

MEMORANDUM OF UNDERSTANDING  
between  
SPARC  
and  
The Lower Haight Merchants and Neighbors Association

This Memorandum of Understanding ("MOU") is made and entered into as of this 19<sup>th</sup> day of January, 2016 by and between, SPARC, and the Lower Haight Merchants and Neighbors Association ("LoHaMNA") whereby LoHaMNA will support the extension of a Medical Cannabis Dispensary ("MCD") permit to SPARC's application for transfer of a medical cannabis dispensary permit in exchange for the measures SPARC pledges to take by and through this agreement to mitigate community concerns and contribute to the betterment of the Lower Haight.

I. Recitals

- A. SPARC is a non-profit organization and collective that owns and operates medical cannabis production and retail facilities in the San Francisco Bay Area.
- B. SPARC sells medical cannabis exclusively to members of the collective in good standing who provide identification and a physician's recommendation for cannabis, as set forth in the SPARC Members Code of Conduct attached in Exhibit-A.
- C. LoHaMNA is an unincorporated nonprofit neighborhood association for the Lower Haight community of San Francisco, which is defined by the boundaries of Duboce Avenue to the south, Fell Street to the north, Market Street to the east, and Divisadero Street to the west.
- D. LoHaMNA is currently governed by a nine member board of directors (the "Board"), headed by Co-Presidents Michael Gaines and Gio Acosta, as set forth in the list of the LoHaMNA Officers in Exhibit-B.
- E. SPARC has entered into a lease agreement with the property owner of 473 Haight Street, San Francisco, CA 94117 ("Site") to operate a medical cannabis retail facility.
- F. On or about November 19, 2015, SPARC submitted a MCD permit application to the San Francisco Department of Public Health ("DPH"), which was subsequently referred to the San Francisco Planning Department ("Planning") for review.
- G. The purpose of SPARC's permit application is to transfer the existing MCD permit from the previous lessee and medical cannabis operator, The Good Fellows Smoke Shop & Cannabis Club to SPARC.

- H. On or about October 17, 2015, SPARC attended the LoHaMNA Board meeting to present its plans for the Site. At the meeting, the Board requested that SPARC conduct public outreach and solicit community feedback from its potential future neighbors by hosting a community meeting in the Lower Haight.
- I. Two community meetings were co-hosted by LoHaMNA and SPARC on November 9, 2015 and December 9, 2015 whereas attendees raised concerns about security and nuisance issues the dispensary may bring to the neighborhood.
- J. Alternative Herbal Health Services, another medical cannabis dispensary that previously operated at 442 Haight Street, is viewed by the community as directly contributing to increased drug trafficking, the illicit reselling of medical cannabis directly outside of the premises, physical altercations between clients and security including the stabbing of a security guard by a client, violence and conflict in the neighborhood, armed robberies, theft, loitering and double parking. Their permit to operate was revoked by the San Francisco Board of Appeals.
- K. On December 3, 2015, LoHaMNA, through its former President Devon Chulick, submitted a letter to Planning requesting that the Site's permit approval be conditioned on executing a Memorandum of Understanding with LoHaMNA which addresses community concerns.

**NOW, THEREFORE, in consideration of the promises and mutual covenants herein contained, the parties hereto agree to the following:**

**II. SPARC Commitments to the Lower Haight Community**

- A. Security Patrol. SPARC will employ trained safety staff during all hours of operations at the Site. At least one security officer must patrol the front entrance during peak hours of operation. The peak hours of operation are from 4:00p.m. -7:00 p.m., Monday-Friday excluding holidays. **If** safety issues persist, SPARC will increase the hours of the security guard patrol.
- B. Security Cameras. SPARC will install a minimum of two highly visible security cameras and lighting at its front and rear entrance on Haight Street.
  - 1. SPARC will store camera footage for at least one week.
  - 2. SPARC will share camera footage with the San Francisco Police Department upon request for official investigations related to the surrounding area and unrelated to SPARC's business.
- C. On-site Consumption. The Site will limit business operations to the retail sale of medical cannabis, with no on-site consumption permitted, notwithstanding the terms of the lease or MCD permit.

1. An exception shall be permitted for consumption by employees at Site who have a prescription for medical cannabis, as is required as an accommodation for qualifying employees. Employees shall be limited to consuming medical cannabis on site. In no event shall employees consume medical cannabis in public areas surrounding Site.
2. SPARC will issue a warning then suspend membership for those members other than employees who are found consuming cannabis within the premises or in the immediate vicinity of the Site, as warranted in its Code of Conduct.
  - a. Immediate vicinity shall be defined as within reasonable visible observation of approximately one block on either side of the street.
3. Upon receiving complaints by surrounding residents and/or businesses of members smoking cannabis outside of the Site, SPARC will use its security footage to verify complaints and issues warnings or suspensions of membership as warranted in its Code of Conduct.
4. An exception shall be permitted for on-site consumption only after City of San Francisco approval, but not prior to two years after the execution of this agreement.

D. Expansion. SPARC will only operate at the maximum of 517 square feet, and will neither expand the square footage of the Site for cannabis, nor seek a permit application at another location in the Lower Haight for a period of two years after the execution of this agreement. Should SPARC submit a permit application for expansion after the two year period, all other terms of this MOU shall remain in effect unless and until a new MOU is executed by SPARC and LoHaMNA.

E. Odors. SPARC commits to installing air handling (HVAC) units designed to mitigate odor. SPARC will respond to odor complaints from surrounding residents or businesses within two (2) business days by inspecting and repairing its ventilation system. If odor complaints persist after two (2) days, SPARC will install new equipment or take additional measures to eliminate the odors.

F. Outside Sales of Cannabis by SPARC Members. SPARC will suspend membership for those who are found selling cannabis in the immediate vicinity of the 400 Block of Haight Street, consistent with its Code of Conduct. SPARC will use its security footage to verify complaints by surrounding residents and businesses of members who are suspected of reselling cannabis outside of the Site.

G. Transportation. SPARC will inform customers in writing of the very limited

parking in the neighborhood and will encourage customers to walk, bike, or take public transit to the Site, or visit another more car-friendly location instead.

SPARC will issue a single warning then suspend membership for those who are found in violation of parking rules contained in the Code of Conduct in Exhibit-A. This shall include double parking, parking in the neighboring MUNI bus zone, or parking anywhere else prohibited by local law.

**H. Lower Haight Community Participation.** SPARC will be an active member of the Lower Haight community by:

1. Designating a liaison to participate in LoHaMNA board and membership meetings;
2. Providing at least 8 hours of volunteer service per month for street cleaning and neighborhood beautification by employees;
3. Commencing on SPARC's receipt of a certificate of occupancy, it shall contribute no less than \$500 monthly to LoHaMNA, which shall be used for projects that improve the Lower Haight neighborhood. Improvements are typically projects that benefit the livability, walkability, or beautification of the neighborhood's public spaces but may also include contribution to nonprofit organizations seeking to benefit the neighborhood, its businesses, or its residents. As an example, this contribution may be used for the installation of decorative street lights on Haight Street from Divisadero to Webster and from Haight and Fillmore to Waller and Fillmore.
4. Conducting outreach to the Principal of John Muir Elementary School and the Parent Teachers Association or other such organization associated with John Muir Elementary School in order to make an ongoing, meaningful commitment to contributing at least annually to education initiatives that benefit the students at John Muir Elementary School.

**III. LoHaMNA Commitments to SPARC**

- A. Upon execution of this agreement, LoHaMNA will promptly inform Planning that it has entered into the requested MOU and thereafter supports the extension of a MCD permit to SPARC under the conditions outlined herein.
- B. Upon execution of this agreement, LoHaMNA will promptly inform DPH that LoHaMNA supports the issuance of an operating permit for SPARC at the Site.
- C. Upon execution of this agreement, LoHaMNA will promptly inform any San Francisco City agency, department, commission or board that LoHaMNA

supports the permitting of SPARC at the Site subject to the conditions set forth in this MOU, and upon SPARC's request, so long as SPARC has fulfilled its obligations to this MOU.

- D. Upon execution of this agreement, the terms and conditions set forth in this MOU are to remain confidential between LoHaMNA, SPARC, and the Office of Supervisor London Breed, so long as SPARC has fulfilled its obligations to this MOU.
- E. Upon execution of this agreement, LoHaMNA will promptly inform Supervisor London Breed that LoHaMNA supports the issuance of an operating permit for SPARC at the Site.
- F. LoHaMNA will responsibly manage the contributions made by SPARC, provide reasonable updates on the uses to which the funds are placed, and provide an accounting of the funds within a reasonable period of time upon request from SPARC.