment to one or more community organizations that serve equity goals, as described in Section 1604(a), and in which the Cannabis Business has no ownership or other financial interest;

(B) Providing training, mentorship, and employment opportunities to workers who meet at least three of the criteria set forth in Section 1604(b)(4);

(C) Ensuring that a substantial portion of Cannabis-related products promoted and/or sold by the Cannabis Business are sourced from businesses that are one of the following: (i) Equity Applicants that have been awarded Cannabis Business Permits (“Equity Operators”); or (ii) Cannabis Businesses that have been verified as the local equivalent of Equity Applicants or Equity Operators in jurisdictions outside San Francisco with a local equity program, as defined in Section 26240(e) of the California Business and Professions Code, as may be amended from time to time;

(D) Providing financial support, technical assistance, rent-free commercial space, and/or other support to one or more Equity Operators or Equity Applicants in which, or in whose Cannabis Businesses, no Owner of the Cannabis Business seeking a permit amendment has any ownership interest or other financial interest.