

San Francisco Office of Cannabis

Annual COC Report – Part 2
01/17/2024



Presentation Agenda: Part 2

- Cannabis Expungements in 2022
- Cost to Get Permitted in 2022
- Revenue & Sales Tax in 2022
- 2022 Cannabis Operator Survey
 - Total Number of Employees
 - Pay and Benefits
 - Employees by Race and Gender



Expungement

Clearing and Reclassifying Cannabis Charges

Cannabis Convictions in 2022

- In February 2019, the San Francisco DA's Office **expunged a total of 9,363 cannabis-related convictions dating back to 1975**
 - This represented “all the eligible convictions in the database going back to 1975”
 - This expungement represented an innovative combination of labor and technology which set the standard for state- and nation-wide expungements
 - In San Francisco, approximately 33% of all dismissed convictions involved African American people, and 27% involved Latinx people
- **For more information, please refer to the [District Attorney's July 10 2020 Press Release](#)**

Expungements in the Future

- **If a member of the public believes his/her prior cannabis conviction should be dismissed or reclassified, please contact the San Francisco's District Attorney's Office:**
 - By phone (628) 652 - 4000
- In the past, callers have had to provide their name and date of birth before any information can be provided

Permitting Cost

Application Expenses in 2022

Operator Survey: Permitting Costs

- The information relating to the cost to receive a permit represents **approximations submitted by operators**
 - This information was gathered through a small survey, conducted by the Office of Cannabis, involving **operators who received a business permit in 2022**
 - These businesses were divided into three categories:
 - Small (2): 1 – 4 Employees
 - Medium (5): 5 – 9 Employees
 - Large (3): 10+ Employees
 - **This data has been anonymized for operator privacy**

Permitting Cost Survey: Limitations

- This survey is limited by multiple factors, including:
 - **Scope:** The survey only captures those businesses that received a permit in 2022
 - **Self-reported:** The data was submitted by operators directly, which may introduce errors
 - **Variable licenses:** Businesses pursuing different licenses will accrue different costs during the permitting process. However, this survey was able to gather data on at least 1 of each permit type (except Testing and Nursery)
 - **Variable locations:** Different locations will require different rent, zoning regulations, and additional costs
 - **Historical permitting time:** Many of the costs accrued will be from the years leading up to 2022. Delays in permit issuance have compounding effects on start-up costs

Permitting Cost Survey: Permit Types

- Storefront Retail
- Cultivation
- Manufacturing
- Distribution
- Microbusiness
- Delivery-Only Retail
 - Not Included: Testing, Nursery

Permitting Cost Survey: Expense Categories

- (1) Application and/or Process Fees
- (2) Local Permit-Related Services
- (3) Fees Related to Establishing a Business
- (4) Costs Related to the State License Application
- (5) Security Services
- (6) Catch-All

Category 1: Application and/or Process Fees

Application and/or Process Fees	Businesses Issued Permits in 2022 Self-Reported Expenses (Averaged)
Office of Cannabis	\$3,850
Department of Building Inspections	\$5,502
Planning Department	\$6,970
San Francisco Police Department	\$138
San Francisco Fire Department	\$72
Assessor-Recorder's Office	\$324
Any Other City Departments	\$2,120
TOTAL:	~\$18,978

Category 2: Local Permit-Related Services

Local Permit-Related Services	Businesses Issued Permits in 2022 Self-Reported Expenses (Averaged)
Architecture Fees	\$26,489
Contracting Fees	\$214,000
Community Outreach Fees	\$2,925
TOTAL:	~\$243,414

Category 3: Fees Related to Establishing a Business

Fees Related to Establishing a Business	Businesses Issued Permits in 2022 Self-Reported Expenses (Averaged)
Rent	\$96,026
Business Entity Formation	\$2,975
State and Local Business Registration	\$1,738
TOTAL:	~\$100,739

Category 4: Costs Related to the State License Application

Costs Related to the State License Application	Businesses Issued Permits in 2022 Self-Reported Expenses (Averaged)
Insurance	\$7,906
Surety Bond	\$240
Application Fee	\$4,000
TOTAL:	~\$12,146

Category 5: Security Services

Security Services	Businesses Issued Permits in 2022 Self-Reported Expenses (Averaged)
Security Personnel (In-House/Contracting Out)	\$23,192
Surveillance System and Service	\$14,820
Alarm System and Service	\$3,315
TOTAL:	~\$41,327

Category 6: Catch-All

Catch-All	Businesses Issued Permits in 2022 Self-Reported Expenses (Averaged)
TOTAL:	~\$13,000

- Examples of “Catch-All” Expenses:
 - Bank Fees
 - Attorney Fees
 - Supplies and Equipment
 - Expeditor Fees
 - Employee Training
 - Structural Engineer

All Categories: Operator Submission Ranges

Spending Category	Businesses Issued Permits in 2022 Self-Reported Expenses (Averaged)
Category 1: Application and/or Process Fees	\$917 - \$82,500
Category 2: Local Permit-Related Services	\$4,400 - \$1,047,000
Category 3: Fees Related to Establishing a Business	\$25,400 - \$306,000
Category 4: Costs Related to the State License Application	\$1250 - \$22,000
Category 5: Security Services	\$1717 - \$124,000
Category 6: Catch-All	\$0 - \$60,475
TOTAL:	\$41,667 - \$2,001,499

Permitting Cost Survey: Largest Expenses

- On average, from application submission to permit issuance, **the largest fee categories were “Contracting Fees” and “Rent”**
- Small businesses and large business reported their largest expense category as “Contracting Fees”
 - Highest reported contracting fee (small business) → \$180,000
 - Highest reported contracting fee (large business) → \$1,000,000
- Medium sized businesses reported “Rent” as their highest expense category
 - Highest reported rent (medium business) → \$100,000

Permitting Cost Survey: City-Based Expenses

- **Operators reported an average of \$3,850 spent on Office of Cannabis fees**
 - This compares to an average of \$15,628 spent across other City Departments
 - **Note on data accuracy:**
 - Operators reported anywhere from \$0 to \$14,500 in Office of Cannabis fees
 - Those reporting \$0 were Verified Equity Applicants, who receive a waiver for Office of Cannabis permitting fees during the application process and for their first year in operation
 - It is unclear what fees operators may be referring to when reporting above \$5000 in Office of Cannabis fees, as that is cost of a cannabis business permit

Revenue & Sales Tax

Cannabis Tax Revenue in 2022



2022 Revenue & Sales Tax: Additional Context

- It is extremely difficult (if not impossible) to calculate the total revenue across all cannabis businesses in San Francisco
 - Would require direct revenue information be submitted by all businesses
- We have calculated an estimate of total revenue based on sales tax information (Bradley Burns 1% sales tax)
 - Definitions:
 - Total Revenue → The total amount brought into a business **before** any expenses are considered
 - Sales Tax → The local county tax of 1% which is paid by the business to the City

Total Revenue Generated by Permitted Cannabis Businesses in 2022

~\$258,463,300

2022 Revenue & Sales Tax: Limitations

- Data was provided by the Office of the Controller
 - The Office is limited in what they can provide by law
 - Sales tax data is self-reported (does not include businesses that do not self-report)
- Includes data from ~127 businesses
 - Some businesses operated for variable lengths of time
 - Some of the businesses may not have been in operation despite holding permits
- Number is an approximation, not an exact figure
- Larger businesses may cause a skew, meaning that revenue will not be evenly distributed across all businesses
 - Revenue will also vary widely by permit type; supply-side businesses usually generate less

BREAK



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Office of Cannabis
City and County of San Francisco
49 South Van Ness Suite 660, San Francisco, CA 94105
☎ (628) 652 - 0420
🌐 [officeofcannabis.sfgov.org](https://sf.gov/departments/office-cannabis)
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Employees & Wages

Operator Submitted Survey



Operator Survey

Entry-level Employee Information

A. Entry-Level Employees

The next set of questions ask about entry-level positions within your business. Entry-level positions refer to roles that require minimal education qualifications or previous job experience. Examples of entry-level positions include, but are not limited to:

- Budtender
- Cashier
- Receptionist/Front Desk Associate
- Delivery Driver
- Cannabis Flower Trimmer
- Greeter
- Packager
- Safety host/security guard
- Custodial staff
- Production/processing staff
- Cannabis Consultant

Note: If based on their duties an employee falls into more than one employment category (entry-level, operator, level, or executive-level) individual in more than one employment category.

For example: A **Manager** at your business who works onsite and sometimes runs the register (or takes on other "entry-level" tasks) an "Entry-Level Employee."

6. How many entry-level employees does your cannabis business currently employ? Please note that your responses to this question will be used to calculate the average hourly wage of entry-level employees.

Number of

Full-Time (defined as working a minimum of 40 hours per week)

Part-Time (defined as working less than 40 hours per week)

7. What is the average hourly wage of a full-time entry-level employee working for your business? Please note that your responses to this question will be used to calculate the average hourly wage of full-time employees.

- ☐ Minimum wage (\$15-\$16.99 per hour)
- ☐ \$17-\$20.99 per hour
- ☐ \$21-\$24.99 per hour
- ☐ \$25-\$29.99 per hour
- ☐ Above \$30 per hour

8. What is the average hourly wage of a part-time entry-level employee working for your business? Please note that your responses to this question will be used to calculate the average hourly wage of part-time employees.

- ☐ Minimum wage (\$15-\$16.99 per hour)
- ☐ \$17-\$20.99 per hour
- ☐ \$21-\$24.99 per hour
- ☐ \$25-\$29.99 per hour
- ☐ Above \$30 per hour

Cannabis Business and Permitting Information

The following several questions focus on general information about your cannabis business.

1. What is the name of your cannabis business? (This information is only needed to verify your participation and will not be used in relation to your other responses.)

2. Please provide the address of your business: (This information is only needed to verify your participation and will not be used in relation to your other responses.)

Street Address Line 1

Address Line 2

Zip

3. What type of cannabis business permit are you operating your business under?

- ☐ Permanent Cannabis Business Permit (Article 16)
- ☐ Temporary Cannabis Business Permit (Article 16)
- ☐ Medical Cannabis Dispensary Permit (Article 33)

4. How long has your cannabis business been in operation? ("Operation" is defined as engaging in operation does not include merely holding a permit without engaging in commercial transactions for the purpose of generating revenue.)

- ☐ Less than 1 month
- ☐ 1 to 3 months
- ☐ 3 to 6 months
- ☐ 6 to 9 months
- ☐ 9-12 months
- ☐ 12-18 months
- ☐ 18-24 months
- ☐ 24+ months



2023 SF Office of Cannabis Business Operator Survey

Background and Information

As a cannabis business operator and/or owner in San Francisco, the San Francisco Office of Cannabis invites you to take this survey.

What is this survey for?

The San Francisco Office of Cannabis (OOC), in partnership with RDA Consulting, is conducting the annual cannabis industry survey. The OOC is required to conduct this survey by legislation, and the results will be presented to the Cannabis Oversight Committee (COC) to allow them to better understand the growth of the cannabis industry and assess the progress made toward achieving the goals of the Cannabis Equity Program. This survey will ask questions about cannabis business activities, the racial and gender makeup of cannabis business employees, and payroll information for different levels of employees. These questions will help inform the COC on who is benefitting from business and employment opportunities in San Francisco's cannabis industry. Please note that this is not an individualized evaluation of cannabis business operators, and the survey results will be anonymized before they are presented.

Survey details

The survey will take about 20 minutes to complete. Taking this survey is voluntary. You do not have to answer any questions that you do not want to. Whether you answer all of the questions or not, please scroll through to the end of the survey and hit "submit" when you are finished.

Please note that if you own and/or operate more than one cannabis business under an Article 16 and/or Article 33 permit, please complete one survey for each such business.

IMPORTANT: All responses to this survey will be kept anonymous. Results of the survey will not be reported in connection with individual respondents or businesses.

Need help? You can talk to us about any questions, concerns, or complaints you have about the survey. You may contact Sarah Ferrell at RDA Consulting at 310-369-5680 or sferrell@rdaconsulting.com and/or Scott Dennis at the Office of Cannabis at scott.dennis@sfgov.org.

Next

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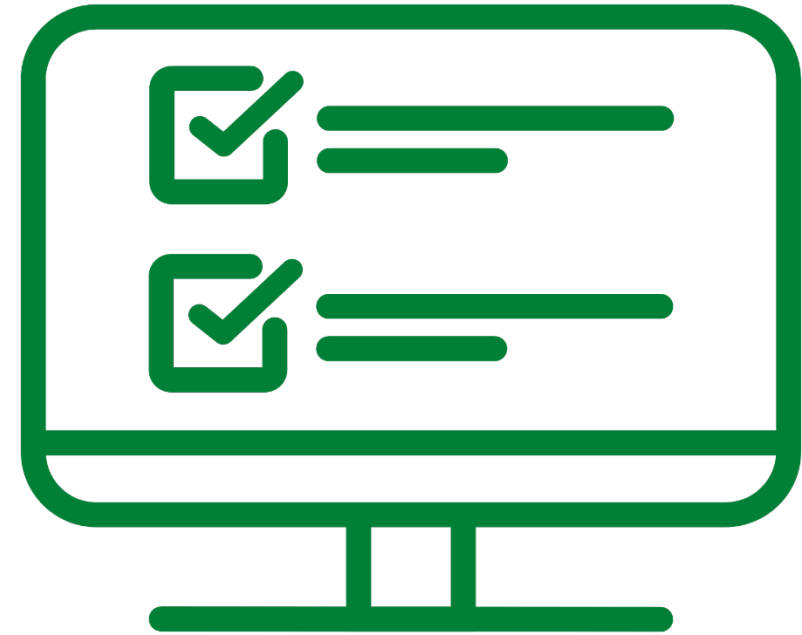


Office of Cannabis
City and County of San Francisco
49 South Van Ness Suite 660, San Francisco, CA 94105
(628) 652-0420
officeofcannabis@sfgov.org
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Operator Survey: Breakdown

- **What:**

- Business Name & Location
- Permit Type
- Time in Operation
- Employee Information:
 - Full-Time vs. Part-Time
 - Entry-Level, Operator-Level, Executive-Level
 - Wages
 - Demographic Information



- **Why:**

- To gather data to inform the COC's recommendations and priorities

Operator Survey: Breakdown

- **Who:**
 - 118 unique cannabis businesses
 - Permanent Permits, Temporary Permits, and MCDs in operation in 2022 (for more than 30 days)
- **When:**
 - 04/10/2023 – 05/05/2023 (26 days)
- **How:**
 - Through an online survey platform
 - Survey developed by OOC and Resource Development Associates (RDA), distributed and monitored by RDA
 - Privacy measures: Voluntary survey, confidential data will only be analyzed in aggregate

Operator Survey: Response Rate

- **Operator Participation:**
 - Approximately 51 operators voluntarily participated
 - Some partial participation is represented in this number
 - **All responses are self-reported**
- Overall, participants were more likely to answer general information questions and less willing to provide demographic data
- Response rate varied by business size as well:
 - Small (1 – 4 Employees) → 7 responses
 - Medium (5 – 9 Employees) → 16 responses
 - Large (10+ Employees) → 21 responses

Operator Survey: Definitions

- **Entry-Level:** Refers to roles that require little experience or related education
 - E.g. Budtender, cashier, receptionist, delivery driver, flower trimmer, etc.
- **Operator-Level:** Refers to roles that may have management and supervisory duties, require technical knowledge, training, or previous job experience
 - E.g. Accounting manager, assistant manager, cultivation manager, etc.
- **Executive-Level:** Chief Executive Officer, Chief Financial Officer, President, etc.
- **Full-Time:** Working a minimum of 40 hours per week
- **Part-Time:** Working less than 40 hours per week



2022 Operator Survey:

Overall Employment



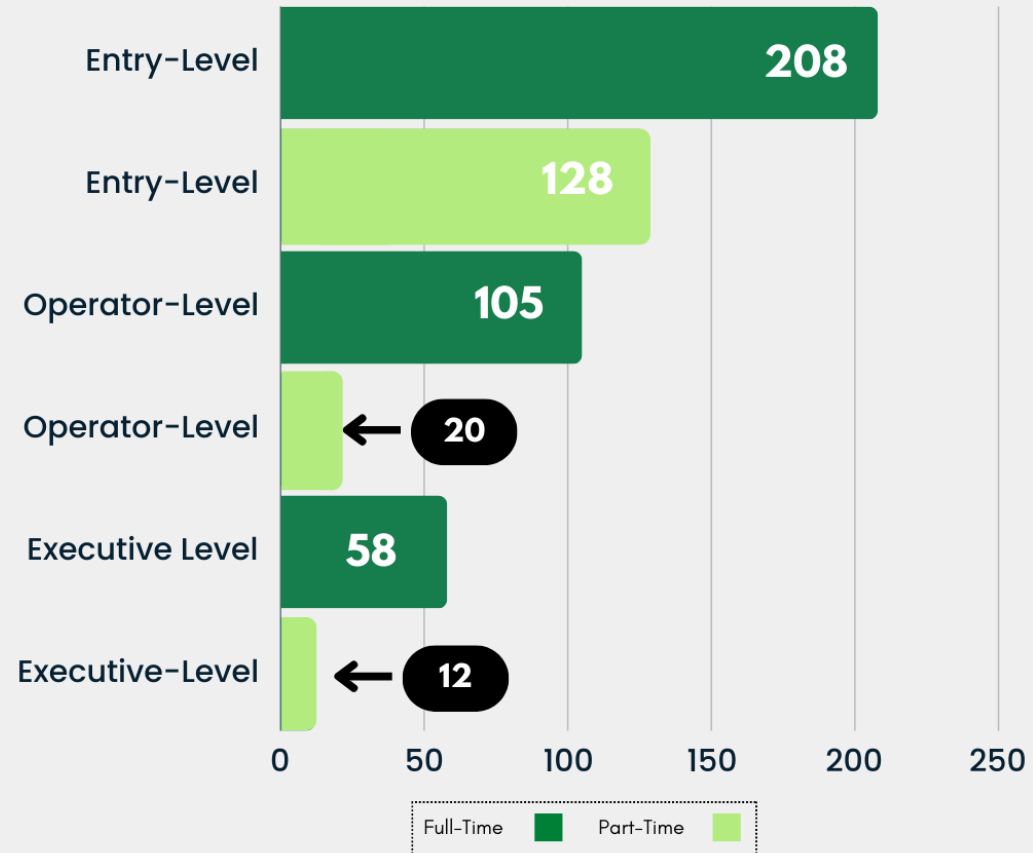
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Self-Reported Employees by Job Type & Employment Status

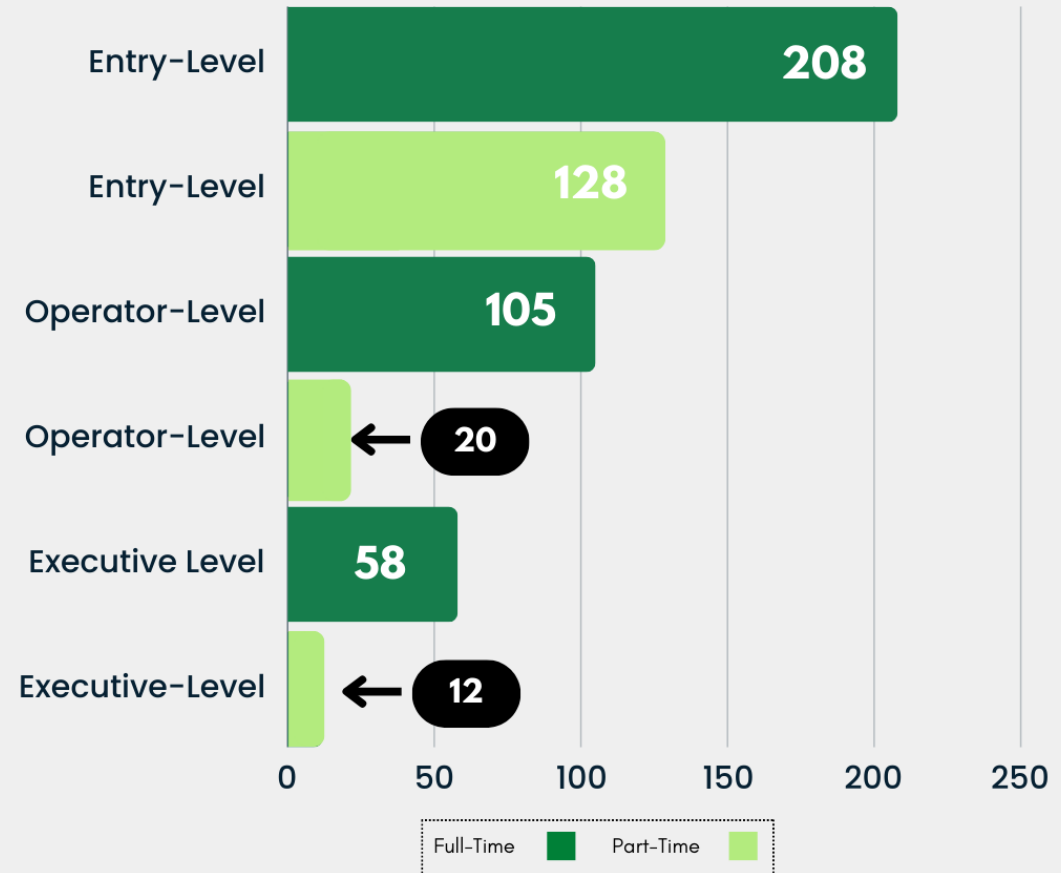
44
Cannabis Businesses
reported employing
531
Employees

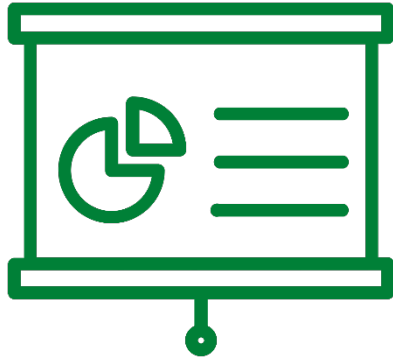


Self-Reported Employees by Job Type & Employment Status

Key Takeaways:

Approximately **63%** of all employees working across the 44 cannabis businesses that participated in this survey hold entry-level positions



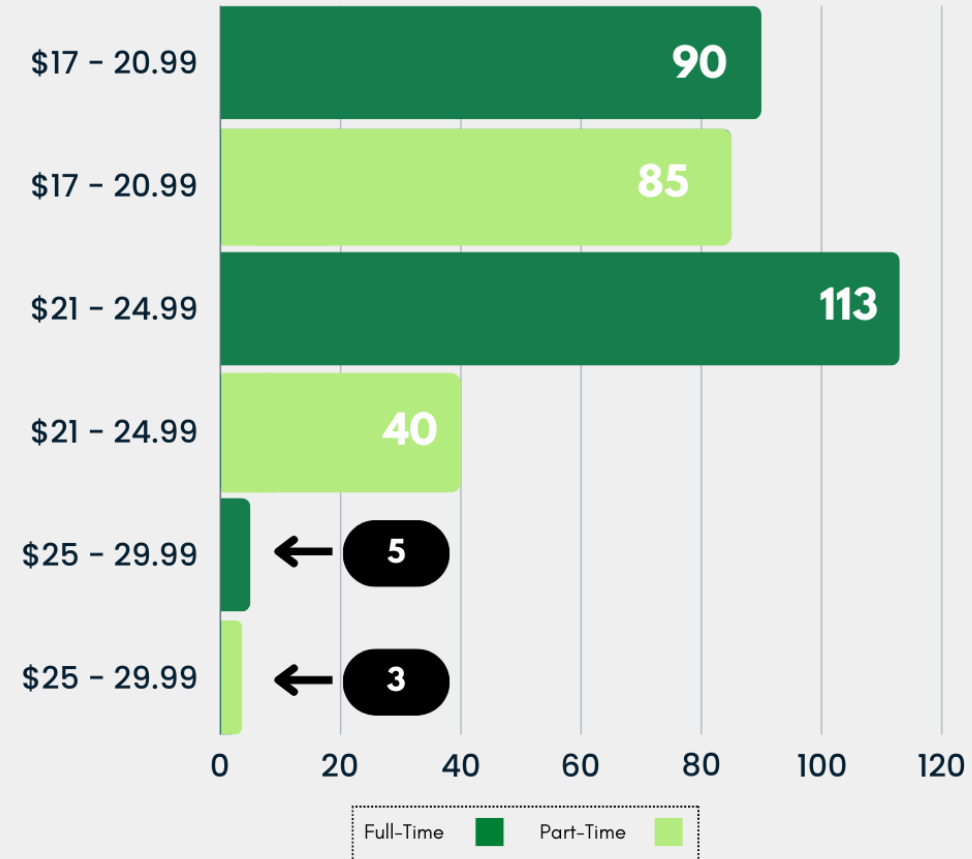


2022 Operator Survey:

Wages: Entry-Level

Self-Reported Employee Wages: Entry-Level Employees

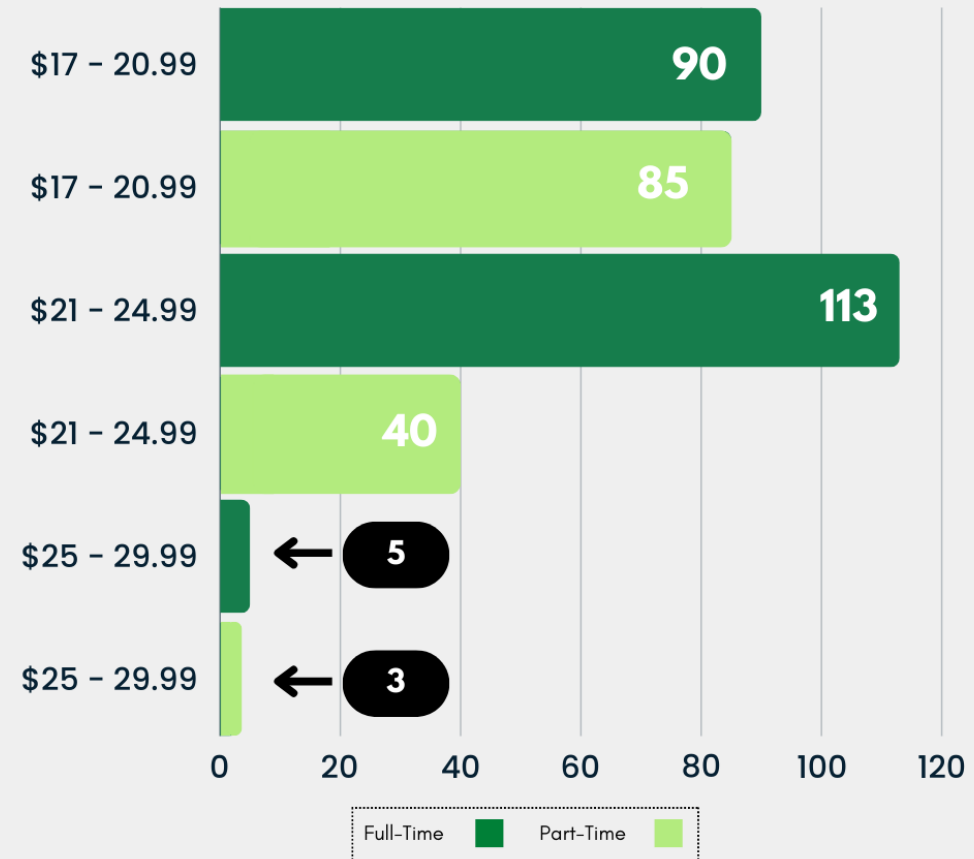
42
Cannabis Businesses
reported employing
336
Entry-Level
Employees

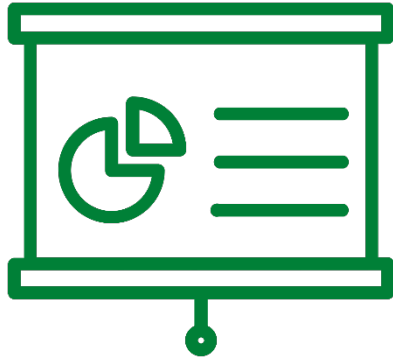


Self-Reported Employee Wages: Entry-Level Employees

Key Takeaways:

Entry-Level workers that make **more than \$21/hour** are much more likely to be full-time workers than part-time workers (74% of them are full-time workers)



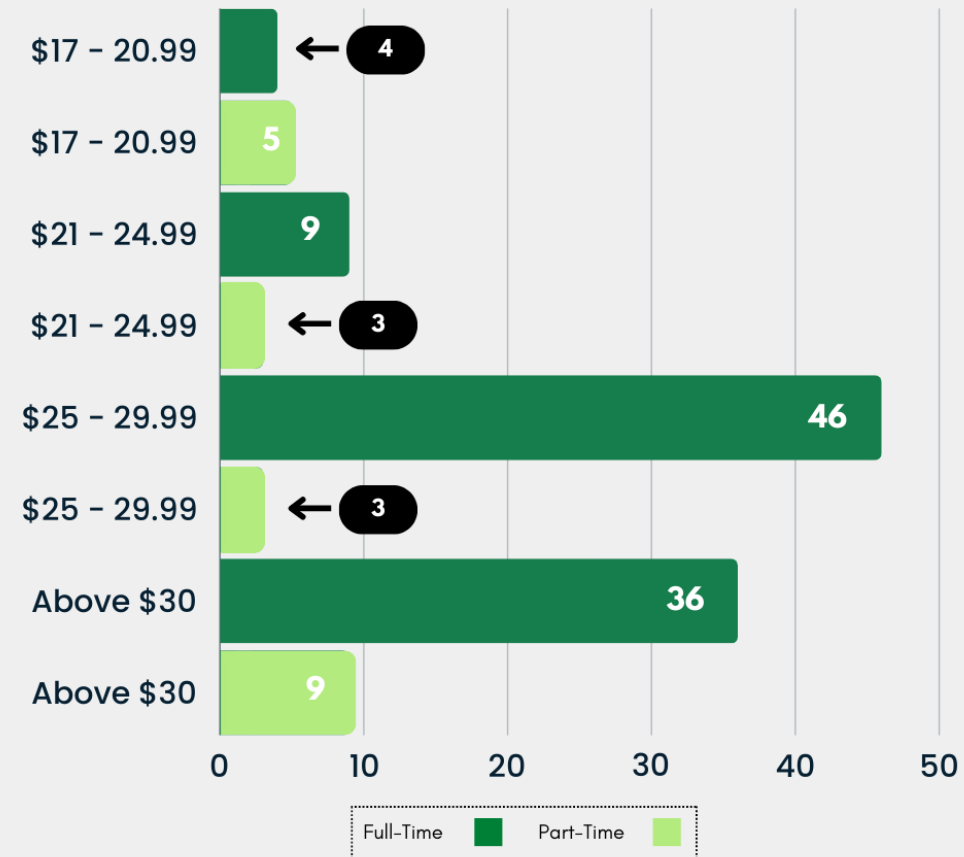


2022 Operator Survey:

Wages: Operator-Level

Self-Reported Employee Wages: Operator-Level Employees

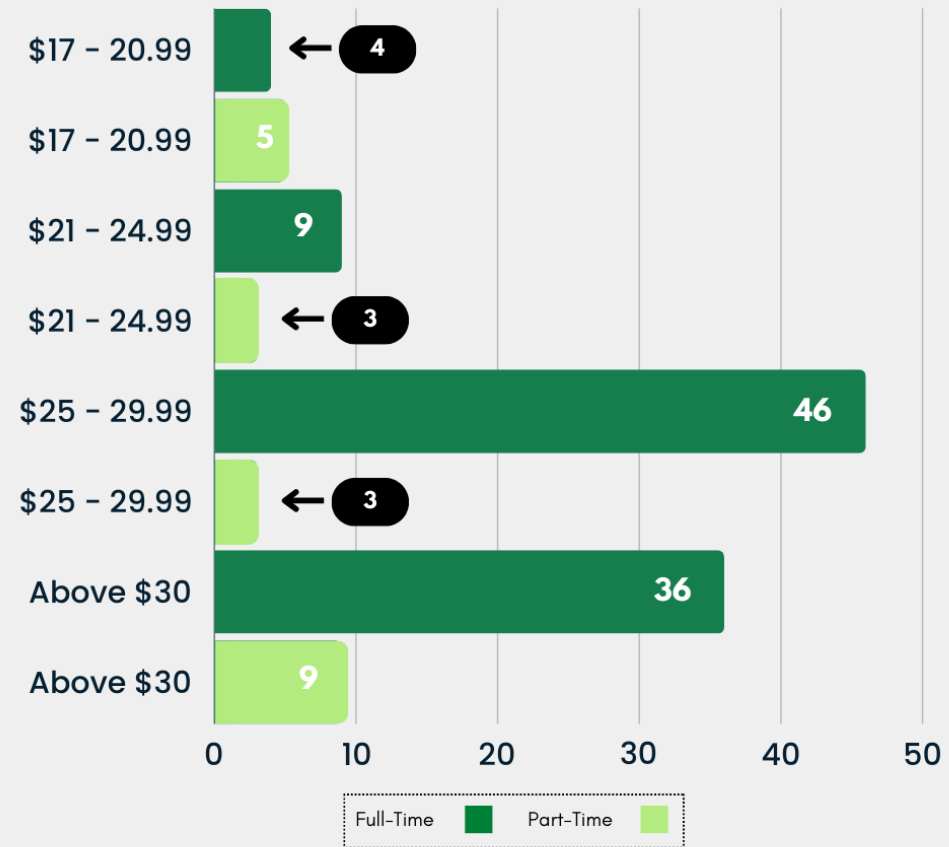
37
Cannabis Businesses
reported employing
125
Operator-Level
Employees

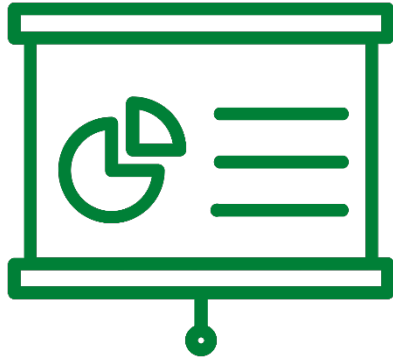


Self-Reported Employee Wages: Operator-Level Employees

Key Takeaways:

- Nearly 76% of all operators are full-time employees
- Almost 66% of all operators are full-time employees and earn \$25/hour or more



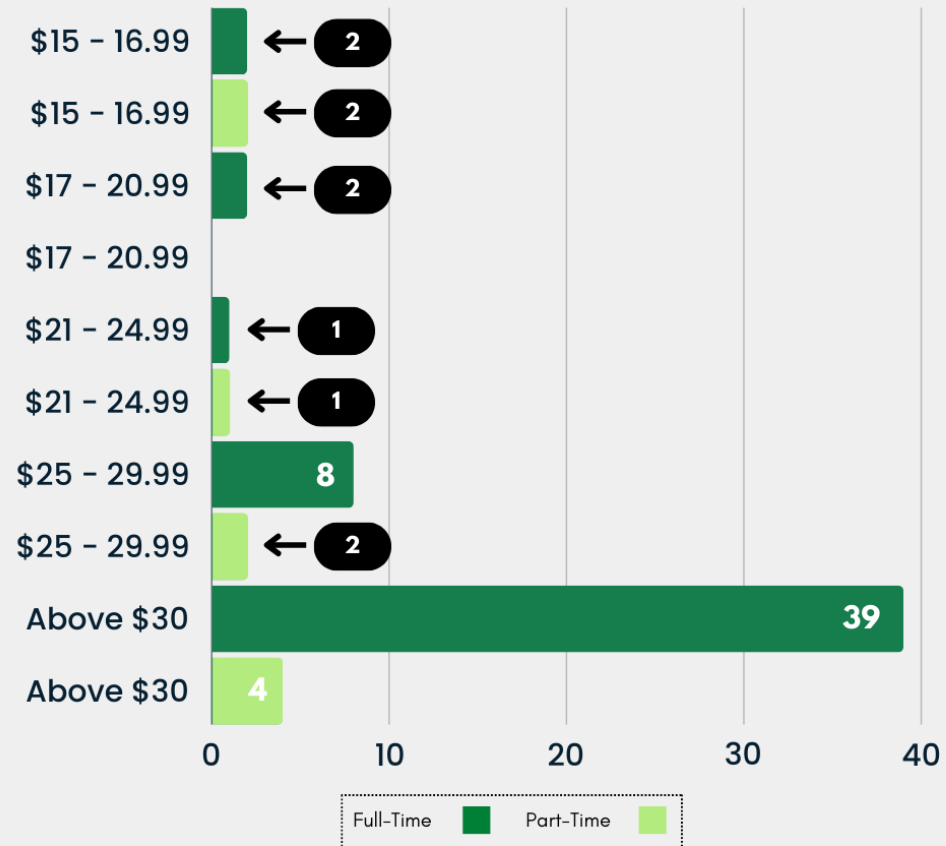


2022 Operator Survey:

Wages: Executive-Level

Self-Reported Employee Wages: Executive-Level Employees

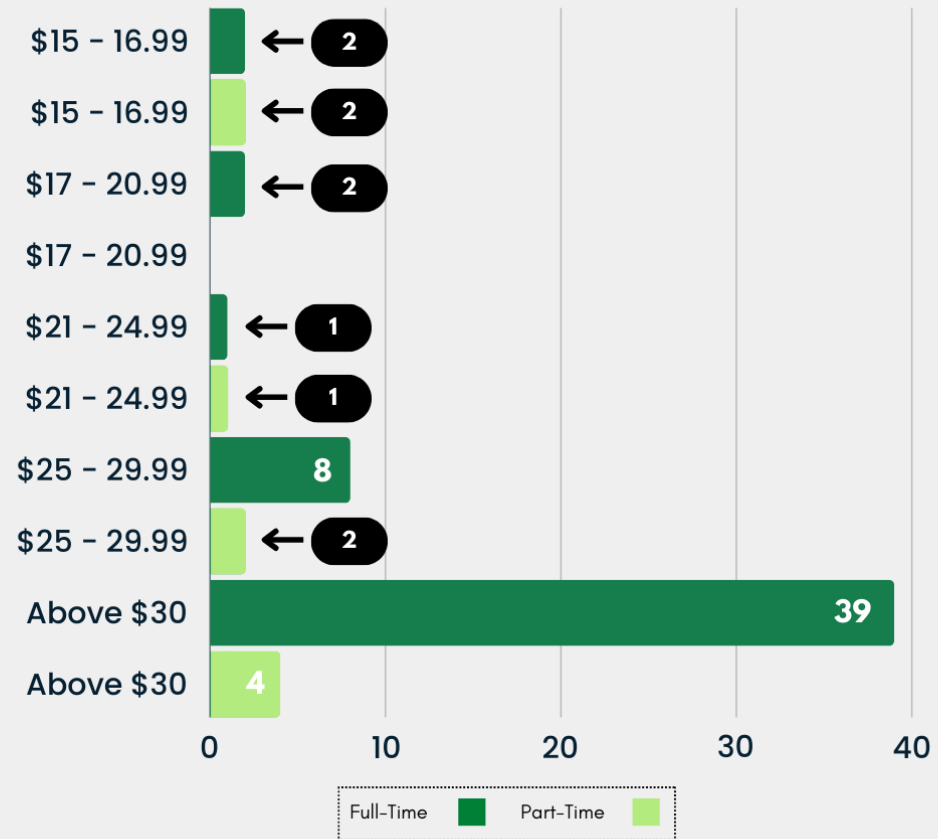
31
Cannabis Businesses
reported employing
70
Executive-Level
Employees

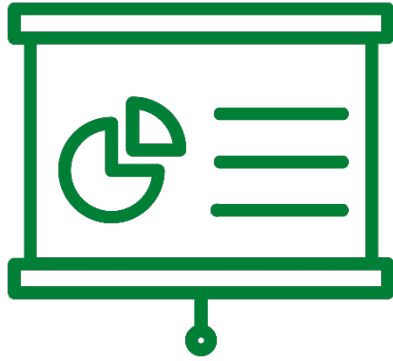


Self-Reported Employee Wages: Executive-Level Employees

Key Takeaways:

- Nearly 13% of all Executive-Level are part-time employees
- The majority of both part- and full-time Executive-Level employees earn \$30/hour
- We had a handful of responses from Executive-Level employees who reported making under \$16.99/hour



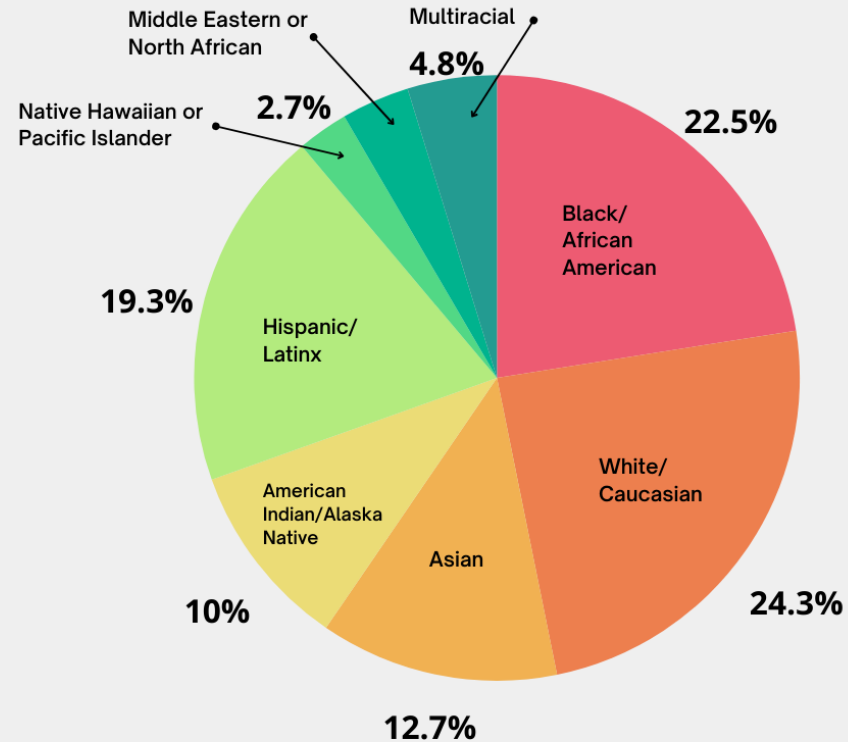


2022 Operator Survey:

Demographics: Race

Self-Reported Demographic Data: Overall Racial Breakdown

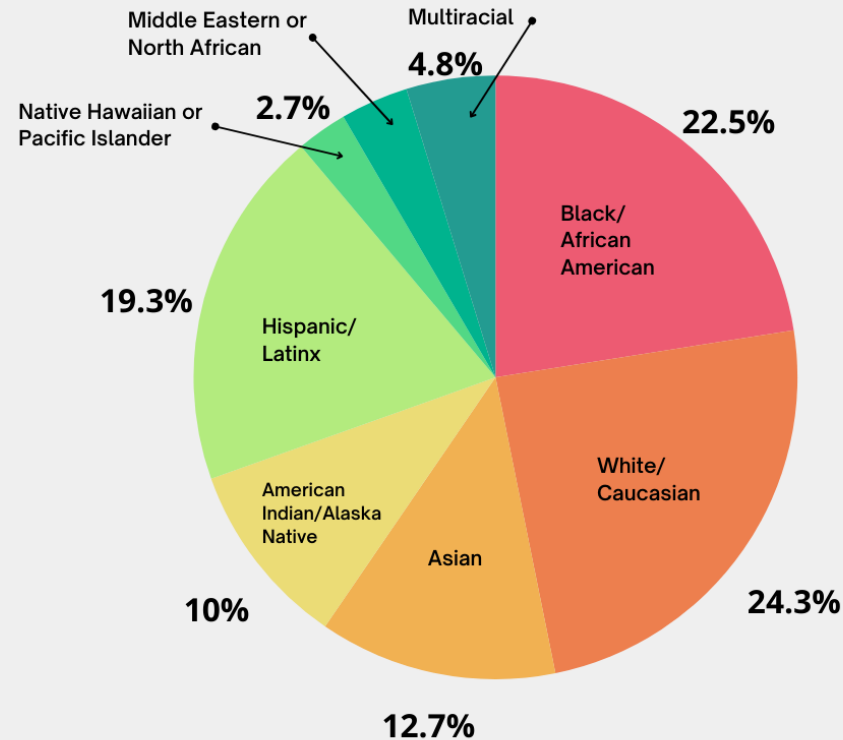
38
Cannabis Businesses
reported
demographic data
for
440
Employees



Self-Reported Demographic Data: Overall Racial Breakdown

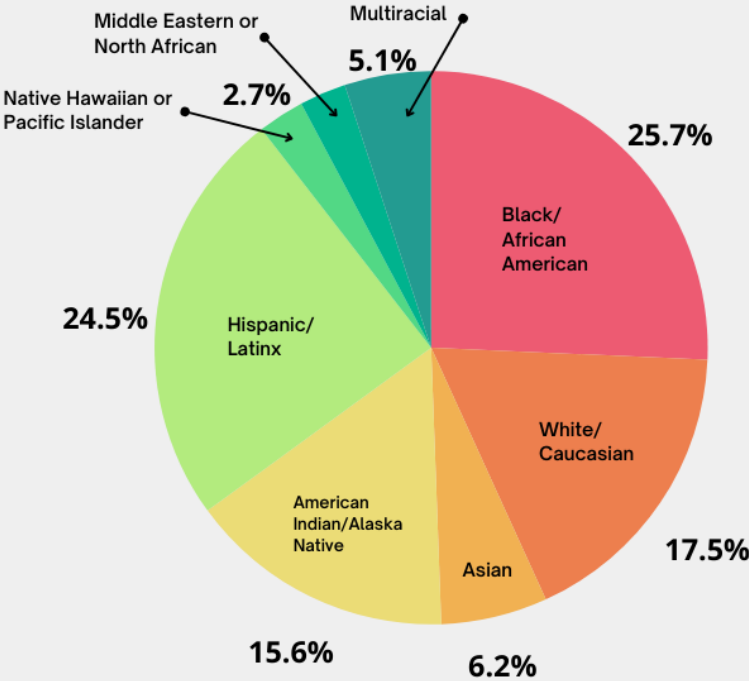
Key Takeaways:

- The three most represented racial groups of employees are Black/African American (23%), Caucasian/White (24%), and Hispanic/Latinx (19%)
- The least represented racial groups are American Indian/Alaska Native (3%), Multiracial (5%), and Middle Eastern or North African (4%)

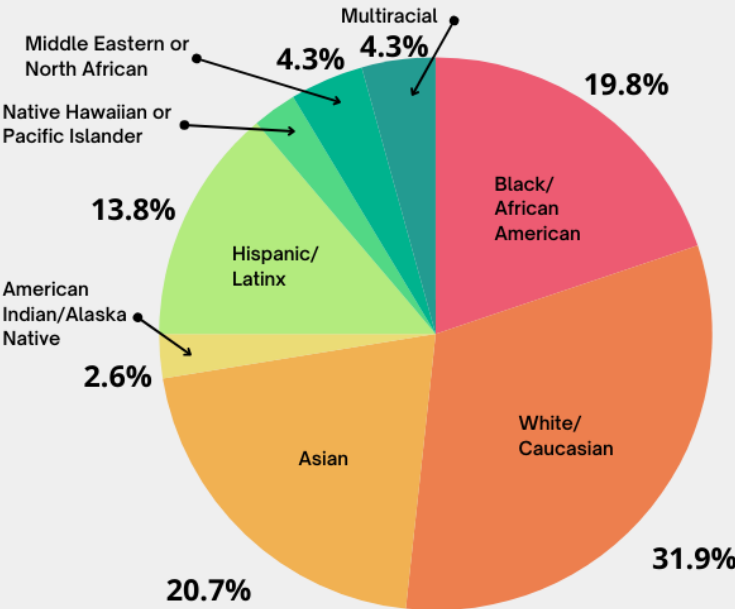


Self-Reported Demographic Data: Racial Breakdown by Role

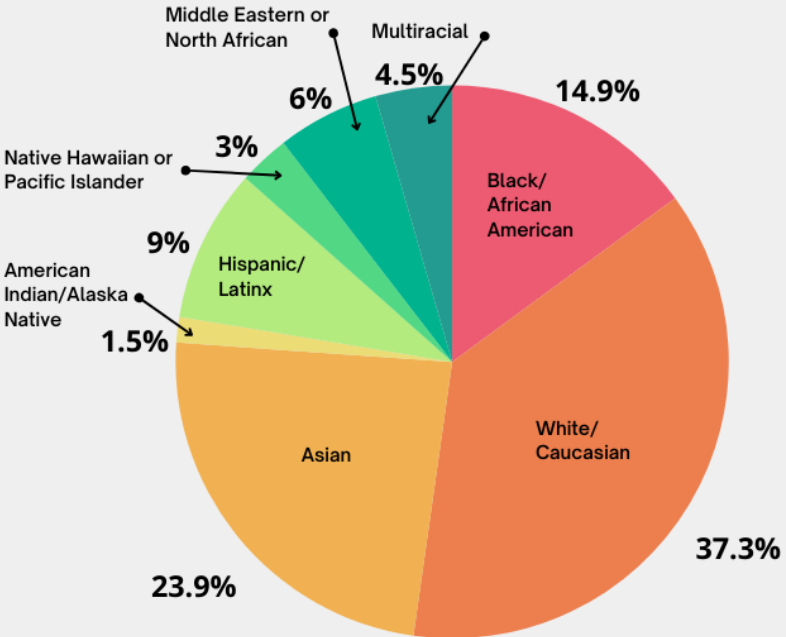
Entry-Level



Operator-Level



Executive-Level



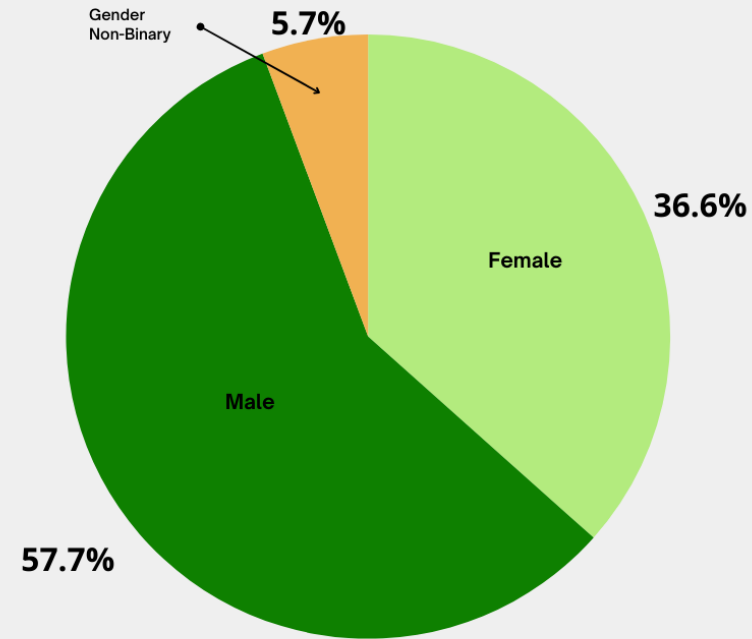


2022 Operator Survey:

Demographics: Gender

Self-Reported Demographic Data: Overall Gender Breakdown

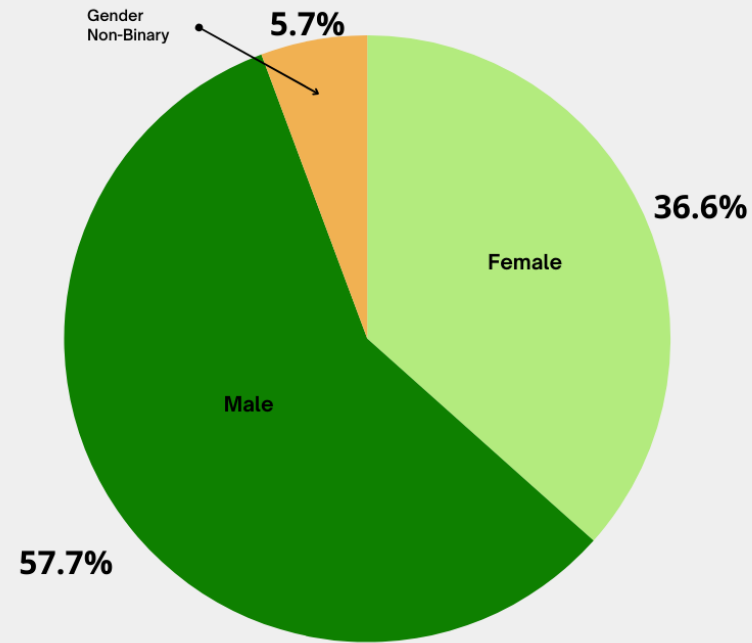
38
Cannabis Businesses
reported
demographic data
for
440
Employees



Self-Reported Demographic Data: Overall Gender Breakdown

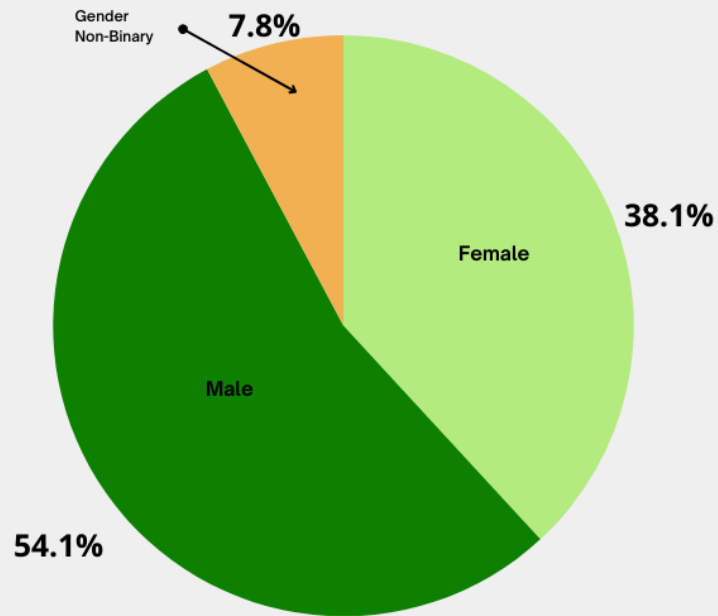
Key Takeaways:

- Nearly 58% of all employees across the 38 businesses that provided demographic data are male

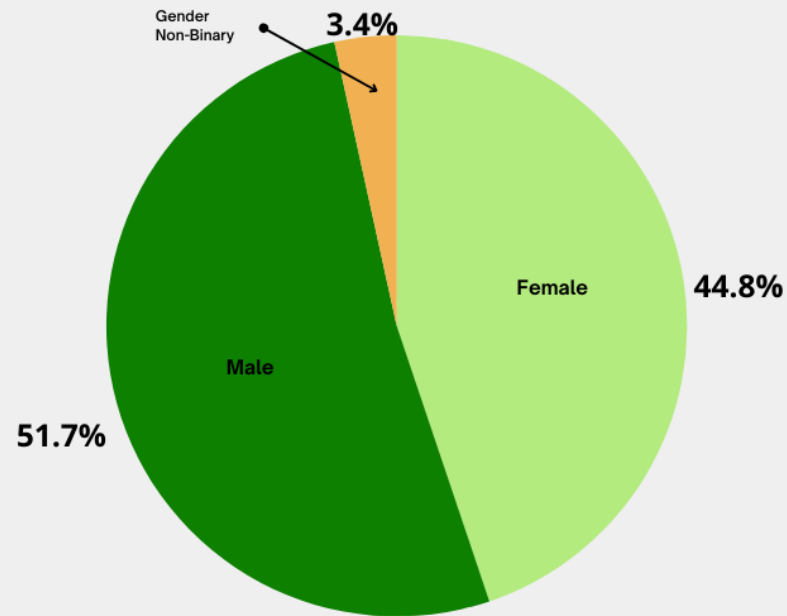


Self-Reported Demographic Data: Overall Racial Breakdown

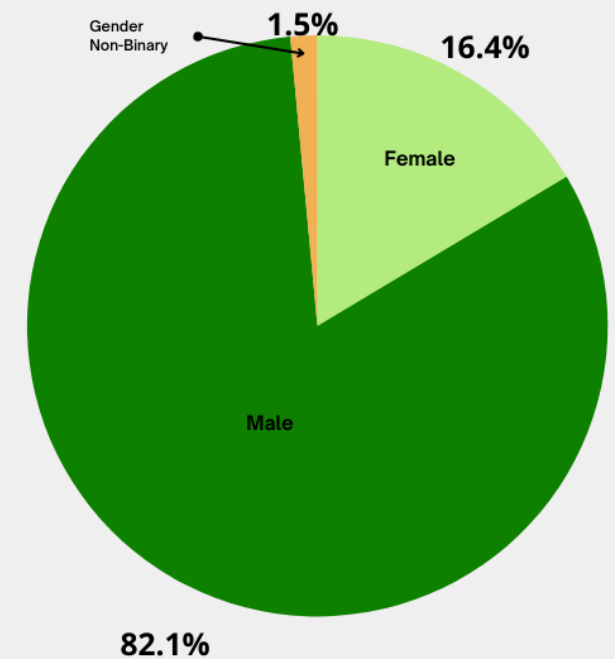
Entry-Level



Operator-Level



Executive-Level



Q & A



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City and County of San Francisco**
49 South Van Ness Suite 660, San Francisco, CA 94105
(628) 652 - 0420
officeofcannabis.sfgov.org
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Thank You!

Contact Information:

officeofcannabis@sfgov.org

(628) 652-0420

San Francisco Office of Cannabis

49 South Van Ness, Suite 660

San Francisco, California 94103



Office of Cannabis
City and County of San Francisco
49 South Van Ness Suite 660, San Francisco, CA 94103
☎ (628) 652 - 0420
🌐 officeofcannabis@sfgov.org
🌐 <https://sf.gov/departments/office-cannabis>