**Section 1608(c)(9) Equity Commitment Required for Ownership Transfer**

Friday, July 17, 2026

Office of Cannabis

Equity Commitment Required for Ownership Transfer under Section 1608(c)(9) of the Police Code

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**Background**

In response to stakeholder feedback, the Office of Cannabis (OOC) is sunsetting the temporary regulation and clarifying certain requirements under Section 1608(c)(9) of the Police Code, as detailed below.

**Rules**

**Initial Application**

Section 1608(c)(9) of the Police Code includes the following requirements that govern equity commitments and ownership transfers:

(9) . . . . 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
- 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 dollar amount provided: IRS tax return and/or certified Profit and Loss statements

**Additional Regulatory Requirements**

In addition to the items listed above, the OOC will also require submission of, if applicable, contractual agreements, including, but not limited to: services provided and value of those services. 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.

**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. At minimum, community organizations must meet the following qualifications to be eligible:

- Must be a legal entity eligible to do business with the City and County of San Francisco;
- Must be in good standing with the California Secretary of State and/or its local jurisdiction in order to receive the social equity contribution;
- Must be in operation for at least six (6) months prior to the submission of the permit amendment proposal

Contribution Values

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

Contribution Values

| **Activity** | **Provided to** | **Value** |
|---|---|---|
| Technical assistance | community organizations that serve equity goals<br>Verified Equity applicants (no self-dealing)<br>Equity Operator (no self-dealing) | Up to $300 per hour of assistance<br>Up to $300 per hour of assistance<br>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 |

Contribution Values

| Activity | Provided to | Value |
|---|---|---|
| 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:

1. 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.
2. 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.

**No Self-Dealing**

Self-dealing, for purposes of Section 1608(c)(9) and the contribution values, means:

Any action in which an operator makes a contribution that directly or indirectly benefits themselves, their business interest, or their financial interests.

- Making monetary, in-kind donations, or providing technical assistance to non-profit or community organizations that directly or indirectly benefit the contributor, family members of the contributor, or any entity in which the contributor has a financial interest.
- Purchasing Equity product from companies that directly or indirectly benefit the contributor, or any entity in which the contributory has a financial interest.

Contributions must be made with detached and disinterest generosity – free of reciprocal benefit. Arrangements are disallowed if they include, but not limited to:

- Charging the Equity business for any portion of the contribution.
- Receiving referral fees, kickbacks, or future business guarantees.
- Bundling free assistance with paid services.

**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<br>Verified Equity applicants (no self-dealing)<br>Equity Operator (no self-dealing) | Invoice and Summary including: date, staff, description including organization or individuals served, rate, hours, amount.<br>Letters from TA recipients detailing the assistance and value of the services provided.<br>Event marketing materials/flyers |
| 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<br>Letters from training recipients detailing the assistance and value of the services provided.<br>Event marketing materials/flyers |
| Mentorship | 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<br>Letters from training recipients detailing the assistance and value of the services provided.<br>Event marketing materials/flyers |

| Activity | Provided to | Example of Supporting Doc |
|---|---|---|
| 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 |