

OOO Response to Comments on 1608(c)(9) Equity Commitment Required for Ownership Transfer –
Temporary Regulation

Regulation Section	Summary of 7-Day Comments	OOO Response
General Comment	The commenter questions why “there are so many controls and restrictions put on how a cannabis business can operate that no other type of business in SF has to wrestle with...What other businesses have to pay a gross receipts tax of 1% or 2% or 5%? The rulemaking that is being proposed for Section 1608 only adds more hurdles, more restrictions, more expense and more special treatment for cannabis businesses that only make it markedly more difficult to stay in business.”	Duly noted and recorded; see removal of “Substantial Commitment” section from the original proposed regulation titled, "Equity Commitments Original for Public Comment"
“Substantial Commitments”	The commenter opines that in “the recent Article 16 amendment, 1% of gross receipts was presented as a suggestion, not a hard number. The amendment allows for discretion, which we hope would take into account the current state of the industry and the desire of SEA’s to maximize the value of their assets. If the OOC insists on using a gross receipts yardstick to measure these commitments, we suggest lowering the number to something more reasonable. We suggest 0.5%.”	Adopted; eg. removal of “Substantial Commitment” section from the original proposed regulation titled, "Equity Commitments Original for Public Comment"
“Substantial Commitments”	The commenter notes that equity Owners “can sell their equity without additional financial burdens on their businesses as long as their equity ownership does not fall below 20%. Since dropping below 20% equity ownership creates a significant additional cost for the business (1-2% of gross), the OOC has effectively devalued every VEAs personal equity.”	Duly noted and recorded; see removal of “Substantial Commitment” section from the original proposed regulation titled, "Equity Commitments Original for Public Comment"
“Preferred Eligible Community Organizations”	The commenter suggests allowing “donations to any community organization that is a qualified 501(c)3, or has a minimum two-year track record of working with underserved communities in San Francisco or the Bay Area.”	Adopted; see modification of “Eligible Community Organizations” section of document titled "Equity Commitments Original for Public Comment"
“Contribution Values”	Commenter suggests changing the word “workers” to “persons.” Additionally, asking why a person has “to be employed to receive training,	Duly noted and recorded.

	mentorship etc.? Clarify that VEA CEO and VEA employee wages count toward contribution values.”	
Subsequent Annual Reporting Obligation	Commenter suggest that “if a Cannabis business does not have a full year of data, e.g. it has only been open for 3 months, it should be allowed to annualize the available data, e.g. take one quarter of data and multiply by four, in order to estimate the annual gross sales for the purposes of establishing the value of its substantial commitment”	Duly noted and recorded.
General Comment	The commenter warns that this regulation is poorly timed when “the cannabis retailer market in SF is already saturated with retail storefronts with more than 130+ applications for new stores pending and applications are still being processed. [He doesn’t] see how most of the existing storefronts or future storefronts can stay in business with so much competition.”	Duly noted and recorded.
General Comment	Comment asks why the regulation took this “long to develop.” The Board passed this legislation almost exactly a year ago and the Mayor signed it shortly thereafter. Why did the OoC need a full year to write a couple hundred words interpreting legislation that was already very clear? This isn’t just bureaucratic delay.”	Duly noted and recorded.
General Comment	The commenter suggests “evaluating every written plan that accompanies a request for a permit amendment based on the merits of the plan itself, not on its correlation to gross receipts.”	Duly noted and recorded.
General Comment	Commenter expresses concern “about creating different classes of cannabis businesses. All of a sudden, a social equity applicant with an ownership interest of at least 40% in the corporate applicant, and who is also the CEO isn't a social equity applicant? This will be unwelcomed news to the impacted VEAs.”	Duly noted and recorded.