

Cannabis Regulation City Council

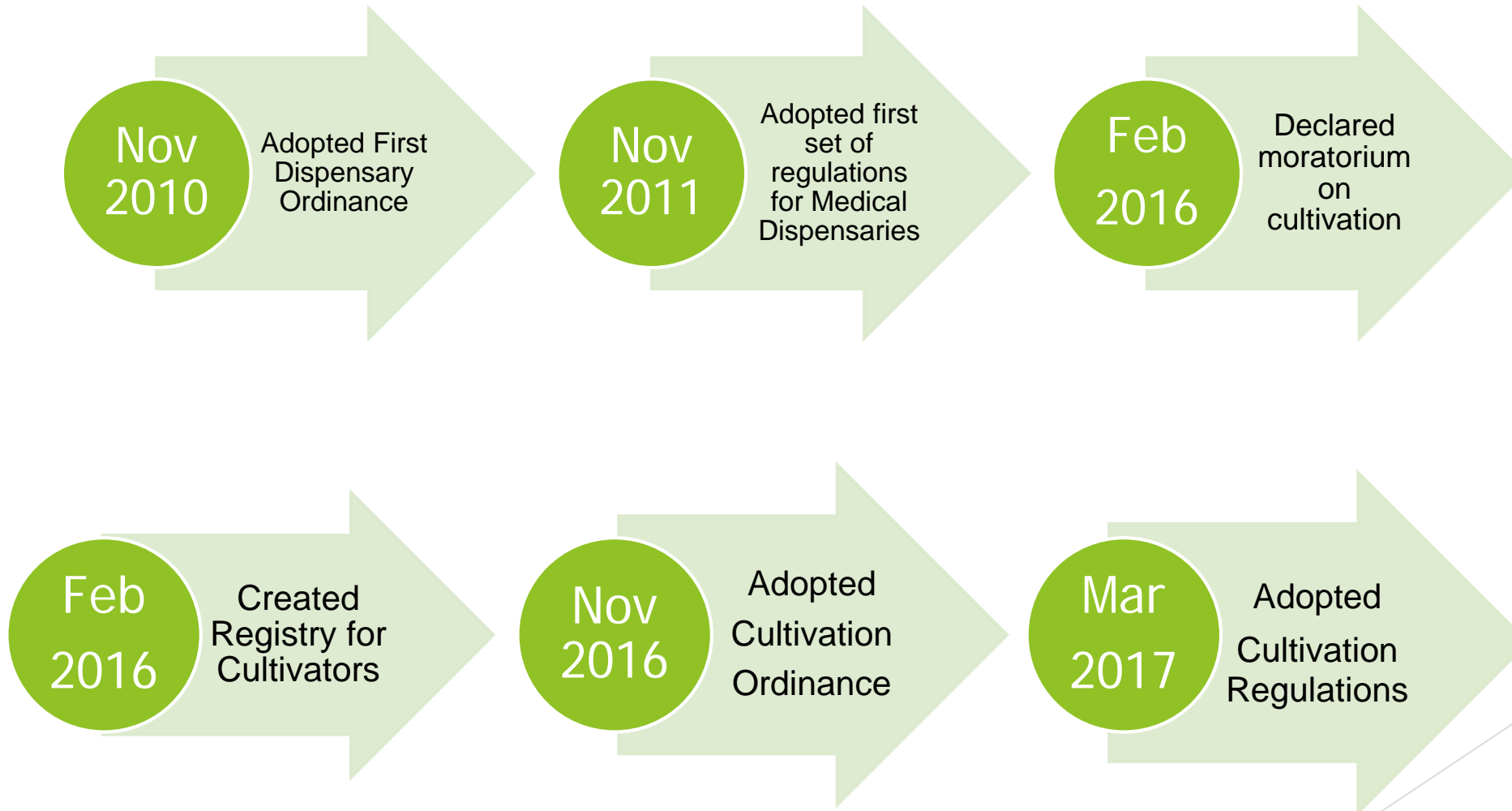
November 28, 2017

Mission: Foster a professional cannabis industry that builds public trust, and encourages compliance in a manner that reflects the values of our City

BACKGROUND

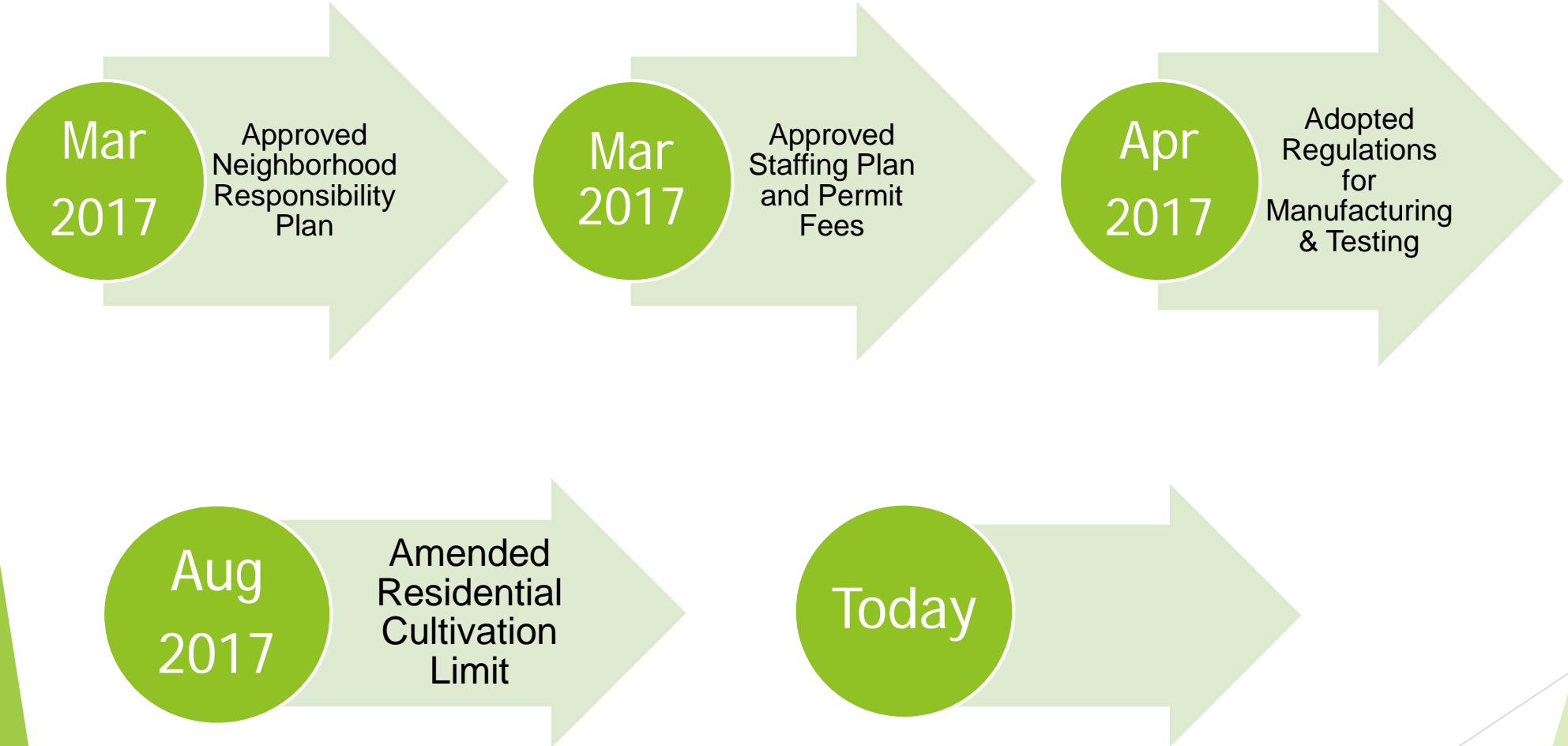
- ▶ **1996: Prop 215** Compassionate Use Act
- ▶ **2003: SB 420** Medical Marijuana Program Act
- ▶ **2015:** Gov. Brown Signs AB 243, AB 266 and SB 643, collectively known as the Medical Cannabis Regulations Safety Act (MCRSA)
- ▶ **2016: Prop 64** Adult Use Marijuana Act (AUMA/Prop 64)
- ▶ **2017:** Gov. Brown Signs Legislation Merging MCRSA and AUMA into Single Regulatory System.

Timeline: Milestone City Council Actions



Timeline: Milestone City Council Actions

(cont.)



Overview

Item #21

- A. Equity Program
- B. Tiered Manufacturing
- C. Removing CUP Requirements for Small Manufacturers
- D. Production CUP
- E. Amendments to Background Check Requirements

Item #22

- A. Ethanol in Nonvolatile Manufacturing
- B. Dispensaries (Add Delivery, Adult Use, Cap, Re-issue of Permits)
- C. Distribution Businesses
- D. Removing CUP Requirement for Testing Laboratories

Item #20

Revised Operating Fees and Staffing Plan

#21: Equity Program Elements

- ▶ Small business support center
- ▶ Mentoring program for minorities, women, and veteran owned businesses
- ▶ Conditional use permit (CUP) and business operating permit (BOP) fee deferral for qualified participants
- ▶ Priority CUP and BOP processing for qualified participants
- ▶ Provide Non-Operational BOP to participants who have completed program
- ▶ Community Outreach
- ▶ Priority Processing of CUPs and BOPs

#21: Equity Program Elements

Individuals

- ▶ Type 1:
 - Residing in a zip code of a priority neighborhood for at least 7 years, between 1994 and the date of application, or from most negatively impacted zip code
- ▶ Type 2:
 - Economically disadvantaged status, as marked by income below 200% Federal Poverty Level and net worth below \$250,000
- ▶ Type 3:
 - A women or veteran-owned business

Businesses

- ▶ Type 4:
 - Commitment to employ 51% transitional workers
- ▶ Type 5:
 - Business with equity incubator or Cannabis Social Enterprise. A business that hosts an equity business, Type 1,2, or 3

#21: Equity Program Benefits

Type 1:

- ▶ Eligible for access to business support center services
- ▶ Expungement of criminal records
- ▶ Priority CUP and BOP processing and fee waiver/deferral

Type 2 & 3:

- ▶ Eligible for access to business support center services
- ▶ Priority CUP and BOP processing and fee waiver/deferral

Type 4 & 5:

- ▶ Priority CUP and BOP processing and fee

#21: Tiered Manufacturing

By Gross Receipts:

- ▶ Class A – Under \$100,000
- ▶ Class B – Under \$1 million
- ▶ Class C – Under \$3 million
- ▶ Class D – Over \$3 million

By Type:

- ▶ Type 1: Non-Volatile Manufacturing (all aspects)
- ▶ Type N: Production of Edibles, Topicals and Other Products.
- ▶ Type P: Packaging and Labeling

21: Remove CUP for Small Manufacturers

- ▶ \$100,000 or less in gross receipts
 - Producers of edibles and topicals
 - Packaging and labeling
 - Will not apply to extractors
- ▶ Adds Council call-up provision on BOP

#21: Production CUP

- ▶ Single CUP for:
 - Cultivation
 - Manufacturing
 - Distribution
- ▶ Adding new uses requires:
 - Modification of CUP including a public hearing
- ▶ Council call-up provisions apply

Item 21

Recommendations

- ▶ 1) Pass a motion authorizing staff to move forward with the establishment establishing of an Equity Program
- ▶ 2) Pass an ordinance amending, deleting and adding various provisions of Title 17 & Title 5 of the Sacramento City Code, including:
 - ▶ Establishing a tiered manufacturing permit structure
 - ▶ Production CUP
 - ▶ Amended background check requirements for cannabis owners and employees.

#22: Ordinances Amending Title 5 (Business Permits and Licensing) and Title 17 (Planning and Development Code) Relating to Cannabis Businesses

**Ethanol in
Nonvolatile
Manufacturing**

**Dispensaries:
Delivery, Adult
Use, Cap,
Re-issue Permits**

**Distribution
Businesses**

**Remove CUP for
Testing Labs**

#22: Ethanol Manufacturing

- ▶ Ethanol defined in State Emergency Regulations released on 11/16/17 as a non-volatile substance
- ▶ Fire Marshal Approval Required

#22: Dispensary Amendments

- ▶ Creates two types of dispensaries:
 - Storefront
 - Delivery-only
- ▶ Allows permitted storefront dispensaries to add delivery
 - Must modify CUP and BOP
- ▶ Allows qualified permitted dispensaries to sell adult-use cannabis
 - Must modify CUP and BOP
- ▶ Establishes a cap of 30 storefront dispensary permits
- ▶ Establishes a lottery process for re-issuing a storefront dispensary permit

#22: Distribution

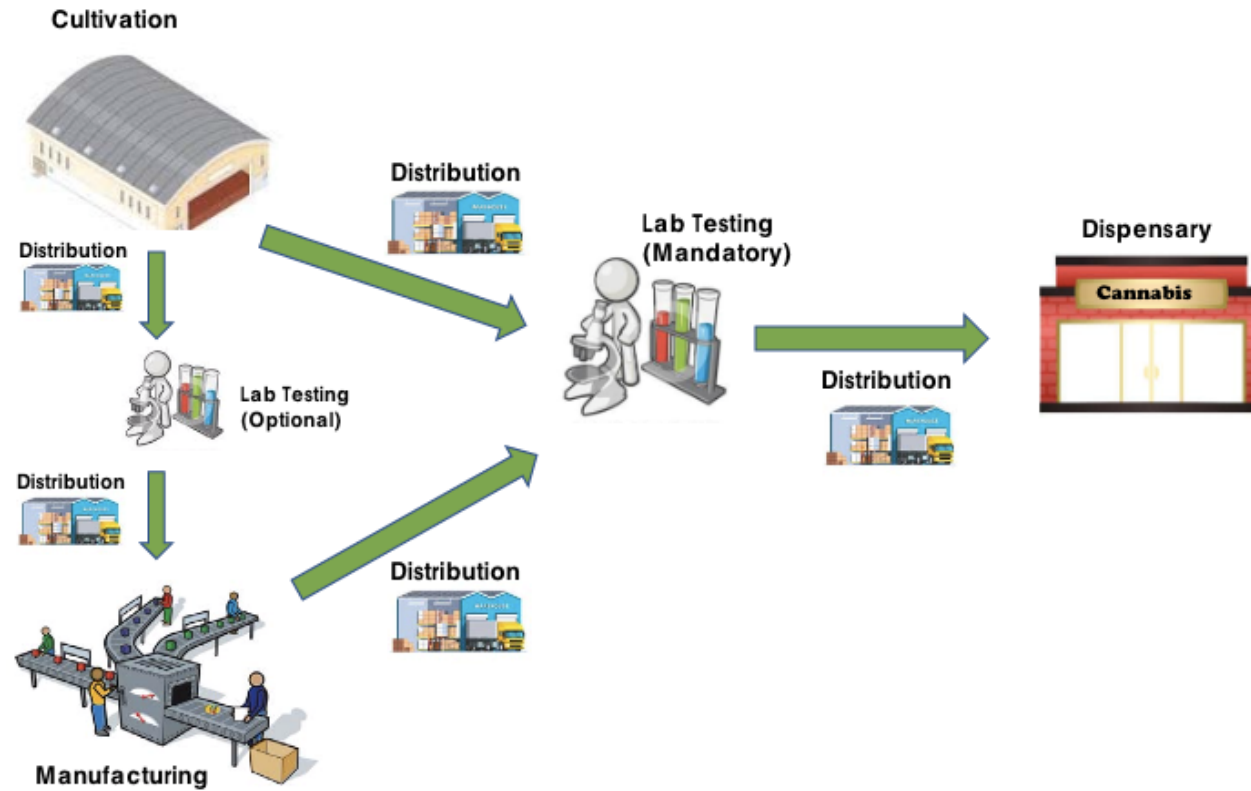
Two Types:

- ▶ Distribution Center
 - Over 2,500 sq. ft.
 - sole function of distributing and transporting cannabis products

- ▶ Distribution Service
 - 2,500 sq. ft. or less
 - intended as an add-on or secondary permit to allow a cannabis business to transport/distribute their own cannabis products

#22: Distribution (continued)

Cannabis Supply Chain



#22: Remove CUP for Testing Labs

- ▶ Establishes Council call-up of Testing BOPs
- ▶ Allows testing as a by-right activity in C-2, C-4, M-1, M-1(S), M-2, M-2(S), MIP and MRD zones
 - Similar laboratories in Sacramento do not require a CUP

Item 22 Recommendation

- ▶ **Pass an Ordinance amending, deleting and adding various provisions of Title 17 & Title 5 to:**
 - **Permit ethanol extraction**
 - **Remove the CUP requirement for testing facilities and establish Council call-up process of Testing BOPs**
 - **Establish a Cannabis Production CUP**
 - **Authorize Cannabis Distribution**
 - **Add Delivery**
 - **Establish interim cap on storefront dispensaries at 30**
 - **lottery system for re-issuing permits**

#20: Revised Fee Structure and Staffing Plan

- ▶ Recent and proposed changes in City policies
 - New permit types
 - Re-evaluation of the workload required for the program

Business Operating Permit Fees

Permit Type	Estimated # of Permits					BOP Fee New	BOP Fee Renewal
		Permit Admin Cost	Permit Admin Fee	Enforcement Cost	Enforcement Fee		
Cultivation up to 5,000 sq ft	75	3,251,160	\$ 4,118	\$ 3,647,478	\$ 5,593	\$ 9,700	\$ 8,570
Cultivation up to 10,000 sq ft	69	3,251,160	\$ 8,481	\$ 3,647,478	\$ 11,735	\$ 20,210	\$ 17,840
Cultivation up to 22,000 sq ft	67	3,251,160	\$ 10,675	\$ 3,647,478	\$ 17,965	\$ 28,910	\$ 25,300
Dispensary	30	3,251,160	\$ 10,837	\$ 3,647,478	\$ 12,766	\$ 23,610	\$ 20,800
Dispensary w/ Delivery	30	3,251,160	\$ -	3,647,478	-	\$ 2,810	\$ -
Dispensary - Delivery Only	11	3,251,160	\$ 14,778	\$ 3,647,478	\$ 8,290	\$ 23,610	\$ 20,800
Dispensary - Delivery Only - Less than \$500k	26	3,251,160	\$ 6,252	\$ 3,647,478	\$ 3,507	\$ 9,760	\$ 8,580
Distribution Center	7	3,251,160	\$ 18,578	\$ 3,647,478	\$ 10,421	\$ 29,000	\$ 25,500
Distribution Service	36	3,251,160	\$ 4,515	\$ 3,647,478	\$ 1,013	\$ 5,530	\$ 4,850
Manufacture Type 1 - (Class A) - up to \$100k	28	2,991,028	\$ 3,205	\$ 3,462,894	\$ 1,237	\$ 4,440	\$ 3,700
Manufacture Type 1 - (Class B) - up to \$1m	14	2,991,028	\$ 6,409	\$ 3,462,894	\$ 2,473	\$ 8,880	\$ 8,400
Manufacture Type 1 - (Class C) - up to \$3m	9	2,991,028	\$ 9,970	\$ 3,462,894	\$ 7,695	\$ 17,660	\$ 15,500
Manufacture Type 1 - (Class D) - over \$3m	10	3,251,160	\$ 13,005	\$ 3,647,478	\$ 16,049	\$ 30,900	\$ 25,625
Manufacture N or P (Class A) - up to \$100k	28	3,251,160	\$ 1,161	\$ 3,647,478	\$ 1,433	\$ 2,590	\$ 2,290
Manufacture N or P (Class B) - up to \$1m	9	3,251,160	\$ 3,612	\$ 3,647,478	\$ 4,053	\$ 7,670	\$ 6,750
Manufacture N or P (Class C) - up to \$3m	6	3,251,160	\$ 10,837	\$ 3,647,478	\$ 6,079	\$ 16,920	\$ 14,875
Manufacture N or P (Class D) - over \$3m	6	3,251,160	\$ 16,256	\$ 3,647,478	\$ 12,158	\$ 28,410	\$ 23,400
Testing Lab	6	3,251,160	\$ 7,586	\$ 3,647,478	\$ 6,687	\$ 14,270	\$ 12,570

Item 20 Recommendation

- ▶ Approve Revised Fee Structure and Staffing Plan