

# CANNABIS STAKEHOLDER MEETING

August 2, 2017  
2 – 4pm



*City of*  
**SACRAMENTO**  
Cannabis Policy & Enforcement

# Summary of Law and Legislation Committee Recommendations to City Council

1. Proposed Amendment to Ordinance on Residential Cultivation of Cannabis – **Forward to City Council**
2. An Ordinance Amending Chapter 5.150 of the Sacramento City Code Relating to Cannabis Businesses – **Forward to City Council**
3. Proposed Regulations Relating to Cannabis Permits
  - A. Distribution - **Forward to City Council**
  - ~~B. Ability to Publish Regulations~~
  - C. Retail (Dispensary) with Delivery Component -- **Forward to City Council**
  - D. Cannabis Conditional Use Permits (CUP) – **Forward to City Council with Options**
  - E. Tiered Manufacturing Permits - **Forward to City Council**
  - F. Ability to Re-issue Revoked Permits - **Forward to City Council**
  - G. Background Checks - **Forward to City Council with Options**

# Proposed Amendment to Ordinance on Residential Cultivation of Cannabis

## Current:

- Up to 400 Sq. feet of canopy
- Must be in indoor
- Allowed to be in any room

## Challenges with current ordinance:

- More difficult to enforce
- Allows for conditions that support the black market

## Proposed:

- Limit personal cultivation to six plants
- Must be in indoor
- Allow in only one, single non-common area room, or garage.

## Improvements ordinance:

- Easy to enforce
- Reduces diversion
- Allows for sufficient personal cultivation

# An Ordinance Amending Chapter 5.150 of the Sacramento City Code Relating to Cannabis Businesses (Code Rewrite)

- Code Cleanup
- Aligns dispensary language with other cannabis businesses
- Aligns requirement for dispensaries manager to have and display City ID Badge

# Proposed Regulations Relating to Cannabis Permits

- A. Distribution
- ~~B. Ability to Publish Regulations~~
- C. Retail (Dispensary) with Delivery Component
- D. Cannabis Conditional Use Permits (CUP)
- E. Tiered Manufacturing Permits
- F. Ability to Re-issue Revoked Permits
- G. Background Checks

# A. CANNABIS DISTRIBUTION

- Distribution and transport of cannabis between businesses. Distribution and transportation are now combined licenses under MAUCRSA.
- Proposed framework for distribution:
  - Zones: C4, M1, M1(S), M2, M2(S), MIP and MRD
  - Conditional Use Permit required
    - ***Consider allowing on a location that has a CUP for Cultivation or Manufacturing that also meets the above zoning requirements.***
  - Must have a valid motor carrier permit, bonded and insured
  - All drivers must be employed by the distributor
  - Background checks requirements for all drivers, and owners, managers, and any persons with 20% interest
  - Meet all state requirements pertaining to track and trace and electronic shipping manifests

## C. CANNABIS RETAIL WITH DELIVERY

### Background

- Delivery is estimated 53% of the market share of cannabis sales in Sacramento.
- Currently, there over 100 cannabis delivery services operating illegally in Sacramento.
- Under MAUCRSA, delivery is part of the retail license.

### Proposal

- Staff is proposing that **delivery also be incorporated into the dispensary permits and added as an optional activity for existing dispensaries**, and to establish a new, **non-storefront/ delivery-only dispensary permit**.

# CANNABIS RETAIL WITH DELIVERY (cont.)

## PROPOSAL FOR EXISTING STOREFRONT DISPENSARIES

1. Allow dispensaries to apply for delivery as an optional service
2. Require modification of existing CUP (repeal “registered” status to allow dispensaries to relocate
3. Require modification of current business operating permit (BOP) and adjustment of permit fees
4. Must adhere to all State & local delivery requirements

# CANNABIS RETAIL WITH DELIVERY (cont.)

## PROPOSAL FOR NEW, NON-STOREFRONT/DELIVERY-ONLY DISPENSARIES

- Physical location required with no public access.
- Require a Dispensary CUP
- Repeal “registered” dispensary status to allow City to accept applications for new dispensaries).
- Zones: C2, C4, M1, M1(S), M2, M2(S)

# CANNABIS RETAIL WITH DELIVERY (cont.)

## PROPOSAL FOR NEW, NON-STOREFRONT/DELIVERY-ONLY DISPENSARIES

- Distance requirements: at least 600 ft. from schools and neighborhood/community parks (with review by Planning and Design commission if <600 ft.)
- Allow co-location; no distance requirements from other delivery-only dispensaries. (Current conflict with State Law. Likely will be changed this year)

# CANNABIS RETAIL WITH DELIVERY (cont.)

- **Additional requirements for existing dispensaries and non-storefront dispensaries:**
  - Background checks for all drivers and managers
  - City identification card for all drivers
  - Vehicles must not be more than 10 years old and have GPS capability
  - Drivers shall not be armed
  - Must meet all other State of CA requirements, including:
    - Drivers must be at least 21 years of age
    - Carry only a maximum of \$3,000 worth of products per delivery
    - No markings on vehicle
    - Track-and-trace requirements
    - All delivery drivers must be employed by the dispensaries; no third-party delivery will be allowed

## D. CANNABIS CONDITIONAL USE PERMITS

### ➤ **Current Conditional Use Permits (CUPs)**

- Manufacturing
- Cultivation
- Dispensary
- Testing

### ➤ **Proposed Amendment to CUP Requirements:**

- Create “**Cannabis CUP**” for all cannabis businesses, except dispensaries
- Remove CUP requirement for all Testing facilities
- Remove CUP requirement for Manufacturing businesses with revenues less than \$100,000.

# CANNABIS CONDITIONAL USE PERMITS (cont.)

- **Challenge to Required CUP for Testing**
  - Testing is a critical part of the ensuring safe cannabis. There is currently a shortage of testing facilities in Sacramento and the State.
- **Proposed Amendment to CUP Requirement:**
  - Remove CUP requirement for Testing facilities in C4, M1 or other heavy industrial zones.
  - Testing facilities do not have large quantities (2.3 grams per pound of cannabis).

## E. CANNABIS TIERED MANUFACTURING

**Challenge:** The existing manufacturing permit and process does not meet the needs of the industry, does not support or encourage small business development, and will potentially fuel the black market and underground economy.

**Proposal:** Create a tiered system of permits based on manufacturing type and size. This proposal closely mirrors the State and will create greater opportunities for small businesses.

1. A permit classification as follows:

**Type 1** - Nonvolatile manufacturing (all aspects)

**Type P** – Packaging and labeling

**Type N** - Producer of edible or topical

# CANNABIS TIERED MANUFACTURING (cont).

2. A sliding scale for permit fees based on gross receipts, as follows:

**Class A** – Up to \$100,000

**Class B** – Up to \$1,000,000

**Class C** – Up to \$3,000,000

**Class D** – Over \$3,000,000

- Zoning Requirements: Maintain Existing Zoning and Distance Requirements of C2, C4, M1, M1(S), M2, M2(S), MIP, MRD
- Require ALL Manufacturing Classes and Types to obtain a Business Operations Permit
- Create Special Exemptions for Type N and Type P:
  - Allow Type N in C2 Zones
  - Do Not Require a Conditional Use Permit for small businesses, either Class A, under \$100,000 or Class B, under \$1,000,000.

# CANNABIS TIERED MANUFACTURING (cont).

## PROPOSED TIERED MANUFACTURING PERMIT

Current City Permit Type	Current Permit Fee	State License Types (Proposed)	State License Fees (Proposed) Based Annual Gross Revenues	Proposed City Permit Types	Proposed City Permit Fees
Manufacturing (Nonvolatile only)	\$30,900.00	Type 1 (Nonvolatile Extraction)	<ul style="list-style-type: none"> <li>• Up to \$100K = \$2,000</li> <li>• \$100K to \$500K = \$7,500</li> <li>• \$500K - \$2M = \$15,000</li> <li>• \$2,000,001- \$5M = \$15,000</li> <li>• Over \$5M = \$50,000</li> </ul>	Type 1 (Nonvolatile Extraction)	<ul style="list-style-type: none"> <li>• Class A – Up to \$100,000</li> <li>• Class B – Up to \$1,000,000</li> <li>• Class C – Up to \$3,000,000</li> <li>• Class D – Over \$3,000,000</li> </ul>
		Type 2 (Volatile Extraction)		Type N - Producer of Edibles or Topicals	
		Type N - Producer of Edibles or Topicals		Type P - Packaging	
		Type P - Packaging			

# CANNABIS TIERED MANUFACTURING (cont).

## PROPOSED AMENDMENTS TO CUP REQUIREMENTS FOR MANUFACTURING

Current City Permit Type	Current CUP Requirement	Proposed City Permit Types	Proposed CUP Requirement
Manufacturing (Nonvolatile only)	Manufacturing	Type 1 (Nonvolatile Extraction)	Cannabis CUP
		Type N - Producer of Edibles or Topicals	Cannabis CUP (none if under under \$100K in gross receipts)
		Type P - Packaging	Cannabis CUP (none if under \$100K in gross receipts)

## F. ABILITY TO RE-ISSUE REVOKED OR SURRENDERED DISPENSARY PERMITS

**Challenge:** Sacramento only allows dispensaries registered prior to a specific date to operate. Conditions exist that may force dispensaries to close. Specifically, the 280e issue and the lack of bankruptcy proceedings may force a number of dispensaries to either close or surrender their permit.

Additionally, the City may desire to revoke a dispensary permit. In either case the number of dispensaries will continue to shrink because we only allow registered dispensaries to operate.

## ABILITY TO RE-ISSUE REVOKED OR SURRENDERED DISPENSARY PERMITS (cont.)

### Proposed Solution:

- Grant staff the **ability re-issue a surrendered or revoked permit to a new applicant.**
- Staff is seeking authority to develop a process, such as a lottery or Request for Proposals (RFP) by which to re-issue **a revoked or surrendered permit.**
- Will allow the number of dispensaries to remain steady.
- Other option is to remove the registration requirement and allow for new storefront dispensaries.

## F. BACKGROUND CHECKS

### **Current State of California Background Check Requirements:**

- Require Background Checks for applicants with at least 20% interest.
- No background checks for employees.
- Disqualifies applicants with a violent felony conviction, and felonies involving drug trafficking, fraud, deceit, embezzlement, hiring, employing or using a minor in transporting, carrying, selling controlled substance to a minor or furnishing any controlled substance to a minor.

# BACKGROUND CHECKS (cont.)

## Background Checks in Other States:

### ➤ Colorado

- **Statewide licensing/badging** through Marijuana Enforcement Division (MED)
  - Individual licenses for Associated Key/Associated Person/Owner at \$800 renewable every year
  - Occupational Key at \$250 & Occupational Support at \$75 renewable every 2 years.
- Local agencies may or may not perform additional background checks; uses State background check information.

# BACKGROUND CHECKS (cont)

## ➤ Washington

- Uses a point system to determine if the person qualifies for a license to operate in local cities; no badging or individual permits.
- Local agencies do not conduct own background check.

## ➤ Oregon

- Applicants, partners, officers, stockholders, and all persons with 10% interest; directors with 3% of the voting stock; all employees who work in a licensed producer, processor, wholesaler, or retailer, or working in a licensed business or managing information in Oregon's Cannabis Tracking System are required to go through a background check and obtain a Recreational Marijuana Worker Permit.

# BACKGROUND CHECKS (cont.)

## City of Sacramento Current Background Check Requirements:

- Dispensaries: Requires background checks for owners and managers, and all persons with 10% interest
- Cultivation, Manufacturing and Testing: Requires background checks for owners, managers, employees, and all persons with 10% interest.
- Disqualifies owners, managers and employees who have been charged or convicted of a felony.
- Disqualifies individuals charged or convicted of a felony
- Administrative hearing process for cannabis-related, non-violent and non-gang-related offenses.

# BACKGROUND CHECKS (cont.)

**Challenge:** The current background check requirement for employees may be unfairly punitive against jobless ex-offenders or discourage individuals from even applying.

## **Proposed Solutions:**

1. Align background check requirement with State by limiting it to owners and any person with 20% interest and removing background check requirements for all employees, except delivery and distribution drivers.
2. Limit grounds for disqualifications to gang-related crimes or sale of controlled substances to a minor only.

## BACKGROUND CHECKS (cont.)

3. Expand grounds for appeal to include charges or conviction of other felonies (except crimes on #2).
4. Pass the burden of background check requirements to employers
5. Create a citywide ID system for all cannabis employees in the city.

# **Adult Use of Marijuana Act (AUMA)**

On November 8, 2016, California voters approved Proposition 64, the Adult use of Marijuana Act (AUMA) allowing adults 21 years or older to legally grow, possess and use marijuana for non-medical purposes.

# POLICY DISCUSSIONS ON ADULT USE

## 1. RETAIL

- Should the City allow existing dispensaries to sell adult use products?
  - Separate permit for medical and non-medical?
- Should the City allow new storefront dispensaries that would sell adult use products only?

# POLICY DISCUSSIONS ON ADULT USE

## 2. ONSITE CONSUMPTION

- Should the City issue onsite consumption permits or allow Designated Cannabis Consumption Areas? Examples include:
  - BYOW cafes, cannabis lounges (similar to cigar bars)
  - Restaurants/coffee shops/juice bars, etc. that serve cannabis-infused products
  - Spas/massage facilities that use cannabis for treatment
  - Yoga, pilates studios that incorporate cannabis into the practice
  - Cannabis-tasting tours of cultivation sites (similar to wine tasting)
- What should the requirements be?

# POLICY DISCUSSIONS ON ADULT USE

## 3. TEMPORARY SPECIAL EVENT PERMITS

- Should the City issue temporary, date-specific permits for special events? Examples include:
  - Fairs, concerts, sports events, and other public events
- Should the City issue licenses for City-owned property and facilities?
- Should the license be issued to the venue or the event organizer?



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