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San Francisco Police Code

SEC. 1604. EQUITY PROGRAM.

(a) The Director, in consultation with the Human Rights Commission, shall implement an Equity Program designed to foster equitable access to participation in the cannabis industry, including equitable access to promotional and ownership opportunities in the industry. The Equity Program shall provide assistance to communities unfairly burdened by the War on Drugs, and shall be designed to ensure full and equal access to resources and opportunities made available as a result of Proposition 64. In particular, the Cannabis Equity Program shall provide support to individuals who have experienced social indicators that exacerbate inequities, and shall create strategies to uplift communities where those inequities have been concentrated.

(b) **Equity Applicants.** The Equity Program shall offer priority permit processing, as provided in Section 1606, to an individual who meets the following Equity Criteria (“Equity Applicant”):

(1) Is a natural person;

(2) At the time of application, has assets, excluding non-liquid assets and retirement accounts, that do not exceed asset limits established by the Director;

(3) Submits an application for a Cannabis Business Permit in any of the following capacities:

(A) As the sole owner/operator of the Applicant;

(B) As an individual with an ownership interest of at least 40% in the corporate Applicant, and who is also the Chief Executive Officer of the corporate Applicant;

(C) As an individual with an ownership interest of at least 51% in the corporate Applicant;

(D) As the Executive Director or member of the board of directors of a not-for-profit Applicant where a majority of the members of the board of directors satisfy the requirements of subsections (b)(2) and (4) of this Section 1604; or

(E) As an individual with a membership interest in an Applicant formed as a cooperative; and

(4) Meets three or more of the following additional criteria:

(A) At the time of application, is a member of a household that earns no more than 80% of the San Francisco Area Median Income, adjusted for household size;

(B) During the period 1971-2016, was arrested for, convicted of, or adjudged to be a ward of the juvenile court for any crime under the laws of California or any other jurisdiction relating to the sale, possession, use, manufacture, or cultivation of Cannabis;

(C) After 1995, either lost housing in San Francisco, as evidenced by eviction, foreclosure, or revocation of housing subsidy; resided in permanent supportive housing, as defined in Administrative Code Section 20.54.2, in San Francisco; stayed overnight at a

Navigation Center, as described in Administrative Code Chapter 106, in San Francisco, for 90 non-consecutive days; stayed overnight at a Shelter, as defined in Administrative Code Section 20.41, in San Francisco, for 90 non-consecutive days; or resided in a City-funded Single Room Occupancy building;

(D) Has a parent, sibling, or child who, during the period 1971-2016, was arrested for, convicted of, or adjudged to be a ward of the juvenile court for any crime under the laws of California or any other jurisdiction relating to the sale, possession, use, manufacture, or cultivation of Cannabis;

(E) Attended a school under the jurisdiction of the San Francisco Unified School District for five years, either consecutively or in total, during the period 1971-2016; or

(F) During the period 1971-2016, lived for at least five years, either consecutively or in total, in San Francisco census tracts where at least 17% of the households had incomes at or below the federal poverty level, as determined by the Director.

For purposes of Section 1604(b)(3), an “ownership interest” in the corporate Applicant shall include a right, proportionate to the interest held, to share in the business’s profits, including dividends, distributions, or other payments; a right, proportionate to the interest held, to the proceeds of a sale of the business’s assets, liquidation of the business, merger of the business into another business, or another transaction that would signify the end of the original business; and a right, proportionate to the interest held, to vote on fundamental decisions relating to the business.

(c) **Equity Incubators.** The Equity Program shall offer priority permit processing, as provided in Section 1606, to Equity Incubators. For purposes of this Article 16, an Equity Incubator is an Applicant that does not qualify as an Equity Applicant, but that submits with its Cannabis Business Permit application a Cannabis Equity Incubator Agreement in which it identifies no less than one Equity Operator; agrees to provide any identified Equity Operator commercial space and security resources or, in either or both cases, the fair market value of same; and commits to comply with the following additional operating requirements during its first three years in operation as a Cannabis Business:

(1) Ensure that at least 30% of all Business Work Hours are performed by Local Residents. Business Work Hours performed by residents of states other than California shall not be considered in calculation of the number of Business Work Hours to which this requirement applies;

(2) Ensure that at least 50% of the Equity Incubator’s employees satisfy the requirements of subsection (b)(4) of this Section 1604;

(3) Provide a community investment plan demonstrating engagement with businesses and residents located within 500 feet of the site of the proposed Cannabis Business;

(4) Provide the Equity Operator, directly or indirectly, with community outreach services, security services for the Equity Operator’s Premises, and any support necessary for the Equity Operator to comply with the Good Neighbor Policy required in Section 1609(b)(19); and

(5) Comply with one of the following additional operating requirements:

(A) Submit to the Director for review and approval a written, actionable “Equity Incubator Plan” describing how the Equity Incubator will encourage and support the establishment and growth of Equity Applicants who have been awarded Cannabis Business

Permits (“Equity Operators”), including but not limited to any Equity Operator identified in the Equity Incubator Plan, by, among other things, providing business plan guidance, operations consulting, personnel, or and¹ technical assistance. The services listed in the Equity Incubator Plan must be enumerated, and include an estimated dollar value of those services. The aggregate dollar value of the services must equal or exceed the sum of (i) 10% of the rent for, or, if the Equity Incubator owns the Equity Incubator’s Premises, 10% of the rental market value of, the Equity Incubator’s Premises, and (ii) the annual total costs of security services at the Equity Incubator’s premises. On or before March 1 of each year, the Equity Incubator shall submit to the Director an annual report covering the prior calendar year, signed by both the Equity Incubator and the Equity Operator, describing the services provided under this subsection (c)(5) (A); or

(B) Provide an Equity Operator with rent-free commercial space owned or leased by the Equity Incubator either adjacent to the Equity Incubator’s Premises or off-site, in which the Equity Operator conducts its Cannabis Business. If such rent-free commercial space is provided off-site, the Equity Incubator must provide the greater of 800 square feet or the equivalent of at least 10% of the square footage of the Equity Incubator’s Premises. If such rent-free commercial space is provided adjacent to the Equity Incubator’s Premises, the Equity Incubator must provide either 800 square feet or the equivalent of at least 10% of the square footage of the Equity Incubator’s Premises.

(Added by Ord. [230-17](#), File No. 171042, App. 12/6/2017, Eff. 1/5/2018; amended by Ord. [302-18](#), File No. 180912, App. 12/21/2018, Eff. 1/21/2019)

CODIFICATION NOTE

1. So in Ord. [302-18](#).