

Reporting Requirements

Initial Application

Section 1608(c)(9) of the Police Code includes the following requirements:

...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.

As a condition of granting a permit amendment where the combined ownership interest in the Cannabis Business by all verified Equity Applicants following the amendment would total less than 20%, the business must submit a written description of the action(s) that will be taken to meet the requirement of 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.” The plan must 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
- Contractual agreements, if applicable, including, but not limited to: services provided and value of those services
- The dollar amount of gross sales of cannabis by the Cannabis Business during the most recently completed fiscal year. Any of the following documentation must be submitted with the plan to validate the provided dollar amount: IRS tax return and/or certified Profit and Loss statements

If, at any time, the Office of Cannabis determines that additional information is required as a part of the permit amendment review, the Office of Cannabis will notify the applicant in writing and the applicant shall supply the requested information or documentation within the stated timeframe.

Definition of a Substantial Commitment

Under section 1608(c)(9) of the Police Code, a Cannabis Business may meet the requirement to provide a “substantial commitment” to equity through one or more possible categories of actions. In order for the Director to determine that that proposed action(s) represent a substantial commitment to equity, each plan must meet the following value thresholds:

- a. If the combined ownership interest in the Cannabis Business by all verified Equity Applicants would fall between 15-20%, the dollar value of the actions in the report must total at least 1% of the dollar amount of the gross sales of cannabis by the Cannabis Business in the most recently completed fiscal year prior to the submission of the application for permit amendment.
- b. If the combined ownership interest in the Cannabis Business by all verified Equity Applicants would be less than 15%, the dollar value of the actions in the report must be equal to at least 2% of the dollar amount of the gross sales of business in the most recently completed fiscal year.

Eligible Community Organizations under Police Code Section 1608(c)(9)(A)

To the extent a Cannabis Business proposes a contribution to one or more community organizations, under Section 1608(c)(9)(A), as some or all of its required “substantial commitment” to equity, eligible community organizations currently include Technical Assistance (“TA”) providers who have, are in the process of applying for, and/or may receive future TA grant awards, and those that are partnering or have partnered with the OOC that are not recipients of TA grants but provide TA services to social equity applicants. The Director may in future determine that additional categories of organizations are eligible recipients.

Contribution Values

As for specific terms referenced in Section 1608(c)(9)(B)-(D) of Article 16, the Office of Cannabis defines the value of the activities outlined below as follows:

Activity	Provided to	Value
Technical assistance	community organizations that serve equity goals	Up to \$300 per hour of assistance
	Verified Equity applicants (no self-dealing)	Up to \$300 per hour of assistance
	Equity Operator (no self-dealing)	Up to \$300 per hour of assistance
Training	workers who meet at least three of the criteria set forth in Section 1604(b)(4)	Up to \$75 per hour of training
Mentorship	workers who meet at least three of the criteria set forth in Section 1604(b)(4)	Up to \$200 per hour of mentorship
Employment opportunities	workers who meet at least three of the criteria set forth in Section 1604(b)(4)	Actual wages paid
Rent-free commercial space	One or more Equity Operators or Equity Applicants	Market value

Sale of Equity Product under Police Code Section 1608(c)(9)(C)

To the extent a Cannabis Business proposes promoting and/or selling Cannabis-related products from eligible businesses under Section 1608(c)(9)(C), it must provide invoices for Cannabis-related products from eligible businesses promoted and/or sold by the Cannabis Business, photo documentation of where these products are promoted and/or sold within the business, and the Metrc cannabis transportation manifest for each product.

Eligible businesses that a Cannabis Business can source from are one of the following:

- a) Equity Applicants that have been awarded Cannabis Business Permits (“Equity Operators”);
 - a. Specifically, equity applicant(s) who own at least 51% of a Cannabis Business.
- b) 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.

Approved Permit Amendment Request

In approving a permit amendment, the Director shall include as conditions of the amended permit the specified equity action(s) proposed by the Cannabis Business and approved by the Director.

Subsequent Annual Reporting Obligation

The Director further requires 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.

If the final report is not to the Director's satisfaction, the Cannabis business's permit may be suspended until the report is.

The annual report must include:

- A detailed written description of the proposed equity action
- The date when the Cannabis Business took the action
- An estimated dollar value for each action (see guidelines in this bulletin for the value of each action that can be claimed)
- The dollar amount of gross sales of cannabis by the Cannabis Business during the most recently completed fiscal year, as submitted to the IRS

Supporting documentation to show the Cannabis Business's actions taken during the prior calendar year to satisfy all permit conditions may include, but is not limited to:

Activity	Provided to	Example of Supporting Doc
Technical assistance	community organizations that serve equity goals	Invoice and Summary including: date, staff, description including organization or individuals served, rate, hours, amount. Letters from TA recipients detailing the assistance and value of the services provided. Event marketing materials/flyers
	Verified Equity applicants (no self-dealing)	
	Equity Operator (no self-dealing)	
Training	workers who meet at least three of the criteria set forth in Section 1604(b)(4)	Invoice and Summary including: date, staff, description including equity applicant served, rate, hours, amount

		<p>Letters from training recipients detailing the assistance and value of the services provided.</p> <p>Event marketing materials/flyers</p>
Mentorship	workers who meet at least three of the criteria set forth in Section 1604(b)(4)	<p>Invoice and Summary including: date, staff, description including organization or individuals served, rate, hours, amount.</p> <p>Letters from mentorship recipients detailing the assistance and value of the services provided.</p> <p>Event marketing materials/flyers</p>
Employment opportunities	workers who meet at least three of the criteria set forth in Section 1604(b)(4)	Pay stubs, job posting, personnel records
Rent-free commercial space	One or more Equity Operators or Equity Applicants	Market value as evidenced by tech platforms such as Zillow or formal appraisals