

# Feds force last pot shop in Tenderloin to close

BY TOM CARTER

**S**ANCTUARY, the last marijuana dispensary in the Tenderloin, has shut down. The Justice Department warned in November that it was in violation of federal law, and if it didn't close by Jan. 7, the property it occupied at 669 O'Farrell St. would be seized.

The small Sanctuary sign showing a marijuana leaf atop of a medical caduceus was still on the building Feb. 29, but the inside was being renovated for a pet store, a workman said.

Sanctuary was a small operation serving fewer than 1,000 patients, 80% from the Tenderloin, the majority suffering from HIV/AIDS, cancer and hepatitis, according to owner Michael Welch.

Licensed by the city in 2005 and again in 2008 under new guidelines, the 209-square-foot store

was a "compassion" dispensary. The city health code requires pot clubs to operate "in a not-for-profit manner." Welch created many special programs with profits to help the community, such as free medicine once a week for 60 destitute patients suffering from cancer and HIV, free lunches and grocery giveaways, even aid to a hospital in Africa fighting HIV/AIDS.

U.S. Attorney Melinda Haag sent the threatening letter Nov. 23 to O'Farrell Properties LLC, owner of 669 O'Farrell St. where Sanctuary occupied the storefront. She cited its federal violations and said the property was "subject to seizure and forfeiture." Sanctuary had to fold within 45 days of the letter, which was Jan. 7, or else.

Welch, hospitalized with an aorta blood clot, feared the worst.

"If they close us down, I think all of us (eight employees) will be homeless," he said then. "It's hard to fight from a hospital bed."

The reason the U.S. attorney picked on Sanctuary was believed to be its proximity to Tenderloin Children's Playground directly behind the dispensary, Welch said, based on a conversation he had with a spokesman at the U.S. attorney's office when he was trying with no luck to speak to Haag.

The statewide crackdown was ostensibly aimed at pot shop profiteers. At least three of the city's 26 dispensaries have closed since November. The Drug Enforcement

Administration has sent requests for records from 11 dispensaries, the Examiner reported Feb. 13.

"A business typically notifies the tax collector of its closing when the bill comes," said Larry Kessler in an email from the Department of Health, which oversees the dispensaries. "The tax collector then notifies DPH. If DPH notices the closure during route work, we will notify the tax collector."

Sanctuary did not notify DPH or the tax collector it was closing, Kessler said. It had not paid its 2012 license fee, he said, and "it is unclear to me whether they are out of business."

California's 1996 Compassionate Use Act was meant to help suffering people but, lacking regulation, profiteers moved in.

Four years ago, Welch distributed Sanctuary's two-page treatise at community meetings in the neighborhood.

"A medical marijuana dispensary has the potential of being nothing more than a storefront for drug dealers, or it can be a valuable asset to the community it serves," the statement says. "Many dispensary owners have already become millionaires in the few short years that medical marijuana laws have been in effect."

"The Sanctuary, however, is set up to run as a patient's cooperative and a nonprofit, putting all its surplus income back into the hands of the patients that need it most, thus making the whole community rich and not just a select few." ■



PHOTO BY TOM CARTER

## What'll happen to 6th without Redevelopment?

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streets.

The agency put another \$19 million into infrastructure and economic development.

"When we started," Grisso says, "most of the businesses on Sixth Street were boarded up." The first few years were very difficult, he adds. People had given up, they didn't care anymore.

"We got people to take a chance," he says. In seven years, with the help of Urban Solutions, the retail vacancy rate dropped from a staggering 43% to 9%, the envy of mid-Market revivalists.

Then, Feb. 1, it all stopped after a state Supreme Court ruling closed nearly 400 agencies statewide in the governor's attempt to help balance the state budget.

"I was very alarmed," says McNulty when she first heard the court's decision. Urban Solutions manages the Sixth Street Economic Revitalization Program, relying heavily on the \$400,000 a year from Redevelopment. The agency also gives the nonprofit more than \$1 million a year to distribute in low-cost loans and grants to small businesses. In total, Urban Solutions used \$3.5 million to stabilize the area by attracting and retaining businesses.

In the seven years McNulty's been director, she's seen close to 100 façade improvements and enticed many businesses to the area, including Pearl's Deluxe Burgers and Miss Saigon restaurant, anchoring the respective Sixth Street corners of Market and Mission.

### NO MONEY, NO MOMENTUM

"We can't continue to support the businesses without the funding," she says.

The Mayor's Office of Economic Workforce Development and the Department of Public Works are expected to pick up the slack. But no one knows where the yearly \$4 million Redevelopment spent on the neighborhood will come from.

According to the mayor's office, Workforce Development will continue revitalizing the Sixth Street area and will look to replace the resources Redevelopment once provided. Proposals for Sixth Street will be included in the mayor's 2012-13 budget, but final amounts won't be known until June. Meantime, OWED and the mayor's staff say they are looking to private-sector funding,

but that will be a tough sell, considering that most projects require annual funding, not a one-time donation.

The vacant Hugo Apartments, bane of the neighborhood at Sixth and Howard, acquired by Redevelopment through an eminent domain battle, was an affordable-housing project the agency had had in the works for years. The project is still under debate. Rumors in the neighborhood say both that the project has been axed and that it's been green lighted. City officials won't comment.

"The Hugo Apartments, that's up in the air," says Antoinetta Stadlman, former president of now-defunct SOMPAC. "Everyone wants it dealt with. But the city hasn't made up its mind up yet — it will be expensive."

Grisso says the mayor's office is doing everything it can to find money and continue the projects. Without Redevelopment's resources, it will be difficult.

"In the months and years ahead we will incorporate Sixth Street revitalization efforts into the work of the Central Market Partnership as is appropriate and as budget allows," according to Francis Tsang, the mayor's chief deputy communications director.

McNulty says Urban Solutions' contract with the city expires in June, resulting in a funding loss up to 40% of its budget. She fears that without the city's support Urban Solutions will have to relocate, restructure or perhaps shut down.

Though worried, she says her hopes for Sixth Street were raised during a Feb. 1 press conference welcoming Dottie's True Blue Cafe to the block, when Mayor Lee announced DPW would now be in charge of building the police substation and cleaning the area's sidewalks.

Previously, Redevelopment contracted sidewalk cleaning, tree maintenance and graffiti removal with a private company for \$150,000 a year.

"The DPW has taken responsibility for cleaning the Sixth Street corridor," says DPW spokesman Greg Crump. This includes sidewalk cleaning, graffiti removal and refuse pickup. He said workers will steam clean, power wash and work litter patrol three shifts a day.

Crump also said the police substation is scheduled to be up and running by the end of the year.

"The substation will do a lot about all the street shit going on," says Stadlman, 20-

year resident of the Baldwin Hotel, where the substation will occupy a storefront. The loss of Redevelopment doesn't worry her much. Sixth Street life will continue as always.

"The immediate effects — none," says Stadlman, remarking that the city has always moved slowly, with or without Redevelopment money. "Things will go on."

With SOMPAC gone, the community's access to city officials through Redevelopment also is gone, the community input cut off.

"The PAC was unique in one way," Stadlman says. "It deliberately set up to collect all the diverse aspects of the community. The PAC brought a complete cross section of the community together."

Henry Karnilowicz, president of the South of Market Business Association, agrees that SOMPAC held the neighborhood together. Its recommendations to Redevelopment allocated resources that gathered property owners together, and offered incentives for them to spruce up their property or attract new businesses.

### WHAT THE LOSS MEANS

"That effort is gone now," Karnilowicz said about the loss of Redevelopment. "Change is going to take much, much longer — there's not the pressure anymore."

Karnilowicz has his doubts about the substation. He doesn't question the mayor's sincerity, but does question the reality of constructing and operating an effective police station in times of budget crisis.

"We were making a difference," says Grisso, lamenting that after making so much progress, losing Sixth Street revitalization funding is especially sad. "It's a totally different street now. But it wasn't finished yet. We still had some work to do. We probably needed only three or four more years, and then we could have finished and put the project to rest."

Instead, Redevelopment was put to rest and cities across California struggle with the loss.

On March 1, Redevelopment was gone, employees laid off or transferred. A week before the city's Redevelopment offices closed for good, personnel didn't know if they had future jobs with the city.

"It's been pretty nerve-wracking for everyone," Grisso says. ■