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City of SACRAMENTO

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City Hall Complex
915 I Street, Sacramento, CA 95814
Published by the Office of the City Clerk
(916) 808-7200

AMENDMENT MATERIAL

Description: Attached is supplemental material received after publishing the agenda, updating attachment 8-Staff Presentation (Page 8). The attached staff report replaces the original staff report in its entirety.

For the Meeting of: Tuesday, June 16, 2026, at 2:00 p.m.

Agenda Item: **Public Hearing Item 18**

18. An Ordinance Amending Various Provisions of Title 17 (Planning & Development Code), Relating to Cannabis Land Uses (M25-003) [In Lieu of Pass for Publication Ordinance to be Published in its Entirety] [Published 06/05/2026]

File ID: 2026-00904

Location: Citywide

Recommendation: Conduct a public hearing and upon conclusion, pass a **Motion**: 1) determining the Ordinance exempt from the California Environmental Quality Act (“CEQA”) pursuant to CEQA Guidelines Section 15061(b)(3); 2) adopt an Ordinance amending various provisions of Title 17 of the Sacramento City Code, relating to cannabis land uses; and 3) in lieu of publishing the ordinance title, publish the ordinance in full in the official newspaper of the City within ten days after adoption by the council, consistent with City Charter section 32(d).

Contact: Kirk Skierski, Senior Planner, (916) 808-7933, ktskierski@cityofsacramento.org; Kevin Colin, Zoning Administrator, (916) 808-5260, kcolin@cityofsacramento.org; Community Development Department

File ID: 2026-00904 6/16/2026

An Ordinance Amending Various Provisions of Title 17 (Planning & Development Code), Relating to Cannabis Land Uses (M25-003) [In Lieu of Pass for Publication Ordinance to be Published in its Entirety] [Published 06/05/2026]

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Recommendation: Conduct a public hearing and upon conclusion, pass a **Motion**: 1) determining the Ordinance exempt from the California Environmental Quality Act ("CEQA") pursuant to CEQA Guidelines Section 15061(b)(3); 2) adopt an **Ordinance** amending various provisions of Title 17 of the Sacramento City Code, relating to cannabis land uses; and 3) in lieu of publishing the ordinance title, publish the ordinance in full in the official newspaper of the City within ten days after adoption by the council, consistent with City Charter section 32(d).

Contact: Kirk Skierski, Senior Planner, (916) 808-7933, ktskierski@cityofsacramento.org; Kevin Colin, Zoning Administrator, (916) 808-5260, kcolin@cityofsacramento.org; Community Development Department

Presenter: Kevin Colin, Zoning Administrator, (916) 808-5260, kcolin@cityofsacramento.org, Community Development Department

Attachments:
1-Description/Analysis
2-Cannabis Amendments Ordinance (Redline)
3-Cannabis Amendments Ordinance (Clean)
4-City Council November 18, 2025 Staff Report
5-Sensitive Uses: Dispensaries
6-Dispensaries: Review Authority
7-Cannabis Dispensaries: 1,000-foot High School Buffer
8-Staff Presentation [Updated 06/16/2026 at 9:00 AM]

Description/Analysis
Issue Detail: On November 18, 2025, the City Council reviewed, commented, and provided direction on an ordinance amending zoning regulations for cannabis land uses (Attachment 4). A majority of

Councilmembers supported maintaining discretionary review (i.e., a Conditional Use Permit) and retention of the existing councilmember call-up procedures. Public comments from existing storefront dispensary owners included a request to provide a buffer between those businesses. In addition, faith leaders requested that churches and faith congregations be maintained as a sensitive use. Councilmembers also discussed increasing the mandatory school buffer from a 600-foot buffer to 1,000 feet for high schools (i.e., grades 9-12). Staff prepared a revised ordinance responsive to the direction of a majority of Councilmembers and public comment, as described below (Attachments 2 and 3).

I. **Sensitive Uses**:

The attached ordinance includes the following sensitive use types and buffer distances:

1. All Cannabis Land Uses

   Previous Recommendation: 600-foot mandatory buffer from K-12 schools.

   Attached ordinance: No change.

2. Cannabis Dispensaries:

   Previous Recommendation: 600-foot buffer from the following sensitive uses:

   - Neighborhood, community, and regional parks;
   - Community centers;
   - Libraries;
   - Museums;
   - Substance abuse rehabilitation centers; and
   - Youth-oriented facilities

   Attached ordinance: 600-foot buffer from the following sensitive uses:

   - Same as previous recommendation; plus
   - Church and faith congregation; and
   - Other storefront dispensary.

   Rationale: On November 18, 2025, council members discussed and public speakers supported the inclusion of a buffer between storefront dispensaries. Public speakers included dispensary owners expressing concern about competition with other dispensaries. Public speakers also included faith leaders requesting that churches and faith congregations be retained as a sensitive use.

   A consortium of 14 dispensary owners subsequently met

with staff, emphasized the continued preference for a buffer, and clarified their perceived benefits to include: (a) more stable tax revenues (e.g., reduced likelihood of price compaction resulting from increased competition due to closer proximity); (b) a greater ability to hold individual dispensary owners accountable for their actions (e.g., compliance with regulatory requirements); and (c) to be responsive to public comments expressing concern about the number of dispensaries in particular neighborhoods.

Staff also subsequently met with a group of faith leaders at a church in Del Paso Heights. At that meeting, faith leaders expressed an interest to limit cannabis uses generally as well as specifically near churches and faith congregations.

Including churches and faith congregations and other dispensaries in the list of sensitive uses would result in ~2,260-acre decrease (i.e., 25% decrease) in areas outside sensitive use buffers. The most affected council districts are District 4 and District 5, primarily due to the inclusion of churches and faith congregations. District 2 and District 6 have the most area outside sensitive use buffers due to industrial and manufacturing zoning districts. Attachment 5 illustrates the attached ordinance's sensitive use locations and buffers; Attachment 6 illustrates the review authority based on the 600-foot buffer.

Alternative to Staff Recommendation - Increased High School Buffer

On November 18, 2025, council members also discussed but a majority did not voice support for a 1,000-foot mandatory buffer for dispensaries from high schools (i.e., grades 9-12). The following analysis is provided to inform a potential motion to adopt the attached ordinance but with an increased buffer to high schools.

a. High School Buffer: Increase buffer from 600 feet to 1,000 feet for high schools (i.e., grades 9-12; 58 high schools).

b. K-8 School Buffer: Maintain 600-foot buffer from K-8 schools (112 K-8 schools).

c. Analysis: Attachment 7 identifies parcels where cannabis dispensaries could locate within zoning districts that allow them based on the proposed ordinance's sensitive uses, but outside a 1,000-foot school buffer. This buffer would result in modest decreases in areas outside sensitive uses citywide (i.e., 1% decrease).

d. Ordinance Revisions: Replace "School" definition within Section 17.228.910 with "School,

Elementary or Middle" and "School, High". Revise general requirements to clarify school buffers (i.e., Section 17.228.920).

II. Permit Type

The attached ordinance includes the following permit requirements for cannabis land uses:

1. Conditional Use Permit - Zoning Administrator

   a. Cannabis Uses: Cannabis production (e.g., cultivation, distribution, processing, manufacturing, testing); and

      Cannabis dispensary outside all sensitive use buffers.

2. Conditional Use Permit - Planning and Design Commission

   a. Cannabis Uses: Cannabis dispensary within any sensitive use buffer, except schools.

The ordinance retains existing council member call-up for all conditional use permits for cannabis uses. Conditional use permits would continue to include early notice mailings, on-site posted notice, and public hearing notice mailings. After the Zoning Administrator or Planning and Design Commission acts on a conditional use permit at a public hearing, notice to Mayor and Councilmember in whose district the application is located would be provided notice for potential call-up to full City Council.

III. Cannabis Consumption Lounges

The attached ordinance no longer includes zoning amendments relating to cannabis consumption lounges. Instead, the City Council will consider at a future meeting an ordinance that would provide regulations for cannabis consumption lounges.

Policy Considerations: When acting upon the proposed ordinance, City Code Section 17.916.010.D.1 requires consideration of two findings:

1. Finding (Section 17.916.010.D.1.a): As amended, title 17 complements, supports, and facilitates the implementation of the goals, policies, and other provisions of the general plan and the City's specific plans and transit village plans.

   Staff Analysis: The proposed ordinance advances the following 2040 General Plan goals by allowing cannabis dispensaries in zones that include increased potential of walking and other methods of travel (e.g., C-1, C-3, and RMX), which supports opportunities in suitable locations for employment and services, and includes sensitive use buffers relating to recreational facilities, youth-oriented establishments, and uses of community investment (e.g., museums, libraries, churches, etc.).

Land Use Element

Goal LUP-2: Balanced and connected community with thriving neighborhoods and centers and development intensities linked to transit.

Goal LUP-4: Walkable, transit-oriented centers and corridors that concentrate new jobs, housing, and entertainment opportunities to support frequent, reliable transit service and foster connected, accessible neighborhoods.

Goal LUP-5: Attractive, thriving commercial centers that are well-located to serve the needs of Sacramento residents, workers, and visitors.

Goal LUP-7: Industrial opportunities in suitable locations to provide employment for Sacramento residents and promote inclusive economic growth in the city.

Goal LUP-11: Create built and natural environments within the city that prioritize, support, promote, and embrace social equity, ecological regeneration, responsible resource stewardship, and human health and well-being.

Economic Development Element

Goal E-1: A dynamic, resilient economy with a diverse array of business in established and emerging industry sectors.

Goal E-2: Sustained, inclusive growth that generates long-term, shared value in the community and creates economic opportunities for all residents.

Goal E-3: A business environment conducive to growth, investment, collaboration, and the exchange of ideas.

Environmental Justice

Goal EJ-5: Investments that address long-standing inequities, empower disadvantaged residents, and build neighborhood resilience.

Youth, Parks, Recreation, and Open Space Element

Goal YPRO-1: An integrated system of parks, open space areas, shared-use paths, and recreational facilities that are welcoming, well-maintained, safe, and accessible to all the diverse communities of Sacramento.

2. Finding (Section 17.916.010.D.1.b): The amendment promotes the public health, safety, convenience, and welfare of the city.

Staff Analysis: The proposed ordinance promotes the public health, safety, convenience, and

welfare of the city through regulations that:

- Are responsive to the 2022 Comprehensive Cannabis Study's findings that cannabis land uses have not:
    - Had a negative impact on other nearby retail or industrial uses.
    - Created increases in crime beyond the levels generated by other businesses.
    - Had a negative impact on nearby home values.
    - Produced negative economic effects on commercial and residential districts.
- Are equitable, fair, and balance competing viewpoints.
- Provide practicable standards that are clear and verifiable.
- Provide additional opportunities to locate in the City's tourism/entertainment hub and neighborhood commercial areas.
- Maintains a discretionary review process at a noticed public hearing and community member participation.

Economic Impacts: The Sacramento Comprehensive Cannabis Study, prepared by Economic Planning & Systems and dated March 8, 2022, provides the following summarized observations of the City's first five years of the City's fully operational regulatory environment for adult cannabis use:

- Based on taxes remitted to the City by cannabis businesses, the cannabis industry in Sacramento took in more than $800 million in 2021. The industry's 2021 income is more than 3.5 times the income of the industry during the first full year of legalization in 2018.

- The cannabis industry is now among the top 10 employment sectors in the City, with approximately 8,000 workers, half of whom are estimated to be in the cultivation sector.

- Cannabis operations generate a significant fiscal surplus ($19.8 million in 2021) to the City's General Fund annually. Retail operations are the largest driver of fiscal surpluses, with an estimated surplus of $11.3 million attributable to retail cannabis operations in 2021.

- Cannabis operations in the city are estimated to result in $2.2 billion in total economic output in the local economy, annually, inclusive of direct, indirect, and induced impacts. Of the $2.2 billion in activity (in 2021), $606.3 million will be retained by employees of local businesses in the form of income.

- Cannabis operations generated $1.5 billion in direct economic activity (in 2021), $357.1 million of which is income. The remaining $746.2 million of economic activity reflects the estimated indirect and induced impacts supported by cannabis operations as spending ripples through the local economy. This level of economic activity generates support for approximately 12,500 full- and part-time jobs in the region, including 8,000 direct, 2,600 indirect, and 1,800 induced

jobs.

- Cannabis cultivation activities are estimated to generate $1.6 billion in economic activity annually, supporting 7,000 jobs, the greatest level of impact generated out of all cannabis business groups analyzed.

- Business operations taxes are the largest revenue source for cannabis operation in the city. For the 2021/22 City budget, cannabis uses were anticipated to contribute approximately 73 percent of all business operations taxes generated in the city.

- Revenues generated are significantly greater than the cost of operating the Office of Cannabis Management.

- 40% of local cannabis tax revenues are, pursuant to Measure L, to be spent on child and youth services. Tax revenue collected is placed into the Sacramento Children's Fund and whose chief purpose is to support positive youth development and youth violence prevention programs - such as services for homeless youth and foster children; mental health counseling; substance-abuse treatment, prevention, and early intervention; and after-school activities - for children and youth less than 25 years old.

The local cannabis tax revenue for fiscal year 2024 was $23,351,809 (40% = $9,340,724).

Environmental Considerations: The Community Development Department, Environmental Planning Services Section has determined that the proposed ordinance is exempt from review under the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines Section 15061(b)(3).

It can be seen with certainty that there is no possibility that the proposed ordinance may have a significant effect on the environment. The proposed ordinance modifies the permit-processing rules for cannabis production, testing, and dispensaries, all of which are currently authorized under the city code with a conditional use permit. The proposed ordinance authorizes storefront dispensary uses in additional zones (including the addition of the Residential Mixed Use (RMX), Limited Commercial Zone (C-1), and Central Business Zone (C-3), based on the conclusions in the 2022 Comprehensive Cannabis study, which determined that these uses have no impacts on the surrounding areas. The proposed ordinance also refines the existing code's separation requirements of all cannabis land uses from other 'sensitive' land uses (e.g., parks, libraries, community centers, youth-oriented facilities) and refines the definitions of some of these uses.

Sustainability: None.

Commission/Committee Action: The following actions have been taken to date regarding cannabis amendments to Title 17 of the City Code:

- On May 31, 2022, the City Council directed staff to evaluate seven points of direction relating to cannabis zoning regulations and return with recommended cannabis zoning amendments.

- On September 19, 2023, the Law and Legislation Committee directed Office of Cannabis Management ("OCM") to develop a pilot framework for cannabis social consumption lounges.

- On May 21, 2024, the Law and Legislation Committee heard updates on the Title 17 Cannabis Amendments project and directed staff to bring back a package of policy recommendations for consideration.

- On May 21, 2024, OCM provided an informational update to the Law and Legislation Committee regarding a framework for consumption lounge business operating permits. The Committee provided direction to return with a framework to allow consumption business operating permits for all storefront dispensaries.

- On September 12, 2024, the Planning and Design Commission discussed preliminary recommendations of the Title 17 Cannabis Amendments Project and provided feedback to the proposed Title 17 cannabis amendments.

- On September 17, 2024, OCM presented a cannabis consumption business operating permit framework to the Law and Legislation Committee. The Committee forwarded the pilot program concept for social consumption to City Council for consideration but requested a City Council workshop soliciting the expertise of public health experts regarding cannabis consumption statewide public health trends prior to Council consideration of social consumption.

- On October 22, 2024, the City Council heard presentations from public health experts discussing statewide public health trends and secondhand smoke in dispensaries.

- On November 19, 2024, the City Council adopted an ordinance amending Title 5 concerning business regulations for cannabis consumption lounges.

- On March 13, 2025, pursuant to City Code Section 17.916.010(B), the Planning and Design Commission passed a motion forwarding a recommendation of approval, as amended to require a conditional use permit for cannabis cultivation and cannabis dispensaries and add 1) childcare center; 2) church or faith congregation; and 3) other dispensary to the sensitive use list, to the City Council.

- On April 8, 2025, pursuant Chapter 13 of the City Council Rules of Procedure, the Law and Legislation Committee passed a motion forwarding the proposed cannabis ordinance and Planning and Design Commission recommendations to the City Council for discussion and

direction.

- On September 16, 2025, the City Council reviewed, commented, and provided direction to staff on the desired contents of an ordinance.

- On November 18, 2025, the City Council reviewed, commented, and provided further direction to staff on the desired contents of an ordinance.

Rationale for Recommendation: On May 31, 2022, the City Council directed the Planning & Design Commission to do the following:

1. Review current cannabis business zoning and sensitive uses to determine if they continue to serve the purposes for which they were adopted.
2. Consider additional zones for storefront and delivery-only dispensaries and non-volatile manufacturing (including infusion and packaging).
3. Consider storefront dispensaries as an allowed use in Residential Mixed Use (RMX) or C-3 zones.
4. Consider limiting cannabis sensitive uses to schools, youth centers, drug and alcohol treatment centers, neighborhood and community parks, and faith-based institutions.
5. Consider reviewing suitability of mixed light cannabis uses in industrial/manufacturing zones and whether new mixed light facilities should be constructed with the ability to be re-purposed.
6. Consider a zoning and permit type for cannabis research and development (R&D) facilities.
7. Consider removing distribution from the current uses subject to a district-based square-footage cap.

On March 13, 2025, staff presented recommendations to the Planning and Design Commission responsive to the City Council's direction. The commission's recommendation was then forwarded to the City Council for review and direction. Following discussion and direction received at two council meetings of September 16 and November 18, 2025, staff prepared an ordinance responsive to Council direction, which is presented in this report.

Financial Considerations: Not applicable.

Local Business Enterprise (LBE): Not applicable.

ORDINANCE NO.

Adopted by the Sacramento City Council
Date Adopted

AN ORDINANCE AMENDING VARIOUS PROVISIONS OF TITLE 17 OF THE SACRAMENTO CITY CODE, RELATING TO CANNABIS LAND USES

BE IT ENACTED BY THE COUNCIL OF THE CITY OF SACRAMENTO:

SECTION 1.

The city council finds the following:

1. As amended by this ordinance, the Planning and Development Code complements, supports, and facilitates the implementation of the goals, policies, and other provisions of the general plan and the city's specific plans and transit village plans; and

2. The amendments in this ordinance promote the public health, safety, convenience, and welfare of the city.

SECTION 2.

A. Section 17.108.040 ("C" definitions) of the Sacramento City Code is hereby amended as follows:

1. A definition of "cannabis dispensary, storefront" is hereby added to read as follows:

"Cannabis dispensary, storefront" has the same meaning as in section 5.150.020.

2. A definition of "cannabis manufacturing, nonvolatile" is hereby added to read as follows:

"Cannabis manufacturing, nonvolatile" means cannabis manufacturing done without the use of volatile solvents.

3. A definition of "cannabis processing" is hereby added to read as follows:

"Cannabis processing" means all activities associated with the drying, curing, sifting, grading, trimming, rolling, storing, packaging, and labeling of cannabis or nonmanufactured cannabis products as defined section 15000 of title 4 of the California Code of Regulations.

4. A definition of "cannabis production" is hereby added to read as follows:

"Cannabis production" means cannabis cultivation, cannabis distribution, cannabis manufacturing, and cannabis processing, and any combination thereof.

6. The definition of "cannabis testing" is hereby amended to read as follows:

"Cannabis testing" means performing scientific analysis of cannabis or cannabis products to determine its chemical profile, the presence of contaminants, or other similar data, and research and development related to the innovation and improvement of cannabis products and the processing of cannabis.

7. The definition of "cannabis use" is hereby amended to read as follows:

"Cannabis use" means cannabis production, cannabis testing, and cannabis dispensary.

B. Except as amended by subsection A above, all provisions of section 17.108.040 remain unchanged and in full effect.

SECTION 3.

A. The "cannabis cultivation" row in subsection B.2 (conditional uses; industrial and agricultural uses) in Section 17.200.110 (A zone) of the Sacramento City Code is hereby amended as follows:

Cannabis cultivation	Subject to special use regulations in ~~section 17.228.900~~article IX of chapter 17.228	ZA~~/PDC~~

B. Except as amended by subsection A above, all provisions of Section 17.200.110 remain unchanged and in full effect.

SECTION 4.

A. Section 17.212.110 (RMX zone) of the Sacramento City Code is hereby amended as follows:

1. A row for "cannabis dispensary" is hereby added to the table in subsection B.2 (conditional uses; commercial and institutional uses) to read as follows:

Cannabis dispensary	Limited to storefront cannabis dispensary (delivery-only cannabis dispensary not allowed)	ZA/PDC

	Subject to special use regulations in article IX of chapter 17.228	

B. Except as amended by subsection A above, all provisions of section 17.212.110 remain unchanged and in full effect.

SECTION 5.

A. Section 17.216.510 (SC-zone) of the Sacramento City Code is hereby amended as follows:

1. The "cannabis dispensary" row in subsection B.2 (conditional uses; commercial and institutional uses) is hereby amended to read as follows:

Cannabis dispensary	Limited to storefront cannabis dispensary (delivery-only cannabis dispensary not allowed) Subject to special use regulations in ~~section 17.228.920~~article IX of chapter 17.228	ZA/PDC

B. Except as amended by subsection A above, all provisions of section 17.216.510 remain unchanged and in full effect.

SECTION 6.

A. Section 17.216.610 (C-1 zone) of the Sacramento City Code is hereby amended as follows:

1. A row for "cannabis dispensary" is hereby added to the table in subsection B.2 (conditional uses; commercial and institutional uses) to read as follows:

Cannabis dispensary	Limited to storefront cannabis dispensary (delivery-only cannabis dispensary not allowed) Subject to special use regulations in article IX of chapter 17.228	ZA/PDC

B. Except as amended by subsection A above, all provisions of section 17.216.610 remain unchanged and in full effect.

SECTION 7.

A. Section 17.216.710 (C-2 zone) of the Sacramento City Code is hereby amended as follows:

1. The "cannabis manufacturing" row in subsection A.3 (permitted uses; industrial and agricultural uses) is hereby deleted.

~~Cannabis manufacturing~~	~~Allowed if extraction processes are not conducted with a volatile solvent and the use is exempt from the conditional use permit requirement pursuant to section 17.228.900.C~~

2. The "cannabis testing" row in subsection A.3 (permitted uses; industrial and agricultural uses) is hereby amended to read as follows:

Cannabis testing	Subject to special use regulations in article IX of chapter 17.228~~section 17.228.910~~

3. The "cannabis dispensary" row in subsection B.2 (conditional uses; commercial and institutional uses) is hereby amended to read as follows:

Cannabis dispensary	Subject to special use regulations in ~~section 17.228.920~~article IX of chapter 17.228	ZA/PDC

4. A row for "cannabis production" is hereby added to the table in subsection B.3 (conditional uses; industrial and agricultural uses) to read as follows:

Cannabis production (excluding cannabis manufacturing using volatile solvents)	Subject to special use regulations in article IX of chapter 17.228. If use is located within ½ mile from the center of an existing or proposed light rail station platform, subject to special use regulations in section 17.228.127	ZA

5. The "cannabis cultivation" row in subsection B.3 (conditional uses; industrial and agricultural uses) is hereby deleted.

~~Cannabis cultivation~~	~~Permitted with a conditional use permit if—~~	~~ZA/PDC~~

	~~1. Use is located within ½ mile from the center of an existing or proposed light rail station platform, subject to special use regulations in section 17.228.127; or~~ ~~2. Use is located greater than ½ mile from the center of an existing or proposed light rail station platform.~~ ~~Subject to special use regulations in section 17.228.900~~	

6. The "cannabis distribution" row in subsection B.3 (conditional uses; industrial and agricultural uses) is hereby deleted.

~~Cannabis distribution~~	~~Subject to special use regulations in section 17.228.900~~	~~ZA/PDC~~

7. The "cannabis manufacturing" row in subsection B.3 (conditional uses; industrial and agricultural uses) is hereby deleted.

~~Cannabis manufacturing~~	~~Permitted with a conditional use permit if extraction processes are not conducted with a volatile solvent and—~~ ~~1. Use is located within ½ mile from the center of an existing or proposed light rail station platform, subject to special use regulations in section 17.228.127; or~~ ~~2. Use is located greater than ½ mile from the center of an existing or proposed light rail station platform.~~ ~~Subject to special use regulations in section 17.228.900~~	~~ZA/PDC~~

B. Except as amended by subsection A above, all provisions of section 17.216.710 remain unchanged and in full effect.

SECTION 8.

A. Section 17.216.810 (C-3 zone) of the Sacramento City Code is hereby amended as follows:

1. A row for "cannabis dispensary" is hereby added to the table in subsection B.2 (conditional uses; commercial and institutional uses) to read as follows:

Cannabis dispensary	Limited to storefront cannabis dispensary (delivery-only cannabis dispensary not allowed) Subject to special use regulations in article IX of chapter 17.228	ZA/PDC

B. Except as amended by subsection A above, all provisions of section 17.216.810 remain unchanged and in full effect.

SECTION 9.

A. Section 17.216.910 (C-4 zone) of the Sacramento City Code is hereby amended as follows:

1. The "cannabis manufacturing" row in subsection A.3 (permitted uses; industrial and agricultural uses) is hereby deleted.

~~Cannabis manufacturing~~	~~Allowed if exempt from the conditional use permit requirement pursuant to section 17.228.900.C~~

2. The "cannabis testing" row in subsection A.3 (permitted uses; industrial and agricultural uses) is hereby amended to read as follows:

Cannabis testing	Subject to special use regulations in article IX of chapter 17.228~~section 17.228.910~~

3. The "cannabis dispensary" row in subsection B.2 (conditional uses; commercial and institutional uses) is hereby amended to read as follows:

Cannabis dispensary	Subject to special use regulations in ~~section 17.228.920~~article IX of chapter 17.228	ZA/PDC

4. A row for "cannabis production" is hereby added to the table in subsection B.3 (conditional uses; industrial and agricultural uses) to read as follows:

Cannabis production	Subject to special use regulations in article IX of chapter 17.228 If use is located within ½ mile from the center of an existing or proposed light rail station platform, subject to special use regulations in section 17.228.127	ZA

5. The "cannabis cultivation" row in subsection B.3 (conditional uses; industrial and agricultural uses) is hereby deleted.

~~Cannabis cultivation~~	~~Permitted with a conditional use permit if—~~ ~~1. Use is located within ½ mile from the center of an existing or proposed light rail station platform, subject to special use regulations in section 17.228.127; or~~ ~~2. Use is located greater than ½ mile from the center of an existing or proposed light rail station platform.~~ ~~Subject to special use regulations in section 17.228.900~~	~~ZA/PDC~~

6. The "cannabis distribution" row in subsection B.3 (conditional uses; industrial and agricultural uses) is hereby deleted.

~~Cannabis distribution~~	~~Subject to special use regulations in section 17.228.900~~	~~ZA/PDC~~

7. The "cannabis manufacturing" row in subsection B.3 (conditional uses; industrial and agricultural uses) is hereby deleted.

~~Cannabis manufacturing~~	~~Permitted with a conditional use permit if—~~ ~~1. Use is located within ½ mile from the center of an existing or proposed light rail station platform, subject to special use regulations in section 17.228.127; or~~ ~~2. Use is located greater than ½ mile from the center of an existing or proposed light rail station platform.~~ ~~Subject to special use regulations in section 17.228.900~~	~~ZA/PDC~~

B. Except as amended by subsection A above, all provisions of section 17.216.910 remain unchanged and in full effect.

SECTION 10.

A. Section 17.220.110 (M-1 zone) of the Sacramento City Code is hereby amended as follows:

1. The "cannabis manufacturing" row in subsection A.3 (permitted uses; industrial and agricultural uses) is hereby deleted.

~~Cannabis manufacturing~~	~~Allowed if exempt from the conditional use permit requirement pursuant to section 17.228.900.C~~

2. The "cannabis testing" row in subsection A.3 (permitted uses; industrial and agricultural uses) is hereby amended to read as follows:

Cannabis testing	Subject to special use regulations in article IX of chapter 17.228~~section 17.228.910~~

3. The "cannabis dispensary" row in subsection B.2 (conditional uses; commercial and institutional uses) is hereby amended to read as follows:

Cannabis dispensary	Subject to special use regulations in ~~section 17.228.920~~article IX of chapter 17.228	ZA/PDC

4. A row for “cannabis production” is hereby added to the table in subsection B.3 (conditional uses; industrial and agricultural uses) to read as follows:

Cannabis production	Subject to special use regulations in article IX of chapter 17.228 If use is located within ½ mile from the center of an existing or proposed light rail station platform, subject to special use regulations in section 17.228.127	ZA

5. The “cannabis cultivation” row in subsection B.3 (conditional uses; industrial and agricultural uses) is hereby deleted.

~~Cannabis cultivation~~	~~Permitted with a conditional use permit if—~~ ~~1. Use is located within ½ mile from the center of an existing or proposed light rail station platform, subject to special use regulations in section 17.228.127; or~~ ~~2. Use is located greater than ½ mile from the center of an existing or proposed light rail station platform.~~ ~~Subject to special use regulations in section 17.228.900~~	~~ZA/PDC~~

6. The “cannabis distribution” row in subsection B.3 (conditional uses; industrial and agricultural uses) is hereby deleted.

~~Cannabis distribution~~	~~Subject to special use regulations in section 17.228.900~~	~~ZA/PDC~~

7. The “cannabis manufacturing” row in subsection B.3 (conditional uses; industrial and agricultural uses) is hereby deleted.

~~Cannabis manufacturing~~	~~Permitted with a conditional use permit if—~~	~~ZA/PDC~~

	~~1. Use is located within ½ mile from the center of an existing or proposed light rail station platform, subject to special use regulations in section 17.228.127; or~~ ~~2. Use is located greater than ½ mile from the center of an existing or proposed light rail station platform.~~ ~~Subject to special use regulations in section 17.228.900~~	

B. Except as amended by subsection A above, all provisions of section 17.220.110 remain unchanged and in full effect.

SECTION 11.

A. Section 17.220.210 (M-1(S) zone) of the Sacramento City Code is hereby amended as follows:

1. The "cannabis manufacturing" row in subsection A.3 (permitted uses; industrial and agricultural uses) is hereby deleted.

~~Cannabis manufacturing~~	~~Allowed if exempt from the conditional use permit requirement pursuant to section 17.228.900.C~~

2. The "cannabis testing" row in subsection A.3 (permitted uses; industrial and agricultural uses) is hereby amended to read as follows:

Cannabis testing	Subject to special use regulations in article IX of chapter 17.228~~section 17.228.910~~

3. The "cannabis dispensary" row in subsection B.2 (conditional uses; commercial and institutional uses) is hereby amended to read as follows:

Cannabis dispensary	Subject to special use regulations in ~~section 17.228.920~~article IX of chapter 17.228	ZA/PDC

4. A row for "cannabis production" is hereby added to the table in subsection B.3 (conditional uses; industrial and agricultural uses) to read as follows:

Cannabis production	Subject to special use regulations in article IX of chapter 17.228 If use is located within ½ mile from the center of an existing or proposed light rail station platform, subject to special use regulations in section 17.228.127	ZA

5. The "cannabis cultivation" row in subsection B.3 (conditional uses; industrial and agricultural uses) is hereby deleted.

~~Cannabis cultivation~~	~~Permitted with a conditional use permit if—~~ ~~1. Use is located within ½ mile from the center of an existing or proposed light rail station platform, subject to special use regulations in section 17.228.127; or~~ ~~2. Use is located greater than ½ mile from the center of an existing or proposed light rail station platform.~~ ~~Subject to special use regulations in section 17.228.900~~	~~ZA/PDC~~

6. The "cannabis distribution" row in subsection B.3 (conditional uses; industrial and agricultural uses) is hereby deleted.

~~Cannabis distribution~~	~~Subject to special use regulations in section 17.228.900~~	~~ZA/PDC~~

7. The "cannabis manufacturing" row in subsection B.3 (conditional uses; industrial and agricultural uses) is hereby deleted.

~~Cannabis manufacturing~~	~~Permitted with a conditional use permit if—~~ ~~1. Use is located within ½ mile from the center of an existing or proposed light rail station platform, subject to~~	~~ZA/PDC~~

	~~special use regulations in section 17.228.127; or~~ ~~2. Use is located greater than ½ mile from the center of an existing or proposed light rail station platform.~~ ~~Subject to special use regulations in section 17.228.900~~	

B. Except as amended by subsection A above, all provisions of section 17.220.210 remain unchanged and in full effect.

SECTION 12.

A. Section 17.220.310 (M-2 zone) of the Sacramento City Code is hereby amended as follows:

1. The "cannabis manufacturing" row in subsection A.3 (permitted uses; industrial and agricultural uses) is hereby deleted.

~~Cannabis manufacturing~~	~~Allowed if exempt from the conditional use permit requirement pursuant to section 17.228.900.C~~

2. The "cannabis testing" row in subsection A.3 (permitted uses; industrial and agricultural uses) is hereby amended to read as follows:

Cannabis testing	Subject to special use regulations in article IX of chapter 17.228~~section 17.228.910~~

3. The "cannabis dispensary" row in subsection B.2 (conditional uses; commercial and institutional uses) is hereby amended to read as follows:

Cannabis dispensary	Subject to special use regulations in ~~section 17.228.920~~article IX of chapter 17.228	ZA/PDC

4. A row for "cannabis production" is hereby added to the table in subsection B.3 (conditional uses; industrial and agricultural uses) to read as follows:

Cannabis production	Subject to special use regulations in article IX of chapter 17.228	ZA

	If use is located within ½ mile from the center of an existing or proposed light rail station platform, subject to special use regulations in section 17.228.127	

5. The "cannabis cultivation" row in subsection B.3 (conditional uses; industrial and agricultural uses) is hereby deleted.

~~Cannabis cultivation~~	~~Permitted with a conditional use permit if—~~ ~~1. Use is located within ½ mile from the center of an existing or proposed light rail station platform, subject to special use regulations in section 17.228.127; or~~ ~~2. Use is located greater than ½ mile from the center of an existing or proposed light rail station platform.~~ ~~Subject to special use regulations in section 17.228.900~~	~~ZA/PDC~~

6. The "cannabis distribution" row in subsection B.3 (conditional uses; industrial and agricultural uses) is hereby deleted.

~~Cannabis distribution~~	~~Subject to special use regulations in section 17.228.900~~	~~ZA/PDC~~

7. The "cannabis manufacturing" row in subsection B.3 (conditional uses; industrial and agricultural uses) is hereby deleted.

~~Cannabis manufacturing~~	~~Permitted with a conditional use permit if—~~ ~~1. Use is located within ½ mile from the center of an existing or proposed light rail station platform, subject to special use regulations in section 17.228.127; or~~	~~ZA/PDC~~

	~~2. Use is located greater than ½ mile from the center of an existing or proposed light rail station platform.~~ ~~Subject to special use regulations in section 17.228.900~~	

B. Except as amended by subsection A above, all provisions of section 17.220.310 remain unchanged and in full effect.

SECTION 13.

A. Section 17.220.410 (M-2(S) zone) of the Sacramento City Code is hereby amended as follows:

1. The "cannabis manufacturing" row in subsection A.3 (permitted uses; industrial and agricultural uses) is hereby deleted.

~~Cannabis manufacturing~~	~~Allowed if exempt from the conditional use permit requirement pursuant to section 17.228.900.C~~

2. The "cannabis testing" row in subsection A.3 (permitted uses; industrial and agricultural uses) is hereby amended to read as follows:

Cannabis testing	Subject to special use regulations in article IX of chapter 17.228~~section 17.228.910~~

3. The "cannabis dispensary" row in subsection B.2 (conditional uses; commercial and institutional uses) is hereby amended to read as follows:

Cannabis dispensary	Subject to special use regulations in ~~section 17.228.920~~article IX of chapter 17.228	ZA/PDC

4. A row for "cannabis production" is hereby added to the table in subsection B.3 (conditional uses; industrial and agricultural uses) to read as follows:

Cannabis production	Subject to special use regulations in article IX of chapter 17.228 If use is located within ½ mile from the center of an existing or proposed light	ZA

	rail station platform, subject to special use regulations in section 17.228.127	

5. The “cannabis cultivation” row in subsection B.3 (conditional uses; industrial and agricultural uses) is hereby deleted.

~~Cannabis cultivation~~	~~Permitted with a conditional use permit if—~~ ~~1. Use is located within ½ mile from the center of an existing or proposed light rail station platform, subject to special use regulations in section 17.228.127; or~~ ~~2. Use is located greater than ½ mile from the center of an existing or proposed light rail station platform.~~ ~~Subject to special use regulations in section 17.228.900~~	~~ZA/PDC~~

6. The “cannabis distribution” row in subsection B.3 (conditional uses; industrial and agricultural uses) is hereby deleted.

~~Cannabis distribution~~	~~Subject to special use regulations in section 17.228.900~~	~~ZA/PDC~~

7. The “cannabis manufacturing” row in subsection B.3 (conditional uses; industrial and agricultural uses) is hereby deleted.

~~Cannabis manufacturing~~	~~Permitted with a conditional use permit if—~~ ~~1. Use is located within ½ mile from the center of an existing or proposed light rail station platform, subject to special use regulations in section 17.228.127; or~~ ~~2. Use is located greater than ½ mile from the center of an existing or proposed light rail station platform.~~	~~ZA/PDC~~

	~~Subject to special use regulations in section 17.228.900~~	

B. Except as amended by subsection A above, all provisions of section 17.220.410 remain unchanged and in full effect.

SECTION 14.

A. Section 17.220.510 (MIP zone) of the Sacramento City Code is hereby amended as follows:

1. The "cannabis manufacturing" row in subsection A.2 (permitted uses; industrial and agricultural uses) is hereby deleted.

~~Cannabis manufacturing~~	~~Allowed if exempt from the conditional use permit requirement pursuant to section 17.228.900.C~~

2. The "cannabis testing" row in subsection A.2 (permitted uses; industrial and agricultural uses) is hereby amended to read as follows:

Cannabis testing	Subject to special use regulations in article IX of chapter 17.228~~section 17.228.910~~

3. A row for "cannabis production" is hereby added to the table in subsection B.1 (conditional uses; industrial and agricultural uses) to read as follows:

Cannabis production (excluding cannabis cultivation)	Subject to special use regulations in article IX of chapter 17.228 If use is located within ½ mile from the center of an existing or proposed light rail station platform, subject to special use regulations in section 17.228.127	ZA

4. The "cannabis distribution" row in subsection B.1 (conditional uses; industrial and agricultural uses) is hereby deleted.

~~Cannabis distribution~~	~~Subject to special use regulations in section 17.228.900~~	~~ZA/PDC~~

5. The "cannabis manufacturing" row in subsection B.1 (conditional uses; industrial and agricultural uses) is hereby deleted.

~~Cannabis manufacturing~~	~~Permitted with a conditional use permit if—~~ ~~1. Use is located within ½ mile from the center of an existing or proposed light rail station platform, subject to special use regulations in section 17.228.127; or~~ ~~2. Use is located greater than ½ mile from the center of an existing or proposed light rail station platform.~~ ~~Subject to special use regulations in section 17.228.900~~	~~ZA/PDC~~

B. Except as amended by subsection A above, all provisions of section 17.220.510 remain unchanged and in full effect.

SECTION 15.

A. Section 17.220.610 (MRD zone) of the Sacramento City Code is hereby amended as follows:

1. The "cannabis testing" row in subsection A.2 (permitted uses, commercial and institutional uses) is hereby amended to read as follows:

Cannabis testing	Subject to special use regulations in article IX of chapter 17.228~~section 17.228.950~~

2. The "cannabis manufacturing" row in subsection A.3 (permitted uses; industrial and agricultural uses) is hereby deleted.

~~Cannabis manufacturing~~	~~Allowed if exempt from the conditional use permit requirement pursuant to section 17.228.900.C~~

3. A row for "cannabis production" is hereby added to the table in subsection B.3 (conditional uses; industrial and agricultural uses) to read as follows:

Cannabis production (excluding cannabis cultivation)	Subject to special use regulations in article IX of chapter 17.228	ZA

	If use is located within ½ mile from the center of an existing or proposed light rail station platform, subject to special use regulations in section 17.228.127	

4. The "cannabis distribution" row in subsection B.3 (conditional uses; industrial and agricultural uses) is hereby deleted.

~~Cannabis distribution~~	~~Subject to special use regulations in section 17.228.900~~	~~ZA/PDC~~

5. The "cannabis manufacturing" row in subsection B.3 (conditional uses; industrial and agricultural uses) is hereby deleted.

~~Cannabis manufacturing~~	~~Permitted with a conditional use permit if—~~ ~~1. Use is located within ½ mile from the center of an existing or proposed light rail station platform, subject to special use regulations in section 17.228.127; or~~ ~~2. Use is located greater than ½ mile from the center of an existing or proposed light rail station platform.~~ ~~Subject to special use regulations in section 17.228.900~~	~~ZA/PDC~~

B. Except as amended by subsection A above, all provisions of section 17.220.610 remain unchanged and in full effect.

SECTION 16.

A. Section 17.220.710 (MT zone) of the Sacramento City Code is hereby amended as follows:

1. The "cannabis testing" row in subsection A.2 (permitted uses; commercial and institutional uses) is amended to read as follows:

Cannabis testing	Subject to special use regulations in article IX of chapter 17.228~~section 17.228.910~~

2. The “cannabis dispensary” row in subsection B.2 (conditional uses; commercial and institutional uses) is hereby amended to read as follows:

Cannabis dispensary	Subject to special use regulations in ~~section 17.228.920~~article IX of chapter 17.228	ZA/PDC

3. A row for “cannabis production” is hereby added to the table in subsection B.3 (conditional uses; industrial and agricultural uses) to read as follows:

Cannabis production (excluding cannabis manufacturing using volatile solvents)	Subject to special use regulations in article IX of chapter 17.228	ZA

4. The “cannabis cultivation” row in subsection B.3 (conditional uses; industrial and agricultural uses) is hereby deleted.

~~Cannabis cultivation~~	~~Subject to special use regulations in section 17.228.900~~	~~ZA/PDC~~

5. The “cannabis distribution” row in subsection B.3 (conditional uses; industrial and agricultural uses) is hereby deleted.

~~Cannabis distribution~~	~~Subject to special use regulations in section 17.228.900~~	~~ZA/PDC~~

6. The “cannabis manufacturing, nonvolatile” row in subsection B.3 (conditional uses; industrial and agricultural uses) is hereby deleted.

~~Cannabis manufacturing, nonvolatile~~	~~Subject to special use regulations in section 17.228.900~~	~~ZA/PDC~~

B. Except as amended by subsection A above, all provisions of section 17.220.710 remain unchanged and in full effect.

SECTION 17.

Article IX of chapter 17.228 of the Sacramento City Code is hereby deleted.

~~**Article IX. Cannabis**~~

~~**17.228.900 Cannabis production.**~~

~~A. For purposes of this section, "cannabis production" includes cannabis cultivation, cannabis distribution, and cannabis manufacturing.~~

~~B. A conditional use permit is required for cannabis production, except for the following:~~

~~1. Cannabis manufacturing that complies with the following:~~
~~a. The use is limited to only packaging and labeling of cannabis or cannabis products, or producing edible or topical cannabis products using an infusion process;~~
~~b. Extraction is not being conducted; and~~
~~c. The gross receipts of the use are under $100,000 annually.~~
~~2. Cannabis distribution in accordance with a type-S cannabis distribution permit, as described in article VIII of chapter 5.150.~~

~~3. Cannabis distribution in accordance with a type-T cannabis distribution permit, as described in article VIII of chapter 5.150.~~

~~4. For the purposes of this section, "gross receipts" has the same meaning as provided in section 3.08.020.~~

~~C. Except as provided in subsection D, the conditional use permit, as required in subsection B, must be approved by the zoning administrator.~~

~~D. A conditional use permit, as required in subsection B, must be approved by the planning and design commission where the production site is within 600 feet of:~~

~~1. A park identified as a neighborhood park or community park in the city's most recently adopted Parks and Recreation Master Plan; or~~

~~2. A park not yet identified in the city's most recently adopted Parks and Recreation Master Plan.~~

~~E. The decision-maker may approve a conditional use permit for cannabis production based on the following findings:~~

~~1. The findings set forth in section 17.808.200.C; and~~

~~2. The proposed cannabis production will not result in undue concentration of cannabis production establishments. An undue concentration of cannabis production establishments will result if the following condition is met:~~

~~a. The proposed cannabis production use is located within the area bounded by Power Inn Road to the west, Folsom Boulevard to the north, and the city limits to the east and south; and will result in more than 2.5 million square feet of building floor space approved by a conditional~~

~~use permit for cannabis production use in that area. Building floor space designated for a cannabis manufacturing use in a conditional use permit may be excluded from the 2.5 million square footage calculation.~~

~~3. If the proposed cannabis production includes cannabis manufacturing with a volatile solvent, the fire chief or designee has determined that the proposed cannabis manufacturing use is compatible with surrounding uses.~~

~~F. In any zone, cannabis production must comply with the following provisions:~~

~~1. Cannabis production must be within a fully enclosed building and must not be visible from the public right-of-way.~~

~~2. Notwithstanding the provisions of California Business and Professions Code section 26054(b), a cannabis production site cannot be located within a 600-foot radius of a school. For purposes of this section, "school" means any public or private school providing instruction in kindergarten or grades 1 to 12, inclusive, but does not include any private school in which education is primarily conducted in private homes.~~

~~3. The cannabis production site cannot have more than one sign. The sign may be attached or detached. The sign cannot be illuminated and cannot exceed six square feet in area.~~

~~4. Cannabis production must comply with all applicable state and local laws.~~

~~5. Each property owner seeking a conditional use permit for cannabis production shall provide a neighborhood responsibility plan in order for the decision-maker to make the requisite findings identified in subsection E. The neighborhood responsibility plan must address the adverse impacts of cannabis distribution on the surrounding area. Compliance with the neighborhood responsibility plan shall be achieved through an agreement with the city, conditions of approval on the use permit, or through other means acceptable to the city.~~

~~6. Cannabis extraction must be performed in a manner that will not create explosive or ignitable mixtures, as approved by the fire chief or designee.~~

~~G. In the C-2 zone, cannabis production must comply with the following provisions:~~

~~1. Cannabis distribution and nonvolatile cannabis manufacturing cannot exceed a total of 6,400 square feet in area.~~

~~2. Cannabis distribution cannot be the only cannabis production use on the site.~~

~~H. Notice to city council. As soon as reasonably practicable after the zoning administrator or planning and design commission makes a decision on a conditional use permit required to establish cannabis production, the planning director shall report that decision to the mayor and~~

~~the councilmember in whose district the project is located, by sending the report by electronic mail and confirming that each received it.~~

~~I. Procedures for call-up review. The mayor or the councilmember in whose district the project is located may call up for city council review any decision described in subsection H by filing a written request with the planning director within 10 business days of the zoning administrator's or planning and design commission's decision. If both a council member call-up and director-level decision appeal are pending on the same project, the city council will consider both at the same time. Notice of the city council hearing shall be given in the manner provided in section 17.812.010.A.2.a. The hearing before the city council shall be de novo.~~

~~J. Withdrawal of request for review. The requester under subsection I may withdraw that request. The withdrawal shall be noted on the next regularly scheduled meeting of the city council and shall be considered to have occurred on that date. Any other member of the city council shall have 10 days thereafter to file a request for call-up review. If the tenth day is a non-business day, the last day to file the request is the next business day. Noticing and hearing of the matter shall be as set forth in subsection I.~~

~~K. A conditional use permit issued in accordance with this section must specify whether the use allowed is for cannabis cultivation, cannabis distribution, or cannabis manufacturing. An addition of any use specified in this paragraph to the allowed uses specified in a conditional use permit is a modification of the terms and conditions of the conditional use permit subject to section 17.808.440.~~

~~17.228.910 Cannabis testing.~~

~~A. Cannabis testing may only be established in the C-2, C-4, M-1, M-1(S), M-2, M-2(S), MIP, MRD, and M-T zones.~~

~~B. In any zone, cannabis testing must comply with the following provisions~~

~~1. The cannabis testing site cannot be located within 600 feet of a school. For purposes of this section, "school" means any public or private school providing instruction in kindergarten or grades 1 to 12, inclusive, but does not include any private school in which education is primarily conducted in private homes.~~

~~2. The cannabis testing must comply with all applicable state and local laws.~~

~~17.228.920 Cannabis dispensary.~~

~~A. For purposes of this section, the following definitions apply:~~

1. "School" means any public or private school providing instruction in kindergarten or grades 1 to 12, inclusive, but does not include any private school in which education is primarily conducted in private homes.

2. "Substance abuse rehabilitation center" means any facility that provides care for persons who have a dependency on alcohol or controlled substances, except any hospital, city or county jail, or state prison. The care provided by a substance abuse rehabilitation center, includes medication, patient counseling, group therapy, physical conditioning, family therapy, and dietetic services.

3. "Youth-oriented facility" means any establishment that caters to or provides services primarily intended for minors; that is patronized predominantly by minors; or where the people who regularly congregate or assemble are predominantly minors.

B. A conditional use permit is required to establish a cannabis dispensary in the C-2, C-4, M-1, M-1(S), M-2, M-2(S), M-T, and SC zones.

C. Except as provided in subsection D, the conditional use permit, as required in subsection B, must be approved by the zoning administrator.

D. A conditional use permit, as required in subsection B, must be approved by the planning and design commission where any of the following conditions apply:

1. The cannabis dispensary is a storefront cannabis dispensary, as defined in chapter 5.150, and the site is within 600 feet of another storefront cannabis dispensary site;

2. The cannabis dispensary site is within 600 feet of any park, childcare center, in-home child care (family day care home), youth-oriented facility, church or faith congregation, substance abuse center, or cinema;

3. The cannabis dispensary site is within 600 feet of any tobacco retailer that has 15,000 square feet or less of gross floor area; or

4. The cannabis dispensary site is within 300 feet of a residential zone.

E. In any zone, a cannabis dispensary must comply with the following provisions:

1. Cannabis dispensary operations must be within a fully enclosed building and must not be visible from the public right-of-way.

2. The cannabis dispensary site cannot be located within 600 feet of a school.

3. The cannabis dispensary must comply with all applicable state and local laws.

4. Each property owner seeking a conditional use permit for cannabis dispensary shall provide a neighborhood responsibility plan in order for the decision-maker to make the requisite findings set forth in section 17.808.200. The neighborhood responsibility plan must address the adverse impacts of a cannabis dispensary on the surrounding area. Compliance with the neighborhood responsibility plan shall be achieved through an agreement with the city, conditions of approval on the use permit, or through other means acceptable to the city.

5. Notwithstanding section 17.452.040.B.2.d, no cannabis dispensary may be established in a planned unit development, unless the planned unit development schematic plan and design guidelines expressly authorize the use.

F. Notice to city council. As soon as reasonably practicable after the zoning administrator or planning and design commission makes a decision on a conditional use permit required to establish a cannabis dispensary, the planning director shall report that decision to the mayor and the councilmember in whose district the project is located, by sending the report by electronic mail and confirming that each received it.

G. Procedures for call-up review. The mayor or the councilmember in whose district the project is located may call up for city council review any decision described in subsection F by filing a written request with the planning director within 10 business days of the zoning administrator's or planning and design commission's decision. If both a council member call-up and director-level decision appeal are pending on the same project, the city council will consider both at the same time. Notice of the city council hearing shall be given in the manner provided in section 17.812.010.A.2.a. The hearing before the city council shall be de novo.

H. Withdrawal of request for review. The requester under subsection G may withdraw that request. The withdrawal shall be noted on the next regularly scheduled meeting of the city council and shall be considered to have occurred on that date. Any other member of the city council shall have 10 days thereafter to file a request for call-up review. If the tenth day is a non-business day, the last day to file the request is the next business day. Noticing and hearing of the matter shall be as set forth in subsection G.

I. A conditional use permit issued in accordance with this section must specify whether the use allowed is for a storefront cannabis dispensary or a delivery-only cannabis dispensary, and for the sale of medical cannabis or adult-use cannabis. An addition of any use specified in this paragraph to the allowed uses specified in a conditional use permit is a modification of the terms and conditions of the conditional use permit subject to section 17.808.440.

J. A medical marijuana dispensary use that has a valid conditional use permit on the effective date of this ordinance is deemed to have an approved conditional use permit for a cannabis dispensary use allowing for a storefront cannabis dispensary and for the sale of medical cannabis, if the property owner provides a neighborhood responsibility plan described in subsection E.4. The deemed approved conditional use permit for a cannabis dispensary use shall be subject to all the provisions of this title relating to conditional use permits.

SECTION 18.

Article IX is hereby added to chapter 17.228 of the Sacramento City Code, to read as follows:

Article IX. Cannabis

17.228.900 Purpose and intent.

The purpose of this article is to authorize cannabis uses that comply with this article. The regulations in this article work in harmony with the regulations in chapter 5.150.

17.228.910 Definitions.

For purposes of this article, the following definitions apply:

A. "Community center" means a facility designated as a community center, senior center, or clubhouse in the city's most recently adopted parks plan.

B. "Park" means a public park designated in the city's most recently adopted parks plan as a multi-use regional park, multi-use community park, special use community park, multi-use neighborhood park, or neighborhood play lot.

C. "School" means a public or private school providing instruction in kindergarten or any grade from 1 to 12, inclusive, but does not include any private school in which education is primarily conducted in private homes.

D. "Sensitive use" means a lawfully-established community center, "library; archive" (as defined in section 17.108.130), "church or faith congregation" (as defined in section 17.108.040), museum, park, school, storefront cannabis dispensary, substance abuse rehabilitation center, or youth-oriented facility.

E. "Substance abuse rehabilitation center" means a facility licensed by the State Department of Health Care Services pursuant to California Health and Safety Code sections 11834.01 through 11834.50.

F. "Youth-oriented facility" means a facility that is operated by a nonprofit entity that primarily caters to minors or primarily provides services intended for minors.

17.228.920 General requirements.

A. Conditional use permit.

1. A conditional use permit approved by the zoning administrator is required to establish—

a. A cannabis dispensary use located more than 600 feet from all sensitive uses; or

b. A cannabis production use.

2. A conditional use permit approved by the planning and design commission is required to establish a cannabis dispensary within 600 feet of any sensitive use, excluding a school.

3. Conditional use permits for cannabis uses are subject to the following:

a. Notice to city council. As soon as reasonably practicable after the planning and design commission makes a decision on a conditional use permit required by this article, the planning director shall report that decision to the mayor and the councilmember in whose district the project is located, by sending the report by electronic mail and confirming that each received it.

b. Call-up review. The mayor or the councilmember in whose district the project is located may call up for city council review any decision by the planning and design commission on a conditional use permit required by this article by filing a written request with the planning director within ten business days of the planning and design commission's decision. If both a council member call-up and commission-level decision appeal are pending on the same project, the city council shall consider both at the same time. Notice of the city council hearing shall be given in the manner provided in section 17.812.010.A.2.a. The hearing before the city council is de novo.

c. Withdrawal of request for review. The requester under subsection B.2.b may withdraw that request. The withdrawal must be noted on the agenda of the next regularly scheduled meeting of the city council and is considered to have occurred on the date of that meeting. Any other member of the city council may file a request for call-up review within ten days of the withdrawal. If the tenth day is a non-business day, the last day to file the request is the next business day. Notice of the city council hearing shall be given in the manner provided in section 17.812.010.A.2.a. The hearing before the city council is de novo.

B. Distance from sensitive uses.

1. Measuring distance. Under this article, the distance from a cannabis use to another use is the shortest distance measured in a straight line between the two closest property lines.

2. Distance from schools. No cannabis use may be established within 600 feet of a school.

3. First-in-time – lawfully-established cannabis use. Notwithstanding any other provision of this title, a lawfully-established cannabis use may be modified or expanded without regard to whether it is within 600 feet of a sensitive use if that sensitive use was established after the lawfully-established cannabis use. All other provisions of this title apply, including the findings required by section 17.808.200 when applicable.

4. Maps.

a. All applications under this article must include a scaled map that identifies by name, address, and assessor parcel number all sensitive uses within 600 feet of the project site.

b. Each applicant must attest in writing, under penalty of perjury, that the map and accompanying information is true and correct.

C. Identification of approved uses. Any permit issued in accordance with this article must specifically identify each authorized cannabis use – cannabis production (cultivation, distribution, processing, or manufacturing), cannabis testing, or cannabis dispensary (store-front cannabis dispensary, delivery-only cannabis dispensary, or both).

17.228.930 Cannabis production.

A. Power Inn area. No permit provided for in this title will be granted for cannabis cultivation in the area bounded by Power Inn Road to the west, Folsom Boulevard to the north, and the city limits to the east and south, if the total of all cannabis cultivation uses in that area will exceed 2.5 million square feet.

B. C-2 zone. In the C-2 zone, cannabis production must comply with the following provisions:

1. Cannabis distribution and nonvolatile cannabis manufacturing cannot exceed a total of 6,400 square feet per site.

2. Cannabis distribution cannot be the only cannabis production use on a site.

C. Signs. A cannabis production site cannot have more than one sign. The sign may be attached or detached. The sign cannot be illuminated and cannot exceed six square feet in area.

17.228.940 Cannabis testing – signs.

A cannabis testing site cannot have more than one sign. The sign may be attached or detached. The sign cannot be illuminated and cannot exceed six square feet in area.

17.228.950 Medical marijuana dispensaries.

A medical marijuana dispensary with a valid conditional use permit on the effective date of the ordinance that codified this article is deemed to have an approved conditional use permit for a cannabis dispensary allowing for a storefront cannabis dispensary for the sale of medical and adult-use cannabis.

ORDINANCE NO.

Adopted by the Sacramento City Council
Date Adopted

AN ORDINANCE AMENDING VARIOUS PROVISIONS OF TITLE 17 OF THE SACRAMENTO CITY CODE, RELATING TO CANNABIS LAND USES

BE IT ENACTED BY THE COUNCIL OF THE CITY OF SACRAMENTO:

SECTION 1.

The city council finds the following:

1. As amended by this ordinance, the Planning and Development Code complements, supports, and facilitates the implementation of the goals, policies, and other provisions of the general plan and the city's specific plans and transit village plans; and

2. The amendments in this ordinance promote the public health, safety, convenience, and welfare of the city.

SECTION 2.

A. Section 17.108.040 ("C" definitions) of the Sacramento City Code is hereby amended as follows:

1. A definition of "cannabis dispensary, storefront" is hereby added to read as follows:

"Cannabis dispensary, storefront" has the same meaning as in section 5.150.020.

2. A definition of "cannabis manufacturing, nonvolatile" is hereby added to read as follows:

"Cannabis manufacturing, nonvolatile" means cannabis manufacturing done without the use of volatile solvents.

3. A definition of "cannabis processing" is hereby added to read as follows:

"Cannabis processing" means all activities associated with the drying, curing, sifting, grading, trimming, rolling, storing, packaging, and labeling of cannabis or nonmanufactured cannabis products as defined section 15000 of title 4 of the California Code of Regulations.

4. A definition of "cannabis production" is hereby added to read as follows:

"Cannabis production" means cannabis cultivation, cannabis distribution, cannabis manufacturing, and cannabis processing, and any combination thereof.

6. The definition of "cannabis testing" is hereby amended to read as follows:

"Cannabis testing" means performing scientific analysis of cannabis or cannabis products to determine its chemical profile, the presence of contaminants, or other similar data, and research and development related to the innovation and improvement of cannabis products and the processing of cannabis.

7. The definition of "cannabis use" is hereby amended to read as follows:

"Cannabis use" means cannabis production, cannabis testing, and cannabis dispensary.

B. Except as amended by subsection A above, all provisions of section 17.108.040 remain unchanged and in full effect.

SECTION 3.

A. The "cannabis cultivation" row in subsection B.2 (conditional uses; industrial and agricultural uses) in Section 17.200.110 (A zone) of the Sacramento City Code is hereby amended as follows:

Cannabis cultivation	Subject to special use regulations in article IX of chapter 17.228	ZA

B. Except as amended by subsection A above, all provisions of Section 17.200.110 remain unchanged and in full effect.

SECTION 4.

A. Section 17.212.110 (RMX zone) of the Sacramento City Code is hereby amended as follows:

1. A row for "cannabis dispensary" is hereby added to the table in subsection B.2 (conditional uses; commercial and institutional uses) to read as follows:

Cannabis dispensary	Limited to storefront cannabis dispensary (delivery-only cannabis dispensary not allowed)	ZA/PDC

	Subject to special use regulations in article IX of chapter 17.228	

B. Except as amended by subsection A above, all provisions of section 17.212.110 remain unchanged and in full effect.

SECTION 5.

A. Section 17.216.510 (SC-zone) of the Sacramento City Code is hereby amended as follows:

1. The "cannabis dispensary" row in subsection B.2 (conditional uses; commercial and institutional uses) is hereby amended to read as follows:

Cannabis dispensary	Limited to storefront cannabis dispensary (delivery-only cannabis dispensary not allowed) Subject to special use regulations in article IX of chapter 17.228	ZA/PDC

B. Except as amended by subsection A above, all provisions of section 17.216.510 remain unchanged and in full effect.

SECTION 6.

A. Section 17.216.610 (C-1 zone) of the Sacramento City Code is hereby amended as follows:

1. A row for "cannabis dispensary" is hereby added to the table in subsection B.2 (conditional uses; commercial and institutional uses) to read as follows:

Cannabis dispensary	Limited to storefront cannabis dispensary (delivery-only cannabis dispensary not allowed) Subject to special use regulations in article IX of chapter 17.228	ZA/PDC

B. Except as amended by subsection A above, all provisions of section 17.216.610 remain unchanged and in full effect.

SECTION 7.

A. Section 17.216.710 (C-2 zone) of the Sacramento City Code is hereby amended as follows:

1. The "cannabis manufacturing" row in subsection A.3 (permitted uses; industrial and agricultural uses) is hereby deleted.

2. The "cannabis testing" row in subsection A.3 (permitted uses; industrial and agricultural uses) is hereby amended to read as follows:

Cannabis testing	Subject to special use regulations in article IX of chapter 17.228

3. The "cannabis dispensary" row in subsection B.2 (conditional uses; commercial and institutional uses) is hereby amended to read as follows:

Cannabis dispensary	Subject to special use regulations in article IX of chapter 17.228	ZA/PDC

4. A row for "cannabis production" is hereby added to the table in subsection B.3 (conditional uses; industrial and agricultural uses) to read as follows:

Cannabis production (excluding cannabis manufacturing using volatile solvents)	Subject to special use regulations in article IX of chapter 17.228. If use is located within ½ mile from the center of an existing or proposed light rail station platform, subject to special use regulations in section 17.228.127	ZA

5. The "cannabis cultivation" row in subsection B.3 (conditional uses; industrial and agricultural uses) is hereby deleted.

6. The "cannabis distribution" row in subsection B.3 (conditional uses; industrial and agricultural uses) is hereby deleted.

7. The “cannabis manufacturing” row in subsection B.3 (conditional uses; industrial and agricultural uses) is hereby deleted.

B. Except as amended by subsection A above, all provisions of section 17.216.710 remain unchanged and in full effect.

SECTION 8.

A. Section 17.216.810 (C-3 zone) of the Sacramento City Code is hereby amended as follows:

1. A row for “cannabis dispensary” is hereby added to the table in subsection B.2 (conditional uses; commercial and institutional uses) to read as follows:

Cannabis dispensary	Limited to storefront cannabis dispensary (delivery-only cannabis dispensary not allowed) Subject to special use regulations in article IX of chapter 17.228	ZA/PDC

B. Except as amended by subsection A above, all provisions of section 17.216.810 remain unchanged and in full effect.

SECTION 9.

A. Section 17.216.910 (C-4 zone) of the Sacramento City Code is hereby amended as follows:

1. The “cannabis manufacturing” row in subsection A.3 (permitted uses; industrial and agricultural uses) is hereby deleted.

2. The “cannabis testing” row in subsection A.3 (permitted uses; industrial and agricultural uses) is hereby amended to read as follows:

Cannabis testing	Subject to special use regulations in article IX of chapter 17.228

3. The “cannabis dispensary” row in subsection B.2 (conditional uses; commercial and institutional uses) is hereby amended to read as follows:

Cannabis dispensary	Subject to special use regulations in article IX of chapter 17.228	ZA/PDC

4. A row for “cannabis production” is hereby added to the table in subsection B.3 (conditional uses; industrial and agricultural uses) to read as follows:

Cannabis production	Subject to special use regulations in article IX of chapter 17.228 If use is located within ½ mile from the center of an existing or proposed light rail station platform, subject to special use regulations in section 17.228.127	ZA

5. The “cannabis cultivation” row in subsection B.3 (conditional uses; industrial and agricultural uses) is hereby deleted.

6. The “cannabis distribution” row in subsection B.3 (conditional uses; industrial and agricultural uses) is hereby deleted.

7. The “cannabis manufacturing” row in subsection B.3 (conditional uses; industrial and agricultural uses) is hereby deleted.

B. Except as amended by subsection A above, all provisions of section 17.216.910 remain unchanged and in full effect.

SECTION 10.

A. Section 17.220.110 (M-1 zone) of the Sacramento City Code is hereby amended as follows:

1. The “cannabis manufacturing” row in subsection A.3 (permitted uses; industrial and agricultural uses) is hereby deleted.

2. The “cannabis testing” row in subsection A.3 (permitted uses; industrial and agricultural uses) is hereby amended to read as follows:

Cannabis testing	Subject to special use regulations in article IX of chapter 17.228

3. The “cannabis dispensary” row in subsection B.2 (conditional uses; commercial and institutional uses) is hereby amended to read as follows:

Cannabis dispensary	Subject to special use regulations in article IX of chapter 17.228	ZA/PDC

4. A row for “cannabis production” is hereby added to the table in subsection B.3 (conditional uses; industrial and agricultural uses) to read as follows:

Cannabis production	Subject to special use regulations in article IX of chapter 17.228 If use is located within ½ mile from the center of an existing or proposed light rail station platform, subject to special use regulations in section 17.228.127	ZA

5. The “cannabis cultivation” row in subsection B.3 (conditional uses; industrial and agricultural uses) is hereby deleted.

6. The “cannabis distribution” row in subsection B.3 (conditional uses; industrial and agricultural uses) is hereby deleted.

7. The “cannabis manufacturing” row in subsection B.3 (conditional uses; industrial and agricultural uses) is hereby deleted.

B. Except as amended by subsection A above, all provisions of section 17.220.110 remain unchanged and in full effect.

SECTION 11.

A. Section 17.220.210 (M-1(S) zone) of the Sacramento City Code is hereby amended as follows:

1. The "cannabis manufacturing" row in subsection A.3 (permitted uses; industrial and agricultural uses) is hereby deleted.

2. The "cannabis testing" row in subsection A.3 (permitted uses; industrial and agricultural uses) is hereby amended to read as follows:

Cannabis testing	Subject to special use regulations in article IX of chapter 17.228

3. The "cannabis dispensary" row in subsection B.2 (conditional uses; commercial and institutional uses) is hereby amended to read as follows:

Cannabis dispensary	Subject to special use regulations in article IX of chapter 17.228	ZA/PDC

4. A row for "cannabis production" is hereby added to the table in subsection B.3 (conditional uses; industrial and agricultural uses) to read as follows:

Cannabis production	Subject to special use regulations in article IX of chapter 17.228 If use is located within ½ mile from the center of an existing or proposed light rail station platform, subject to special use regulations in section 17.228.127	ZA

5. The "cannabis cultivation" row in subsection B.3 (conditional uses; industrial and agricultural uses) is hereby deleted.

6. The “cannabis distribution” row in subsection B.3 (conditional uses; industrial and agricultural uses) is hereby deleted.

7. The “cannabis manufacturing” row in subsection B.3 (conditional uses; industrial and agricultural uses) is hereby deleted.

B. Except as amended by subsection A above, all provisions of section 17.220.210 remain unchanged and in full effect.

SECTION 12.

A. Section 17.220.310 (M-2 zone) of the Sacramento City Code is hereby amended as follows:

1. The “cannabis manufacturing” row in subsection A.3 (permitted uses; industrial and agricultural uses) is hereby deleted.

2. The “cannabis testing” row in subsection A.3 (permitted uses; industrial and agricultural uses) is hereby amended to read as follows:

Cannabis testing	Subject to special use regulations in article IX of chapter 17.228

3. The “cannabis dispensary” row in subsection B.2 (conditional uses; commercial and institutional uses) is hereby amended to read as follows:

Cannabis dispensary	Subject to special use regulations in article IX of chapter 17.228	ZA/PDC

4. A row for “cannabis production” is hereby added to the table in subsection B.3 (conditional uses; industrial and agricultural uses) to read as follows:

Cannabis production	Subject to special use regulations in article IX of chapter 17.228	ZA

	If use is located within ½ mile from the center of an existing or proposed light rail station platform, subject to special use regulations in section 17.228.127	

5. The “cannabis cultivation” row in subsection B.3 (conditional uses; industrial and agricultural uses) is hereby deleted.

6. The “cannabis distribution” row in subsection B.3 (conditional uses; industrial and agricultural uses) is hereby deleted.

7. The “cannabis manufacturing” row in subsection B.3 (conditional uses; industrial and agricultural uses) is hereby deleted.

B. Except as amended by subsection A above, all provisions of section 17.220.310 remain unchanged and in full effect.

SECTION 13.

A. Section 17.220.410 (M-2(S) zone) of the Sacramento City Code is hereby amended as follows:

1. The “cannabis manufacturing” row in subsection A.3 (permitted uses; industrial and agricultural uses) is hereby deleted.

2. The “cannabis testing” row in subsection A.3 (permitted uses; industrial and agricultural uses) is hereby amended to read as follows:

Cannabis testing	Subject to special use regulations in article IX of chapter 17.228

3. The “cannabis dispensary” row in subsection B.2 (conditional uses; commercial and institutional uses) is hereby amended to read as follows:

Cannabis dispensary	Subject to special use regulations in article IX of chapter 17.228	ZA/PDC

4. A row for "cannabis production" is hereby added to the table in subsection B.3 (conditional uses; industrial and agricultural uses) to read as follows:

Cannabis production	Subject to special use regulations in article IX of chapter 17.228 If use is located within ½ mile from the center of an existing or proposed light rail station platform, subject to special use regulations in section 17.228.127	ZA

5. The "cannabis cultivation" row in subsection B.3 (conditional uses; industrial and agricultural uses) is hereby deleted.

6. The "cannabis distribution" row in subsection B.3 (conditional uses; industrial and agricultural uses) is hereby deleted.

7. The "cannabis manufacturing" row in subsection B.3 (conditional uses; industrial and agricultural uses) is hereby deleted.

B. Except as amended by subsection A above, all provisions of section 17.220.410 remain unchanged and in full effect.

SECTION 14.

A. Section 17.220.510 (MIP zone) of the Sacramento City Code is hereby amended as follows:

1. The "cannabis manufacturing" row in subsection A.2 (permitted uses; industrial and agricultural uses) is hereby deleted.

2. The “cannabis testing” row in subsection A.2 (permitted uses; industrial and agricultural uses) is hereby amended to read as follows:

Cannabis testing	Subject to special use regulations in article IX of chapter 17.228

3. A row for “cannabis production” is hereby added to the table in subsection B.1 (conditional uses; industrial and agricultural uses) to read as follows:

Cannabis production (excluding cannabis cultivation)	Subject to special use regulations in article IX of chapter 17.228 If use is located within ½ mile from the center of an existing or proposed light rail station platform, subject to special use regulations in section 17.228.127	ZA

4. The “cannabis distribution” row in subsection B.1 (conditional uses; industrial and agricultural uses) is hereby deleted.

5. The “cannabis manufacturing” row in subsection B.1 (conditional uses; industrial and agricultural uses) is hereby deleted.

B. Except as amended by subsection A above, all provisions of section 17.220.510 remain unchanged and in full effect.

SECTION 15.

A. Section 17.220.610 (MRD zone) of the Sacramento City Code is hereby amended as follows:

1. The “cannabis testing” row in subsection A.2 (permitted uses, commercial and institutional uses) is hereby amended to read as follows:

Cannabis testing	Subject to special use regulations in article IX of chapter 17.228

2. The “cannabis manufacturing” row in subsection A.3 (permitted uses; industrial and agricultural uses) is hereby deleted.

3. A row for “cannabis production” is hereby added to the table in subsection B.3 (conditional uses; industrial and agricultural uses) to read as follows:

Cannabis production (excluding cannabis cultivation)	Subject to special use regulations in article IX of chapter 17.228 If use is located within ½ mile from the center of an existing or proposed light rail station platform, subject to special use regulations in section 17.228.127	ZA

4. The “cannabis distribution” row in subsection B.3 (conditional uses; industrial and agricultural uses) is hereby deleted.

5. The “cannabis manufacturing” row in subsection B.3 (conditional uses; industrial and agricultural uses) is hereby deleted.

B. Except as amended by subsection A above, all provisions of section 17.220.610 remain unchanged and in full effect.

SECTION 16.

A. Section 17.220.710 (MT zone) of the Sacramento City Code is hereby amended as follows:

1. The “cannabis testing” row in subsection A.2 (permitted uses; commercial and institutional uses) is amended to read as follows:

Cannabis testing	Subject to special use regulations in article IX of chapter 17.228

2. The “cannabis dispensary” row in subsection B.2 (conditional uses; commercial and institutional uses) is hereby amended to read as follows:

Cannabis dispensary	Subject to special use regulations in article IX of chapter 17.228	ZA/PDC

3. A row for "cannabis production" is hereby added to the table in subsection B.3 (conditional uses; industrial and agricultural uses) to read as follows:

Cannabis production (excluding cannabis manufacturing using volatile solvents)	Subject to special use regulations in article IX of chapter 17.228	ZA

4. The "cannabis cultivation" row in subsection B.3 (conditional uses; industrial and agricultural uses) is hereby deleted.

5. The "cannabis distribution" row in subsection B.3 (conditional uses; industrial and agricultural uses) is hereby deleted.

6. The "cannabis manufacturing, nonvolatile" row in subsection B.3 (conditional uses; industrial and agricultural uses) is hereby deleted.

B. Except as amended by subsection A above, all provisions of section 17.220.710 remain unchanged and in full effect.

SECTION 17.

Article IX of chapter 17.228 of the Sacramento City Code is hereby deleted.

SECTION 18.

Article IX is hereby added to chapter 17.228 of the Sacramento City Code, to read as follows:

Article IX. Cannabis

17.228.900 Purpose and intent.

The purpose of this article is to authorize cannabis uses that comply with this article. The regulations in this article work in harmony with the regulations in chapter 5.150.

17.228.910 Definitions.

For purposes of this article, the following definitions apply:

A. "Community center" means a facility designated as a community center, senior center, or clubhouse in the city's most recently adopted parks plan.

B. "Park" means a public park designated in the city's most recently adopted parks plan as a multi-use regional park, multi-use community park, special use community park, multi-use neighborhood park, or neighborhood play lot.

C. "School" means a public or private school providing instruction in kindergarten or any grade from 1 to 12, inclusive, but does not include any private school in which education is primarily conducted in private homes.

D. "Sensitive use" means a lawfully-established community center, "library; archive" (as defined in section 17.108.130), "church or faith congregation" (as defined in section 17.108.040), museum, park, school, storefront cannabis dispensary, substance abuse rehabilitation center, or youth-oriented facility.

E. "Substance abuse rehabilitation center" means a facility licensed by the State Department of Health Care Services pursuant to California Health and Safety Code sections 11834.01 through 11834.50.

F. "Youth-oriented facility" means a facility that is operated by a nonprofit entity that primarily caters to minors or primarily provides services intended for minors.

17.228.920 General requirements.

A. Conditional use permit.

1. A conditional use permit approved by the zoning administrator is required to establish—

a. A cannabis dispensary use located more than 600 feet from all sensitive uses; or

b. A cannabis production use.

2. A conditional use permit approved by the planning and design commission is required to establish a cannabis dispensary within 600 feet of any sensitive use, excluding a school.

3. Conditional use permits for cannabis uses are subject to the following:

a. Notice to city council. As soon as reasonably practicable after the planning and design commission makes a decision on a conditional use permit required by this article, the planning director shall report that decision to the mayor and the councilmember in whose district the project is located, by sending the report by electronic mail and confirming that each received it.

b. Call-up review. The mayor or the councilmember in whose district the project is located may call up for city council review any decision by the planning and design commission on a conditional use permit required by this article by filing a written request with the planning director within ten business days of the planning and design commission's decision. If both a council member call-up and commission-level decision appeal are pending on the same project, the city council shall consider both at the same time. Notice of the city council hearing shall be given in the manner provided in section 17.812.010.A.2.a. The hearing before the city council is de novo.

c. Withdrawal of request for review. The requester under subsection B.2.b may withdraw that request. The withdrawal must be noted on the agenda of the next regularly scheduled meeting of the city council and is considered to have occurred on the date of that meeting. Any other member of the city council may file a request for call-up review within ten days of the withdrawal. If the tenth day is a non-business day, the last day to file the request is the next business day. Notice of the city council hearing shall be given in the manner provided in section 17.812.010.A.2.a. The hearing before the city council is de novo.

B. Distance from sensitive uses.

1. Measuring distance. Under this article, the distance from a cannabis use to another use is the shortest distance measured in a straight line between the two closest property lines.

2. Distance from schools. No cannabis use may be established within 600 feet of a school.

3. First-in-time – lawfully-established cannabis use. Notwithstanding any other provision of this title, a lawfully-established cannabis use may be modified or expanded without regard to whether it is within 600 feet of a sensitive use if that sensitive use was established after the lawfully-established cannabis use. All other provisions of this title apply, including the findings required by section 17.808.200 when applicable.

4. Maps.

a. All applications under this article must include a scaled map that identifies by name, address, and assessor parcel number all sensitive uses within 600 feet of the project site.

b. Each applicant must attest in writing, under penalty of perjury, that the map and accompanying information is true and correct.

C. Identification of approved uses. Any permit issued in accordance with this article must specifically identify each authorized cannabis use – cannabis production (cultivation, distribution, processing, or manufacturing), cannabis testing, or cannabis dispensary (store-front cannabis dispensary, delivery-only cannabis dispensary, or both).

17.228.930 Cannabis production.

A. Power Inn area. No permit provided for in this title will be granted for cannabis cultivation in the area bounded by Power Inn Road to the west, Folsom Boulevard to the north, and the city limits to the east and south, if the total of all cannabis cultivation uses in that area will exceed 2.5 million square feet.

B. C-2 zone. In the C-2 zone, cannabis production must comply with the following provisions:

1. Cannabis distribution and nonvolatile cannabis manufacturing cannot exceed a total of 6,400 square feet per site.

2. Cannabis distribution cannot be the only cannabis production use on a site.

C. Signs. A cannabis production site cannot have more than one sign. The sign may be attached or detached. The sign cannot be illuminated and cannot exceed six square feet in area.

17.228.940 Cannabis testing – signs.

A cannabis testing site cannot have more than one sign. The sign may be attached or detached. The sign cannot be illuminated and cannot exceed six square feet in area.

17.228.950 Medical marijuana dispensaries.

A medical marijuana dispensary with a valid conditional use permit on the effective date of the ordinance that codified this article is deemed to have an approved

conditional use permit for a cannabis dispensary allowing for a storefront cannabis dispensary for the sale of medical and adult-use cannabis.

CITY COUNCIL
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City of SACRAMENTO

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Published by the Office of the City Clerk
(916) 808-7200

SUPPLEMENTAL MATERIAL

Description: Attached is supplemental material received after publishing the agenda. The attached staff report replaces the original staff report in its entirety.

For the Meeting of: Tuesday, November 18, 2025 at 2:00 p.m.

Agenda Item: **Public Hearing Item 36**

36. An Ordinance Amending Various Provisions of Title 17 (Planning & Development Code) Relating to Cannabis Land Uses (M25-003) [In Lieu of Pass for Publication Ordinance to be Published in its Entirety] [Published 11/07/2025]

File ID: 2025-01728
Location: Citywide
Recommendation: Conduct a public hearing and upon conclusion, pass a **Motion**: 1) determining the ordinance exempt from the California Environmental Quality Act ("CEQA") pursuant to CEQA Guidelines Section 15061(b)(3); and 2) adopt an **Ordinance** amending various provisions of Title 17 of the Sacramento City Code relating to cannabis land uses.
Contact: Kirk Skierski, Senior Planner, (916) 808-7933, ktskierski@cityofsacramento.org; Kevin Colin, Zoning Administrator, (916) 808-5260, kcolin@cityofsacramento.org; Community Development Department

File ID: 2025-01728 11/18/2025

An Ordinance Amending Various Provisions of Title 17 (Planning & Development Code) Relating to Cannabis Land Uses (M25-003) [In Lieu of Pass for Publication Ordinance to be Published in its Entirety] [Published 11/07/2025]

File ID: 2025-01728

Location: Citywide

Recommendation: Conduct a public hearing and upon conclusion, pass a **Motion**: 1) determining the ordinance exempt from the California Environmental Quality Act ("CEQA") pursuant to CEQA Guidelines Section 15061(b)(3); and 2) adopt an **Ordinance** amending various provisions of Title 17 of the Sacramento City Code relating to cannabis land uses.

Contact: Kirk Skierski, Senior Planner, (916) 808-7933, ktskierski@cityofsacramento.org; Kevin Colin, Zoning Administrator, (916) 808-5260, kcolin@cityofsacramento.org; Community Development Department

Presenter: Kevin Colin, Zoning Administrator, (916) 808-5260, kcolin@cityofsacramento.org, Community Development Department

Attachments:
1-Description/Analysis
2-Cannabis Amendments Ordinance (Redline)
3-Cannabis Amendments Ordinance (Clean)
4-City Council September 16, 2025 Staff Report
5-Sensitive Uses: Dispensaries
6-Dispensaries: Review Authority
7-Cannabis Dispensaries: 1,000 School Buffer
8-Cannabis Dispensaries: State Sensitive Uses
9-Staff Presentation

Description/Analysis
Issue Detail: On September 16, 2025, the City Council reviewed, commented, and provided direction on changes to existing zoning regulations for cannabis land uses (Attachment 4). In response, staff has prepared an ordinance responsive to the direction received (Attachments 2 and

3). This report summarizes the ordinance amendments according to the following four categories:

I. Sensitive Uses: These amendments provide buffer distances from cannabis uses and specified land uses defined as sensitive uses.

II. Permit Type: These amendments provide the permitting process for cannabis uses.

III. Cannabis Consumption Lounges: These amendments provide regulations for establishing a cannabis consumption lounge within an existing storefront dispensary.

IV. Other Amendments: These amendments include other substantive ordinance provisions relating to cannabis uses.

Within each category, the ordinance strives to carry out direction aligning with that voiced by a majority of councilmembers. Where a minority opinion was received, the discussion below identifies it and provides additional information for consideration.

I. Sensitive Uses:

The proposed ordinance includes the following sensitive use separation requirements for cannabis uses:

1. All Cannabis Land Uses: 600-foot buffer from K-12 schools.

2. Cannabis Dispensaries: 600-foot buffer from the following sensitive uses:

- Neighborhood, community, and regional parks;
- Community centers;
- Libraries;
- Museums;
- Substance abuse rehabilitation centers; and
- Youth-oriented facilities.

Allow cannabis dispensaries to propose locations within 600 feet of a sensitive use (except for schools) through a Conditional Use Permit reviewed by the Planning and Design Commission. Attachment 5 illustrates the sensitive use locations and buffers; Attachment 6 illustrates the review authority based on the 600-foot buffer. Cannabis consumption lounges may be authorized at any storefront cannabis dispensary with a conditional use permit, regardless of distance to sensitive uses.

Alternative sensitive use standards voiced by a minority of councilmembers and not included within

the ordinance are summarized below.

1. 1,000 feet from Schools: Increase buffer from 600 feet to 1,000 feet.

This standard would result in a 2,835-acre reduction (~28%) in where cannabis uses could locate citywide when compared to the proposed ordinance. Attachment ~~5~~ 7 identifies parcels where cannabis dispensaries could locate within zoning districts that allow them based on the proposed ordinance's sensitive uses, but outside a 1,000-foot school buffer. The most affected council districts (i.e., reduced # of parcels/land area where dispensaries are permitted) include District 1, District 5, and District 7.

2. State Sensitive Uses: Limit sensitive uses to those specified at Business & Professions Code Section 26054, including:

- K-12 schools
- Daycare centers
- Youth-oriented facilities

Business & Professions Code Section 26054 uses a 600-foot radius unless a local jurisdiction specifies a different one. The Medicinal and Adult-Use Cannabis Regulation and Safety Act does not limit the City of Sacramento to the sensitive uses specified at Business & Professions Code Section 26054.

Attachment ~~6~~ 8 identifies parcels where cannabis dispensaries could locate within zoning districts that allow them based on State sensitive uses, but outside a 600-foot school buffer. Utilizing the State's sensitive uses would result in a 758-acre increase (~8%) in parcels located outside of sensitive use buffers citywide when compared to the proposed ordinance. However, the State's sensitive uses would result in a decrease in areas located outside of sensitive use buffers for Council District 5 and Council District 7. This is due to the State's inclusion of daycare centers as a sensitive use.

II. Permit Type

The proposed ordinance includes provisions relating to two land use permit types for cannabis land

uses: 1) Administrative Permits; and 2) Conditional Use Permits. The proposed ordinance includes the following provisions relating to cannabis land use permit types:

1. Administrative Permits

   a. Cannabis Uses: Cannabis production (e.g., cultivation, distribution, manufacturing);

      Cannabis testing; and

      Cannabis dispensary outside all sensitive use buffers.

   b. Notice: Early notice plus on-site posted notice, mailed notice of application submittal and decision to property owners within 600 feet of application.

   c. Recourse: Reconsideration by Planning Director where facts used to act on application are reviewed to ensure decision was accurate (e.g., denial warranted due to sensitive use location).

2. Conditional Use Permit

   a. Cannabis Uses: Cannabis consumption lounge; and

      Cannabis dispensary within any sensitive use buffer, except schools.

   b. Notice: Early notice plus on-site posted notice and mailed notice of public hearing to owners and occupants within 500 feet of application.

   c. Recourse: (1) After Planning & Design Commission acts on application, notice to Mayor and Councilmember in whose district the application is located for potential call-up to full City Council; and (2) applicant or interested party appeal to City Council for de novo review (i.e., anew) at a noticed public hearing.

An alternative permit requirement voiced by a minority of councilmembers and not included within the ordinance is summarized below.

1. Conditional Use Permit: For all cannabis uses.

This standard would have the largest implications to District 6, District 2, and District 3 as these council districts have the most land outside sensitive use buffers (i.e., would be subject to administrative permit under proposed ordinance).

III. Cannabis Consumption Lounges

The proposed ordinance requires all cannabis consumption lounges to obtain Conditional Use Permit approval by the Planning & Design Commission. State law requires cannabis consumption lounges to be within a storefront dispensary building. Therefore, the ordinance uses the existing or proposed dispensary location to determine potentially suitable locations for cannabis consumption lounges rather than distance to sensitive uses. This regulatory approach allows all dispensaries, including those legal nonconforming to sensitive use buffers, to propose a cannabis consumption lounge.

Other Amendments

The proposed ordinance includes the following additional provisions relating to cannabis uses:

1. New Zones for Storefront Dispensaries

   a. New Zones: Adds RMX, C-1, and C-3.

   b. Existing Zones: SC, C-2, C-4, M-1, M-1(S), M-2, M-2(S), M-T.

2. Lawfully Established Cannabis Use

   a. Regulation: Allows a lawfully established cannabis use ability to expand or modify if a sensitive use is established after the cannabis use.

3. Cannabis Production

   a. Distribution: Removes cannabis distribution from the district-based square footage cap of 2.5 million square feet at City Code Section 17.228.900.E.2. Cannabis cultivation is retained and still subject to cap.

   b. Processing: Updates cannabis production definition to include “cannabis processing” for clarification and consistency with state law.

Policy Considerations: When acting upon the proposed ordinance, City Code Section 17.916.010.D.1 requires consideration of two findings:

1. Finding (Section 17.916.010.D.1.a): As amended, this title complements, supports, and facilities the implementation of the goals, policies, and other provisions of the general plan and the City's specific plans and transit village plan.

   Staff Analysis: The proposed ordinance advances the following 2040 General Plan goals:
   Land Use Element

   Goal LUP-2: Balanced and connected community with thriving neighborhoods and centers and development intensities linked to transit.

   Goal LUP-4: Walkable, transit-oriented centers and corridors that concentrate new jobs, housing, and entertainment opportunities to support frequent, reliable transit service and foster connected, accessible neighborhoods.

   Goal LUP-5: Attractive, thriving commercial centers that are well-located to serve the needs of Sacramento residents, workers, and visitors.

   Goal LUP-7: Industrial opportunities in suitable locations to provide employment for Sacramento residents and promote inclusive economic growth in the city.

   Goal LUP-11: Create built and natural environments within the city that prioritize, support, promote, and embrace social equity, ecological regeneration, responsible resource stewardship, and human health and well-being.

   Economic Development Element

   Goal E-1: A dynamic, resilient economy with a diverse array of business in established and emerging industry sectors.

   Goal E-2: Sustained, inclusive growth that generates long-term, shared value in the community and creates economic opportunities for all residents.

   Goal E-3: A business environment conducive to growth, investment, collaboration, and the exchange of ideas.

   Environmental Justice

   Goal EJ-5: Investments that address long-standing inequities, empower disadvantaged residents, and build neighborhood resilience.

Youth, Parks, Recreation, and Open Space Element

Goal YPRO-1: An integrated system of parks, open space areas, shared-use paths, and recreational facilities that are welcoming, well-maintained, safe, and accessible to all the diverse communities of Sacramento.

2. Finding (Section 17.916.010.D.1.b): The amendment promotes the public health, safety, convenience, and welfare of the city.

Staff Analysis: The proposed ordinance promotes the public health, safety, convenience, and welfare of the city through regulations that:

- Are responsive to the 2022 Comprehensive Cannabis Study's findings that cannabis land uses have not:
    - Had a negative impact on other nearby retail or industrial uses.
    - Created increases in crime beyond the levels generated by other businesses.
    - Had a negative impact on nearby home values.
    - Produced negative economic effects on commercial and residential districts.
- Are equitable, fair, and balance competing viewpoints.
- Provide practicable standards that are clear and verifiable.
- Reduce existing barriers (e.g., permit type and cost).
- Provide predictable outcomes for cannabis uses that comply with prescribed standards.

Economic Impacts: The Sacramento Comprehensive Cannabis Study, prepared by Economic Planning & Systems and dated May 8, 2022, provides the following summarized observations of the City's first five years of the City's fully operational regulatory environment for adult cannabis use:

- Based on taxes remitted to the City by cannabis businesses, the cannabis industry in Sacramento took in more than $800 million in 2021. The industry's 2021 income is more than 3.5 times the income of the industry during the first full year of legalization in 2018.
- The cannabis industry is now among the top 10 employment sectors in the City, with approximately 8,000 workers, half of whom are estimated to be in the cultivation sector.
- Cannabis operations generate a significant fiscal surplus ($19.8 million in 2021) to the City's General Fund annually. Retail operations are the largest driver of fiscal surpluses, with an estimated surplus of $11.3 million attributable to retail cannabis operations in

2021.

- Cannabis operations in the City are estimated to result in $2.2 billion in total economic output in the local economy, annually, inclusive of direct, indirect, and induced impacts. Of the $2.2 billion in activity (in 2021), $606.3 million will be retained by employees of local businesses in the form of income.

- Cannabis operations generated $1.5 billion in direct economic activity (in 2021), $357.1 million of which is income. The remaining $746.2 million of economic activity reflects the estimated indirect and induced impacts supported by cannabis operations as spending ripples through the local economy. This level of economic activity generates support for approximately 12,500 full- and part-time jobs in the region, including 8,000 direct, 2,600 indirect, and 1,800 induced jobs.

- Cannabis cultivation activities are estimated to generate $1.6 billion in economic activity annually, supporting 7,000 jobs, the greatest level of impact generated out of all cannabis business groups analyzed.

- Business operations taxes are the largest revenue source for cannabis operation in the City. For the 2021/22 City budget, cannabis uses were anticipated to contribute approximately 73 percent of all business operations taxes generated in the City.

- Revenues generated are significantly greater than the cost of operating the Office of Cannabis Management.

- 40% of local cannabis tax revenues are, pursuant to Measure L, to be spent on child and youth services. Tax revenue collected is placed into the Sacramento Children's Fund and whose chief purpose is to support positive youth development and youth violence prevention programs - such as services for homeless youth and foster children; mental health counseling; substance-abuse treatment, prevention, and early intervention; and after-school activities - for children and youth less than 25 years old.

- The local cannabis tax revenue for fiscal year 2024 was $23,351,809 (40% = $9,340,724).

Environmental Considerations: The Community Development Department, Environmental Planning Services Section has determined that the proposed ordinance is exempt from review under the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines Section 15061(b)(3).

It can be seen with certainty that there is no possibility that the proposed ordinance may have a

significant effect on the environment. The proposed ordinance modifies the permit-processing rules for cannabis production, testing, and dispensaries, all of which are currently authorized under the city code with a conditional use permit. The proposed ordinance authorizes these uses in additional zones (including the addition of the Residential Mixed Use (RMX), Limited Commercial Zone (C-1), and Central Business Zone (C-3), based on the conclusions in the 2022 Comprehensive Cannabis study, which determined that these uses have no impacts on the surrounding areas. The proposed ordinance also authorizes a new land use - cannabis consumption lounge - but this use is allowed only in storefront cannabis dispensaries, which is an existing authorized use, and only with approval of a conditional use permit, which is a discretionary entitlement in which environmental review will be undertaken during the permit process. Nonetheless, the addition of a consumption lounge within a storefront cannabis dispensary will not result in a significant effect on the environment. The proposed ordinance also refines the existing code's separation requirements of all cannabis land uses from other 'sensitive' land uses (e.g., parks, libraries, community centers, youth-oriented facilities) and refines the definitions of some of these uses.

Sustainability: None.

Commission/Committee Action: The following actions have been taken to date regarding cannabis amendments to Title 17 of the City Code:

- On May 31, 2022, the City Council directed staff to evaluate seven points of direction relating to cannabis zoning regulations and return with recommended cannabis zoning amendments.

- On September 19, 2023, the Law and Legislation Committee directed Office of Cannabis Management ("OCM") to develop a pilot framework for cannabis social consumption lounges.

- On May 21, 2024, the Law and Legislation Committee heard updates on the Title 17 Cannabis Amendments project and directed staff to bring back a package of policy recommendations for consideration.

- On May 21, 2024, OCM provided an informational update to the Law and Legislation Committee regarding a framework for consumption lounge business operating permits. The Committee provided direction to return with a framework to allow consumption business operating permits for all storefront dispensaries.

- On September 12, 2024, the Planning and Design Commission discussed preliminary recommendations of the Title 17 Cannabis Amendments Project and provided feedback to the proposed Title 17 cannabis amendments.

- On September 17, 2024, OCM presented a cannabis consumption business operating permit framework to the Law and Legislation Committee. The Committee forwarded the pilot program concept for social consumption to City Council for consideration but requested a City Council workshop soliciting the expertise of public health experts regarding cannabis consumption statewide public health trends prior to Council consideration of social consumption.

- On October 22, 2024, the City Council heard presentations from public health experts discussing statewide public health trends and secondhand smoke in dispensaries.

- On November 19, 2024, the City Council adopted an ordinance amending Title 5 concerning business regulations for cannabis consumption lounges.

- On March 13, 2025, pursuant to City Code Section 17.916.010(B), the Planning and Design Commission passed a motion forwarding a recommendation of approval, as amended to require a conditional use permit for cannabis cultivation and cannabis dispensaries and add 1) childcare center; 2) church or faith congregation; and 3) other dispensary to the sensitive use list, to the City Council.

- On April 8, 2025, pursuant Chapter 13 of the City Council Rules of Procedure, the Law and Legislation Committee passed a motion forwarding the proposed cannabis ordinance and Planning and Design Commission recommendations to the City Council for discussion and direction.

- On September 16, 2025, the City Council reviewed, commented, and provided direction to staff on the desired contents of an ordinance.

Rationale for Recommendation: The proposed ordinance results in zoning regulations for cannabis land uses that:

- Are responsive to the 2022 Comprehensive Cannabis Study’s findings that cannabis land uses have not:
    - Had a negative impact on other nearby retail or industrial uses.
    - Created increases in crime beyond the levels generated by other businesses.
    - Had a negative impact on nearby home values.
    - Produced negative economic effects on commercial and residential districts.
- Are equitable, fair, and balance competing viewpoints.
- Provide practicable standards that are clear and verifiable.

- Reduce existing barriers (e.g., permit type and cost).
- Provide predictable outcomes for cannabis uses that comply with prescribed standards.

Staff recommends the City Council review and adopt the attached ordinance amending various provisions of Title 17 (Planning and Development Code) relating to cannabis land uses to be published in its entirety in lieu of passing for publication pursuant to section 32 of Article III of the Sacramento City Charter.

Financial Considerations: Not applicable.

Local Business Enterprise (LBE): Not applicable.

ORDINANCE NO.

Adopted by the Sacramento City Council
Date Adopted

AN ORDINANCE AMENDING VARIOUS PROVISIONS OF TITLE 17 OF THE SACRAMENTO CITY CODE, RELATING TO CANNABIS LAND USES

BE IT ENACTED BY THE COUNCIL OF THE CITY OF SACRAMENTO:

SECTION 1.

The city council finds the following:

1. As amended by this ordinance, the Planning and Development Code complements, supports, and facilitates the implementation of the goals, policies, and other provisions of the general plan and the city's specific plans and transit village plans; and

2. The amendments in this ordinance promote the public health, safety, convenience, and welfare of the city.

SECTION 2.

A. Section 17.108.040 ("C" definitions) of the Sacramento City Code is hereby amended as follows:

1. A definition of "cannabis consumption lounge" is hereby added to read as follows:

"Cannabis consumption lounge" means the area within a storefront cannabis dispensary where cannabis or cannabis products are allowed to be consumed in accordance with this code.

2. A definition of "cannabis dispensary, storefront" is hereby added to read as follows:

"Cannabis dispensary, storefront" has the same meaning as in section 5.150.020.

3. A definition of "cannabis manufacturing, nonvolatile" is hereby added to read as follows:

"Cannabis manufacturing, nonvolatile" means cannabis manufacturing done without the use of volatile solvents.

4. A definition of "cannabis processing" is hereby added to read as follows:

"Cannabis processing" means all activities associated with the drying, curing, sifting, grading, trimming, rolling, storing, packaging, and labeling of cannabis or nonmanufactured cannabis products as defined section 15000 of title 4 of the California Code of Regulations.

5. A definition of "cannabis production" is hereby added to read as follows:

"Cannabis production" means cannabis cultivation, cannabis distribution, cannabis manufacturing, and cannabis processing, and any combination thereof.

6. The definition of "cannabis testing" is hereby amended to read as follows:

"Cannabis testing" means performing scientific analysis of cannabis or cannabis products to determine its chemical profile, the presence of contaminants, or other similar data, and research and development related to the innovation and improvement of cannabis products and the processing of cannabis.

7. The definition of "cannabis use" is hereby amended to read as follows:

"Cannabis use" means cannabis production, cannabis testing, cannabis dispensary, and cannabis consumption lounge.

B. Except as amended by subsection A above, all provisions of section 17.108.040 remain unchanged and in full effect.

SECTION 3.

A. Section 17.200.110 (A zone) of the Sacramento City Code is hereby amended as follows:

1. A row for "cannabis cultivation" is hereby added to the table in subsection A.3 (permitted uses; industrial and agricultural uses) to read as follows:

Cannabis cultivation	Subject to special use regulations in article IX of chapter 17.228

2. The "cannabis cultivation" row in subsection B.2 (conditional uses; industrial and agricultural uses) is hereby deleted.

~~Cannabis cultivation~~	~~Subject to the special use regulations in section 17.228.900~~	~~ZA/PDC~~

B. Except as amended by subsection A above, all provisions of Section 17.200.110 remain unchanged and in full effect.

SECTION 4.

A. Section 17.212.110 (RMX zone) of the Sacramento City Code is hereby amended as follows:

1. A row for "cannabis dispensary" is hereby added to the table in subsection A.2 (permitted uses; commercial and institutional uses) to read as follows:

Cannabis dispensary	Limited to storefront cannabis dispensary located more than 600 feet from all sensitive uses as defined in section 17.228.910 (delivery-only cannabis dispensary not allowed); Subject to special use regulations in article IX of chapter 17.228

2. A row for "cannabis consumption lounge" is hereby added to the table in subsection B.2 (conditional uses; commercial and institutional uses) to read as follows:

Cannabis consumption lounge	Subject to special use regulations in article IX of chapter 17.228	PDC

3. A row for "cannabis dispensary" is hereby added to the table in subsection B.2 (conditional uses; commercial and institutional uses) to read as follows:

Cannabis dispensary	Storefront cannabis dispensary permitted with a conditional use permit if located within 600 feet of any sensitive use, as defined in section 17.228.910, excluding a school; Subject to special use regulations in article IX of chapter 17.228	PDC

B. Except as amended by subsection A above, all provisions of section 17.212.110 remain unchanged and in full effect.

SECTION 5.

A. Section 17.216.510 (SC-zone) of the Sacramento City Code is hereby amended as follows:

1. A row for “cannabis dispensary” is hereby added to the table in subsection A.2 (permitted uses; commercial and institutional uses) to read as follows:

Cannabis dispensary	Limited to storefront cannabis dispensary located more than 600 feet from all sensitive uses as defined in section 17.228.910 (delivery-only cannabis dispensary not allowed); Subject to special use regulations in article IX of chapter 17.228

2. The “cannabis dispensary” row in subsection B.2 (conditional uses; commercial and institutional uses) is hereby amended to read as follows:

Cannabis dispensary	~~Subject to special use regulations in section 17.228.920~~ Storefront cannabis dispensary permitted with a conditional use permit if located within 600 feet of any sensitive use, as defined in section 17.228.910, excluding a school; Subject to special use regulations in ~~section 17.228.920~~ article IX of chapter 17.228	~~ZA/~~PDC

3. A row for “cannabis consumption lounge” is hereby added to the table in subsection B.2 (conditional uses; commercial and institutional uses) to read as follows:

Cannabis consumption lounge	Subject to special use regulations in article IX of chapter 17.228	PDC

B. Except as amended by subsection A above, all provisions of section 17.216.510 remain unchanged and in full effect.

SECTION 6.

A. Section 17.216.610 (C-1 zone) of the Sacramento City Code is hereby amended as follows:

1. A row for “cannabis dispensary” is hereby added to the table in subsection A.2 (permitted uses; commercial and institutional uses) to read as follows:

Cannabis dispensary	Limited to storefront cannabis dispensary located more than 600 feet from all sensitive uses as defined in section 17.228.910 (delivery-only cannabis dispensary not allowed); Subject to special use regulations in article IX of chapter 17.228

2. A row for "cannabis consumption lounge" is hereby added to the table in subsection B.2 (conditional uses; commercial and institutional uses) to read as follows:

Cannabis consumption lounge	Subject to special use regulations in article IX of chapter 17.228	PDC

3. A row for "cannabis dispensary" is hereby added to the table in subsection B.2 (conditional uses; commercial and institutional uses) to read as follows:

Cannabis dispensary	Storefront cannabis dispensary permitted with a conditional use permit if located within 600 feet of any sensitive use, as defined in section 17.228.910, excluding a school; Subject to special use regulations in article IX of chapter 17.228	PDC

B. Except as amended by subsection A above, all provisions of section 17.216.610 remain unchanged and in full effect.

SECTION 7.

A. Section 17.216.710 (C-2 zone) of the Sacramento City Code is hereby amended as follows:

1. A row for "cannabis dispensary" is hereby added to the table in subsection A.2 (permitted uses; commercial and institutional uses) to read as follows:

Cannabis dispensary	Permitted if located more than 600 feet from all sensitive uses, as defined in section 17.228.910; Subject to special use regulations in article IX of chapter 17.228

2. A row for “cannabis cultivation” is hereby added to the table in subsection A.3 (permitted uses; industrial and agricultural uses) to read as follows:

Cannabis cultivation	Permitted if use is located greater than ½ mile from the center of an existing or proposed light rail station platform; Subject to special use regulations in article IX of chapter 17.228

3. A row for “cannabis distribution” is hereby added to the table in subsection A.3 (permitted uses; industrial and agricultural uses) to read as follows:

Cannabis distribution	Subject to special use regulations in article IX of chapter 17.228

4. The “cannabis manufacturing” row in subsection A.3 (permitted uses; industrial and agricultural uses) is hereby amended to read as follows:

Cannabis manufacturing	~~Allowed if extraction processes are not conducted with a volatile solvent and the use is exempt from the conditional use permit requirement pursuant to section 17.228.900.C~~ Permitted if use is located greater than ½ mile from the center of an existing or proposed light rail station platform; Subject to special use regulations in article IX of chapter 17.228

5. The “cannabis testing” row in subsection A.3 (permitted uses; industrial and agricultural uses) is hereby amended to read as follows:

Cannabis testing	Subject to special use regulations in article IX of chapter 17.228~~section 17.228.910~~

4. The “cannabis dispensary” row in subsection B.2 (conditional uses; commercial and institutional uses) is hereby amended to read as follows:

Cannabis dispensary	~~Subject to the special use regulations in section 17.228.920~~Permitted with a conditional use permit if located within 600 feet of any sensitive use, as defined in section 17.228.910, excluding a school;	~~ZA/~~PDC

	Subject to special use regulations in article IX of chapter 17.228	

5. A row for "cannabis consumption lounge" is hereby added to the table in subsection B.2 (conditional uses; commercial and institutional uses) to read as follows:

Cannabis consumption lounge	Subject to special use regulations in article IX of chapter 17.228	PDC

6. The "cannabis cultivation," "cannabis distribution," and "cannabis manufacturing" rows in subsection B.3 (conditional uses; industrial and agricultural uses) are hereby deleted.

~~Cannabis cultivation~~	~~Permitted with a conditional use permit if—~~ ~~1. Use is located within ½ mile from the center of an existing or proposed light rail station platform, subject to special use regulations in section 17.228.127; or~~ ~~2. Use is located greater than ½ mile from the center of an existing or proposed light rail station platform.~~ ~~Subject to special use regulations in section 17.228.900~~	~~ZA/PDC~~
~~Cannabis distribution~~	~~Subject to special use regulations in section 17.228.900~~	~~ZA/PDC~~
~~Cannabis manufacturing~~	~~Permitted with a conditional use permit if extraction processes are not conducted with a volatile solvent and—~~ ~~1. Use is located within ½ mile from the center of an existing or proposed light rail station platform, subject to special use regulations in section 17.228.127; or~~ ~~2. Use is located greater than ½ mile from the center of an existing or proposed light rail station platform.~~	~~ZA/PDC~~

	~~Subject to special use regulations in section 17.228.900~~	

B. Except as amended by subsection A above, all provisions of section 17.216.710 remain unchanged and in full effect.

SECTION 8.

A. Section 17.216.810 (C-3 zone) of the Sacramento City Code is hereby amended as follows:

1. A row for "cannabis dispensary" is hereby added to the table in subsection A.2 (permitted uses; commercial and institutional uses) to read as follows:

Cannabis dispensary	Limited to storefront cannabis dispensary located more than 600 feet from all sensitive uses as defined in section 17.228.910 (delivery-only cannabis dispensary not allowed); Subject to special use regulations in article IX of chapter 17.228

2. A row for "cannabis consumption lounge" is hereby added to the table in subsection B.2 (conditional uses; commercial and institutional uses) to read as follows:

Cannabis consumption lounge	Subject to special use regulations in article IX of chapter 17.228	PDC

3. A row for "cannabis dispensary" is hereby added to the table in subsection B.2 (conditional uses; commercial and institutional uses) to read as follows:

Cannabis dispensary	Storefront dispensary permitted with a conditional use permit if located within 600 feet of any sensitive use, as defined in section 17.228.910, excluding a school; Subject to special use regulations in article IX of chapter 17.228	PDC

B. Except as amended by subsection A above, all provisions of section 17.216.810 remain unchanged and in full effect.

SECTION 9.

A. Section 17.216.910 (C-4 zone) of the Sacramento City Code is hereby amended as follows:

1. A row for "cannabis dispensary" is hereby added to the table in subsection A.2 (permitted uses; commercial and institutional uses) to read as follows:

Cannabis dispensary	Permitted if located more than 600 feet from all sensitive uses as defined in section 17.228.910; Subject to special use regulations in article IX of chapter 17.228

2. A row for "cannabis cultivation" is hereby added to the table in subsection A.3 (permitted uses; industrial and agricultural uses) to read as follows:

Cannabis cultivation	Permitted if use is located greater than ½ mile from the center of an existing or proposed light rail station platform; Subject to special use regulations in article IX of chapter 17.228

3. A row for "cannabis distribution" is hereby added to the table in subsection A.3 (permitted uses; industrial and agricultural uses) to read as follows:

Cannabis distribution	Subject to special use regulations in article IX of chapter 17.228

4. The "cannabis manufacturing" row in subsection A.3 (permitted uses; industrial and agricultural uses) is hereby amended to read as follows:

Cannabis manufacturing	~~Allowed if extraction processes are not conducted with a volatile solvent and the use is exempt from the conditional use permit requirement pursuant to section 17.228.900.C~~ Permitted if use is located greater than ½ mile from the center of an existing or proposed light rail station platform; Subject to special use regulations in article IX of chapter 17.228

5. The "cannabis testing" row in subsection A.3 (permitted uses; industrial and agricultural uses) is hereby amended to read as follows:

Cannabis testing	Subject to special use regulations in article IX of chapter 17.228~~section 17.228.910~~

6. The "cannabis dispensary" row in subsection B.2 (conditional uses; commercial and institutional uses) is hereby amended to read as follows:

Cannabis dispensary	~~Subject to the special use regulations in section 17.228.920~~Permitted with a conditional use permit if located within 600 feet of any sensitive use, as defined in section 17.228.910, excluding a school; Subject to special use regulations in article IX of chapter 17.228	~~ZA/~~PDC

7. A row for "cannabis consumption lounge" is hereby added to the table in subsection B.2 (conditional uses; commercial and institutional uses) to read as follows:

Cannabis consumption lounge	Subject to special use regulations in article IX of chapter 17.228	PDC

8. The "cannabis cultivation," "cannabis distribution," and "cannabis manufacturing" rows in subsection B.3 (conditional uses; industrial and agricultural uses) are hereby deleted.

~~Cannabis cultivation~~	~~Permitted with a conditional use permit if—~~ ~~1. Use is located within ½ mile from the center of an existing or proposed light rail station platform, subject to special use regulations in section 17.228.127; or~~ ~~2. Use is located greater than ½ mile from the center of an existing or proposed light rail station platform.~~ ~~Subject to special use regulations in section 17.228.900~~	~~ZA/PDC~~
~~Cannabis distribution~~	~~Subject to special use regulations in section 17.229.900~~	~~ZA/PDC~~

~~Cannabis manufacturing~~	~~Permitted with a conditional use permit if—~~ ~~1. Use is located within ½ mile from the center of an existing or proposed light rail station platform, subject to special use regulations in section 17.228.127; or~~ ~~2. Use is located greater than ½ mile from the center of an existing or proposed light rail station platform.~~ ~~Subject to special use regulations in section 17.228.900~~	~~ZA/PDC~~

B. Except as amended by subsection A above, all provisions of section 17.216.910 remain unchanged and in full effect.

SECTION 10.

A. Section 17.220.110 (M-1 zone) of the Sacramento City Code is hereby amended as follows:

1. A row for "cannabis dispensary" is hereby added to the table in subsection A.2 (permitted uses; commercial and institutional uses) to read as follows:

Cannabis dispensary	Permitted if located more than 600 feet from all sensitive uses as defined in section 17.228.910; Subject to special use regulations in article IX of chapter 17.228

2. A row for "cannabis cultivation" is hereby added to the table in subsection A.3 (permitted uses; industrial and agricultural uses) to read as follows:

Cannabis cultivation	Permitted if use is located greater than ½ mile from the center of an existing or proposed light rail station platform; Subject to special use regulations in article IX of chapter 17.228

3. A row for "cannabis distribution" is hereby added to the table in subsection A.3 (permitted uses; industrial and agricultural uses) to read as follows:

Cannabis distribution	Subject to special use regulations in article IX of chapter 17.228

4. The "cannabis manufacturing" row in subsection A.3 (permitted uses; industrial and agricultural uses) is hereby amended to read as follows:

Cannabis manufacturing	~~Allowed if extraction processes are not conducted with a volatile solvent and the use is exempt from the conditional use permit requirement pursuant to section 17.228.900.C~~ Permitted if use is located greater than ½ mile from the center of an existing or proposed light rail station platform; Subject to special use regulations in article IX of chapter 17.228

5. The "cannabis testing" row in subsection A.3 (permitted uses; industrial and agricultural uses) is hereby amended to read as follows:

Cannabis testing	Subject to special use regulations in article IX of chapter 17.228~~section 17.228.910~~

6. The "cannabis dispensary" row in subsection B.2 (conditional uses; commercial and institutional uses) is hereby amended to read as follows:

Cannabis dispensary	~~Subject to the special use regulations in section 17.228.920~~Permitted with a conditional use permit if located within 600 feet of any sensitive use, as defined in section 17.228.910, excluding a school; Subject to special use regulations in article IX of chapter 17.228	~~ZA/~~PDC

7. A row for "cannabis consumption lounge" is hereby added to the table in subsection B.2 (conditional uses; commercial and institutional uses) to read as follows:

Cannabis consumption lounge	Subject to special use regulations in article IX of chapter 17.228	PDC

8. The “cannabis cultivation,” “cannabis distribution,” and “cannabis manufacturing” rows in subsection B.3 (conditional uses; industrial and agricultural uses) are hereby deleted.

~~Cannabis cultivation~~	~~Permitted with a conditional use permit if—~~ ~~1. Use is located within ½ mile from the center of an existing or proposed light rail station platform, subject to special use regulations in section 17.228.127; or~~ ~~2. Use is located greater than ½ mile from the center of an existing or proposed light rail station platform.~~ ~~Subject to special use regulations in section 17.228.900~~	~~ZA/PDC~~
~~Cannabis distribution~~	~~Subject to special use regulations in section 17.229.900~~	~~ZA/PDC~~
~~Cannabis manufacturing~~	~~Permitted with a conditional use permit if—~~ ~~1. Use is located within ½ mile from the center of an existing or proposed light rail station platform, subject to special use regulations in section 17.228.127; or~~ ~~2. Use is located greater than ½ mile from the center of an existing or proposed light rail station platform.~~ ~~Subject to special use regulations in section 17.228.900~~	~~ZA/PDC~~

B. Except as amended by subsection A above, all provisions of section 17.220.110 remain unchanged and in full effect.

SECTION 11.

A. Section 17.220.210 (M-1(S) zone) of the Sacramento City Code is hereby amended as follows:

1. A row for “cannabis dispensary” is hereby added to the table in subsection A.2 (permitted uses; commercial and institutional uses) to read as follows:

Cannabis dispensary	Permitted if located more than 600 feet from all sensitive uses as defined in section 17.228.910; Subject to special use regulations in article IX of chapter 17.228

2. A row for “cannabis cultivation” is hereby added to the table in subsection A.3 (permitted uses; industrial and agricultural uses) to read as follows:

Cannabis cultivation	Permitted if use is located greater than ½ mile from the center of an existing or proposed light rail station platform; Subject to special use regulations in article IX of chapter 17.228

3. A row for “cannabis distribution” is hereby added to the table in subsection A.3 (permitted uses; industrial and agricultural uses) to read as follows:

Cannabis distribution	Subject to special use regulations in article IX of chapter 17.228;

4. The “cannabis manufacturing” row in subsection A.3 (permitted uses; industrial and agricultural uses) is hereby amended to read as follows:

Cannabis manufacturing	~~Allowed if extraction processes are not conducted with a volatile solvent and the use is exempt from the conditional use permit requirement pursuant to section 17.228.900.C~~ Permitted if use is located greater than ½ mile from the center of an existing or proposed light rail station platform; Subject to special use regulations in article IX of chapter 17.228

5. The “cannabis testing” row in subsection A.3 (permitted uses; industrial and agricultural uses) is hereby amended to read as follows:

Cannabis testing	Subject to special use regulations in article IX of chapter 17.228~~section 17.228.910~~

6. The “cannabis dispensary” row in subsection B.2 (conditional uses; commercial and institutional uses) is hereby amended to read as follows:

Cannabis dispensary	~~Subject to the special use regulations in section 17.228.920~~Permitted with a conditional use permit if located within 600 feet of any sensitive use, as defined in section 17.228.910, excluding a school; Subject to special use regulations in article IX of chapter 17.228	~~ZA/~~PDC

7. A row for “cannabis consumption lounge” is hereby added to the table in subsection B.2 (conditional uses; commercial and institutional uses) to read as follows:

Cannabis consumption lounge	Subject to special use regulations in article IX of chapter 17.228	PDC

8. The “cannabis cultivation,” “cannabis distribution,” and “cannabis manufacturing” rows in subsection B.3 (conditional uses; industrial and agricultural uses) are hereby deleted.

~~Cannabis cultivation~~	~~Permitted with a conditional use permit if—~~ ~~1. Use is located within ½ mile from the center of an existing or proposed light rail station platform, subject to special use regulations in section 17.228.127; or~~ ~~2. Use is located greater than ½ mile from the center of an existing or proposed light rail station platform.~~ ~~Subject to special use regulations in section 17.228.900~~	~~ZA/PDC~~
~~Cannabis distribution~~	~~Subject to special use regulations in section 17.229.900~~	~~ZA/PDC~~
~~Cannabis manufacturing~~	~~Permitted with a conditional use permit if—~~	~~ZA/PDC~~

	~~1. Use is located within ½ mile from the center of an existing or proposed light rail station platform, subject to special use regulations in section 17.228.127; or~~ ~~2. Use is located greater than ½ mile from the center of an existing or proposed light rail station platform.~~ ~~Subject to special use regulations in section 17.228.900~~	

B. Except as amended by subsection A above, all provisions of section 17.220.210 remain unchanged and in full effect.

SECTION 12.

A. Section 17.220.310 (M-2 zone) of the Sacramento City Code is hereby amended as follows:

1. A row for "cannabis dispensary" is hereby added to the table in subsection A.2 (permitted uses; commercial and institutional uses) to read as follows:

Cannabis dispensary	Permitted if located more than 600 feet from all sensitive uses as defined in section 17.228.910; Subject to special use regulations in article IX of chapter 17.228

2. A row for "cannabis cultivation" is hereby added to the table in subsection A.3 (permitted uses; industrial and agricultural uses) to read as follows:

Cannabis cultivation	Permitted if use is located greater than ½ mile from the center of an existing or proposed light rail station platform; Subject to special use regulations in article IX of chapter 17.228

3. A row for "cannabis distribution" is hereby added to the table in subsection A.3 (permitted uses; industrial and agricultural uses) to read as follows:

Cannabis distribution	Subject to special use regulations in article IX of chapter 17.228

4. The "cannabis manufacturing" row in subsection A.3 (permitted uses; industrial and agricultural uses) is hereby amended to read as follows:

Cannabis manufacturing	~~Allowed if extraction processes are not conducted with a volatile solvent and the use is exempt from the conditional use permit requirement pursuant to section 17.228.900.C~~ Permitted if use is located greater than ½ mile from the center of an existing or proposed light rail station platform; Subject to special use regulations in article IX of chapter 17.228

5. The "cannabis testing" row in subsection A.3 (permitted uses; industrial and agricultural uses) is hereby amended to read as follows:

Cannabis testing	Subject to special use regulations in article IX of chapter 17.228~~section 17.228.910~~

6. The "cannabis dispensary" row in subsection B.2 (conditional uses; commercial and institutional uses) is hereby amended to read as follows:

Cannabis dispensary	~~Subject to the special use regulations in section 17.228.920~~Permitted with a conditional use permit if located within 600 feet of any sensitive use, as defined in section 17.228.910, excluding a school; Subject to special use regulations in article IX of chapter 17.228	~~ZA/~~PDC

7. A row for "cannabis consumption lounge" is hereby added to the table in subsection B.2 (conditional uses; commercial and institutional uses) to read as follows:

Cannabis consumption lounge	Subject to special use regulations in article IX of chapter 17.228	PDC

8. The "cannabis cultivation," "cannabis distribution," and "cannabis manufacturing" rows in subsection B.3 (conditional uses; industrial and agricultural uses) are hereby deleted.

~~Cannabis cultivation~~	~~Permitted with a conditional use permit if—~~ ~~1. Use is located within ½ mile from the center of an existing or proposed light rail station platform, subject to special use regulations in section 17.228.127; or~~ ~~2. Use is located greater than ½ mile from the center of an existing or proposed light rail station platform.~~ ~~Subject to special use regulations in section 17.228.900~~	~~ZA/PDC~~
~~Cannabis distribution~~	~~Subject to special use regulations in section 17.229.900~~	~~ZA/PDC~~
~~Cannabis manufacturing~~	~~Permitted with a conditional use permit if—~~ ~~1. Use is located within ½ mile from the center of an existing or proposed light rail station platform, subject to special use regulations in section 17.228.127; or~~ ~~2. Use is located greater than ½ mile from the center of an existing or proposed light rail station platform.~~ ~~Subject to special use regulations in section 17.228.900~~	~~ZA/PDC~~

B. Except as amended by subsection A above, all provisions of section 17.220.310 remain unchanged and in full effect.

SECTION 13.

A. Section 17.220.410 (M-2(S) zone) of the Sacramento City Code is hereby amended as follows:

1. A row for "cannabis dispensary" is hereby added to the table in subsection A.2 (permitted uses; commercial and institutional uses) to read as follows:

Cannabis dispensary	Permitted if located more than 600 feet from all sensitive uses as defined in section 17.228.910; Subject to special use regulations in article IX of chapter 17.228

2. A row for "cannabis cultivation" is hereby added to the table in subsection A.3 (permitted uses; industrial and agricultural uses) to read as follows:

Cannabis cultivation	Permitted if use is located greater than ½ mile from the center of an existing or proposed light rail station platform; Subject to special use regulations in article IX of chapter 17.228

3. A row for "cannabis distribution" is hereby added to the table in subsection A.3 (permitted uses; industrial and agricultural uses) to read as follows:

Cannabis distribution	Subject to special use regulations in article IX of chapter 17.228

4. The "cannabis manufacturing" row in subsection A.3 (permitted uses; industrial and agricultural uses) is hereby amended to read as follows:

Cannabis manufacturing	~~Allowed if extraction processes are not conducted with a volatile solvent and the use is exempt from the conditional use permit requirement pursuant to section 17.228.900.C~~ Permitted if use is located greater than ½ mile from the center of an existing or proposed light rail station platform; Subject to special use regulations in article IX of chapter 17.228

5. The "cannabis testing" row in subsection A.3 (permitted uses; industrial and agricultural uses) is hereby amended to read as follows:

Cannabis testing	Subject to special use regulations in article IX of chapter 17.228~~section 17.228.910~~

6. The "cannabis dispensary" row in subsection B.2 (conditional uses; commercial and institutional uses) is hereby amended to read as follows:

Cannabis dispensary	~~Subject to the special use regulations in section 17.228.920~~Permitted with a conditional use permit if located within 600 feet of any sensitive use, as defined in section 17.228.910, excluding a school; Subject to special use regulations in article IX of chapter 17.228	~~ZA/~~PDC

7. A row for "cannabis consumption lounge" is hereby added to the table in subsection B.2 (conditional uses; commercial and institutional uses) to read as follows:

Cannabis consumption lounge	Subject to special use regulations in article IX of chapter 17.228	PDC

8. The "cannabis cultivation," "cannabis distribution," and "cannabis manufacturing" rows in subsection B.3 (conditional uses; industrial and agricultural uses) are hereby deleted.

~~Cannabis cultivation~~	~~Permitted with a conditional use permit if—~~ ~~1. Use is located within ½ mile from the center of an existing or proposed light rail station platform, subject to special use regulations in section 17.228.127; or~~ ~~2. Use is located greater than ½ mile from the center of an existing or proposed light rail station platform.~~ ~~Subject to special use regulations in section 17.228.900~~	~~ZA/PDC~~
~~Cannabis distribution~~	~~Subject to special use regulations in section 17.229.900~~	~~ZA/PDC~~
~~Cannabis manufacturing~~	~~Permitted with a conditional use permit if—~~ ~~1. Use is located within ½ mile from the center of an existing or proposed light rail station platform, subject to~~	~~ZA/PDC~~

	~~special use regulations in section 17.228.127; or~~ ~~2. Use is located greater than ½ mile from the center of an existing or proposed light rail station platform.~~ ~~Subject to special use regulations in section 17.228.900~~	

B. Except as amended by subsection A above, all provisions of section 17.220.410 remain unchanged and in full effect.

SECTION 14.

A. Section 17.220.510 (MIP zone) of the Sacramento City Code is hereby amended as follows:

1. A row for "cannabis distribution" is hereby added to the table in subsection A.2 (permitted uses; industrial and agricultural uses) to read as follows:

Cannabis distribution	Subject to special use regulations in article IX of chapter 17.228

4. The "cannabis manufacturing" row in subsection A.3 (permitted uses; industrial and agricultural uses) is hereby amended to read as follows:

Cannabis manufacturing	~~Allowed if extraction processes are not conducted with a volatile solvent and the use is exempt from the conditional use permit requirement pursuant to section 17.228.900.C~~ Permitted if use is located greater than ½ mile from the center of an existing or proposed light rail station platform; Subject to special use regulations in article IX of chapter 17.228

5. The "cannabis testing" row in subsection A.3 (permitted uses; industrial and agricultural uses) is hereby amended to read as follows:

Cannabis testing	Subject to special use regulations in article IX of chapter 17.228~~section 17.228.910~~

3. The “cannabis distribution” and “cannabis manufacturing” rows in subsection B.1 (conditional uses; industrial and agricultural uses) are hereby deleted.

~~Cannabis distribution~~	~~Subject to special use regulations in section 17.229.900~~	~~ZA/PDC~~
~~Cannabis manufacturing~~	~~Permitted with a conditional use permit if —~~ ~~1. Use is located within ½ mile from the center of an existing or proposed light rail station platform, subject to special use regulations in section 17.228.127; or~~ ~~2. Use is located greater than ½ mile from the center of an existing or proposed light rail station platform.~~ ~~Subject to special use regulations in section 17.228.900~~	~~ZA/PDC~~

B. Except as amended by subsection A above, all provisions of section 17.220.510 remain unchanged and in full effect.

SECTION 15.

A. Section 17.220.610 (MRD zone) of the Sacramento City Code is hereby amended as follows:

1. The “cannabis testing” row in subsection A.2 (permitted uses, commercial and institutional uses) is hereby amended to read as follows:

Cannabis testing	Subject to special use regulations in article IX of chapter 17.228~~section 17.228.950~~

2. A row for “cannabis distribution” is hereby added to the table in subsection A.3 (permitted uses; industrial and agricultural uses) to read as follows:

Cannabis distribution	Subject to special use regulations in article IX of chapter 17.228

4. The “cannabis manufacturing” row in subsection A.3 (permitted uses; industrial and agricultural uses) is hereby amended to read as follows:

Cannabis manufacturing	~~Allowed if extraction processes are not conducted with a volatile solvent and the use is exempt from the conditional use permit requirement pursuant to section 17.228.900.C~~ Permitted if use is located greater than ½ mile from the center of an existing or proposed light rail station platform; Subject to special use regulations in article IX of chapter 17.228

5. The "cannabis distribution" and "cannabis manufacturing" rows in subsection B.3 (conditional uses; industrial and agricultural uses) are hereby deleted.

~~Cannabis distribution~~	~~Subject to special use regulations in section 17.229.900~~	~~ZA/PDC~~
~~Cannabis manufacturing~~	~~Permitted with a conditional use permit if—~~ ~~1. Use is located within ½ mile from the center of an existing or proposed light rail station platform, subject to special use regulations in section 17.228.127; or~~ ~~2. Use is located greater than ½ mile from the center of an existing or proposed light rail station platform.~~ ~~Subject to special use regulations in section 17.228.900~~	~~ZA/PDC~~

B. Except as amended by subsection A above, all provisions of section 17.220.610 remain unchanged and in full effect.

SECTION 16.

A. Section 17.220.710 (MT zone) of the Sacramento City Code is hereby amended as follows:

1. The "cannabis testing" row in subsection A.2 (permitted uses; commercial and institutional uses) is amended to read as follows:

Cannabis testing	Subject to special use regulations in article IX of chapter 17.228~~section 17.228.910~~

2. A row for "cannabis dispensary" is hereby added to the table in subsection A.2 (permitted uses; commercial and institutional uses) to read as follows:

Cannabis dispensary	Permitted if located more than 600 feet from all sensitive uses as defined in section 17.228.910; Subject to special use regulations in article IX of chapter 17.228

3. A row for "cannabis cultivation" is hereby added to the table in subsection A.3 (permitted uses; industrial and agricultural uses) to read as follows:

Cannabis cultivation	Subject to special use regulations in article IX of chapter 17.228

3. A row for "cannabis distribution" is hereby added to the table in subsection A.3 (permitted uses; industrial and agricultural uses) to read as follows:

Cannabis distribution	Subject to special use regulations in article IX of chapter 17.228

4. A row for "cannabis manufacturing" is hereby added to the table in subsection A.3 (permitted uses; industrial and agricultural uses) to read as follows:

Cannabis manufacturing	Limited to nonvolatile manufacturing; Subject to special use regulations in article IX of chapter 17.228

5. The "cannabis dispensary" row in subsection B.2 (conditional uses; commercial and institutional uses) is hereby amended to read as follows:

Cannabis dispensary	~~Subject to the special use regulations in section 17.228.920~~Permitted with a conditional use permit if located within 600 feet of any sensitive use, as defined in section 17.228.910, excluding a school;	~~ZA/~~PDC

	Subject to special use regulations in article IX of chapter 17.228	

5. A row for "cannabis consumption lounge" is hereby added to the table in subsection B.2 (conditional uses; commercial and institutional uses) to read as follows:

Cannabis consumption lounge	Subject to special use regulations in article IX of chapter 17.228	PDC

6. The "cannabis cultivation," "cannabis distribution," and "cannabis manufacturing, nonvolatile" rows in subsection B.3 (conditional uses; industrial and agricultural uses) are hereby deleted.

~~Cannabis cultivation~~	~~Subject to special use regulations in section 17.228.900~~	~~ZA/PDC~~
~~Cannabis distribution~~	~~Subject to special use regulations in section 17.229.900~~	~~ZA/PDC~~
~~Cannabis manufacturing, nonvolatile~~	~~Subject to special use regulations in section 17.228.900~~	~~ZA/PDC~~

B. Except as amended by subsection A above, all provisions of section 17.220.710 remain unchanged and in full effect.

SECTION 17.

Article IX of chapter 17.228 of the Sacramento City Code is hereby deleted.

~~**Article IX. Cannabis**~~

~~**17.228.900 Cannabis production.**~~

~~A. For purposes of this section, "cannabis production" includes cannabis cultivation, cannabis distribution, and cannabis manufacturing.~~

~~B. A conditional use permit is required for cannabis production, except for the following:~~

~~1. Cannabis manufacturing that complies with the following:~~
~~a. The use is limited to only packaging and labeling of cannabis or cannabis products, or producing edible or topical cannabis products using an infusion process;~~
~~b. Extraction is not being conducted; and~~
~~c. The gross receipts of the use are under $100,000 annually.~~
~~2. Cannabis distribution in accordance with a type-S cannabis distribution permit, as described in article VIII of chapter 5.150.~~

~~3. Cannabis distribution in accordance with a type-T cannabis distribution permit, as described in article VIII of chapter 5.150.~~

~~4. For the purposes of this section, "gross receipts" has the same meaning as provided in section 3.08.020.~~

~~C. Except as provided in subsection D, the conditional use permit, as required in subsection B, must be approved by the zoning administrator.~~

~~D. A conditional use permit, as required in subsection B, must be approved by the planning and design commission where the production site is within 600 feet of:~~

~~1. A park identified as a neighborhood park or community park in the city's most recently adopted Parks and Recreation Master Plan; or~~

~~2. A park not yet identified in the city's most recently adopted Parks and Recreation Master Plan.~~

~~E. The decision-maker may approve a conditional use permit for cannabis production based on the following findings:~~

~~1. The findings set forth in section 17.808.200.C; and~~

~~2. The proposed cannabis production will not result in undue concentration of cannabis production establishments. An undue concentration of cannabis production establishments will result if the following condition is met:~~

~~a. The proposed cannabis production use is located within the area bounded by Power Inn Road to the west, Folsom Boulevard to the north, and the city limits to the east and south; and will result in more than 2.5 million square feet of building floor space approved by a conditional use permit for cannabis production use in that area. Building floor space designated for a cannabis manufacturing use in a conditional use permit may be excluded from the 2.5 million square footage calculation.~~

~~3. If the proposed cannabis production includes cannabis manufacturing with a volatile solvent, the fire chief or designee has determined that the proposed cannabis manufacturing use is compatible with surrounding uses.~~

~~F. In any zone, cannabis production must comply with the following provisions:~~

~~1. Cannabis production must be within a fully enclosed building and must not be visible from the public right-of-way.~~

2. Notwithstanding the provisions of California Business and Professions Code section 26054(b), a cannabis production site cannot be located within a 600-foot radius of a school. For purposes of this section, "school" means any public or private school providing instruction in kindergarten or grades 1 to 12, inclusive, but does not include any private school in which education is primarily conducted in private homes.

3. The cannabis production site cannot have more than one sign. The sign may be attached or detached. The sign cannot be illuminated and cannot exceed six square feet in area.

4. Cannabis production must comply with all applicable state and local laws.

5. Each property owner seeking a conditional use permit for cannabis production shall provide a neighborhood responsibility plan in order for the decision-maker to make the requisite findings identified in subsection E. The neighborhood responsibility plan must address the adverse impacts of cannabis distribution on the surrounding area. Compliance with the neighborhood responsibility plan shall be achieved through an agreement with the city, conditions of approval on the use permit, or through other means acceptable to the city.

6. Cannabis extraction must be performed in a manner that will not create explosive or ignitable mixtures, as approved by the fire chief or designee.

G. In the C-2 zone, cannabis production must comply with the following provisions:

1. Cannabis distribution and nonvolatile cannabis manufacturing cannot exceed a total of 6,400 square feet in area.

2. Cannabis distribution cannot be the only cannabis production use on the site.

H. Notice to city council. As soon as reasonably practicable after the zoning administrator or planning and design commission makes a decision on a conditional use permit required to establish cannabis production, the planning director shall report that decision to the mayor and the councilmember in whose district the project is located, by sending the report by electronic mail and confirming that each received it.

I. Procedures for call-up review. The mayor or the councilmember in whose district the project is located may call up for city council review any decision described in subsection H by filing a written request with the planning director within 10 business days of the zoning administrator's or planning and design commission's decision. If both a council member call-up and director-level decision appeal are pending on the same project, the city council will consider both at the same time. Notice of the city council hearing shall be given in the manner provided in section 17.812.010.A.2.a. The hearing before the city council shall be de novo.

J. Withdrawal of request for review. The requester under subsection I may withdraw that request. The withdrawal shall be noted on the next regularly scheduled meeting of the city

~~council and shall be considered to have occurred on that date. Any other member of the city council shall have 10 days thereafter to file a request for call-up review. If the tenth day is a non-business day, the last day to file the request is the next business day. Noticing and hearing of the matter shall be as set forth in subsection I.~~

~~K. A conditional use permit issued in accordance with this section must specify whether the use allowed is for cannabis cultivation, cannabis distribution, or cannabis manufacturing. An addition of any use specified in this paragraph to the allowed uses specified in a conditional use permit is a modification of the terms and conditions of the conditional use permit subject to section 17.808.440.~~

~~17.228.910 Cannabis testing.~~

~~A. Cannabis testing may only be established in the C-2, C-4, M-1, M-1(S), M-2, M-2(S), MIP, MRD, and M-T zones.~~

~~B. In any zone, cannabis testing must comply with the following provisions~~

~~1. The cannabis testing site cannot be located within 600 feet of a school. For purposes of this section, "school" means any public or private school providing instruction in kindergarten or grades 1 to 12, inclusive, but does not include any private school in which education is primarily conducted in private homes.~~

~~2. The cannabis testing must comply with all applicable state and local laws.~~

~~17.228.920 Cannabis dispensary.~~

~~A. For purposes of this section, the following definitions apply:~~

~~1. "School" means any public or private school providing instruction in kindergarten or grades 1 to 12, inclusive, but does not include any private school in which education is primarily conducted in private homes.~~

~~2. "Substance abuse rehabilitation center" means any facility that provides care for persons who have a dependency on alcohol or controlled substances, except any hospital, city or county jail, or state prison. The care provided by a substance abuse rehabilitation center, includes medication, patient counseling, group therapy, physical conditioning, family therapy, and dietetic services.~~

~~3. "Youth-oriented facility" means any establishment that caters to or provides services primarily intended for minors; that is patronized predominantly by minors; or where the people who regularly congregate or assemble are predominantly minors.~~

~~B. A conditional use permit is required to establish a cannabis dispensary in the C-2, C-4, M-1, M-1(S), M-2, M-2(S), M-T, and SC zones.~~

~~C. Except as provided in subsection D, the conditional use permit, as required in subsection B, must be approved by the zoning administrator.~~

~~D. A conditional use permit, as required in subsection B, must be approved by the planning and design commission where any of the following conditions apply:~~

~~1. The cannabis dispensary is a storefront cannabis dispensary, as defined in chapter 5.150, and the site is within 600 feet of another storefront cannabis dispensary site;~~

~~2. The cannabis dispensary site is within 600 feet of any park, childcare center, in-home child care (family day care home), youth-oriented facility, church or faith congregation, substance abuse center, or cinema;~~

~~3. The cannabis dispensary site is within 600 feet of any tobacco retailer that has 15,000 square feet or less of gross floor area; or~~

~~4. The cannabis dispensary site is within 300 feet of a residential zone.~~

~~E. In any zone, a cannabis dispensary must comply with the following provisions:~~

~~1. Cannabis dispensary operations must be within a fully enclosed building and must not be visible from the public right-of-way.~~

~~2. The cannabis dispensary site cannot be located within 600 feet of a school.~~

~~3. The cannabis dispensary must comply with all applicable state and local laws.~~

~~4. Each property owner seeking a conditional use permit for cannabis dispensary shall provide a neighborhood responsibility plan in order for the decision-maker to make the requisite findings set forth in section 17.808.200. The neighborhood responsibility plan must address the adverse impacts of a cannabis dispensary on the surrounding area. Compliance with the neighborhood responsibility plan shall be achieved through an agreement with the city, conditions of approval on the use permit, or through other means acceptable to the city.~~

~~5. Notwithstanding section 17.452.040.B.2.d, no cannabis dispensary may be established in a planned unit development, unless the planned unit development schematic plan and design guidelines expressly authorize the use.~~

~~F. Notice to city council. As soon as reasonably practicable after the zoning administrator or planning and design commission makes a decision on a conditional use permit required to establish a cannabis dispensary, the planning director shall report that decision to the mayor~~

~~and the councilmember in whose district the project is located, by sending the report by electronic mail and confirming that each received it.~~

~~G. Procedures for call-up review. The mayor or the councilmember in whose district the project is located may call up for city council review any decision described in subsection F by filing a written request with the planning director within 10 business days of the zoning administrator's or planning and design commission's decision. If both a council member call-up and director-level decision appeal are pending on the same project, the city council will consider both at the same time. Notice of the city council hearing shall be given in the manner provided in section 17.812.010.A.2.a. The hearing before the city council shall be de novo.~~

~~H. Withdrawal of request for review. The requester under subsection G may withdraw that request. The withdrawal shall be noted on the next regularly scheduled meeting of the city council and shall be considered to have occurred on that date. Any other member of the city council shall have 10 days thereafter to file a request for call-up review. If the tenth day is a non-business day, the last day to file the request is the next business day. Noticing and hearing of the matter shall be as set forth in subsection G.~~

~~I. A conditional use permit issued in accordance with this section must specify whether the use allowed is for a storefront cannabis dispensary or a delivery-only cannabis dispensary, and for the sale of medical cannabis or adult-use cannabis. An addition of any use specified in this paragraph to the allowed uses specified in a conditional use permit is a modification of the terms and conditions of the conditional use permit subject to section 17.808.440.~~

~~J. A medical marijuana dispensary use that has a valid conditional use permit on the effective date of this ordinance is deemed to have an approved conditional use permit for a cannabis dispensary use allowing for a storefront cannabis dispensary and for the sale of medical cannabis, if the property owner provides a neighborhood responsibility plan described in subsection E.4. The deemed approved conditional use permit for a cannabis dispensary use shall be subject to all the provisions of this title relating to conditional use permits.~~

SECTION 18.

Article IX is hereby added to chapter 17.228 of the Sacramento City Code, to read as follows:

Article IX. Cannabis

17.228.900 Purpose and intent.

The purpose of this article is to authorize cannabis uses that comply with this article. The regulations in this article work in harmony with the regulations in chapter 5.150.

17.228.910 Definitions.

For purposes of this article, the following definitions apply:

A. "Community center" means a facility designated as a community center, senior center, or clubhouse in the city's most recently adopted parks plan.

B. "Park" means a public park designated in the city's most recently adopted parks plan as a multi-use regional park, multi-use community park, special use community park, multi-use neighborhood park, or neighborhood play lot.

C. "School" means a public or private school providing instruction in kindergarten or any grade from 1 to 12, inclusive, but does not include any private school in which education is primarily conducted in private homes.

D. "Sensitive use" means a lawfully-established community center, library, museum, park, school, substance abuse rehabilitation center, or youth-oriented facility.

E. "Substance abuse rehabilitation center" means a facility licensed by the State Department of Health Care Services pursuant to California Health and Safety Code sections 11834.01 through 11834.50.

F. "Youth-oriented facility" means a facility that is operated by a nonprofit entity that primarily caters to minors or primarily provides services intended for minors.

17.228.920 General requirements.

A. Administrative permit.

1. An administrative permit is required to—

a. Establish a cannabis dispensary use located more than 600 feet from all sensitive uses;

b. Establish a cannabis production or cannabis testing use; or

c. Modify an existing cannabis dispensary, cannabis production, or cannabis testing use previously authorized by an administrative permit.

~~1.~~2. Public notice.

a. The city, at least ten days before issuing a decision on an administrative permit under this article, shall—

i. Post notice of the application at the subject real property; and

ii. Provide notice as set forth in subsection A.2.c.

b. The city shall provide notice of all final decisions on administrative permits authorized by this section as set forth in subsection A.2.c.

c. The notice required by subsections A.2.a and A.2.b must be given by mail or personal delivery to all owners of real property located within 600 feet of the real property that is the subject of the application, utilizing the owners' names and addresses shown on the latest county equalized assessment roll. In lieu of the equalized assessment roll, other records of the county assessor or tax collector that contain more recent information may be used.

B. Conditional use permit.

1. A conditional use permit approved by the planning and design commission is required to establish—

a. A cannabis dispensary within 600 feet of any sensitive use, as defined in section 17.228.910, excluding a school.

b. A cannabis consumption lounge.

2. Conditional use permits for cannabis uses are subject to the following:

a. Notice to city council. As soon as reasonably practicable after the planning and design commission makes a decision on a conditional use permit required by this article, the planning director shall report that decision to the mayor and the councilmember in whose district the project is located, by sending the report by electronic mail and confirming that each received it.

b. Call-up review. The mayor or the councilmember in whose district the project is located may call up for city council review any decision by the planning and design commission on a conditional use permit required by this article by filing a written request with the planning director within ten business days of the planning and design commission's decision. If both a council member call-up and commission-level decision appeal are pending on the same project, the city council shall consider both at the same time. Notice of the city council hearing shall be given in the manner provided in section 17.812.010.A.2.a. The hearing before the city council is de novo.

c. Withdrawal of request for review. The requester under subsection B.2.b may withdraw that request. The withdrawal must be noted on the agenda of the next regularly scheduled meeting of the city council and is considered to have occurred on the date of that meeting. Any other member of the city council may file a request for call-up review within ten days of the withdrawal. If the tenth day is a non-business day, the last day to file the request is the next business day. Notice of the city council hearing shall be given in the manner provided in section 17.812.010.A.2.a. The hearing before the city council is de novo.

C. Distance from sensitive uses.

1. Measuring distance. Under this article, the distance from a cannabis use to another use is the shortest distance measured in a straight line between the two closest property lines.

2. Distance from schools. No cannabis use, except a consumption lounge, may be established within 600 feet of a school.

3. First-in-time – lawfully-established cannabis use. Notwithstanding any other provision of this title, a lawfully-established cannabis use may be modified or expanded without regard to whether it is within 600 feet of a sensitive use if that sensitive use was established after the lawfully-established cannabis use. All other provisions of this title apply, including the findings required by section 17.808.200 when applicable.

4. Maps.

a. All applications under this article must include a scaled map that identifies by name, address, and assessor parcel number all sensitive uses within 600 feet of the project site.

b. Each applicant must attest in writing, under penalty of perjury, that the map and accompanying information is true and correct.

D. Identification of approved uses. Any permit issued in accordance with this article must specifically identify each authorized cannabis use – cannabis production (cultivation, distribution, processing, or manufacturing), cannabis testing, cannabis dispensary (store-front cannabis dispensary, delivery-only cannabis dispensary, or both), or cannabis consumption lounge.

17.228.930 Cannabis production.

A. Power Inn area. No permit provided for in this title will be granted for cannabis cultivation in the area bounded by Power Inn Road to the west, Folsom

Boulevard to the north, and the city limits to the east and south, if the total of all cannabis cultivation uses in that area will exceed 2.5 million square feet.

B. C-2 zone. In the C-2 zone, cannabis production must comply with the following provisions:

1. Cannabis distribution and nonvolatile cannabis manufacturing cannot exceed a total of 6,400 square feet per site.

2. Cannabis distribution cannot be the only cannabis production use on a site.

C. Signs. A cannabis production site cannot have more than one sign. The sign may be attached or detached. The sign cannot be illuminated and cannot exceed six square feet in area.

17.228.940 Cannabis testing – signs.

A cannabis testing site cannot have more than one sign. The sign may be attached or detached. The sign cannot be illuminated and cannot exceed six square feet in area.

17.228.950 Cannabis consumption lounges – location.

A cannabis consumption lounge may only be located within a building with a storefront cannabis dispensary.

17.228.960 Medical marijuana dispensaries.

A medical marijuana dispensary with a valid conditional use permit on the effective date of the ordinance that codified this article is deemed to have an approved conditional use permit for a cannabis dispensary allowing for a storefront cannabis dispensary for the sale of medical and adult-use cannabis.

ORDINANCE NO.

Adopted by the Sacramento City Council
Date Adopted

AN ORDINANCE AMENDING VARIOUS PROVISIONS OF TITLE 17 OF THE SACRAMENTO CITY CODE, RELATING TO CANNABIS LAND USES

BE IT ENACTED BY THE COUNCIL OF THE CITY OF SACRAMENTO:

SECTION 1.

The city council finds the following:

1. As amended by this ordinance, the Planning and Development Code complements, supports, and facilitates the implementation of the goals, policies, and other provisions of the general plan and the city's specific plans and transit village plans; and

2. The amendments in this ordinance promote the public health, safety, convenience, and welfare of the city.

SECTION 2.

A. Section 17.108.040 ("C" definitions) of the Sacramento City Code is hereby amended as follows:

1. A definition of "cannabis consumption lounge" is hereby added to read as follows:

"Cannabis consumption lounge" means the area within a storefront cannabis dispensary where cannabis or cannabis products are allowed to be consumed in accordance with this code.

2. A definition of "cannabis dispensary, storefront" is hereby added to read as follows:

"Cannabis dispensary, storefront" has the same meaning as in section 5.150.020.

3. A definition of "cannabis manufacturing, nonvolatile" is hereby added to read as follows:

"Cannabis manufacturing, nonvolatile" means cannabis manufacturing done without the use of volatile solvents.

4. A definition of "cannabis processing" is hereby added to read as follows:

"Cannabis processing" means all activities associated with the drying, curing, sifting, grading, trimming, rolling, storing, packaging, and labeling of cannabis or nonmanufactured cannabis products as defined section 15000 of title 4 of the California Code of Regulations.

5. A definition of "cannabis production" is hereby added to read as follows:

"Cannabis production" means cannabis cultivation, cannabis distribution, cannabis manufacturing, and cannabis processing, and any combination thereof.

6. The definition of "cannabis testing" is hereby amended to read as follows:

"Cannabis testing" means performing scientific analysis of cannabis or cannabis products to determine its chemical profile, the presence of contaminants, or other similar data, and research and development related to the innovation and improvement of cannabis products and the processing of cannabis.

7. The definition of "cannabis use" is hereby amended to read as follows:

"Cannabis use" means cannabis production, cannabis testing, cannabis dispensary, and cannabis consumption lounge.

B. Except as amended by subsection A above, all provisions of section 17.108.040 remain unchanged and in full effect.

SECTION 3.

A. Section 17.200.110 (A zone) of the Sacramento City Code is hereby amended as follows:

1. A row for "cannabis cultivation" is hereby added to the table in subsection A.3 (permitted uses; industrial and agricultural uses) to read as follows:

Cannabis cultivation	Subject to special use regulations in article IX of chapter 17.228

2. The "cannabis cultivation" row in subsection B.2 (conditional uses; industrial and agricultural uses) is hereby deleted.

B. Except as amended by subsection A above, all provisions of Section 17.200.110 remain unchanged and in full effect.

SECTION 4.

A. Section 17.212.110 (RMX zone) of the Sacramento City Code is hereby amended as follows:

1. A row for "cannabis dispensary" is hereby added to the table in subsection A.2 (permitted uses; commercial and institutional uses) to read as follows:

Cannabis dispensary	Limited to storefront cannabis dispensary located more than 600 feet from all sensitive uses as defined in section 17.228.910 (delivery-only cannabis dispensary not allowed); Subject to special use regulations in article IX of chapter 17.228

2. A row for "cannabis consumption lounge" is hereby added to the table in subsection B.2 (conditional uses; commercial and institutional uses) to read as follows:

Cannabis consumption lounge	Subject to special use regulations in article IX of chapter 17.228	PDC

3. A row for "cannabis dispensary" is hereby added to the table in subsection B.2 (conditional uses; commercial and institutional uses) to read as follows:

Cannabis dispensary	Storefront cannabis dispensary permitted with a conditional use permit if located within 600 feet of any sensitive use, as defined in section 17.228.910, excluding a school; Subject to special use regulations in article IX of chapter 17.228	PDC

B. Except as amended by subsection A above, all provisions of section 17.212.110 remain unchanged and in full effect.

SECTION 5.

A. Section 17.216.510 (SC-zone) of the Sacramento City Code is hereby amended as follows:

1. A row for "cannabis dispensary" is hereby added to the table in subsection A.2 (permitted uses; commercial and institutional uses) to read as follows:

Cannabis dispensary	Limited to storefront cannabis dispensary located more than 600 feet from all sensitive uses as defined in section 17.228.910 (delivery-only cannabis dispensary not allowed); Subject to special use regulations in article IX of chapter 17.228

2. The "cannabis dispensary" row in subsection B.2 (conditional uses; commercial and institutional uses) is hereby amended to read as follows:

Cannabis dispensary	Storefront cannabis dispensary permitted with a conditional use permit if located within 600 feet of any sensitive use, as defined in section 17.228.910, excluding a school; Subject to special use regulations in article IX of chapter 17.228	PDC

3. A row for "cannabis consumption lounge" is hereby added to the table in subsection B.2 (conditional uses; commercial and institutional uses) to read as follows:

Cannabis consumption lounge	Subject to special use regulations in article IX of chapter 17.228	PDC

B. Except as amended by subsection A above, all provisions of section 17.216.510 remain unchanged and in full effect.

SECTION 6.

A. Section 17.216.610 (C-1 zone) of the Sacramento City Code is hereby amended as follows:

1. A row for "cannabis dispensary" is hereby added to the table in subsection A.2 (permitted uses; commercial and institutional uses) to read as follows:

Cannabis dispensary	Limited to storefront cannabis dispensary located more than 600 feet from all sensitive uses as defined in section 17.228.910 (delivery-only cannabis dispensary not allowed);

	Subject to special use regulations in article IX of chapter 17.228

2. A row for "cannabis consumption lounge" is hereby added to the table in subsection B.2 (conditional uses; commercial and institutional uses) to read as follows:

Cannabis consumption lounge	Subject to special use regulations in article IX of chapter 17.228	PDC

3. A row for "cannabis dispensary" is hereby added to the table in subsection B.2 (conditional uses; commercial and institutional uses) to read as follows:

Cannabis dispensary	Storefront cannabis dispensary permitted with a conditional use permit if located within 600 feet of any sensitive use, as defined in section 17.228.910, excluding a school; Subject to special use regulations in article IX of chapter 17.228	PDC

B. Except as amended by subsection A above, all provisions of section 17.216.610 remain unchanged and in full effect.

SECTION 7.

A. Section 17.216.710 (C-2 zone) of the Sacramento City Code is hereby amended as follows:

1. A row for "cannabis dispensary" is hereby added to the table in subsection A.2 (permitted uses; commercial and institutional uses) to read as follows:

Cannabis dispensary	Permitted if located more than 600 feet from all sensitive uses, as defined in section 17.228.910; Subject to special use regulations in article IX of chapter 17.228

2. A row for "cannabis cultivation" is hereby added to the table in subsection A.3 (permitted uses; industrial and agricultural uses) to read as follows:

Cannabis cultivation	Permitted if use is located greater than ½ mile from the center of an existing or proposed light rail station platform;

	Subject to special use regulations in article IX of chapter 17.228

3. A row for "cannabis distribution" is hereby added to the table in subsection A.3 (permitted uses; industrial and agricultural uses) to read as follows:

Cannabis distribution	Subject to special use regulations in article IX of chapter 17.228

4. The "cannabis manufacturing" row in subsection A.3 (permitted uses; industrial and agricultural uses) is hereby amended to read as follows:

Cannabis manufacturing	Permitted if use is located greater than ½ mile from the center of an existing or proposed light rail station platform; Subject to special use regulations in article IX of chapter 17.228

5. The "cannabis testing" row in subsection A.3 (permitted uses; industrial and agricultural uses) is hereby amended to read as follows:

Cannabis testing	Subject to special use regulations in article IX of chapter 17.228

4. The "cannabis dispensary" row in subsection B.2 (conditional uses; commercial and institutional uses) is hereby amended to read as follows:

Cannabis dispensary	Permitted with a conditional use permit if located within 600 feet of any sensitive use, as defined in section 17.228.910, excluding a school; Subject to special use regulations in article IX of chapter 17.228	PDC

5. A row for "cannabis consumption lounge" is hereby added to the table in subsection B.2 (conditional uses; commercial and institutional uses) to read as follows:

Cannabis consumption lounge	Subject to special use regulations in article IX of chapter 17.228	PDC

6. The "cannabis cultivation," "cannabis distribution," and "cannabis manufacturing" rows in subsection B.3 (conditional uses; industrial and agricultural uses) are hereby deleted.

B. Except as amended by subsection A above, all provisions of section 17.216.710 remain unchanged and in full effect.

SECTION 8.

A. Section 17.216.810 (C-3 zone) of the Sacramento City Code is hereby amended as follows:

1. A row for "cannabis dispensary" is hereby added to the table in subsection A.2 (permitted uses; commercial and institutional uses) to read as follows:

Cannabis dispensary	Limited to storefront cannabis dispensary located more than 600 feet from all sensitive uses as defined in section 17.228.910 (delivery-only cannabis dispensary not allowed); Subject to special use regulations in article IX of chapter 17.228

2. A row for "cannabis consumption lounge" is hereby added to the table in subsection B.2 (conditional uses; commercial and institutional uses) to read as follows:

Cannabis consumption lounge	Subject to special use regulations in article IX of chapter 17.228	PDC

3. A row for "cannabis dispensary" is hereby added to the table in subsection B.2 (conditional uses; commercial and institutional uses) to read as follows:

Cannabis dispensary	Storefront dispensary permitted with a conditional use permit if located within 600 feet of any sensitive use, as defined in section 17.228.910, excluding a school; Subject to special use regulations in article IX of chapter 17.228	PDC

B. Except as amended by subsection A above, all provisions of section 17.216.810 remain unchanged and in full effect.

SECTION 9.

A. Section 17.216.910 (C-4 zone) of the Sacramento City Code is hereby amended as follows:

1. A row for "cannabis dispensary" is hereby added to the table in subsection A.2 (permitted uses; commercial and institutional uses) to read as follows:

Cannabis dispensary	Permitted if located more than 600 feet from all sensitive uses as defined in section 17.228.910; Subject to special use regulations in article IX of chapter 17.228

2. A row for "cannabis cultivation" is hereby added to the table in subsection A.3 (permitted uses; industrial and agricultural uses) to read as follows:

Cannabis cultivation	Permitted if use is located greater than ½ mile from the center of an existing or proposed light rail station platform; Subject to special use regulations in article IX of chapter 17.228

3. A row for "cannabis distribution" is hereby added to the table in subsection A.3 (permitted uses; industrial and agricultural uses) to read as follows:

Cannabis distribution	Subject to special use regulations in article IX of chapter 17.228

4. The "cannabis manufacturing" row in subsection A.3 (permitted uses; industrial and agricultural uses) is hereby amended to read as follows:

Cannabis manufacturing	Permitted if use is located greater than ½ mile from the center of an existing or proposed light rail station platform; Subject to special use regulations in article IX of chapter 17.228

5. The "cannabis testing" row in subsection A.3 (permitted uses; industrial and agricultural uses) is hereby amended to read as follows:

Cannabis testing	Subject to special use regulations in article IX of chapter 17.228

6. The "cannabis dispensary" row in subsection B.2 (conditional uses; commercial and institutional uses) is hereby amended to read as follows:

Cannabis dispensary	Permitted with a conditional use permit if located within 600 feet of any sensitive use, as defined in section 17.228.910, excluding a school; Subject to special use regulations in article IX of chapter 17.228	PDC

7. A row for "cannabis consumption lounge" is hereby added to the table in subsection B.2 (conditional uses; commercial and institutional uses) to read as follows:

Cannabis consumption lounge	Subject to special use regulations in article IX of chapter 17.228	PDC

8. The "cannabis cultivation," "cannabis distribution," and "cannabis manufacturing" rows in subsection B.3 (conditional uses; industrial and agricultural uses) are hereby deleted.

B. Except as amended by subsection A above, all provisions of section 17.216.910 remain unchanged and in full effect.

SECTION 10.

A. Section 17.220.110 (M-1 zone) of the Sacramento City Code is hereby amended as follows:

1. A row for "cannabis dispensary" is hereby added to the table in subsection A.2 (permitted uses; commercial and institutional uses) to read as follows:

Cannabis dispensary	Permitted if located more than 600 feet from all sensitive uses as defined in section 17.228.910; Subject to special use regulations in article IX of chapter 17.228

2. A row for "cannabis cultivation" is hereby added to the table in subsection A.3 (permitted uses; industrial and agricultural uses) to read as follows:

Cannabis cultivation	Permitted if use is located greater than ½ mile from the center of an existing or proposed light rail station platform; Subject to special use regulations in article IX of chapter 17.228

3. A row for "cannabis distribution" is hereby added to the table in subsection A.3 (permitted uses; industrial and agricultural uses) to read as follows:

Cannabis distribution	Subject to special use regulations in article IX of chapter 17.228

4. The "cannabis manufacturing" row in subsection A.3 (permitted uses; industrial and agricultural uses) is hereby amended to read as follows:

Cannabis manufacturing	Permitted if use is located greater than ½ mile from the center of an existing or proposed light rail station platform; Subject to special use regulations in article IX of chapter 17.228

5. The "cannabis testing" row in subsection A.3 (permitted uses; industrial and agricultural uses) is hereby amended to read as follows:

Cannabis testing	Subject to special use regulations in article IX of chapter 17.228

6. The "cannabis dispensary" row in subsection B.2 (conditional uses; commercial and institutional uses) is hereby amended to read as follows:

Cannabis dispensary	Permitted with a conditional use permit if located within 600 feet of	PDC

	any sensitive use, as defined in section 17.228.910, excluding a school; Subject to special use regulations in article IX of chapter 17.228	

7. A row for "cannabis consumption lounge" is hereby added to the table in subsection B.2 (conditional uses; commercial and institutional uses) to read as follows:

Cannabis consumption lounge	Subject to special use regulations in article IX of chapter 17.228	PDC

8. The "cannabis cultivation," "cannabis distribution," and "cannabis manufacturing" rows in subsection B.3 (conditional uses; industrial and agricultural uses) are hereby deleted.

B. Except as amended by subsection A above, all provisions of section 17.220.110 remain unchanged and in full effect.

SECTION 11.

A. Section 17.220.210 (M-1(S) zone) of the Sacramento City Code is hereby amended as follows:

1. A row for "cannabis dispensary" is hereby added to the table in subsection A.2 (permitted uses; commercial and institutional uses) to read as follows:

Cannabis dispensary	Permitted if located more than 600 feet from all sensitive uses as defined in section 17.228.910; Subject to special use regulations in article IX of chapter 17.228

2. A row for "cannabis cultivation" is hereby added to the table in subsection A.3 (permitted uses; industrial and agricultural uses) to read as follows:

Cannabis cultivation	Permitted if use is located greater than ½ mile from the center of an existing or proposed light rail station platform;

	Subject to special use regulations in article IX of chapter 17.228

3. A row for "cannabis distribution" is hereby added to the table in subsection A.3 (permitted uses; industrial and agricultural uses) to read as follows:

Cannabis distribution	Subject to special use regulations in article IX of chapter 17.228;

4. The "cannabis manufacturing" row in subsection A.3 (permitted uses; industrial and agricultural uses) is hereby amended to read as follows:

Cannabis manufacturing	Permitted if use is located greater than ½ mile from the center of an existing or proposed light rail station platform; Subject to special use regulations in article IX of chapter 17.228

5. The "cannabis testing" row in subsection A.3 (permitted uses; industrial and agricultural uses) is hereby amended to read as follows:

Cannabis testing	Subject to special use regulations in article IX of chapter 17.228

6. The "cannabis dispensary" row in subsection B.2 (conditional uses; commercial and institutional uses) is hereby amended to read as follows:

Cannabis dispensary	Permitted with a conditional use permit if located within 600 feet of any sensitive use, as defined in section 17.228.910, excluding a school; Subject to special use regulations in article IX of chapter 17.228	PDC

7. A row for "cannabis consumption lounge" is hereby added to the table in subsection B.2 (conditional uses; commercial and institutional uses) to read as follows:

Cannabis consumption lounge	Subject to special use regulations in article IX of chapter 17.228	PDC

8. The "cannabis cultivation," "cannabis distribution," and "cannabis manufacturing" rows in subsection B.3 (conditional uses; industrial and agricultural uses) are hereby deleted.

B. Except as amended by subsection A above, all provisions of section 17.220.210 remain unchanged and in full effect.

SECTION 12.

A. Section 17.220.310 (M-2 zone) of the Sacramento City Code is hereby amended as follows:

1. A row for "cannabis dispensary" is hereby added to the table in subsection A.2 (permitted uses; commercial and institutional uses) to read as follows:

Cannabis dispensary	Permitted if located more than 600 feet from all sensitive uses as defined in section 17.228.910; Subject to special use regulations in article IX of chapter 17.228

2. A row for "cannabis cultivation" is hereby added to the table in subsection A.3 (permitted uses; industrial and agricultural uses) to read as follows:

Cannabis cultivation	Permitted if use is located greater than ½ mile from the center of an existing or proposed light rail station platform; Subject to special use regulations in article IX of chapter 17.228

3. A row for "cannabis distribution" is hereby added to the table in subsection A.3 (permitted uses; industrial and agricultural uses) to read as follows:

Cannabis distribution	Subject to special use regulations in article IX of chapter 17.228

4. The "cannabis manufacturing" row in subsection A.3 (permitted uses; industrial and agricultural uses) is hereby amended to read as follows:

Cannabis manufacturing	Permitted if use is located greater than ½ mile from the center of an existing or proposed light rail station platform; Subject to special use regulations in article IX of chapter 17.228

5. The "cannabis testing" row in subsection A.3 (permitted uses; industrial and agricultural uses) is hereby amended to read as follows:

Cannabis testing	Subject to special use regulations in article IX of chapter 17.228

6. The "cannabis dispensary" row in subsection B.2 (conditional uses; commercial and institutional uses) is hereby amended to read as follows:

Cannabis dispensary	Permitted with a conditional use permit if located within 600 feet of any sensitive use, as defined in section 17.228.910, excluding a school; Subject to special use regulations in article IX of chapter 17.228	PDC

7. A row for "cannabis consumption lounge" is hereby added to the table in subsection B.2 (conditional uses; commercial and institutional uses) to read as follows:

Cannabis consumption lounge	Subject to special use regulations in article IX of chapter 17.228	PDC

8. The "cannabis cultivation," "cannabis distribution," and "cannabis manufacturing" rows in subsection B.3 (conditional uses; industrial and agricultural uses) are hereby deleted.

B. Except as amended by subsection A above, all provisions of section 17.220.310 remain unchanged and in full effect.

SECTION 13.

A. Section 17.220.410 (M-2(S) zone) of the Sacramento City Code is hereby amended as follows:

1. A row for "cannabis dispensary" is hereby added to the table in subsection A.2 (permitted uses; commercial and institutional uses) to read as follows:

Cannabis dispensary	Permitted if located more than 600 feet from all sensitive uses as defined in section 17.228.910; Subject to special use regulations in article IX of chapter 17.228

2. A row for "cannabis cultivation" is hereby added to the table in subsection A.3 (permitted uses; industrial and agricultural uses) to read as follows:

Cannabis cultivation	Permitted if use is located greater than ½ mile from the center of an existing or proposed light rail station platform; Subject to special use regulations in article IX of chapter 17.228

3. A row for "cannabis distribution" is hereby added to the table in subsection A.3 (permitted uses; industrial and agricultural uses) to read as follows:

Cannabis distribution	Subject to special use regulations in article IX of chapter 17.228

4. The "cannabis manufacturing" row in subsection A.3 (permitted uses; industrial and agricultural uses) is hereby amended to read as follows:

Cannabis manufacturing	Permitted if use is located greater than ½ mile from the center of an existing or proposed light rail station platform; Subject to special use regulations in article IX of chapter 17.228

5. The "cannabis testing" row in subsection A.3 (permitted uses; industrial and agricultural uses) is hereby amended to read as follows:

Cannabis testing	Subject to special use regulations in article IX of chapter 17.228

6. The "cannabis dispensary" row in subsection B.2 (conditional uses; commercial and institutional uses) is hereby amended to read as follows:

Cannabis dispensary	Permitted with a conditional use permit if located within 600 feet of any sensitive use, as defined in section 17.228.910, excluding a school; Subject to special use regulations in article IX of chapter 17.228	PDC

7. A row for "cannabis consumption lounge" is hereby added to the table in subsection B.2 (conditional uses; commercial and institutional uses) to read as follows:

Cannabis consumption lounge	Subject to special use regulations in article IX of chapter 17.228	PDC

8. The "cannabis cultivation," "cannabis distribution," and "cannabis manufacturing" rows in subsection B.3 (conditional uses; industrial and agricultural uses) are hereby deleted.

B. Except as amended by subsection A above, all provisions of section 17.220.410 remain unchanged and in full effect.

SECTION 14.

A. Section 17.220.510 (MIP zone) of the Sacramento City Code is hereby amended as follows:

1. A row for "cannabis distribution" is hereby added to the table in subsection A.2 (permitted uses; industrial and agricultural uses) to read as follows:

Cannabis distribution	Subject to special use regulations in article IX of chapter 17.228

4. The "cannabis manufacturing" row in subsection A.3 (permitted uses; industrial and agricultural uses) is hereby amended to read as follows:

Cannabis manufacturing	Permitted if use is located greater than ½ mile from the center of an existing or proposed light rail station platform; Subject to special use regulations in article IX of chapter 17.228

5. The "cannabis testing" row in subsection A.3 (permitted uses; industrial and agricultural uses) is hereby amended to read as follows:

Cannabis testing	Subject to special use regulations in article IX of chapter 17.228

3. The "cannabis distribution" and "cannabis manufacturing" rows in subsection B.1 (conditional uses; industrial and agricultural uses) are hereby deleted.

B. Except as amended by subsection A above, all provisions of section 17.220.510 remain unchanged and in full effect.

SECTION 15.

A. Section 17.220.610 (MRD zone) of the Sacramento City Code is hereby amended as follows:

1. The "cannabis testing" row in subsection A.2 (permitted uses, commercial and institutional uses) is hereby amended to read as follows:

Cannabis testing	Subject to special use regulations in article IX of chapter 17.228

2. A row for "cannabis distribution" is hereby added to the table in subsection A.3 (permitted uses; industrial and agricultural uses) to read as follows:

Cannabis distribution	Subject to special use regulations in article IX of chapter 17.228

4. The "cannabis manufacturing" row in subsection A.3 (permitted uses; industrial and agricultural uses) is hereby amended to read as follows:

Cannabis manufacturing	Permitted if use is located greater than ½ mile from the center of an existing or proposed light rail station platform; Subject to special use regulations in article IX of chapter 17.228

5. The "cannabis distribution" and "cannabis manufacturing" rows in subsection B.3 (conditional uses; industrial and agricultural uses) are hereby deleted.

B. Except as amended by subsection A above, all provisions of section 17.220.610 remain unchanged and in full effect.

SECTION 16.

A. Section 17.220.710 (MT zone) of the Sacramento City Code is hereby amended as follows:

1. The "cannabis testing" row in subsection A.2 (permitted uses; commercial and institutional uses) is amended to read as follows:

Cannabis testing	Subject to special use regulations in article IX of chapter 17.228

2. A row for "cannabis dispensary" is hereby added to the table in subsection A.2 (permitted uses; commercial and institutional uses) to read as follows:

Cannabis dispensary	Permitted if located more than 600 feet from all sensitive uses as defined in section 17.228.910; Subject to special use regulations in article IX of chapter 17.228

3. A row for "cannabis cultivation" is hereby added to the table in subsection A.3 (permitted uses; industrial and agricultural uses) to read as follows:

Cannabis cultivation	Subject to special use regulations in article IX of chapter 17.228

3. A row for "cannabis distribution" is hereby added to the table in subsection A.3 (permitted uses; industrial and agricultural uses) to read as follows:

Cannabis distribution	Subject to special use regulations in article IX of chapter 17.228

4. A row for "cannabis manufacturing" is hereby added to the table in subsection A.3 (permitted uses; industrial and agricultural uses) to read as follows:

Cannabis manufacturing	Limited to nonvolatile manufacturing; Subject to special use regulations in article IX of chapter 17.228

5. The "cannabis dispensary" row in subsection B.2 (conditional uses; commercial and institutional uses) is hereby amended to read as follows:

Cannabis dispensary	Permitted with a conditional use permit if located within 600 feet of any sensitive use, as defined in section 17.228.910, excluding a school; Subject to special use regulations in article IX of chapter 17.228	PDC

5. A row for "cannabis consumption lounge" is hereby added to the table in subsection B.2 (conditional uses; commercial and institutional uses) to read as follows:

Cannabis consumption lounge	Subject to special use regulations in article IX of chapter 17.228	PDC

6. The "cannabis cultivation," "cannabis distribution," and "cannabis manufacturing, nonvolatile" rows in subsection B.3 (conditional uses; industrial and agricultural uses) are hereby deleted.

B. Except as amended by subsection A above, all provisions of section 17.220.710 remain unchanged and in full effect.

SECTION 17.

Article IX of chapter 17.228 of the Sacramento City Code is hereby deleted.

SECTION 18.

Article IX is hereby added to chapter 17.228 of the Sacramento City Code, to read as follows:

Article IX. Cannabis

17.228.900 Purpose and intent.

The purpose of this article is to authorize cannabis uses that comply with this article. The regulations in this article work in harmony with the regulations in chapter 5.150.

17.228.910 Definitions.

For purposes of this article, the following definitions apply:

A. "Community center" means a facility designated as a community center, senior center, or clubhouse in the city's most recently adopted parks plan.

B. "Park" means a public park designated in the city's most recently adopted parks plan as a multi-use regional park, multi-use community park, special use community park, multi-use neighborhood park, or neighborhood play lot.

C. "School" means a public or private school providing instruction in kindergarten or any grade from 1 to 12, inclusive, but does not include any private school in which education is primarily conducted in private homes.

D. "Sensitive use" means a lawfully-established community center, library, museum, park, school, substance abuse rehabilitation center, or youth-oriented facility.

E. "Substance abuse rehabilitation center" means a facility licensed by the State Department of Health Care Services pursuant to California Health and Safety Code sections 11834.01 through 11834.50.

F. "Youth-oriented facility" means a facility that is operated by a nonprofit entity that primarily caters to minors or primarily provides services intended for minors.

17.228.920 General requirements.

A. Administrative permit.

1. An administrative permit is required to—

a. Establish a cannabis dispensary use located more than 600 feet from all sensitive uses;

b. Establish a cannabis production or cannabis testing use; or

c. Modify an existing cannabis dispensary, cannabis production, or cannabis testing use previously authorized by an administrative permit.

2. Public notice.

a. The city, at least ten days before issuing a decision on an administrative permit under this article, shall—

i. Post notice of the application at the subject real property; and

ii. Provide notice as set forth in subsection A.2.c.

b. The city shall provide notice of all final decisions on administrative permits authorized by this section as set forth in subsection A.2.c.

c. The notice required by subsections A.2.a and A.2.b must be given by mail or personal delivery to all owners of real property located within 600 feet of the real property that is the subject of the application, utilizing the owners' names and addresses shown on the latest county equalized assessment roll. In lieu of the equalized assessment roll, other records of the county assessor or tax collector that contain more recent information may be used.

B. Conditional use permit.

1. A conditional use permit approved by the planning and design commission is required to establish—

a. A cannabis dispensary within 600 feet of any sensitive use, as defined in section 17.228.910, excluding a school.

b. A cannabis consumption lounge.

2. Conditional use permits for cannabis uses are subject to the following:

a. Notice to city council. As soon as reasonably practicable after the planning and design commission makes a decision on a conditional use permit required by this article, the planning director shall report that decision to the mayor and the councilmember in whose district the project is located, by sending the report by electronic mail and confirming that each received it.

b. Call-up review. The mayor or the councilmember in whose district the project is located may call up for city council review any decision by the planning and design commission on a conditional use permit required by this article by filing a written request with the planning director within ten business days of the planning and design commission's decision. If both a council member call-up and commission-level decision appeal are pending on the same project, the city council shall consider both at the same time. Notice of the city council hearing shall be given in the manner provided in section 17.812.010.A.2.a. The hearing before the city council is de novo.

c. Withdrawal of request for review. The requester under subsection B.2.b may withdraw that request. The withdrawal must be noted on the agenda of the next regularly scheduled meeting of the city council and is considered to have occurred on the date of that meeting. Any other member of the city council may file a request for call-up review within ten days of the withdrawal. If the tenth day is a non-business day, the last day to file the request is the next business day. Notice of the city council hearing shall be given in the manner provided in section 17.812.010.A.2.a. The hearing before the city council is de novo.

C. Distance from sensitive uses.

1. Measuring distance. Under this article, the distance from a cannabis use to another use is the shortest distance measured in a straight line between the two closest property lines.

2. Distance from schools. No cannabis use, except a consumption lounge, may be established within 600 feet of a school.

3. First-in-time – lawfully-established cannabis use. Notwithstanding any other provision of this title, a lawfully-established cannabis use may be modified or expanded without regard to whether it is within 600 feet of a sensitive use if that sensitive use was established after the lawfully-established cannabis use. All other provisions of this title apply, including the findings required by section 17.808.200 when applicable.

4. Maps.

a. All applications under this article must include a scaled map that identifies by name, address, and assessor parcel number all sensitive uses within 600 feet of the project site.

b. Each applicant must attest in writing, under penalty of perjury, that the map and accompanying information is true and correct.

D. Identification of approved uses. Any permit issued in accordance with this article must specifically identify each authorized cannabis use – cannabis production (cultivation, distribution, processing, or manufacturing), cannabis testing, cannabis dispensary (store-front cannabis dispensary, delivery-only cannabis dispensary, or both), or cannabis consumption lounge.

17.228.930 Cannabis production.

A. Power Inn area. No permit provided for in this title will be granted for cannabis cultivation in the area bounded by Power Inn Road to the west, Folsom Boulevard to the north, and the city limits to the east and south, if the total of all cannabis cultivation uses in that area will exceed 2.5 million square feet.

B. C-2 zone. In the C-2 zone, cannabis production must comply with the following provisions:

1. Cannabis distribution and nonvolatile cannabis manufacturing cannot exceed a total of 6,400 square feet per site.

2. Cannabis distribution cannot be the only cannabis production use on a site.

C. Signs. A cannabis production site cannot have more than one sign. The sign may be attached or detached. The sign cannot be illuminated and cannot exceed six square feet in area.

17.228.940 Cannabis testing – signs.

A cannabis testing site cannot have more than one sign. The sign may be attached or detached. The sign cannot be illuminated and cannot exceed six square feet in area.

17.228.950 Cannabis consumption lounges – location.

A cannabis consumption lounge may only be located within a building with a storefront cannabis dispensary.

17.228.960 Medical marijuana dispensaries.

A medical marijuana dispensary with a valid conditional use permit on the effective date of the ordinance that codified this article is deemed to have an approved conditional use permit for a cannabis dispensary allowing for a storefront cannabis dispensary for the sale of medical and adult-use cannabis.

File ID: 2025-00925 9/16/2025

Review An Ordinance Amending Various Provisions of Title 17 (Planning & Development Code) Relating to Cannabis Land Uses (M25-003)

File ID: 2025-00925

Location: Citywide

Recommendation: Review, comment and provide direction on an ordinance amending various provisions of Title 17 of the Sacramento City Code relating to cannabis land uses, including recommendations forwarded by the Planning and Design Commission.

Contact: Kirk Skierski, Senior Planner, (916) 808-7933, ktskierski@cityofsacramento.org; Kevin Colin, Zoning Administrator, (916) 808-5260, kcolin@cityofsacramento.org; Department of Community Development

Presenter: Kevin Colin, Zoning Administrator, (916) 808-5260, kcolin@cityofsacramento.org; Department of Community Development

Attachments:
1-Description/Analysis
2-Council Direction Points & Guide
3-April 8, 2025 Law & Legislation Committee Staff Report
4-Presentation

Description/Analysis
Issue Detail: On May 31, 2022, the City Council provided direction to staff for various policy and program changes after considering the findings of the 2022 Comprehensive Cannabis Study (https://www.cityofsacramento.gov/content/dam/portal/cdd/Planning/Major-Projects/title17cannabisamendments/EPS%20Comprehensive%20Cannabis%20Study.pdf). After completing a community engagement process and public hearings on amendments to Title 17 of the Sacramento City Code (Planning & Development Code), Community Development staff request direction from the City Council on three key components (discussed below). On the first two points, the Planning & Design Commission (“PDC”) and staff recommendations differ. A summary and guide for the first two points of direction is provided at **Attachment 2**. This request for direction was echoed by the Law & Legislation Committee on April 8, 2025 (**Attachment 3**). City Council direction is requested so that staff can return with a single ordinance for adoption.

I. **Sensitive Uses**: In May 2022, the City Council provided direction for staff to, "Consider limiting cannabis uses near sensitive uses such as schools, youth centers, drug and alcohol treatment centers, neighborhood and community parks, and faith-based institutions."

The city code's current standards result in ~92% of land available to cannabis uses being within a sensitive use buffer, and 82% of existing dispensaries are located within at least one sensitive use buffer. City Council District #2 and #6 have the highest number of cannabis businesses and percentage of land outside of a sensitive use buffer. The topic of sensitive uses is of significant interest to the public and has drawn the greatest variety of perspectives.

Direction on this topic essentially affects cannabis dispensaries (storefront and delivery-only) and, in turn, consumption lounges. Regardless of the sensitive uses selected, Title 5 of Sacramento City Code ensures storefront dispensaries will remain: "veiled retail," age-restricted, access controlled, guarded, and at 43 max citywide.

- Staff Recommendation: Change the sensitive use types and separation requirements for cannabis land uses as follows:
    - For all cannabis land uses, maintain the existing mandatory 600-foot buffer from K-12 schools.
    - For cannabis dispensaries and consumption lounges, require 600-foot buffer from the following sensitive uses:
        - Neighborhood, community and regional parks;
        - Community centers;
        - Libraries;
        - Museums;
        - Substance abuse rehabilitation centers; and
        - Youth-oriented facilities.
    - Remove the ability to locate within a sensitive use buffer and, instead, prohibit locating within them.

  The staff recommended sensitive uses result in:
    - Prohibited buffers (i.e., no longer able to locate within sensitive use buffers with PDC approval);
    - Within zoning districts allowing for cannabis land uses, 6,800 acres out of 10,100 acres are located outside of sensitive use buffers (i.e., where businesses could locate);
    - Reduced amount of land within zoning districts allowing cannabis uses - 3,300 fewer acres as available - when compared to PDC recommendation below;
    - Regulatory incentive for citywide distribution rather than current rules that channel cannabis to areas outside of sensitive uses (i.e., Council District #2 and #6); and
    - Sensitive uses that are clearly defined and easily verified; thereby, facilitating

predictable cannabis business locations.

- PDC Recommendation: Same sensitive uses as the staff recommendation but with the addition of:
    - Childcare Centers;
    - Church or faith congregation; and
    - Other dispensary.

  And allow cannabis uses to locate *within these sensitive use buffers* (except for K-12 schools) with a Conditional Use Permit ("CUP") reviewed by the Planning and Design Commission. This contrasts with staff's recommendation to completely prohibit cannabis uses within the list of sensitive use buffers stated above (under "staff recommendation."
  Cannabis dispensary uses located outside a sensitive use buffer require a Conditional Use Permit reviewed by the Zoning Administrator ("ZA"). The additional sensitive uses were added in response to public comments at the commission's March 13, 2025 meeting.

  The Commission recommended additional sensitive uses result in:
    - Within zoning districts allowing for cannabis uses, 10,100 acres available for cannabis uses (i.e., 3,300 acres more than staff recommendations);
    - Within zoning districts allowing for cannabis uses, 5,800 acres are within a sensitive use buffer (i.e., requiring PDC review);
        - Council District #4 and #5 have the highest percentage of land within sensitive use buffers (83% of land within zoning districts allowing cannabis uses is within a buffer);
    - Within zoning districts allowing for cannabis uses, 4,300 acres are outside sensitive use buffers (i.e., requiring ZA review);
        - Council Districts #2 and #6 have 3,000 acres of the 4,300 acres located outside sensitive use buffers;
    - Difficulty in verifying locations of childcare centers and churches through publicly available online resources; and
    - A potential reduction of business competition between dispensaries with the 600-foot separation between storefronts (unless PDC grants a Conditional Use Permit for a lesser distance).
    - Maintenance of status quo, where regulatory incentive remains for cannabis businesses (dispensaries, in particular) to locate in Council Districts #2 and #6.

- Request for City Council Direction: Should the ordinance include sensitive uses consistent with the:
    - Staff recommendation (i.e., prohibited buffers);
    - Planning and Design Commission recommendation (i.e., conditional buffers); or
    - Another alternative?

If the City Council chooses the third option, staff request direction on the sensitive uses to include within the ordinance.

II. **Permit Type**: In May 2022, the City Council provided direction for staff to, "Review current cannabis business zoning to determine if they continue to serve the purposes for which they were adopted."

Today, with narrow exceptions, cannabis businesses are subject to a Conditional Use Permit. Conditional Use Permits are for land uses, "that are known to have a distinct impact on the area," and which, "…are capable of creating special problems for bordering properties, unless given special attention." The Comprehensive Cannabis Study documents that cannabis businesses have not resulted in unique impacts or problems, not increased crime, nor negatively affected property values.

Public discourse at hearings where cannabis Conditional Use Permit applications have been considered falls into two categories:

- (Opponents) cannabis should not be legal (i.e., despite the results of Proposition 64 in 2016 and City Council decision to allow and regulate locally) and/or the cannabis business will cause impacts on neighboring properties; and
- (Proponents) cannabis is subject to excessive regulation which inhibits repair to the harm caused by past racially discriminatory practices (i.e., the 'War on Drugs') and restricts access to a substance that is medicinal, not harmful.

Nearly all applications are approved without project-specific conditions of approval that relate to the location or business practices. This aligns with the Comprehensive Cannabis Study's findings and further suggests a conditional use permit is not needed.

- Staff Recommendation: Change the required permit from a Conditional Use Permit to an Administrative Permit for all cannabis land uses, except for cannabis consumption lounges. The staff recommended permit type results in:
    - Alignment of land use and permit type with the declared regulatory purpose;
    - Consistent and predictable enforcement of an important community standard (i.e., separation from sensitive land uses);
    - Zero risk and reduced permit costs for businesses compliant with location standards (i.e., $500 to $1,200 applications fees; 1-2 month processing time);
    - Continued ability to impose conditions of approval for truly unique locations and/or business practices; and
    - Continued public participation in application review through multiple methods and instances of public notice.

  Staff recommend a Conditional Use Permit for consumption lounges because, although other jurisdictions have not encountered distinct impacts or special problems, the business is novel

with finite examples statewide. The 5-year pilot program authorized by City Council on November 19, 2024 will, after completing companion zoning amendments, provide useful data to evaluate permit requirements at a later date.

- PDC Recommendation: Require a Conditional Use Permit for cannabis cultivation, cannabis dispensary, and cannabis consumption lounge, and Administrative Permit for all remaining uses (manufacturing, distribution, testing).
  The PDC recommended permit types result in:
  - Continuation of status quo for cannabis cultivation and dispensary businesses, including:
    - Inconsistent and unpredictable enforcement of an important community standard (i.e., separation from sensitive land uses);
    - Continuation of risk, high permit costs ($7,000 to $14,000), processing times between at least 4 to 9 months - for businesses both compliant and non-compliant with sensitive use separation standards;
    - Continued ability to impose conditions of approval; and
    - Public discourse for cultivation and dispensary conditional use permit hearings will likely continue to focus on the merits of cannabis legalization and excessive regulatory practices for cannabis uses instead of the specific business location or business practices as intended by the CUP process.

- Request for City Council Direction: Should the ordinance include permit type(s) consistent with the:
  - Staff recommendation;
  - Planning and Design Commission recommendation; or
  - Another alternative?

  If the City Council chooses the third option, staff requests direction on the permit type for each cannabis land use to include within the ordinance.

III. Consumption Lounges at Dispensaries Within Sensitive Use Buffers: On April 8, 2025, the Law and Legislation Committee received multiple public comments concerning a legal nonconforming cannabis dispensary's interest in participating in the Cannabis Consumption Lounge Pilot Program. The dispensary, A Therapeutic Alternative located at 3015 H Street, is, at minimum, located within the existing sensitive use buffers for K-12 schools, parks, childcare facility, churches, and residential zoning. The staff and PDC recommended sensitive uses will impose similar buffers; most notably a prohibition for cannabis consumption lounges located within 600 feet of a K-12 school.

Public comment included support for 'A Therapeutic Alternative' to participate in the Cannabis Consumption Lounge Pilot Program, including a support letter from the adjacent childcare facility. Other public comment generally opposed allowing cannabis dispensary and consumption lounges

near schools, childcare, and other youth serving uses. The subject dispensary owner requested consideration of zoning regulations to allow a legal nonconforming dispensary to operate a cannabis consumption lounge within a sensitive use buffer.

- Request for City Council Direction: Should the ordinance include zoning standards for existing legal nonconforming dispensaries that:
    - Allow them to establish a cannabis consumption lounge within sensitive use buffers, including K-12 schools?
    - If so, should the consumption lounge be:

        - Type 1 (Non-Smoking Consumption; Section 5.150.1360(B)(1) (https://codelibrary.amlegal.com/codes/sacramentoca/latest/sacramento_ca/0-
        - Type 2 (All Consumption; Section 5.150.1360(B)(2) (https://codelibrary.amlegal.com/codes/sacramentoca/latest/sacramento_ca/0-

Other Previous Points of Direction: In May 2022, the City Council provided direction for staff on five additional points related to zoning amendments. On these points, the staff and commission agree and, importantly, have not been of interest to participants in public meetings to date. Information on these points is available on the project website (https://www.cityofsacramento.gov/community-development/planning/major-projects/Title17CannabisAmendments), including all prior staff reports, meeting agendas and recordings, and mapping.

Policy Considerations: The following 2040 General Plan goals are applicable to the topic of City Code amendments for cannabis land uses:

Land Use Element

Goal LUP-2: Balanced and connected community with thriving neighborhoods and centers and development intensities linked to transit.

Goal LUP-4: Walkable, transit-oriented centers and corridors that concentrate new jobs, housing, and entertainment opportunities to support frequent, reliable transit service and foster connected, accessible neighborhoods.

Goal LUP-5: Attractive, thriving commercial centers that are well-located to serve the needs of Sacramento residents, workers, and visitors.

Goal LUP-7: Industrial opportunities in suitable locations to provide employment for Sacramento residents and promote inclusive economic growth in the city.

Goal LUP-11: Create built and natural environments within the city that prioritize, support, promote,

and embrace social equity, ecological regeneration, responsible resource stewardship, and human health and well-being.

Economic Development Element

Goal E-1: A dynamic, resilient economy with a diverse array of business in established and emerging industry sectors.

Goal E-2: Sustained, inclusive growth that generates long-term, shared value in the community and creates economic opportunities for all residents.

Goal E-3: A business environment conducive to growth, investment, collaboration, and the exchange of ideas.

Environmental Justice

Goal EJ-5: Investments that address long-standing inequities, empower disadvantaged residents, and build neighborhood resilience.

Youth, Parks, Recreation, and Open Space Element

Goal YPRO-1: An integrated system of parks, open space areas, shared-use paths, and recreational facilities that are welcoming, well-maintained, safe, and accessible to all the diverse communities of Sacramento.

Economic Impacts: The Sacramento Comprehensive Cannabis Study, prepared by Economic Planning & Systems and dated May 8, 2022, provides the following summarized observations of the City's first five years of the City's fully operational regulatory environment for adult cannabis use:

- Based on taxes remitted to the City by cannabis businesses, the cannabis industry in Sacramento took in more than $800 million in 2021. The industry's 2021 income is more than 3.5 times the income of the industry during the first full year of legalization in 2018.
- The cannabis industry is now among the top 10 employment sectors in the City, with approximately 8,000 workers, half of whom are estimated to be in the cultivation sector.
- Cannabis operations generate a significant fiscal surplus ($19.8 million in 2021) to the City's General Fund annually. Retail operations are the largest driver of fiscal surpluses, with an estimated surplus of $11.3 million attributable to retail cannabis operations in 2021.
- Cannabis operations in the City are estimated to result in $2.2 billion in total economic output in the local economy, annually, inclusive of direct, indirect, and induced impacts. Of the $2.2 billion in activity (in 2021), $606.3 million will be retained by employees of local businesses in the form of income.

- Cannabis operations generated $1.5 billion in direct economic activity (in 2021), $357.1 million of which is income. The remaining $746.2 million of economic activity reflects the estimated indirect and induced impacts supported by cannabis operations as spending ripples through the local economy. This level of economic activity generates support for approximately 12,500 full- and part-time jobs in the region, including 8,000 direct, 2,600 indirect, and 1,800 induced jobs.
- Cannabis cultivation activities are estimated to generate $1.6 billion in economic activity annually, supporting 7,000 jobs, the greatest level of impact generated out of all cannabis business groups analyzed.
- Business operations taxes are the largest revenue source for cannabis operation in the City. For the 2021/22 City budget, cannabis uses were anticipated to contribute approximately 73 percent of all business operations taxes generated in the City.
- Revenues generated are significantly greater than the cost of operating the Office of Cannabis Management.
- 40% of local cannabis tax revenues are, pursuant to Measure L, to be spent on child and youth services. Tax revenue collected is placed into the Sacramento Children's Fund and whose chief purpose is to support positive youth development and youth violence prevention programs - such as services for homeless youth and foster children; mental health counseling; substance-abuse treatment, prevention, and early intervention; and after-school activities - for children and youth less than 25 years old.
- The local cannabis tax revenue for fiscal year 2024 was $23,351,809 (40% = $9,340,724).

Based on the Council's direction, additional analysis may be presented at a later date relative to land use regulation changes and potential economic impacts.

Environmental Considerations: This report concerns a request for review, discussion and direction. No action (i.e., ordinance adoption) will occur that constitutes a "project" as defined by California Environmental Quality Act (CEQA) Guidelines sections 15378 and California Public Resources Code section 21080. CEQA review has been or will be performed in conjunction with and prior to the City Council taking action on an ordinance concerning amendments to Title 17 (Planning & Development Code) of the City Code.

Sustainability: None.

Commission/Committee Action: The following actions have been taken to date regarding cannabis amendments to Title 17 of the City Code:

- On May 31, 2022, the City Council directed staff to evaluate seven points of direction relating to cannabis zoning regulations and return with recommended cannabis zoning amendments.

- On September 19, 2023, the Law and Legislation Committee directed Office of Cannabis

Management (“OCM”) to develop a pilot framework for cannabis social consumption lounges.

- On May 21, 2024, the Law and Legislation Committee heard updates on the Title 17 Cannabis Amendments project and directed staff to bring back a package of policy recommendations for consideration.

- On May 21, 2024, OCM provided an informational update to the Law and Legislation Committee regarding a framework for consumption lounge business operating permits. The Committee provided direction to return with a framework to allow consumption business operating permits for all storefront dispensaries.

- On September 12, 2024, the Planning and Design Commission discussed preliminary recommendations of the Title 17 Cannabis Amendments Project and provided feedback to the proposed Title 17 cannabis amendments.

- On September 17, 2024, OCM presented a cannabis consumption business operating permit framework to the Law and Legislation Committee. The Committee forwarded the pilot program concept for social consumption to City Council for consideration but requested a City Council workshop soliciting the expertise of public health experts regarding cannabis consumption statewide public health trends prior to Council consideration of social consumption.

- On October 22, 2024, the City Council heard presentations from public health experts discussing statewide public health trends and secondhand smoke in dispensaries.

- On November 19, 2024, the City Council adopted an ordinance amending Title 5 concerning business regulations for cannabis consumption lounges.

- On March 13, 2025, the Planning and Design Commission passed a motion forwarding a recommendation of approval, as amended, to the City Council. See Attachment 2 for the March 13, 2025 staff report and ordinance.

- On April 8, 2025, the Law and Legislation Committee passed a motion forwarding the proposed cannabis ordinance and Planning and Design Commission recommendations to the City Council for discussion and direction. See Attachment 2 for the April 8, 2025 staff report.

Rationale for Recommendation: This discussion provides an opportunity for input and deliberation on how to proceed with Title 17 cannabis amendments in order to return with an ordinance responsive to Council’s direction.

Financial Considerations: Not applicable.

Local Business Enterprise (LBE): Not applicable.

Comprehensive Cannabis Study

Why We're Here

- **Does not:** Increase Crime - Reduce Property Values - Unique Impacts
- **Is:** Top 10 Employer - General Fund Surplus - $2.3 Bil/Year
- **Youth Exposure** Veiled Retail - 43 Storefronts Max - Children's Fund

? What Business Where: Dispensaries

Where = Type ⊕ Zone ⊕ Sensitive Use

Types: Consumption Lounge, Cultivation, Dispensary, Distribution, Manufacturing, Testing

Zones: SC, C-1, C-2, C-3, C-4, M-1, M-1(s), M-2, M-2(s), M-T, & RMX

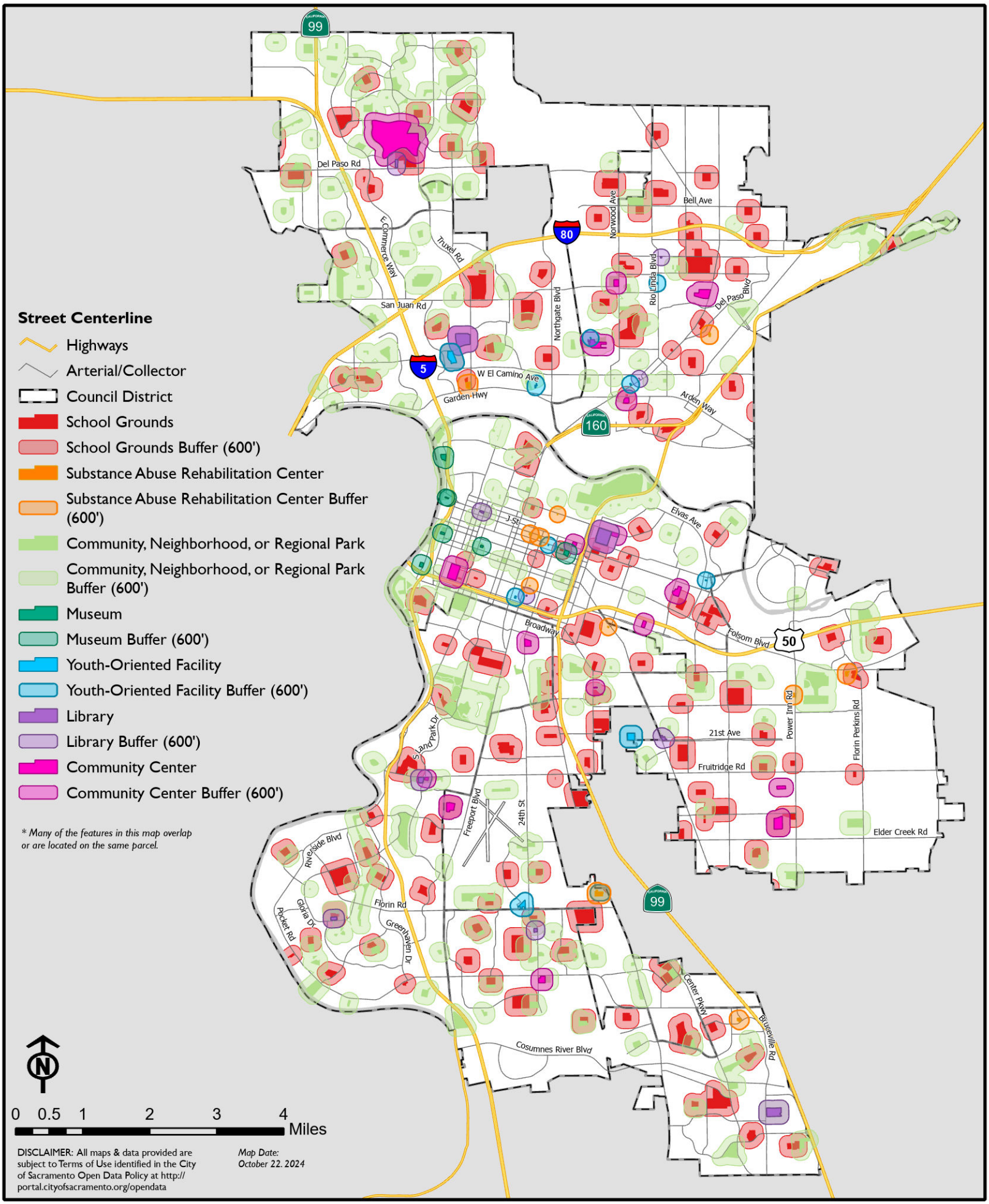
Sensitive Uses - Staff	Sensitive Uses - PDC	City Council Direction
K-12 School Youth Facility Rehab Center Community Center Park Library, Museum	Staff Recommendation ⊕ Church Childcare Center Other Dispensary	☐ Staff Uses *or* ☐ PDC Uses *or pick from below* ☐ K-12 School ☐ Library ☐ Youth Facility ☐ Museum ☐ Rehab Center ☐ Church ☐ Community Center ☐ Childcare Center ☐ Other Dispensary ☐ Park
Uses + Buffer Map **Outside Buffer Map**	**Uses + Buffer Map** **ZA vs PDC Map**	

? What Permit Type

Staff Recommendation	PDC Recommendation		City Council Direction
Admin Permit	Conditional Use Permit	Admin Permit	☐ Admin Permit *or* ☐ CUP *or* ☐ Combination Of
All Types But Lounges Mandatory 600' Buffer Public Notice Ministerial Review Reconsideration	Dispens, Cultiv, Lounge 0 - 600 ft PDC Decision > 600 ft ZA Decision Public Notice Discretionary Review Appeal	All Other Types Mandatory Buffer 600 ft Public Notice Ministerial Review Reconsideration	

Staff Recommendations – Sensitive Use Sites & Buffers

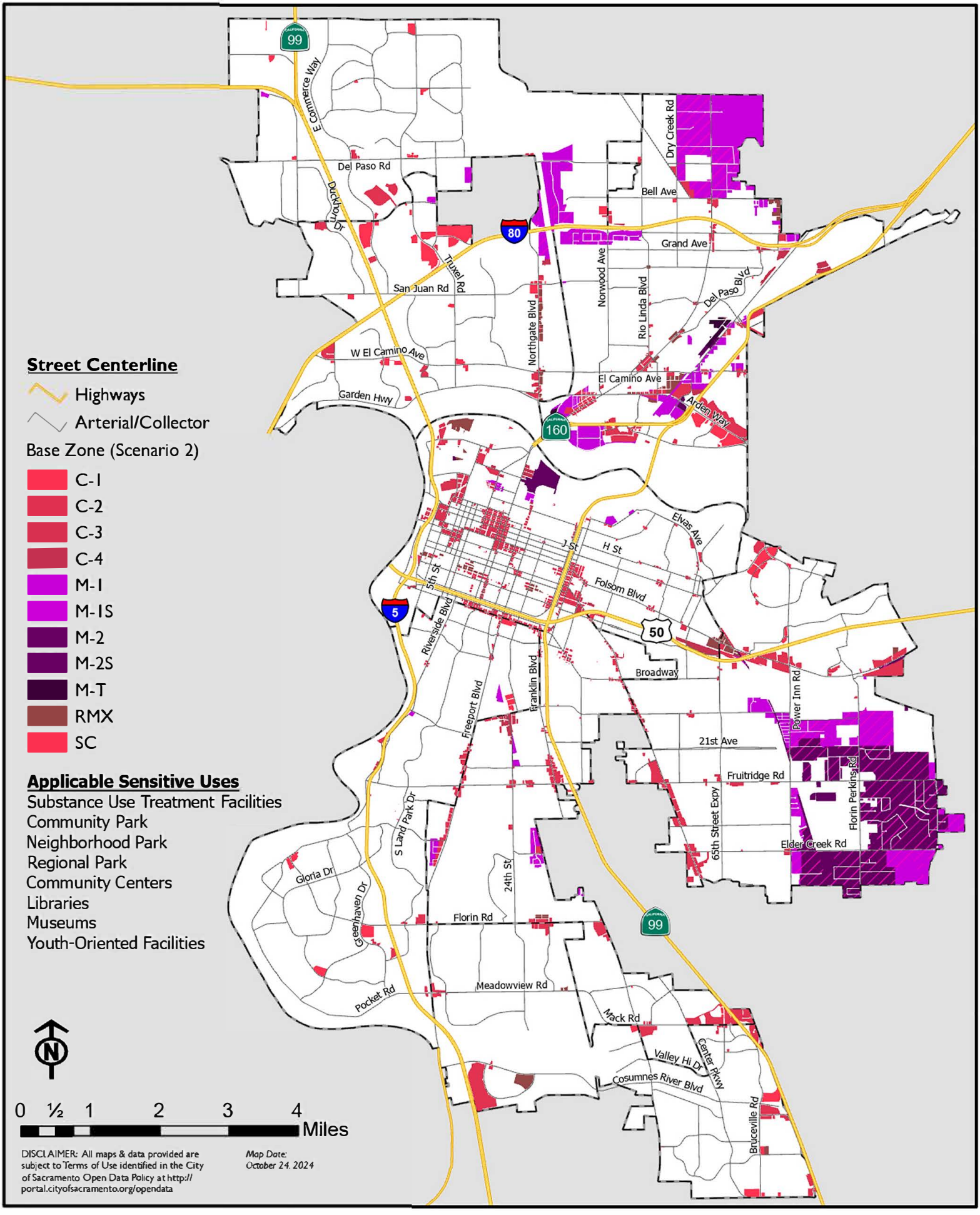
Schools, Parks, Community Center, Library, Substance Abuse Rehabilitation Center, Museum, and Youth-Oriented Facility



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Map Date: October 22, 2024

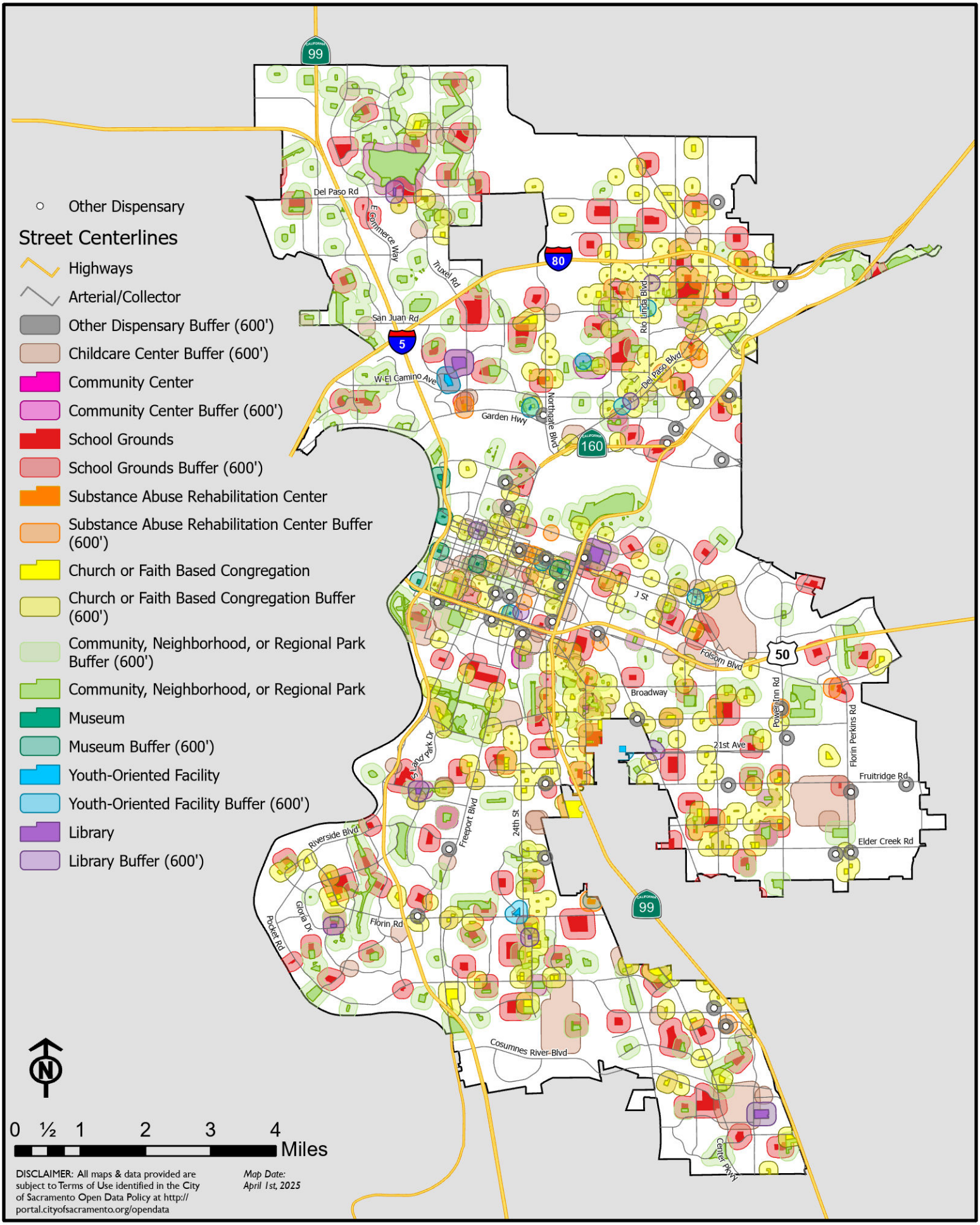
Staff Recommendations - Parcels not in Proximity to Sensitive Use



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Map Date: October 24, 2024

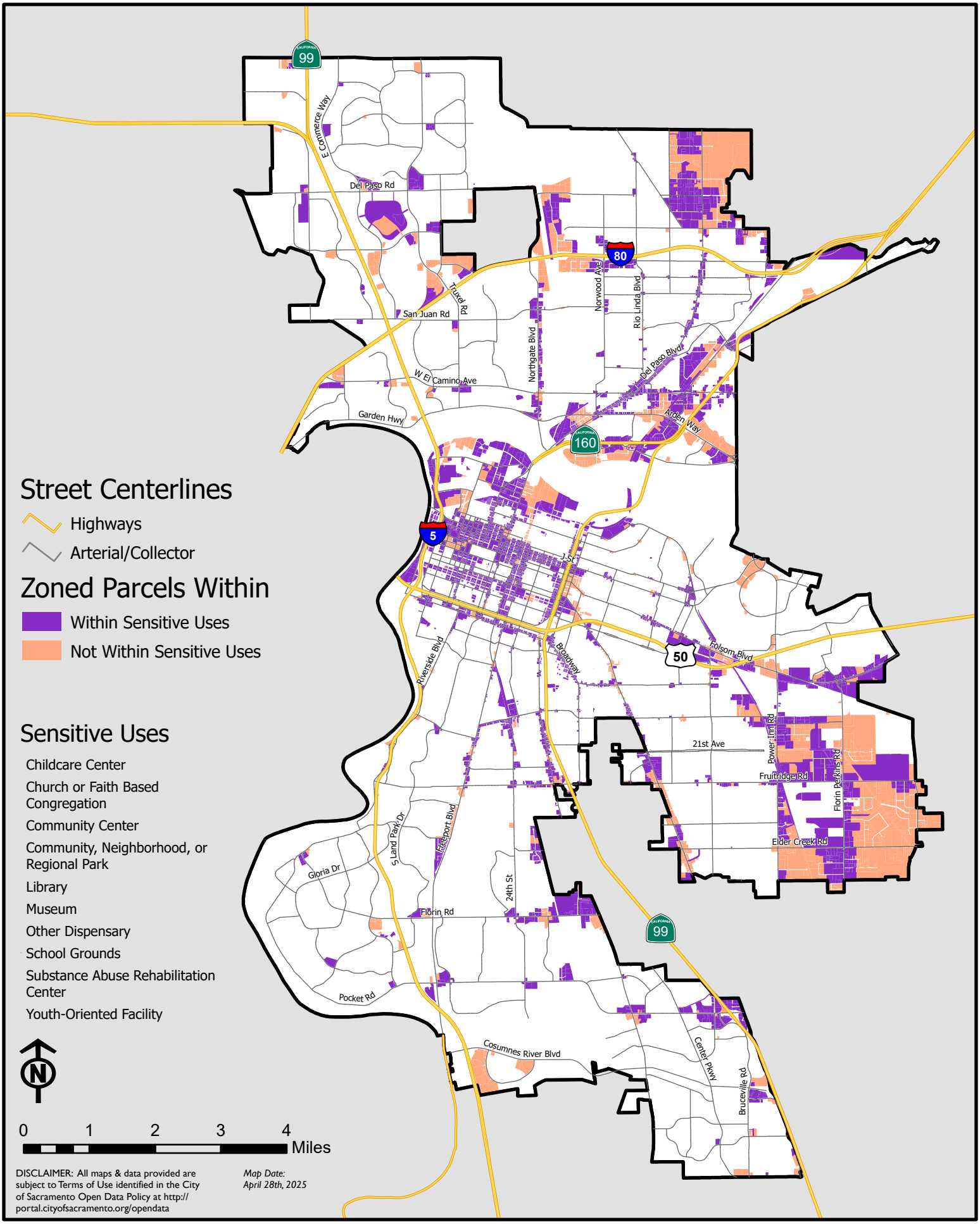
PDC Recommendations - Sensitive Use Sites & Buffers



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Map Date: April 1st, 2025

PDC Recommendations – Review Authority



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Map Date: April 28th, 2025

City of Sacramento
Law and Legislation Committee Report
915 I Street Sacramento, CA 95814
www.cityofsacramento.org

File ID: 2025-00684 4/8/2025 **Item 4.**

An Ordinance Amending Various Provisions of Title 17 Relating to Cannabis Land Uses (M25-003)

File ID: 2025-00684

Location: Citywide

Recommendation: 1) Review an ordinance amending various provisions of Title 17 of the Sacramento City Code, relating to cannabis land uses; and 2) pass a **Motion** forwarding the ordinance to City Council for consideration.

Contact: Kirk Skierski, Senior Planner, (916) 808-7933, ktskierski@cityofsacramento.org; Kevin Colin, Zoning Administrator, (916) 808-5260, kcolin@cityofsacramento.org; Department of Community Development

Presenter: Kirk Skierski, Senior Planner, (916) 808-7933, ktskierski@cityofsacramento.org; Kevin Colin, Zoning Administrator, (916) 808-5260, kcolin@cityofsacramento.org; Department of Community Development

Attachments:
1-Description/Analysis
2-March 13, 2025 Planning and Design Commission Staff Report
3-Planning and Design Commission Meeting Summary

Description/Analysis
Issue Detail: On March 13, 2025, staff presented to the Planning and Design Commission an ordinance that proposes comprehensive and substantive changes to how cannabis land uses are regulated. The ordinance and accompanying staff report are at **Attachment 2**. The ordinance is the culmination of a process begun after completion of a Comprehensive Cannabis Study in 2022 and guided by City Council policy direction provided on May 31, 2022.

As reflected in the summary at **Attachment 3**, the Commission agreed in part with the staff recommendation. Each point of City Council direction is provided below along with a summary of both the staff and Commission recommendations.

Council Point of Direction #1: Review current cannabis business zoning to determine if they

continue to serve the purposes for which they were adopted.

Staff Recommendation: Change the required permit from a Conditional Use Permit to an Administrative Permit for all cannabis land uses, except for cannabis consumption lounges.

PDC Recommendation: Change the required permit from a Conditional Use Permit to an Administrative Permit for all cannabis land uses, except for cannabis cultivation, cannabis dispensary, and cannabis consumption lounge.

Council Point of Direction #2: Consider additional zones for storefront and delivery-only dispensaries and consider storefront dispensaries as an allowed use in RMX and C-3 zones.

Staff Recommendation: Add the RMX, C-1, and C-3 to the zones allowing storefront dispensaries. No additional zones are recommended for delivery-only dispensaries.

PDC Recommendation: Same as staff recommendation.

Council Point of Direction #3: Consider additional zones for non-volatile manufacturing (including infusion and packaging).

Staff Recommendation: No additional zones are recommended for non-volatile manufacturing.

PDC Recommendation: Same as staff recommendation.

Council Point of Direction #4: Consider limiting cannabis uses near sensitive uses such as schools, youth centers, drug and alcohol treatment centers, neighborhood and community parks, and faith-based institutions.

Staff Recommendation: Change the sensitive use types and separation requirements for cannabis land uses as follows:

- For all cannabis land uses, require a buffer for K-12 schools of 600 feet.
- For cannabis dispensaries and consumption lounges, require 600-foot buffer from the following sensitive uses:
    - Neighborhood, community and regional parks;
    - Community centers;
    - Libraries;
    - Museums;
    - Substance abuse rehabilitation centers; and
    - Youth-oriented facilities.
- Remove the ability to locate within a sensitive use buffer and, instead, prohibit locating

within the buffer.

PDC Recommendation: Change the sensitive use types and separation requirements for cannabis land uses as follows:

- For all cannabis land uses, require a buffer for K-12 schools of 600 feet (same as staff).
- For cannabis dispensaries and cannabis consumption lounges, require 600-foot buffer from the following sensitive uses:
    - Neighborhood, community and regional parks
    - Community centers
    - Libraries
    - Museums
    - Substance abuse rehabilitation centers
    - Youth-oriented facilities
    - Childcare Centers (added by Commission)
    - Church or faith congregation (added by Commission)
    - Other dispensary (added by Commission)

    However, allow the ability to locate within these sensitive use buffer (except for K-12 schools) with a Conditional Use Permit reviewed by the Planning and Design Commission, as authorized by existing regulations (different from staff).

Council Point of Direction #5: Consider reviewing suitability of mixed light cannabis uses in industrial/manufacturing zones.

Staff Recommendation: No amendments are recommended.

PDC Recommendation: Same as staff recommendation.

Council Point of Direction #6: Consider a zoning and permit type for cannabis research and development (R&D) facilities.

Staff Recommendation: Amend the existing “cannabis testing” definition to include cannabis

research and development uses.

PDC Recommendation: Same as staff recommendation.

Council Point of Direction #7: Consider removing distribution from the current uses subject to a district-based square-footage cap.

Staff Recommendation: Remove cannabis distribution from the district based square footage cap.

PDC Recommendation: Same as staff recommendation.

Staff is seeking direction relating to the ordinance amending various portions of Title 17 relating to cannabis land uses. Options for consideration are as follows:

1. Proceed to the City Council with the ordinance staff recommended to Planning and Design Commission; or

2. Proceed to the City Council with an ordinance that includes the Planning & Design Commission's recommendations; or

3. Return to the Law and Legislation Committee with an ordinance reflecting other direction from the Law and Legislation Committee received during the April 8, 2025 meeting.

Policy Considerations: The following 2040 General Plan goals are applicable to the topic of City Code amendments for cannabis land uses:

Land Use Element

Goal LUP-2: Balanced and connected community with thriving neighborhoods and centers and development intensities linked to transit.

Goal LUP-4: Walkable, transit-oriented centers and corridors that concentrate new jobs, housing, and entertainment opportunities to support frequent, reliable transit service and foster connected, accessible neighborhoods.

Goal LUP-5: Attractive, thriving commercial centers that are well-located to serve the needs of Sacramento residents, workers, and visitors.

Goal LUP-7: Industrial opportunities in suitable locations to provide employment for Sacramento residents and promote inclusive economic growth in the city.

Goal LUP-11: Create built and natural environments within the city that prioritize, support, promote, and embrace social equity, ecological regeneration, responsible resource stewardship, and human health and well-being.

Economic Development Element

Goal E-1: A dynamic, resilient economy with a diverse array of business in established and emerging industry sectors.

Goal E-2: Sustained, inclusive growth that generates long-term, shared value in the community and creates economic opportunities for all residents.

Goal E-3: A business environment conducive to growth, investment, collaboration, and the exchange of ideas.

Environmental Justice

Goal EJ-5: Investments that address long-standing inequities, empower disadvantaged residents, and build neighborhood resilience.

Youth, Parks, Recreation, and Open Space Element

Goal YPRO-1: An integrated system of parks, open space areas, shared-use paths, and recreational facilities that are welcoming, well-maintained, safe, and accessible to all the diverse communities of Sacramento.

Economic Impacts: Not applicable.

Environmental Considerations: The Community Development Department, Environmental Planning Services Section has determined that the proposed ordinance is exempt from review under the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines Section 15061(b)(3).

It can be seen with certainty that there is no possibility that the proposed ordinance may have a significant effect on the environment. The proposed ordinance modifies the permit-processing rules for cannabis production, testing, and dispensaries, all of which are currently authorized under the city code with a conditional use permit. The proposed ordinance authorizes these uses by right in various zones (including the addition of the Residential Mixed Use (RMX), Limited Commercial Zone (C-1), and Central Business Zone (C-3), based on the conclusions in the 2022 Comprehensive Cannabis study, which determined that these uses have no impacts on the surrounding areas. The proposed ordinance also authorizes a new land use - cannabis consumption lounge - but this use is allowed

only in storefront cannabis dispensaries, which is an existing authorized use, and only with approval of a conditional use permit, which is a discretionary entitlement in which environmental review will be undertaken during the permit process. Nonetheless, the addition of a consumption lounge within a storefront cannabis dispensary will not result in a significant effect on the environment. The proposed ordinance also refines the existing code's separation requirements of all cannabis land uses from other 'sensitive' land uses (e.g., parks, libraries, community centers, youth-oriented facilities) and refines the definitions of some of these uses.

Sustainability: The proposed ordinance includes amendments that help to make zoning standards easier to understand and implement. This will help facilitate development in the City in a manner consistent with existing policy, including that relating to sustainability.

Commission/Committee Action: The following actions were taken to initiate the proposed cannabis amendments to Title 17 of the City Code:

- On May 31, 2022, the City Council directed staff to evaluate seven points of direction relating to cannabis zoning regulations and return with recommended cannabis zoning amendments.

- On September 19, 2023, the Law and Legislation Committee directed Office of Cannabis Management ("OCM") to develop a pilot framework for cannabis social consumption lounges.

- On May 21, 2024, the Law and Legislation Committee heard updates on the Title 17 Cannabis Amendments project and directed staff to bring back a package of policy recommendations for consideration.

- On May 21, 2024, OCM provided an informational update to the Law and Legislation Committee regarding a framework for consumption lounge business operating permits. The Committee provided direction to return with a framework to allow consumption business operating permits for all storefront dispensaries.

- On September 12, 2024, the Planning and Design Commission discussed preliminary recommendations of the Title 17 Cannabis Amendments Project and provided feedback to the proposed Title 17 cannabis amendments.

- On September 17, 2024, OCM presented a cannabis consumption business operating permit framework to the Law and Legislation Committee. The Committee forwarded the pilot program concept for social consumption to City Council for consideration but requested a City Council workshop soliciting the expertise of public health experts regarding cannabis consumption statewide public health trends prior to Council consideration of social consumption.

- On October 22, 2024, the City Council heard presentations from public health experts

discussing statewide public health trends and secondhand smoke in dispensaries.

- On November 19, 2024, the City Council adopted an ordinance amending Title 5 concerning business regulations for cannabis consumption lounges.

- On March 13, 2025, the Planning and Design Commission passed a motion forwarding a recommendation of approval, as amended, to the City Council. See Attachment 2 for the March 13, 2025 staff report and ordinance.

Rationale for Recommendation: This discussion provides an opportunity for input and direction on how the Committee would like to proceed with the City Council's direction on cannabis land use regulations and Planning and Design Commission recommendations.

Financial Considerations: Not applicable.

Local Business Enterprise (LBE): Not applicable.

City of Sacramento
Planning and Design Commission Report
915 I Street Sacramento, CA 95814
www.cityofsacramento.org

File ID: 2025-00630 3/13/2025 **Public Hearing Item 3.**

Title 17 Cannabis Code Amendments Project: An Ordinance Amending Various Provisions of Title 17 Relating to Cannabis Land Uses (M25-003) [Noticed on 02/21/2025]

File ID: 2025-00630

Location: Citywide

Recommendation: Conduct a public hearing and upon conclusion, pass a **Motion** recommending that the City Council approve: 1) a determination that the Ordinance is exempt from the California Environmental Quality Act (CEQA) pursuant to CEQA Guideline Section 15061(b)(3); and 2) an **Ordinance** amending various portions of Title 17 of the Sacramento City Code, related to cannabis land uses.

Contact: Kirk Skierski, Senior Planner, (916) 808-7933, ktskierski@cityofsacramento.org; Kevin Colin, Zoning Administrator, (916) 808-5260, kcolin@cityofsacramento.org; Department of Community Development

Presenter: Kirk Skierski, Senior Planner, (916) 808-7933, ktskierski@cityofsacramento.org; Kevin Colin, Zoning Administrator, (916) 808-5260, kcolin@cityofsacramento.org; Department of Community Development

Attachments:
1-Description/Analysis
2-Background and Ordinance Summary
3-Community Engagement Summary
4-Planning and Design Commission Feedback and Staff Response
5-Ordinance (clean)
6-Ordinance (redline)
7-Sacramento Comprehensive Cannabis Study dated March 8, 2022

Description/Analysis
Issue Detail: Staff has prepared an ordinance that makes comprehensive and substantive changes to how cannabis land uses are regulated by the Planning and Development Code (Title 17 of the City Code). The ordinance is the culmination of a process begun after completion of a Comprehensive Cannabis Study in 2022. Staff approached the work with the following guiding principles:

1. Support an informed debate on a polarizing topic by grounding all recommendations with a robust data-driven analysis.

2. Ensure the regulations are equitable, fair, and balance conflicting cultural values.

3. Provide practicable standards that are clear and enable compliance to be easily and consistently verified.

While working on an ordinance responsive to the City Council's direction on the Comprehensive Cannabis Study, a parallel policy discussion emerged on the topic of cannabis consumption lounges. In November 2024, discussion led to the adoption of amendments to Title 5 (Business Licenses and Regulations) of the City Code. The ordinance enclosed with this staff report includes further amendments to the City Code specific to Title 17 (Planning and Development Code).

Council Policy Direction & Final Recommendations

On May 31, 2022, the City Council directed staff to evaluate seven points of policy direction on cannabis zoning regulations and return with proposed code amendments. After thorough analysis of each point of direction and a community engagement process, staff recommend the following:

Council Point of Direction #1: Review current cannabis business zoning to determine if they continue to serve the purposes for which they were adopted.

Recommendation: Change the required permit from a Conditional Use Permit to an Administrative Permit for all cannabis land uses, except for cannabis consumption lounges addressed separately below.

Council Point of Direction #2: Consider additional zones for storefront and delivery-only dispensaries and consider storefront dispensaries as an allowed use in RMX and C-3 zones.

Recommendation: Add the RMX, C-1, and C-3 to the zones allowing storefront dispensaries. No additional zones are recommended for delivery-only dispensaries.

Council Point of Direction #3: Consider additional zones for non-volatile manufacturing (including infusion and packaging).

Recommendation: No additional zones are recommended for non-volatile manufacturing.

Council Point of Direction #4: Consider limiting cannabis uses near sensitive uses such as schools, youth centers, drug and alcohol treatment centers, neighborhood and community parks, and faith-based institutions.

Recommendation: Change the sensitive use types and separation requirements for cannabis land uses as follows:

- For all cannabis land uses, require a buffer for K-12 schools.
- For all cannabis land uses, require a buffer distance of 600 feet.
- For cannabis storefront and delivery-only dispensaries (and cannabis consumption lounges - discussed below), require buffer from the following sensitive uses:
    - Neighborhood, community and regional parks;
    - Community centers;
    - Libraries;
    - Museums;
    - Substance abuse rehabilitation centers; and
    - Youth-oriented facilities.
- Remove the ability to locate within a sensitive use buffer and, instead, make compliance mandatory.

Cannabis land uses provided for in Title 17 of the City Code, as amended, include the following: cannabis production, cannabis testing, cannabis dispensary, and cannabis consumption lounge.

Council Point of Direction #5: Consider reviewing suitability of mixed light cannabis uses in industrial/manufacturing zones.

Recommendation: No amendments are recommended.

Council Point of Direction #6: Consider a zoning and permit type for cannabis research and development (R&D) facilities.

Recommendation: Amend the existing “cannabis testing” definition to include cannabis research and development uses.

Council Point of Direction #7: Consider removing distribution from the current uses subject to a district-based square-footage cap.

Recommendation: Remove cannabis distribution from the district based square footage cap.

See Attachment #2 (Background and Ordinance Summary) for a detailed analysis of each point of policy direction. This attachment also provides further analysis of important aspects of the proposed

ordinance not specifically related to the City Council points of direction addressed above such as public notice, redress through reconsideration, prior conditional use permits, and non-conforming use regulations.

See Attachment #3 (Community Engagement Summary) for information on the project's engagement activities and an overview of community feedback received.

Cannabis Consumption Lounges

On November 19, 2024, the City Council adopted an ordinance amending Title 5 of the City Code concerning business regulations for cannabis consumption lounges. The ordinance provides business operating requirements for cannabis consumption lounges including:

- A cannabis lounge must be connected to a permitted storefront dispensary;
- Business permit types: Type 1 (non-smoking: other than smoking and vaping) and Type 2 (all consumption: edibles, smoking, and vaping);
- Maximum cannabis lounge size of 1,500 square feet or 50% of total area of the storefront dispensary;
- Cannabis consumption lounge must be separated from all other areas of storefront dispensary by solid walls and doors;
- Interior must not be visible from the public right-of-way, non-age restricted areas, and unsecured areas surrounding the building, or main entrance and lobby;
- Type 2 (all consumption: edibles, smoking and vaping) must be indoors, fully enclosed, soundproofed, have negative pressure (i.e., to limit smoke leakage), non-recirculating and high rate of air exchange HVAC system, and odor prevention;
- Signage requirements for age, smoking-allowed (for Type 2), health warnings, parking and good neighborhood statements;
- Operating hours are between 7:00 AM and 11:00 PM;
- Age restriction of 21 years or older;
- Education and training requirements for managers, employees, and volunteers;
- A community-relations employee including their name and contact information provided

by certified mail for all neighboring properties within 100 feet;

- Manager presence in lounge is required whenever a customer is present;
- Customer conduct requirements including information about ridesharing or ride-hailing services; and
- Repeal of all regulations on January 1, 2030.

In addition to enacting these regulations, the City Council also directed staff to return with an ordinance addressing equitable distribution of consumption lounges across council districts, as well as the ability for councilmember call-up review of permit approvals for cannabis consumption lounges.

To allow cannabis consumption lounges to locate in the city, additional amendments to Title 17 of the City Code are necessary. The enclosed ordinance includes amendments for cannabis consumption lounges including two main parts: (1) a land use entitlement process; and (2) standards for where they can locate. The enclosed ordinance includes the following staff recommendations for zoning requirements:

- Allow cannabis consumption lounges in all zoning districts where cannabis storefront dispensaries are allowed;
    - Cannabis consumption lounges must be within a storefront dispensary pursuant to State law.
- Require Conditional Use Permit review and approval by the Planning and Design Commission;
- As requested by City Council, provide for City Councilmember call up of all approved Conditional Use Permits; and
- A mandatory 600-foot sensitive use buffer for the same sensitive uses as applicable to dispensaries.

Planning and Design Commission's Role

Pursuant to Section 17.916.010, all amendments to Title 17 require review by the Planning & Design Commission prior to City Council consideration. When considering and acting upon proposed amendments, the Commission is to consider two findings:

1. As amended, this title complements, supports, and facilitates the implementation of the goals, policies, and other provisions of the general plan and the City's specific plans and transit village plans; and

2. The amendment promotes the public health, safety, convenience, and welfare of the City.

On September 12, 2024, the Planning and Design Commission discussed preliminary recommendations of the Title 17 Cannabis Amendments Project and provided feedback to the proposed Title 17 cannabis amendments. See Attachment #4 (Planning and Design Commission Feedback and Staff Response) for a summary of previous commission feedback and staff responses.

Policy Considerations: The following 2040 General Plan goals are applicable to the topic of City Code amendments for cannabis land uses:

Land Use Element

Goal LUP-2: Balanced and connected community with thriving neighborhoods and centers and development intensities linked to transit.

Goal LUP-4: Walkable, transit-oriented centers and corridors that concentrate new jobs, housing, and entertainment opportunities to support frequent, reliable transit service and foster connected, accessible neighborhoods.

Goal LUP-5: Attractive, thriving commercial centers that are well-located to serve the needs of Sacramento residents, workers, and visitors.

Goal LUP-7: Industrial opportunities in suitable locations to provide employment for Sacramento residents and promote inclusive economic growth in the city.

Goal LUP-11: Create built and natural environments within the city that prioritize, support, promote, and embrace social equity, ecological regeneration, responsible resource stewardship, and human health and well-being.

Staff Analysis: Orderly and well-planned development cannot be easily achieved without well-defined and clear regulations. The ordinance provides for clear standards that, on balance, align with community values and result in clear expectations of where cannabis uses can or cannot locate. In doing so, the ordinance provides for additional opportunities for retail cannabis uses to locate in commercial and mixed-use residential zones fostering connected neighborhoods and commercial centers, and open areas outside of high concentration areas (i.e., industrial zones).

Economic Development Element

Goal E-1: A dynamic, resilient economy with a diverse array of business in established and emerging industry sectors.

Goal E-2: Sustained, inclusive growth that generates long-term, shared value in the community and creates economic opportunities for all residents.

Goal E-3: A business environment conducive to growth, investment, collaboration, and the exchange of ideas.

Staff Analysis: In addition to the reasons stated in the staff analysis above, the addition of the RMX, C-1, and C-3 zones creates economic development opportunities by including entertainment and tourism hubs, commercial centers, and areas with the greatest diversity of land uses and which are accessible by multiple modes of transportation.

Environmental Justice

Goal EJ-5: Investments that address long-standing inequities, empower disadvantaged residents, and build neighborhood resilience.

Staff Analysis: The ordinance provides a streamlined permitting process for cannabis land uses in line with the known land use impacts resulting from cannabis uses and reduces a regulatory “hurdle” for cannabis businesses. Excessive regulation inhibits repair to the harm caused by past racially discriminatory practices (e.g., the ‘War on Drugs’).

Youth, Parks, Recreation, and Open Space Element

Goal YPRO-1: An integrated system of parks, open space areas, shared-use paths, and recreational facilities that are welcoming, well-maintained, safe, and accessible to all the diverse communities of Sacramento.

Staff Analysis: The ordinance includes mandatory separation requirements for parks to support maintaining recreational facilities that are safe and accessible to all.

Economic Impacts: Not applicable.

Environmental Considerations: The Community Development Department, Environmental Planning Services Section has determined that the proposed ordinance is exempt from review under the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines Section 15061(b)(3).

It can be seen with certainty that there is no possibility that the proposed ordinance may have a significant effect on the environment. The proposed ordinance modifies the permit -processing rules for cannabis production, testing, and dispensaries, all of which are currently authorized under the city code with a conditional use permit. The proposed ordinance authorizes these uses by right in various zones (including the addition of the Residential Mixed Use (RMX), Limited Commercial Zone (C-1), and Central Business Zone (C-3), based on the conclusions in the 2022 Comprehensive Cannabis study, which determined that these uses have no impacts on the surrounding areas. The proposed ordinance also authorizes a new land use - cannabis consumption lounge - but this use is allowed only in storefront cannabis dispensaries, which is an existing authorized use, and only with approval of a conditional use permit, which is a discretionary entitlement in which environmental review will be undertaken during the permit process. Nonetheless, the addition of a consumption lounge within a storefront cannabis dispensary will not result in a significant effect on the environment. The proposed ordinance also refines the existing code's separation requirements of all cannabis land uses from other 'sensitive' land uses (e.g., parks, libraries, community centers, youth-oriented facilities) and refines the definitions of some of these uses.

Sustainability: The proposed ordinance includes amendments that help to make zoning standards easier to understand and implement. This will help facilitate development in the City in a manner consistent with existing policy, including that relating to sustainability.

Commission/Committee Action: The following actions were taken to initiate the proposed cannabis amendments to Title 17 of the City Code:

- On May 31, 2022, the City Council directed staff to evaluate seven points of direction relating to cannabis zoning regulations and return with recommended cannabis zoning amendments.

- On September 19, 2023, the Law and Legislation Committee directed Office of Cannabis Management ("OCM") to develop a pilot framework for cannabis social consumption lounges.

- On May 21, 2024, the Law and Legislation Committee heard updates on the Title 17 Cannabis Amendments project and directed staff to bring back a package of policy recommendations for consideration.

- On May 21, 2024, OCM provided an informational update to the Law and Legislation Committee regarding a framework for consumption lounge business operating permits. The Committee provided direction to return with a framework to allow consumption business operating permits for all storefront dispensaries.

- On September 12, 2024, the Planning and Design Commission discussed preliminary

recommendations of the Title 17 Cannabis Amendments Project and provided feedback to the proposed Title 17 cannabis amendments. See Attachment #4 (Planning and Design Commission Feedback and Staff Response) for a summary of previous commission feedback and staff responses.

- On September 17, 2024, OCM presented a cannabis consumption business operating permit framework to the Law and Legislation Committee. The Committee forwarded the pilot program concept for social consumption to City Council for consideration but requested a City Council workshop soliciting the expertise of public health experts regarding cannabis consumption statewide public health trends prior to Council consideration of social consumption.

- On October 22, 2024, the City Council heard presentations from public health experts discussing statewide public health trends and secondhand smoke in dispensaries.

- On November 19, 2024, the City Council adopted an ordinance amending Title 5 concerning business regulations for cannabis consumption lounges.

After the Planning and Design Commission's review of the ordinance on March 13, 2025, the ordinance is anticipated to be considered by the Law and Legislation Committee at their regular meeting of April 8, 2025.

Rationale for Recommendation: Staff recommends the Planning & Design Commission pass a motion forwarding a recommendation of approval to the City Council. The amendments contained in the proposed ordinance help to refine the City's Planning and Development Code cannabis regulations by providing practicable regulations that, on balance, are aligned with community values and make implementation easier and more streamlined, which supports several goals and policies of the General Plan.

Financial Considerations: Not applicable.

Local Business Enterprise (LBE): Not applicable.

Attachment 2

Background & Ordinance Summary

This attachment provides a narrative description of the proposed ordinance included with Attachment #3 and Attachment #4 and is organized as follows:

Major topic	City Council points of policy direction and substantive ordinance provisions relating to community feedback and/or a new policy decision.
Issues	Points of research and analysis related to the City Council policy direction or observations about the present regulation's outcomes.
Existing Regulations	A summary of the existing regulations for the applicable topic being addressed.
Preliminary Recommendation	Staffs recommended regulatory changes before conducting community outreach.
Community Feedback	A summary of responses by community members to each City Council point of policy direction and staff's preliminary recommendation.
Final Recommendation	Staffs final recommendation after considering community member feedback and performing additional analysis.
Staff Rationale	An explanation of the reasoning behind staff's final recommendation.

Where relevant, this attachment includes references to maps by denoting "  click here for map." This denotes a hyperlink to the City's website that will bring readers to the relevant page containing the map. These maps are also provided at the end of this attachment.

Council Point of Direction #1: Review current cannabis business zoning to determine if they continue to serve the purpose for which they were adopted.

Issues

- Nearly all cannabis land uses require a discretionary Conditional Use Permit which, by declared regulatory purpose, is for land uses, "that are known to have a distinct impact on the area," and which, "…are capable of creating special problems for bordering properties, unless given special attention."

- The 2022 Comprehensive Cannabis Study demonstrates that cannabis land uses do not cause a negative impact on nearby retail or industrial uses, have no negative impact on nearby home values, and that dispensaries do not create increases in crime beyond levels generated by other businesses.

- Public hearings for Conditional Use Permit applications are a zero-sum game.

    - Prospective business owners assume substantial monetary risk to eventually arrive at a public hearing with discourse not about the merits of their specific location or business practices but rather a general opposition to cannabis.

    - Concerned neighbors confront codified land use separation requirements that are not met and an abundance of worry, information, and bureaucracy.

    - In the end, virtually all conditional use permits are approved with non-unique conditions of approval that restate standard state and local requirements.

Existing Regulations

Existing **Land Use Permit Requirements for Cannabis Businesses**						
	Dispensary	Cultivation	Distribution	Nonvolatile Manufacturing	Volatile Manufacturing	Testing
By-Right/No Permit			✓ 1	✓ 2		✓
Ministerial Permit						
Discretionary Permit	✓	✓	✓	✓ 3	✓	
(1) Type-S and Type-T distribution licenses allowed by-right. (2) Packaging, labeling, and infusion uses only. (3) Nonvolatile extraction.						

Preliminary Recommendation

Recommended Land Use Permit Requirements for Cannabis Businesses						
	Dispensary	Cultivation	Distribution	Nonvolatile Manufacturing	Volatile Manufacturing	Testing
By-Right/No Permit						
Ministerial Permit	✓	✓	✓	✓	✓	✓
Discretionary Permit						

Community Feedback

- Many community members expressed support for the preliminary recommendation above. Others expressed opposition to the overall project (i.e., any Title 17 cannabis amendments) and an interest either maintaining the status quo or further restricting cannabis businesses.
- Some comments suggested maintaining a discretionary permit for cannabis cultivation uses to address security and odor concerns.
- A couple of speakers expressed an interest in being notified and involved in the decision on cannabis permits.

Final Recommendation

No changes to preliminary recommendation.

Staff Rationale

- The permit type change to ministerial permit (i.e., Administrative Permit) aligns with the known and documented impacts of the land use.
- Administrative Permits are approved after verification of compliance with adopted standards (e.g., separation from other land uses).
- Administrative Permits may include project-specific conditions of approval to address rare instances of a unique location and/or business practice.
- Title 5 and 17 of the City Code have duplicative regulations for security and odor

control, which make enforcement both more difficult and less adaptable over time. Using only Title 5 of the City Code for security and odor control will result in a single set of clear requirements that are reviewed annually unlike Title 17 permits which are fixed at the time of approval.

- For prospective business owners, the move to Administrative Permits:
    - Removes all risk to those applicants who perform simple due diligence to ensure compliance with adopted standards.
    - Reduces the land use permit process timeframe from 4-9 months to 1-2 months.
- For concerned community members, the move to Administrative Permits results in:
    - Predictable outcomes in terms of the location of future, new cannabis businesses.
    - Mandatory separation distances from specified ‘sensitive’ land uses (e.g., schools, youth-oriented facilities, parks).
    - An opportunity to participate in the verification of specified ‘sensitive’ land uses through public notice and a reconsideration process.

Council Point of Direction #2: Consider additional zones for dispensaries and consider storefront dispensaries as an allowed use in the RMX and C-3 zones.

Issues

- Of the zoning districts allowing dispensary uses today, industrial zones make up more than double the land area as compared to commercial zones.
- Council Districts 2 and 6 have the most land area with industrial zones and most the city's cannabis dispensaries.
- Current regulations incentivize dispensaries to locate in industrial areas since they typically are removed from sensitive uses (e.g., schools, youth-oriented facilities) and, thus, have a cheaper and faster application review process.
- About half of the city's dispensaries are in industrial areas and further than a ½ mile from public transit.
- Analysis of citywide storefront dispensaries suggest that the central city is highly desirable for storefront dispensaries as it has approximately 10% of available land that allows dispensaries yet accounts for 30% of citywide storefront dispensaries.

Existing Regulations

Cannabis dispensaries are allowed in the following zoning districts.

- Storefront Dispensary: Shopping Center Zone (SC)
  General Commercial Zone (C-2)
  Heavy Commercial Zone (C-4)
  Light Industrial Zone (M-1)
  Light Industrial Zone (M-1(S))
  Heavy Industrial Zone (M-2)
  Heavy Industrial Zone (M-2(S))
  Industrial and Transit-Area Zone (M-T)

  Click here for Map-1. Existing Storefront Dispensary Zoning Map

- Delivery-Only Dispensary: All the same zones excluding the SC zone.

  Click here for Map-2. Existing Delivery-Only Dispensary Zoning Map

Preliminary Recommendation

For storefront dispensaries, allow in the following additional zoning districts:

- Residential Mixed Use Zone (RMX)

- Limited Commercial Zone (C-1)
- Central Business District Zone (C-3)

  Click here for Map-3. RMX, C-1, and C-3 Zoning Map

  Click here for Map-4. Current and Recommended Storefront Dispensary Zoning Map

- For delivery-only dispensaries, make no changes to zoning districts where they are allowed.

Community Feedback

- Support was voiced for allowing dispensaries to locate in the RMX, C-1, and C-3 zones.
- Some opposition was expressed for any amendments to Title 17 cannabis regulations (i.e., maintain status quo).
- A few speakers opposed allowing dispensaries near residential uses (i.e., RMX and C-1 zones).

Final Recommendation

No changes to preliminary recommendation.

Staff Rationale

- The 2022 Comprehensive Cannabis Study states storefront dispensaries are retail 'brick and mortar' business like other retail land uses, that they integrate well into a variety of retail environments and are compatible with other commercial and residential uses.
- The C-3 zone is confined to the Central City planning area – an urban setting with the greatest diversity of land uses and most opportunities for non-vehicular mobility (e.g., walking, biking, public transit) – all of which supports retail land uses (i.e., storefront dispensaries).
- As of the third quarter of 2024, 39.2% of retail storefront space in the downtown area alone (i.e., a subset of the Central City planning area) was vacant. Allowing dispensaries in the C-3 zone creates an economic development opportunity.
- The RMX zone is present in the Central City planning area and at other urban nodes throughout the city. Storefront dispensaries will integrate well into these locations for reasons like the C-3 zone's inclusion.

- The C-1 zone makes up a small percentage of the City's commercial zones and is evenly dispersed throughout the city in residential neighborhoods. C-1 zones would allow for smaller neighborhood serving dispensaries due to C-1 parcel characteristics (i.e., smaller in size compared to other commercial zones). Storefront dispensaries have shown successful integration into residential areas (i.e., Midtown, Central City).

- Adding the RMX, C-1 and C-3 zones along with changes to specified 'sensitive' land uses (discussed below) will increase opportunities for existing and new storefront dispensaries to locate throughout the city and outside of high concentration areas (i.e., Council District 2 and 6).

City Council Point of Direction #3: Consider additional zones for nonvolatile manufacturing including infusion and packaging.

Issues

- Current zoning regulations require discretionary approval (e.g., Conditional Use Permit) for nonvolatile extraction except when consisting of only infusion and packaging.

- The 2022 Comprehensive Cannabis Study found that:

    - Since 2018, cannabis manufacturing was the second-largest cannabis business sector and provides for the highest opportunities for growth due to its ability to integrate into other cannabis business sectors (i.e., cultivation and distribution); and

    - Cannabis manufacturing has the second largest economic impact of all cannabis business sectors.

- Production of concentrates and infused foods and beverages has become more sophisticated over the years. However, cannabis product manufacturing is highly unpredictable in terms of consumer demand preferences.

- Are current Title 17 cannabis regulations sufficient to support the cannabis manufacturing industry?

Existing Regulations

- Existing Title 17 Cannabis Manufacturing Zoning – Where Allowed:

  General Commercial Zone (C-2)
  Heavy Commercial Zone (C-4)
  Light Industrial Zone (M-1)
  Light Industrial Zone (M-1(S))
  Heavy Industrial Zone (M-2)
  Heavy Industrial Zone (M-2(S))
  Manufacturing-Industrial Park Zone (MIP)
  Manufacturing, Research and Development Zone (MRD)
  Industrial and Transit-Area Zone (M-T)

   Click here for Map-5. Existing Cannabis Manufacturing Zoning Map

- Existing Title 17 Permit Requirements – Nonvolatile Manufacturing

    - By-Right/No Permit: Infusion and packaging

    - Conditional Use Permit: Nonvolatile extraction

Preliminary Recommendation

- No additional zones were recommended to allow nonvolatile cannabis manufacturing.

- Recommendations at City Council Point of Direction #1 would permit nonvolatile manufacturing (infusion, packaging, and extraction) with Administrative Permit approval, which provides a lower regulatory barrier through reduced permit costs and processing timeframes furthering support for the manufacturing industry.

Community Feedback

There was no feedback specific to additional zones for nonvolatile manufacturing.

Final Recommendation

No changes to preliminary recommendation.

Staff Rationale

- Nonvolatile cannabis manufacturing is currently allowed in all industrial zones as well as general and heavy commercial zones.

- Due to characteristics of cannabis manufacturing business operations, businesses naturally concentrate in industrial zoning districts where they are already allowed.

- 93% of existing cannabis manufacturing businesses are in industrial zones, and 7% are in commercial zones (i.e., C-2 or C-4). There appears to be ample land area in these zones to accommodate this cannabis business sector.

- Of the zoning districts that would further this point of policy direction, all are commercial (i.e., OB, EC, SC, C-1, and C-3) and allow land uses that are primarily retail commercial, service commercial, and office. They also either prohibit or limit manufacturing floor area.

- Expanding the areas where nonvolatile cannabis manufacturing may locate appears unnecessary and, of the existing zoning districts that might accommodate such a change, all are oriented to non-residential land uses dissimilar to manufacturing.

Council Point of Direction #4: Consider limiting cannabis sensitive uses to schools, youth-oriented facilities, substance abuse rehabilitation centers, faith-based institutions, and neighborhood and community parks.

Issues

- Current zoning regulations include a 600-foot sensitive use buffer for cannabis businesses from specified sensitive uses; however, except for K-12 schools, all these buffers can be reduced with Planning and Design Commission approval.
- Current sensitive use buffer standards result in approximately 92% of land zoned for cannabis uses to be within a sensitive use buffer.
- Most existing cannabis dispensaries (i.e., 82%) currently operate within at least one sensitive use buffer.
- There are no studies or empirical data to suggest what land uses constitute a "sensitive use." Instead, these uses are entirely derived from local cultural preferences and values.
- State cannabis regulations include 600-foot sensitive use buffers for K-12 schools, daycare centers, and youth centers. Local governments, however, may have the same or different sensitive uses and buffer distances.
- Most local governments that allow cannabis business types (including the City of Sacramento) have sensitive uses and buffers that differ from the State's.

Existing Regulations

- Existing sensitive uses are identified by the cannabis land use type in the table below.
- Cannabis land uses have a 600-foot buffer from all sensitive uses (except for residential zoning districts).
- Cannabis Dispensaries have a 300-foot buffer from residential zoning districts.
- All cannabis land uses may locate within a buffer with Conditional Use Permit approval by the Planning and Design Commission, except for a 600-foot buffer from K-12 schools which is mandatory.

Click here for Map-6. Current Sensitive Uses Map

Current Sensitive Uses by Cannabis Business Type		
Cannabis Dispensary	**Cannabis Production**	**Cannabis Testing**
K-12 School	K-12 School	K-12 School
Park	Neighborhood & Community Park	
Youth-Oriented Facility		
Substance Abuse Rehabilitation Center		
Faith-Based Institution		
Childcare In-home/Center		
Other Dispensary		
Cinema		
Tobacco Retailer		
Residential Zone		

Preliminary Recommendation

- Maintain existing 600-foot buffer distance of all sensitive uses.
- Remove ability to locate within buffer with Conditional Use Permit approval by the Planning and Design Commission.
- Remove neighborhood and community parks as a sensitive use for cannabis production.
- Prohibit cannabis dispensaries from being located 600 feet or less from the following land uses:

Existing Land Uses with Revised Definitions

  - "Park" now means any public park classified as a multi-use regional park, multi-use community park, special use community park, multi-use neighborhood park, or neighborhood play lot listed in the City's most recently adopted parks plan.
  - "Substance abuse rehabilitation center" now means facilities licensed by the State Department of Health Care Services pursuant to California Health and Safety Code sections 11834.01 through 11834.50.

New Land Uses

  - Remove and replace "Youth-oriented facility" with:

- "Community center" means a community center, senior center, or clubhouse designated as such in the City's most recently adopted parks plan; and
- "Library" is the same as "library; archive" used in Chapter 17.108.130 ("L" Definitions).

Existing Land Uses to be Removed from Buffer Requirement

- "Childcare, in-home/center"
- "Cinema"
- "Faith-based institution"
- "Other dispensary"
- "Tobacco retailer"
- "Residential zone"

- Mandatory compliance with all buffers verified through Administrative Permit review process.

Preliminary Recommendation - Sensitive Uses by Cannabis Business Type		
Cannabis Dispensary	**Cannabis Production**	**Cannabis Testing**
K-12 School	K-12 School	K-12 School
Park	~~Neighborhood & Community Park~~	
~~Youth-Oriented Facility~~		
Community Center		
Library		
Substance Abuse Rehabilitation Center		
~~Faith-Based Institution~~		
~~Childcare In-home/Center~~		
~~Other Dispensary~~		
~~Cinema~~		
~~Tobacco Retailer~~		
~~Residential Zone~~		
[_____] = Revised Criteria [_____] = Removed [_____] = New Land Use		

Click for Map-7. Sensitive Uses and Buffers – Preliminary Recommendations Map

Community Feedback

- Sensitive use requirements were the most discussed topic during the community engagement phase and feedback received varied widely.
- During the community engagement phase, staff heard varying levels of support for the following sensitive uses:
    - All parks
    - Only parks with playgrounds or sports fields
    - Youth and youth-oriented facilities; childcare
    - Faith-based institutions
    - Museums
    - Jails, correctional facilities, and court houses
    - Healthcare and medical offices

Final Recommendation

- In addition to the preliminary recommendations:
- Maintain the existing “youth-oriented facility” sensitive use but redefine to mean any non-profit entity that primarily caters to minors or provides services primarily for minors.
- Add “museums” as a sensitive use and use the same definition as provided at City Code Chapter 17.108.140 (“M” Definitions).

Click here for Map-8. Sensitive Uses and Buffers – Final Recommendations Map

Final Recommendation - Sensitive Uses by Cannabis Business Type		
Cannabis Dispensary	**Cannabis Production**	**Cannabis Testing**
K-12 School	K-12 School	K-12 School
Park	~~Neighborhood & Community Park~~	
Youth-Oriented Facility		
Community Center		
Library		
Museum		
Substance Abuse Rehabilitation Center		
~~Faith-Based Institution~~		
~~Childcare In-home/Center~~		
~~Other Dispensary~~		
~~Cinema~~		
~~Tobacco Retailer~~		
~~Residential Zone~~		
[_____] = Revised Criteria [_____] = Removed [_____] = New Land Use		

Staff Rationale

Staff's final recommendation seeks to balance competing cultural values and preferences with practicable regulations that are easily verified and, therefore, lead to predictable outcomes. During the community engagement phase, three community value themes emerged that staff integrated into its' recommendation. Each theme expressed as a policy goal (i.e., the community's voice), staff's proposed policy response, and exact ordinance text (i.e., sensitive land use definitions) are below.

1. Community Value Theme: **Youth**

    a. Policy Goal: Include sensitive land uses for impressionable youth ages 6-17, and public or institutional uses that include youth programs and services.

    b. Policy Response: Ordinance includes nonprofit entities that primarily provide services for minors and focus on youth development.

    c. Ordinance Text: K-12 schools, community centers, libraries,

museums, and youth-oriented facilities.

2. Community Value Theme: **Vulnerable Populations**

   a. Policy Goal: Include land uses for vulnerable populations and community members recovering from addiction.

   b. Policy Response: Ordinance includes licensed facilities that provide care for people who have a dependency on alcohol and controlled substances.

   c. Ordinance Text: Substance abuse rehabilitation centers

3. Community Value Theme: **Parks; areas for social, educational, or cultural activities**

   a. Policy Goal: Include land uses where it is likely there is a mix of the general public of all ages (i.e., recreate and socialize) and public or institutional uses that have community amenities and programs.

   b. Policy Response: Ordinance includes areas where community members can socialize and support recreation for all ages. In addition, land uses that provide educational and cultural programs and amenities are also included.

   c. Ordinance Text: Parks, community centers, libraries, museums, and youth-oriented facilities.

Overall Rationale:

- Recommendations would result in clear and easily identifiable sensitive uses that require a strict 600' buffer (i.e., no longer able to locate within a sensitive use buffer with PDC approval).

- The 2022 Comprehensive Cannabis Study demonstrates that cannabis land uses do not cause 'impacts' or 'problems'. Analysis showed that cannabis uses have not had a negative impact on adjacent residential, commercial, or industrial uses or created increases in crime.

- Cannabis operating requirements help integrate cannabis uses with adjacent land uses as viewed from the public realm (i.e., building interior not visible).

Cannabis Production Rationale:

- Remove neighborhood and community parks as a sensitive use for cannabis production
    - 1.6% of existing cannabis production businesses are within 600 feet of a park (4 out of 243).
    - Cannabis production businesses adhere to zoning standards that apply to industrial and manufacturing areas, most of which exclude parks.

Sensitive Uses Included in Ordinance – Specific Rationale:

- Parks
    - Redefining “parks” to apply to neighborhood, community, and regional parks removes ~30% of designated “parkland” that is not supportive of recreational or social activities (e.g. natural habitat areas, open space).
    - Minimal amount of neighborhood, community, or regional parks without a “playground” or “sports field” (~14%). However, there are 38 different park amenities, which could lead to different interpretations of what would be considered a “playground” or “sports field”.
    - Including all neighborhood, community, and regional parks maintains the intention of parks sensitive use, which is to provide separation from areas where the community can recreate and areas with amenities for youth.
- Youth-oriented facility
    - Redefining “youth-oriented facility” to apply to nonprofit establishments that cater to or provide services primarily for minors captures land uses that include services and programs focused on youth development.
    - Private businesses that may cater to minors provide the opportunity to also include the sale of alcohol, which does not wholly align with capturing land uses focused on youth development (i.e., provide services primarily for minors).
    - Nonprofit businesses are verifiable where private businesses require discretion as to what may constitute as a “youth-oriented facility”.
- Museums
    - Museums capture land uses for social, educational, and cultural activities including youth development.

Existing Sensitive Uses Excluded from Ordinance – Specific Rationale:

- Childcare

- Childcare uses serve children aged 6 weeks to 6 years old (i.e., not impressionable youth).
- Childcare facilities are a controlled environment with children under constant supervision and must be dropped off/picked up by a guardian.
- Minimal interactions or visibly of adjacent land uses.
- Other sensitive uses such as libraries, community centers, and parks provide separation requirements in areas where it is likely to have youth/young children.

- Faith-based institution
  - While the City Council's Policy Direction included consideration for faith-based institutions, the final recommendation is to remove them as a sensitive use for the following reasons:
    - Almost half of storefront dispensaries were granted Conditional Use Permit approval within a faith-based institution buffer (~45%).
    - Minimal land use issues between operating storefront dispensaries and faith-based institutions.
    - Public hearings for storefront dispensaries exclude opposition based on the location in relation to a faith-based institution or effects of business operations.

- Jails, Courthouses, and Correctional Facilities
  - Individuals associated with these land uses travel to/from for a variety of reasons not necessarily related to drug or substance issues.
  - There are existing alcohol and tobacco retail uses adjacent to these land uses.
  - Business operating requirements (i.e., onsite security, screening of retail areas, etc.) would help ensure cannabis retail activities do not impact adjacent land uses and make it difficult to differentiate from the public realm.

- Healthcare and Medical Offices
  - The State of California recognizes cannabis as a medical treatment option. Inclusion of healthcare and medical offices conflicts with the State's view on cannabis.
  - Medical offices mean "a facility in which substantially all of the services provided constitute the practice of medicine, surgery, dentistry, optometry, podiatry, chiropractic, acupuncture, acupressure, psychology, psychiatry, counseling, medical-related laboratory services, or similar health services", which would

include services provided to medical cannabis patients."

- Medical offices are prevalent throughout the community and would be extremely difficult for applicants and staff to locate/verify.

Council Point of Direction #5: Consider the suitability of mixed-light cannabis uses.

What are mixed-light facilities?

- "Mixed-light cannabis uses" refer to a building type used for cannabis cultivation.
- Mixed-light facilities mainly differ from conventional structures by having a translucent roof.
- Mixed-light facilities provide the opportunity for cultivation to utilize sunlight during the daytime resulting in lower utility demands and operating costs.

Issues

- Cannabis cultivation represents the City's largest cannabis business sector (i.e., highest number of cannabis businesses and largest labor force).
- Cannabis cultivation is primarily located in industrial and manufacturing areas (i.e., City Council District #2 & #6).
- There is only one cannabis business using a 'mixed-light' approach to cultivation.
- Concerns about mixed-light facilities include light pollution, security, odor, and building reuse (i.e., for non-cannabis businesses).

Existing Regulations

- There are no Title 17 provisions specific to "mixed-light cannabis uses" or "mixed-light facilities".
- Development of new facilities, including mixed-light facilities, or modifications to existing structures would require approval of 1) Site Plan and Design Review permit, and 2) Building permit.
- The Site Plan and Design Review process provides for the imposition of conditions of approval addressing light pollution, and business operating permits may include conditions of approval addressing security and odor.

Preliminary Recommendation

Make no changes to Title 17 zoning regulations specific to mixed-light cannabis uses.

Community Feedback

During the April 5, 2022 Planning and Design Commission meeting, the Power Inn Alliance ("PIA") raised concerns about mixed-light cannabis uses citing that their

building type could not easily be reused for other commercial or industrial purposes. Staff subsequently met with the PIA where the same concern was voiced. No other feedback was provided on this topic during the community engagement phase.

Final Recommendation

No changes to preliminary recommendation.

Staff Rationale

- There is only one existing mixed-light facility in the entire city (1 out of 127 cultivation sites).
- The City has recently seen a significant slowdown in cannabis cultivation applications.
- The 2022 Comprehensive Cannabis Study suggested that the City might see a reduction in cultivation uses due to the expansion of major cultivation sites emerging in California's coastal regions and that additional zoning regulations such as floor area restrictions may not be necessary.
- When reviewing the one existing mixed-light facility, staff identified the following benefits:
    - Mixed-light facilities have lower energy needs compared to conventional indoor cultivation facilities.
    - State building code requirements and local business operating requirements address concerns relating to light pollution, odor control, and building security.
    - Mixed-light facilities could be adapted (i.e., reused) to traditional agricultural uses. A local example of traditional agricultural uses within a mixed-light facility includes Gotham Greens (Davis, CA).

Council Point of Direction #6: Consider zoning and a permit type for cannabis research and development facilities.

What is cannabis research and development?

- Cannabis research and development uses are laboratory facilities for the purpose of conducting scientific research typically involving new products, technologies, or processes that are designed, tested, and developed.

- Cannabis research and development facilities do not produce cannabis related products for retail sale.

Issues

- There is no State definition or license type for “cannabis research and development”.

- The State of California has an exclusive grant program for public colleges to engage in cannabis research and development activities.

- Staff research found no private sector businesses relating to cannabis research and development.

- The 2022 Comprehensive Cannabis Study suggested that, because of the growth and growth potential of cannabis manufacturing, a new cannabis business sector could emerge in the form of cannabis research and development. To date, that sector has not emerged.

Existing Regulations

There are no zoning regulations specific to cannabis research and development uses.

Preliminary Recommendation

Amend the “cannabis testing” definition to include cannabis research and development to include it as an allowed use.

Community Feedback

- There was no feedback specific to cannabis research and development uses.

- A few cannabis business owners requested clarification that cannabis research and development is not the same as cannabis production uses (e.g. manufacturing, cultivation, etc.) analyzing and experimenting with internal business operations (e.g., experimental plot, different materials/products, etc.).

Final Recommendation

No changes to preliminary recommendation.

Staff Rationale

- Cannabis testing uses are already provided for in local zoning regulations and have similar operational parameters as research and development (e.g., both occur in laboratory setting and have similar equipment needs).
- Cannabis testing uses are allowed in all industrial zones and general and heavy commercial zones.
- There is a low regulatory barrier for cannabis testing uses and existing zoning regulations are sufficient to accommodate potential industry growth.
- Amending the definition of cannabis testing to include research and development provides for future investment in that business sector at locations appropriate to their land use activities.

Council Point of Direction #7: Consider removing cannabis distribution from the current uses subject to a district-based square footage cap.

What is a district-based square footage cap?

- Following the passage of the Adult Use of Marijuana Act in 2016, the City processed a high number of Conditional Use Permit applications for cannabis land uses.
- In 2018, the industrial area found in the southeast of the city had 116 of 213 Conditional Use Permit applications and approximately 2.8 million square feet of approved cannabis cultivation floor area.
- In 2018, the City Council adopted a 2.5 million square foot floor area limitation or 'cap' for cannabis cultivation and distribution within a defined southeast industrial area.

Issues

- Cultivation was the primary concern for the southeast industrial area floor area cap as there were minimal cannabis manufacturing and distribution applications in 2018.
- The 2022 Comprehensive Cannabis Study suggested that the City might see a reduction in cultivation uses due to the expansion of major cultivation sites emerging in California's coastal regions and that additional zoning regulations such as floor area restrictions may not be necessary.

Existing Regulations

- City Code Section 17.228.900.E.2.a states (click here):
    - "The proposed cannabis production use is located within the area bounded by Power Inn Road to the west, Folsom Boulevard to the north, and the city limits to the east and south; and will result in more than 2.5 million square feet of building floor space approved by a conditional use permit for cannabis production use in that area. Building floor space designated for a cannabis manufacturing use in a conditional use permit may be excluded from the 2.5 million square footage calculation."

Preliminary Recommendation

- Maintain the existing 2.5 million square foot maximum limit but apply only to "cannabis cultivation" floor area (i.e., exclude "cannabis distribution").
    - "When located in the area bounded by Power Inn Road to the west, Folsom Boulevard to the north, and the city limits to the east and south, the total of all cannabis cultivation uses shall not result in more than 2.5 million square feet in that area."

Community Feedback

During the August 25, 2022 Planning and Design Commission meeting, a representative from the Power Inn Alliance support for removing cannabis distribution floor area from the cap. Staff also met with PIA on July 30, 2024 to discuss the preliminary recommendation, in which support for removing cannabis distribution from the cap was reiterated. During the meeting, questions were raised relating to how the cap floor area limit would be monitored and enforced if cannabis distribution was removed.

Final Recommendation

No changes to preliminary recommendation.

Staff Rationale

- The 2022 Comprehensive Cannabis Study suggested that the City might see a reduction in cultivation uses due to the expansion of major cultivation sites emerging in California's coastal regions and that additional zoning regulations such as floor area restrictions may not be necessary.

- Staff has observed a significant slowdown in cannabis production permit requests.

- Staff also reviewed approved Conditional Use Permits for cannabis production in the southeast industrial area and discovered twenty-three (23) were expired.

- As of February 14, 2025, 1,924,442 square feet out of the 2.5 million square feet limit had an approved and valid Conditional Use Permit. This means 575,558 square feet of floor area is available.

- Cannabis cultivation was the primary concern that led to the southeast industrial area cap. Cultivation requires significantly larger buildings and, in turn, floor area.

- Cannabis distribution uses have a small footprint (i.e., is focused on short-term storage and transport of finished products from cultivators or manufacturers) and when incorporated with other cannabis production uses provides for the opportunity to reduce operational needs (e.g., vehicle trips).

Substantive Ordinance Provisions

The following sections provide further analysis of important aspects of the proposed ordinance not specifically related to the City Council points of direction addressed above.

Public Notice

Issues

- Community members expressed interest in being informed and involved with the review of cannabis applications.
- Public notice and hearing are required for land uses subject to a conditional use permit.
- Conditional use permits are intended for land uses known to cause impacts or capable of creating special problems and, thus, are subject to discretionary review.
- The 2022 Comprehensive Cannabis Study establishes that cannabis land uses do not cause a negative impact on nearby retail or industrial uses, have no negative impact on nearby home values, and that dispensaries do not create increases in crime beyond levels generated by other businesses.
- Existing permit processing policy for non-impactful land uses limits the public's involvement (e.g., no notice provided, no hearing required).

Existing Regulations

- City Code Section 17.812.010.E states (click here): "Administrative permits are ministerial in nature and are conducted at the staff level under the general direction of the planning director, without notice and hearing."

Community Feedback

- During community engagement, the following feedback was provided and focused solely on storefront dispensary uses.
    - Some speakers preferred discretionary review so they could be informed of application submittals (i.e., consistent with existing policy).
    - A few speakers stated a preference for discretionary review to make sure the operator is responsible for community/neighborhood concerns.
    - A few speakers suggested conditional use permits were preferrable from an enforcement standpoint.

- Many speakers stated a preference for the change to Administrative Permits excluding public notice and hearing requirements.

Recommendation

- When considering community input, staff observed competing viewpoints and a body of objective information at odds with the express purpose of a Conditional Use Permit. In response, staff proposes a new permit processing policy for cannabis land uses that strikes a balance between:

  - Community members desire to both be informed of pending applications and help ensure the protection of sensitive land uses (i.e., by confirming buffer standard is complied with); and

  - Existing and future cannabis business owners desire for regulations that reflect known land use impacts, are more equitable, and that result in greater predictability in outcomes.

- The ordinance modifies the Administrative Permit public notice requirement for cannabis land uses as follows:

  - At least ten days prior to issuing a decision, the city shall post notice of the application at the subject property and mail notice of the application to all property owners within 600 feet (i.e., separation distance); and

  - Provide mailed notice of final decisions relating to cannabis administrative permits.

    - Administrative permits are subject to reconsideration, and final decision notices would provide information relating to the reconsideration process.

- Any person interested in being informed of pending building and planning permit applications may (for free) set up alerts using https//:sacramento.agencycounter.com. These can be customized according to geographic interest and permit type.

- Concerns relating to responsible business operations are more effectively addressed through business licensing requirements (e.g., through annual renewals that enable new requirements to be imposed and where non-compliance affects renewal decisions).

Reconsideration

Issues

- Some members of the Planning & Design Commission expressed an interest in retaining some form redress (e.g., appeal, call-up, reconsideration) whereby the

community could have concerns addressed.

- As mentioned, under current policy, Administrative Permits are reviewed at the staff-level without public notice. Similarly, when a decision is rendered and subject to reconsideration, notice is also not provided.

Existing Regulations

- City Code Section 17.812.020.B (reconsideration of staff-level decisions) states (click here): "An opportunity for any person dissatisfied with the decision to request review and reconsideration of the decision by the reviewing director before findings of fact are adopted and the decision is final."

Recommendation

- The proposed ordinance includes a new policy whereby property owners within the sensitive use buffer are provided notice of a cannabis administrative permit application and notice of final decision (i.e., compliance or noncompliance with separation requirements). Notice of final decision would include information relating to the reconsideration process further supporting protection of sensitive uses and allowing for community participation.

Staff Rationale

- The reconsideration process is limited to an examination of facts used to determine compliance or noncompliance with applicable standards (i.e., pass or fail).

- As applied in the proposed ordinance, this process is applied and appropriately focused on what the community appears to care most about – i.e., the presence or absence of one or more sensitive uses within a prescribed radius.

- The proposed ordinance enhances the existing permit review and notification process to invite applicants and affected property owners to examine staff's determination before a permit application is approved.

- An "appeal" process functions differently and applies to discretionary permit decisions whereby the overall merits are considered. Consequently, appeals may lead to permit denial or approval for a broad spectrum of reasons tied to findings which are supported by facts but not limited to pass/fail standards. For staff, this form of redress is inconsistent with the 2022 Comprehensive Cannabis Study's findings related to the actual land use effects of cannabis businesses.

- A "call-up" process is reserved for City Council members and presently applied very narrowly to select land use issues subject to discretionary review. For staff, this form of redress is also inconsistent with the 2022 Comprehensive Cannabis Study's findings related to the actual land use effects of cannabis businesses.

Prior Conditional Use Permits & Nonconforming Uses

Issues

- The City has issued many Conditional Use Permits for cannabis land uses over the years. Changes to applicable standards has the potential to cause these permits to not conform to them. Changes to the required permit type raises a question of how modifications to approved projects should be processed.

- Without ordinance language explaining the effect of regulatory changes on previously approved and valid permits, uncertainty and confusion may affect the enforcement of applicable standards.

- Existing regulations are very permissive and could result in modifications that circumvent the policy change to mandatory sensitive use buffers (e.g., delivery-only dispensary turning into a store-front dispensary when not meeting buffer standard).

Existing Regulations

The following are existing zoning regulations relating to prior Conditional Use Permits and nonconforming uses.

- Section 17.228.920.J (click here)
    - Clarifies that previously approved medical marijuana dispensaries are authorized to sell medical and recreational cannabis as provided for by State law.

- Section 17.232.090 (click here)
    - Allows for an existing nonconforming use to change to another nonconforming use with conditional use permit approval.

- Section 17.232.110 (click here)
    - Allows for the re-establishment of a prior nonconforming use after the existing nonconforming use expires for discontinuance of use.

- Section 17.808.440 (click here)
    - Outlines procedural requirements for modifications to approved terms and conditions of conditional use permits.

Community Feedback

Several existing cannabis business owners expressed an interest in understanding how new regulations would affect their current and potential future operations.

Recommendation

- For existing Conditional Use Permit and future Administrative Permit holders, the proposed ordinance would:
    - Prohibit a legal nonconforming cannabis use from changing to another nonconforming cannabis use.
    - Prohibit the re-establishment of a nonconforming cannabis use after the discontinuance of said use.
- For existing Conditional Use Permit holders, the proposed ordinance:
    - Makes explicit that approved and valid permits remain unchanged and subject to their terms and conditions; and
    - Allow for their permits to be modified by the Zoning Administrator at the Director-level, subject to compliance with all current standards.
- Maintain the existing allowance of previously approved medical marijuana dispensaries to sell medical and recreational cannabis per State law.

Staff Rationale

- Given the substantive changes in regulation, it is necessary to clearly describe the effect of regulatory changes on valid permits and identify the requirements for the review of proposed modifications to them.
- The proposed changes would prohibit legal nonconforming cannabis uses from changing to another use that would not normally be allowed (i.e., legal nonconforming delivery-only dispensary changing to or adding a nonconforming storefront dispensary use), and the re-establishment of nonconforming uses previously discontinued.
- These restrictions would ensure new cannabis land uses comply with adopted standards and the intention those standards were adopted.

Cannabis Processing

Issues

- Senate Bill-152 became effective September 13, 2023. This bill added a definition and license classification for cannabis “processor” including processor license requirements.
- A “processor” is a cultivation sub-license that allows ancillary functions of cultivation (e.g., dry, trim, store, and package) but does not allow processors to cultivate

cannabis.

- As allowed by State law, cannabis production uses can now apply for a “processor” sub-license to diversify business operations and services.

Existing Regulations

Local zoning regulations are silent on the topic of cannabis processing.

Community Feedback

Business stakeholders have reached out to staff for clarification of zoning requirements for cannabis processing uses following the adoption of SB-152.

Recommendation

Amend the existing definition for cannabis production to include cannabis processing.

Staff Rationale

The proposed definition provides clarification and consistency with State cannabis licensing provisions.

Cannabis Consumption Lounges

Issues

- The passage of Proposition 64 in 2016 allowed local governments to regulate cannabis consumption lounges. The first consumption lounges opened in San Francisco in 2018, and there are approximately 30 consumption lounges currently operating throughout the state.

- The sparsity of consumption lounge operations means that potential land use impacts have not been studied as thoroughly as dispensaries and other cannabis business sectors.

- On November 19, 2024, the City Council adopted an ordinance amending Title 5 of the City Code concerning business regulations for cannabis consumption lounges. To allow cannabis consumption lounges to locate in the city, additional amendments to Title 17 of the City Code are necessary.

- City Council directed staff to include the ability for call-up review for cannabis consumption lounges.

Existing Regulations

There are no zoning regulations specific to cannabis consumption lounges.

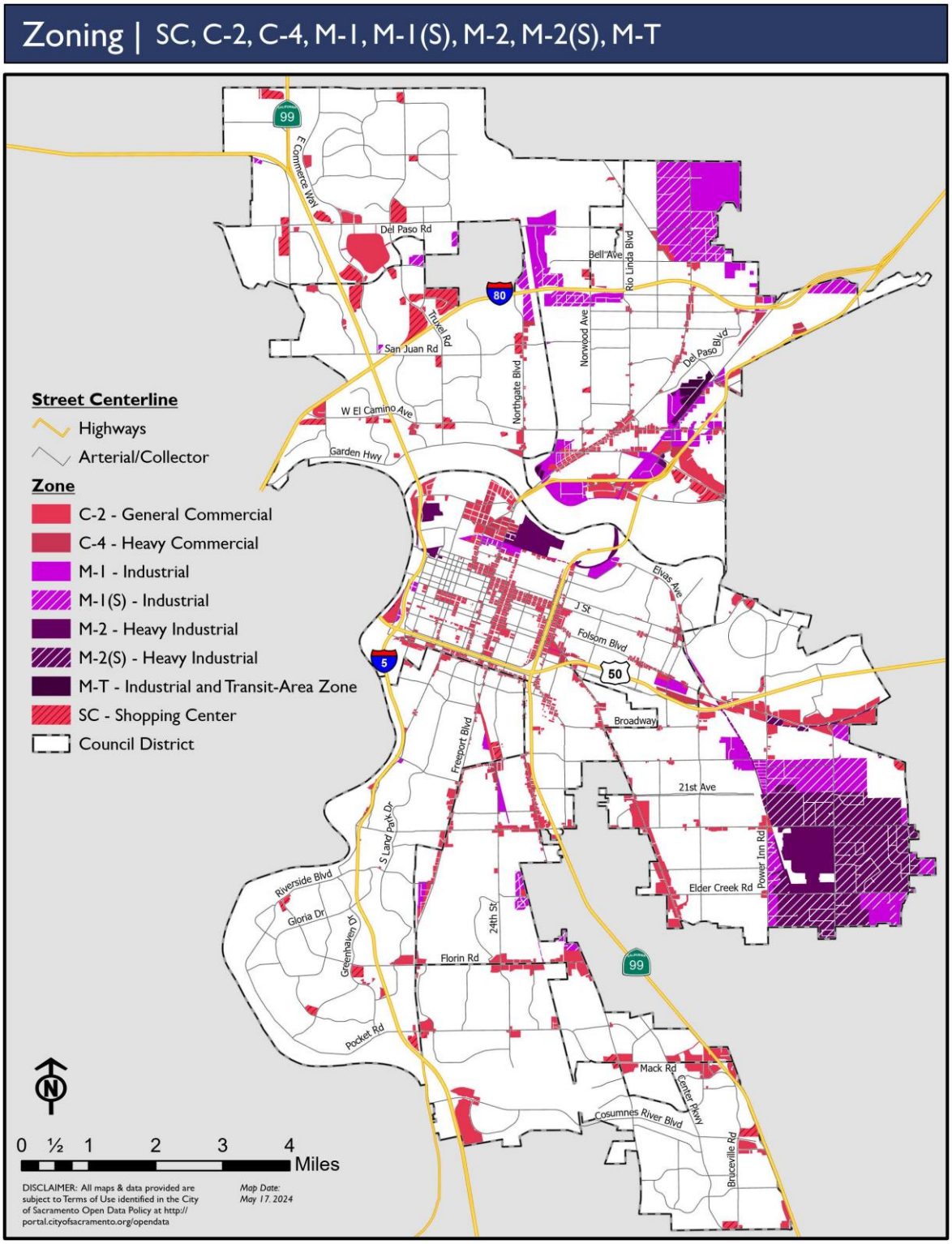
Recommendation

- Allow cannabis consumption lounges in all zoning districts where cannabis storefront dispensaries are allowed;
- Require Conditional Use Permit review and approval by the Planning and Design Commission;
- As requested by City Council, provide for City Councilmember call up of all approved Conditional Use Permits; and
- A mandatory 600-foot sensitive use buffer (i.e., same sensitive uses as applicable to dispensaries).

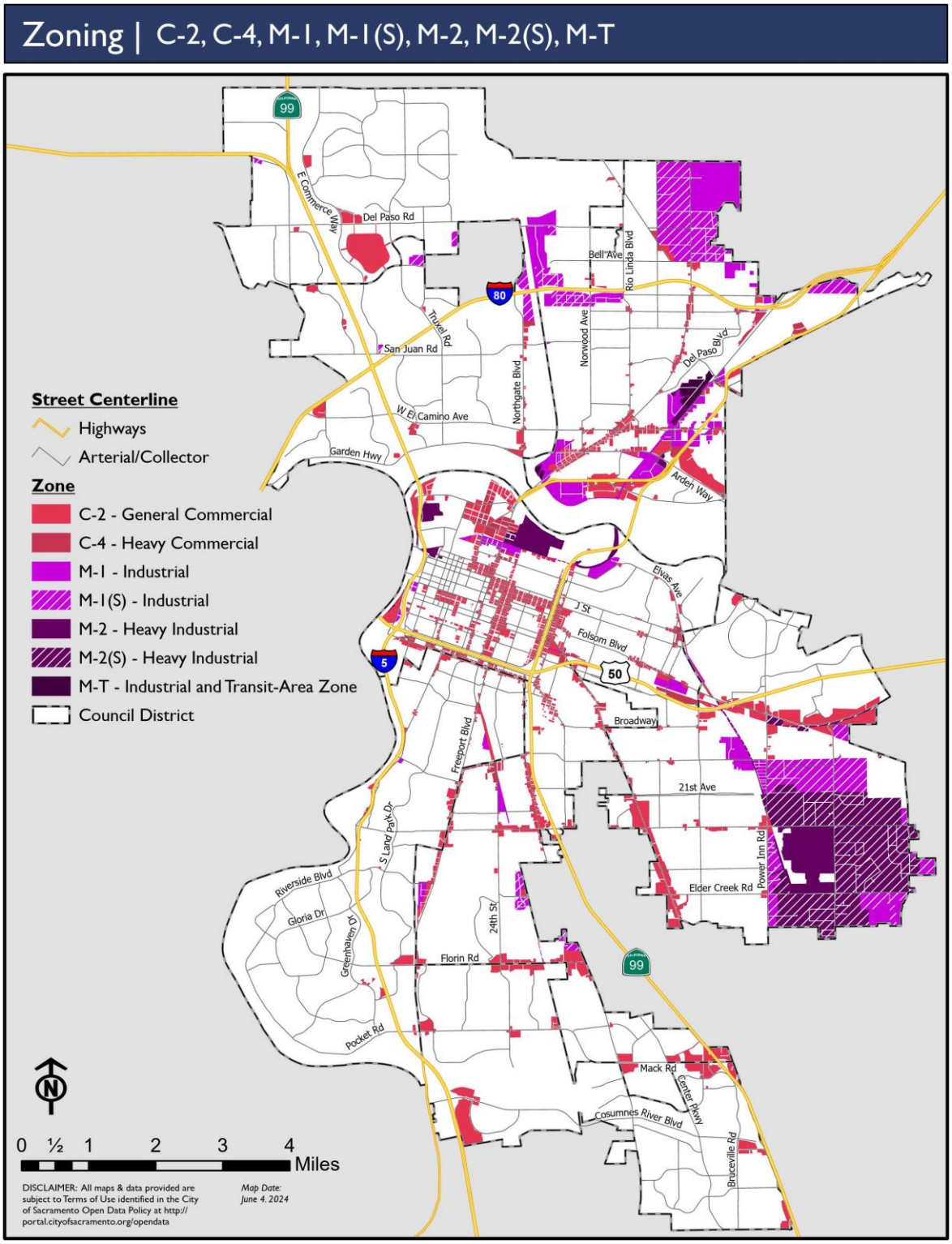
Staff Rationale

The proposed permit type (i.e., conditional use permit) for cannabis consumption lounges aligns with the legislative purpose in that consumption lounges may be capable of creating special problems since there has no minimal, if any, research into consumption lounge land use effects. The recommendation would prohibit a consumption lounge operating within a sensitive use buffer further supporting community values and providing a clear expectation of where consumption lounges may locate. Lastly, the recommendations include councilmember call up provisions for approved consumption lounge conditional use permits.

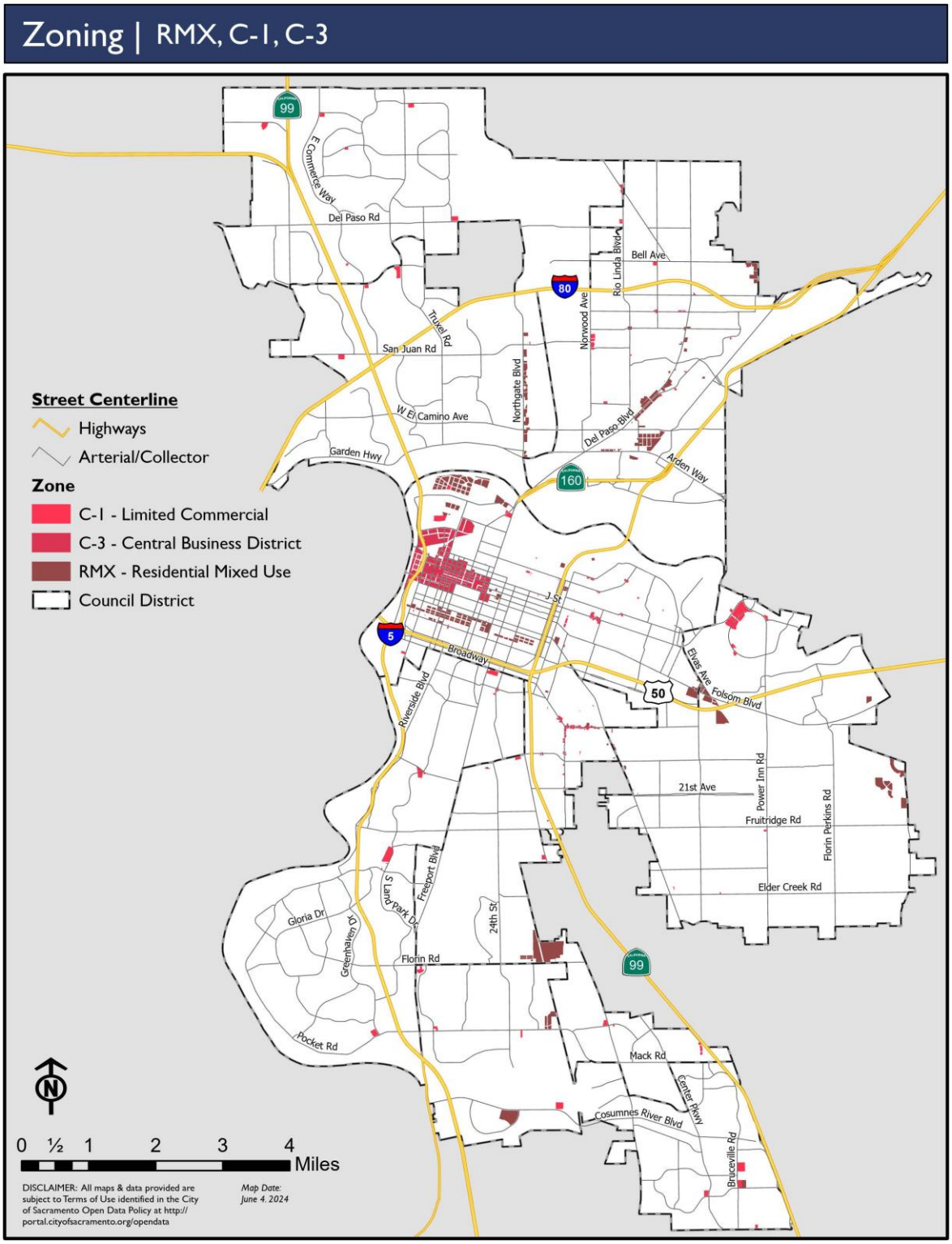
Map-1. Existing Storefront Dispensary Zoning Map



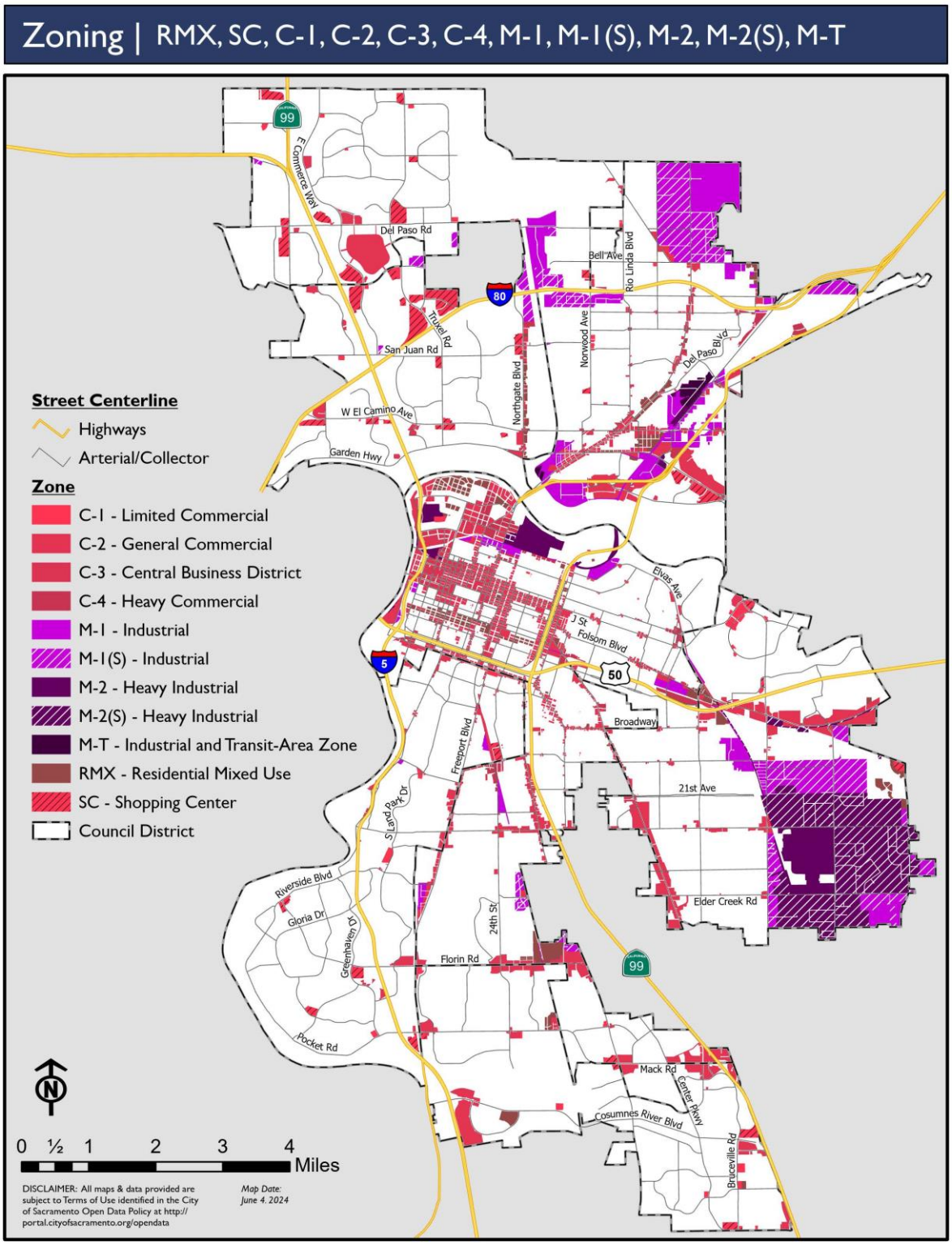
Map-2. Existing Delivery-Only Dispensary Zoning Map



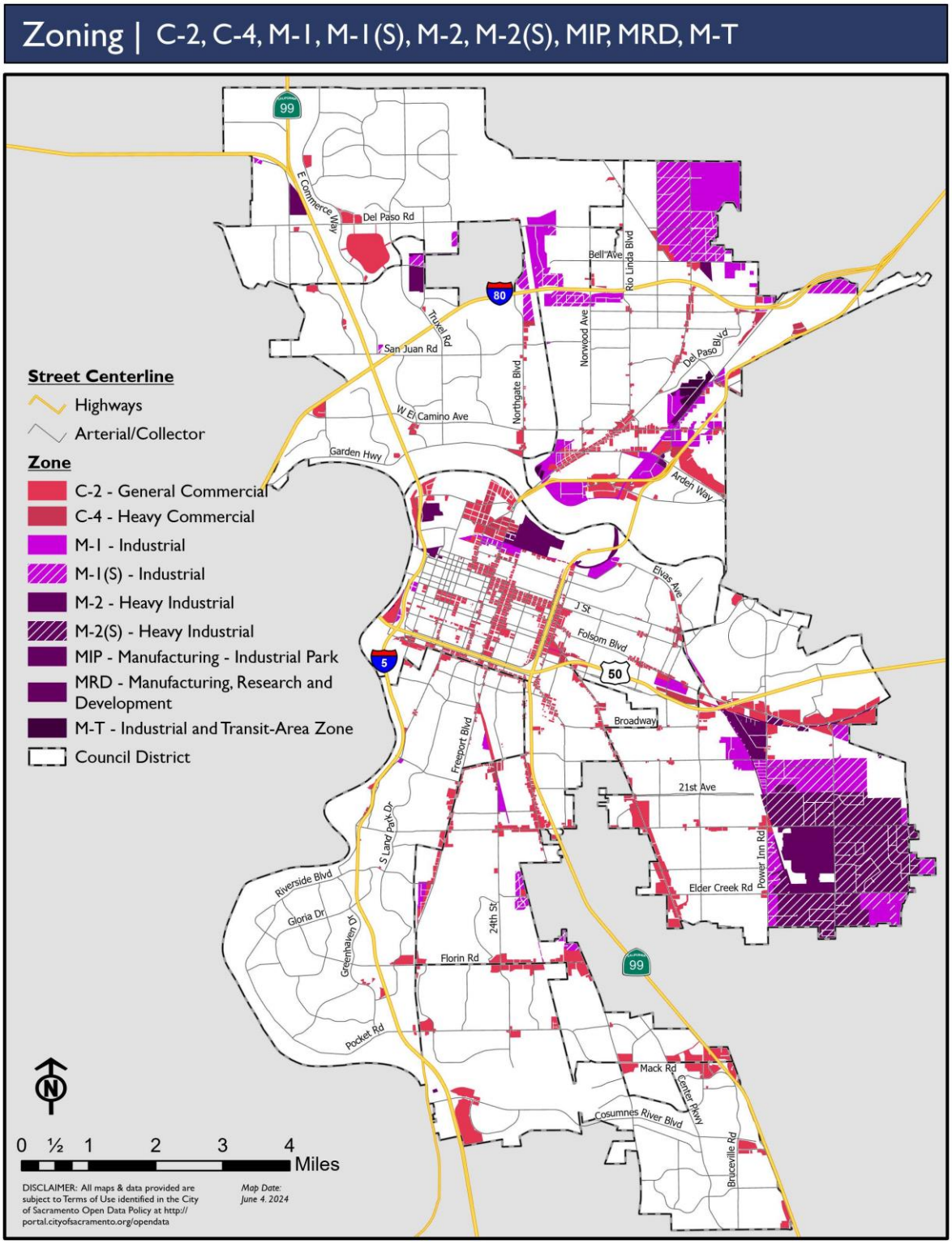
Map-3. RMX, C-1, and C-3 Zoning Map



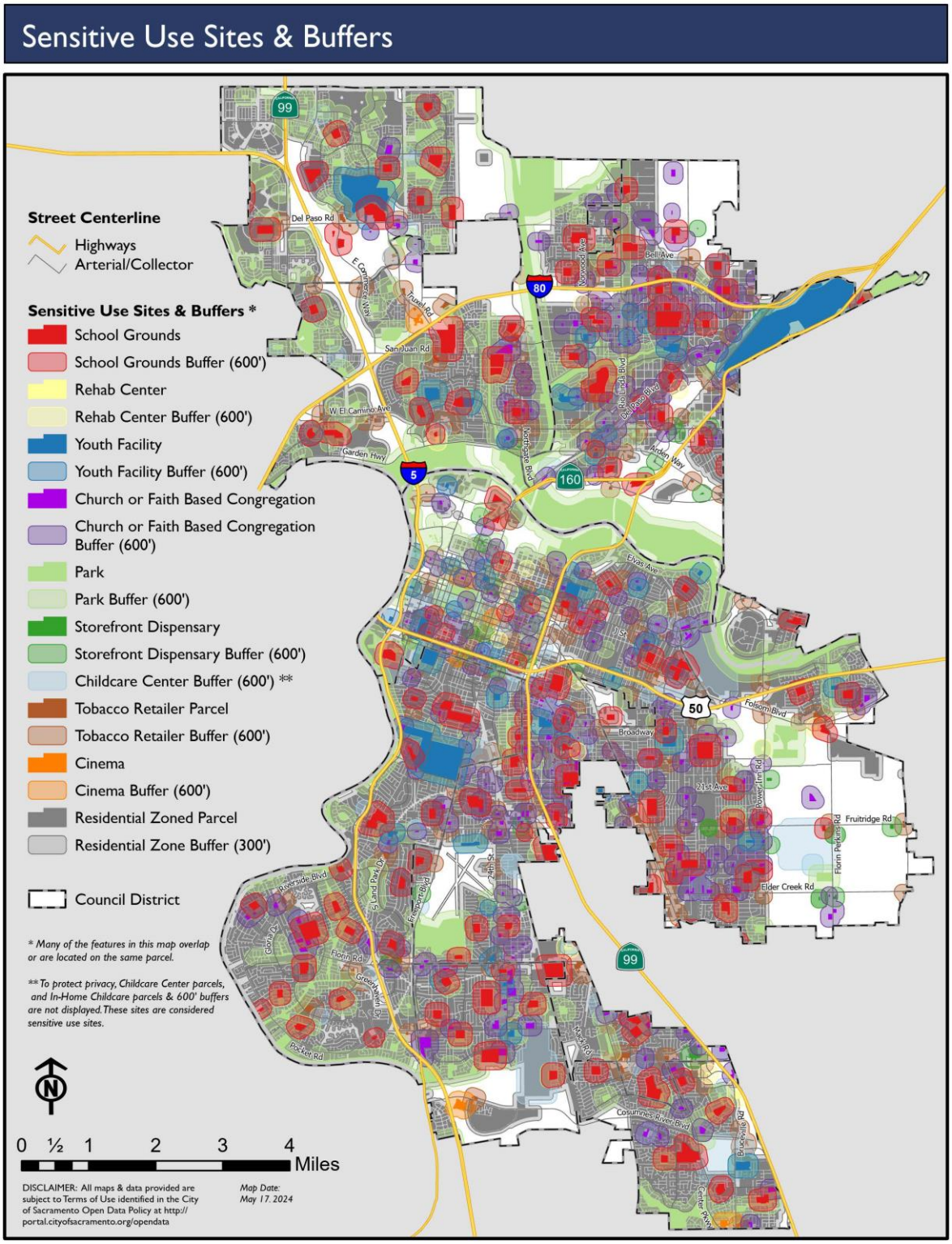
Map-4. Current and Recommended Storefront Dispensary Zoning Map



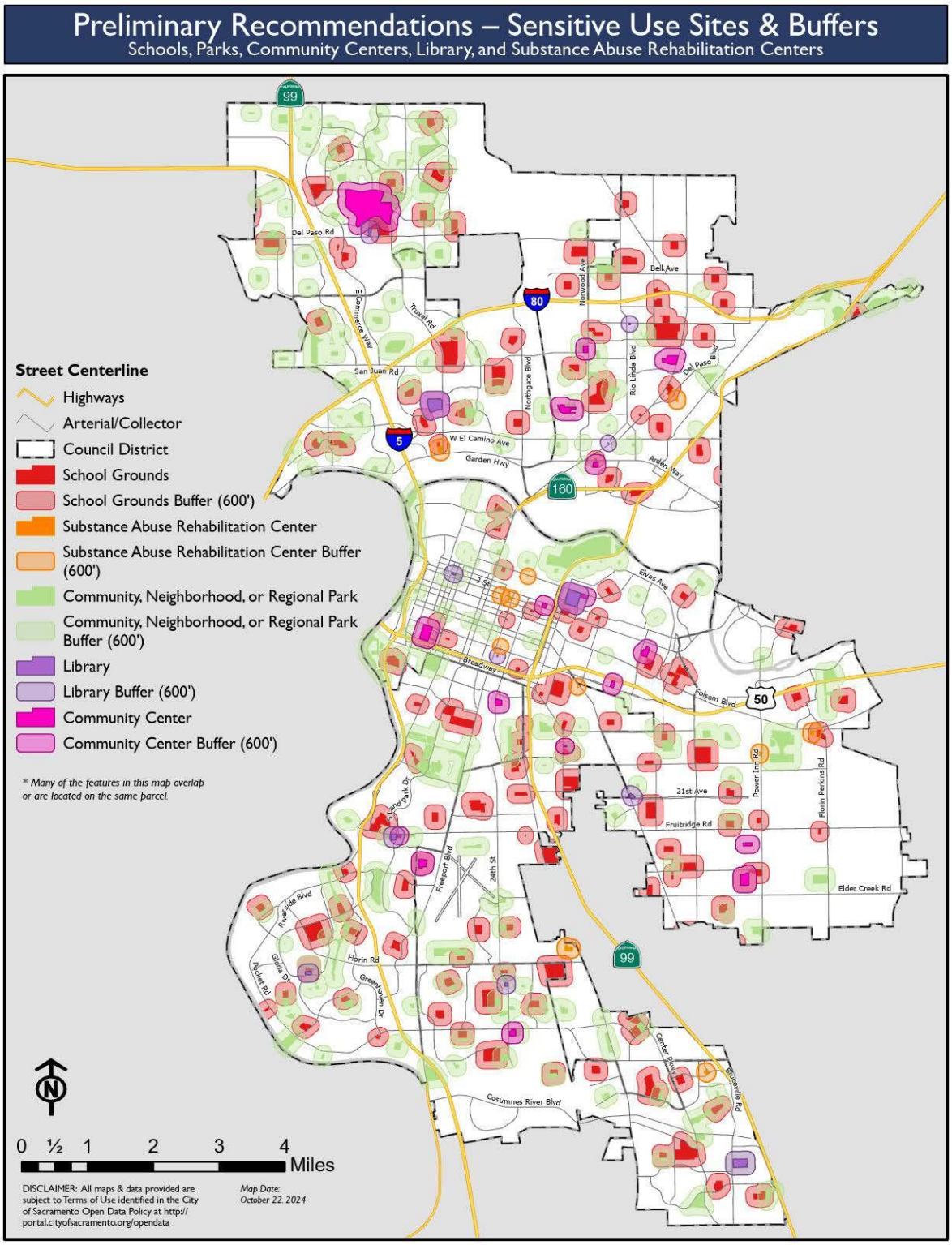
Map-5. Existing Cannabis Manufacturing Zoning Map



Map-6. Current Sensitive Uses Map

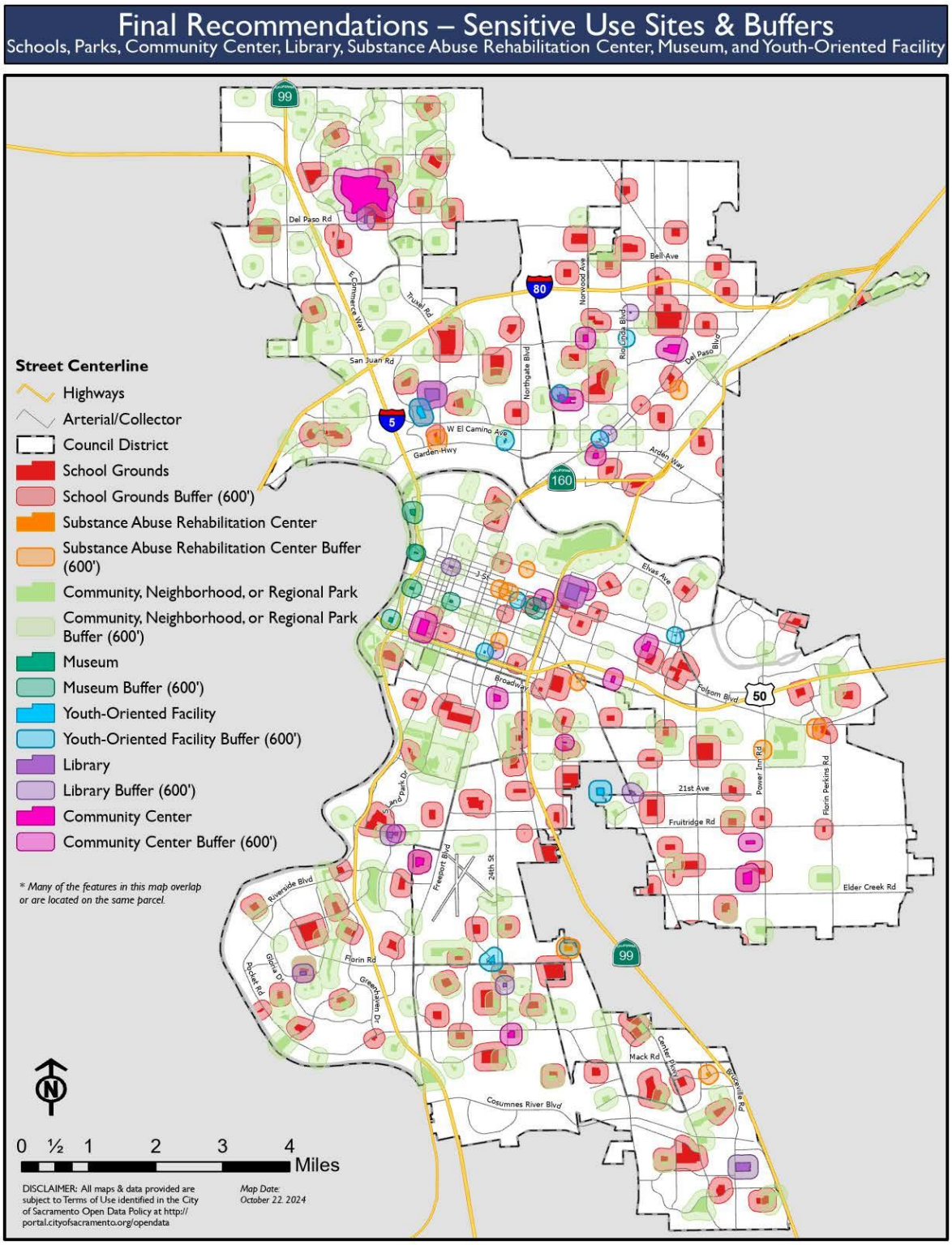


Map-7. Sensitive Uses and Buffers – Preliminary Recommendations



Map

Map-8. Sensitive Uses and Buffers – Final Recommendations Map



Attachment 3
Community Engagement Summary

After conducting extensive research and analysis and then preparing preliminary recommendations, staff facilitated a community engagement process to both inform and receive feedback.

Engagement Activities

- May 21, 2024 — Law and Legislation Committee meeting
- July 23, 2024 — Downtown Sacramento Partnership meeting
- July 25, 2024 — Cannabis stakeholder meeting
- July 30, 2024 — Midtown Association meeting
- July 30, 2024 — Power Inn Alliance meeting
- August 20, 2024 — Law and Legislation Committee meeting
- September 5, 2024 — Virtual Webinar #1
- September 12, 2024 — Planning and Design Commission meeting
- September 19, 2024 — Virtual Webinar #2

Community Feedback & Staff Response

Community feedback received by staff can be categorized into three main themes. Those themes and staff's responses are provided in the table below. Of all the topics raised, sensitive uses were the most frequent and discussed topic.

Community Feedback & Staff Response Summary Table

	Feedback Theme		
	Permitting Procedures	**Community Participation**	**Sensitive Uses**
Community Comments	• Desire to be informed & involved with the review of cannabis applications. • Ensure compliance with standards. • Preference for discretionary review for enforcement purposes.	• Planning & Design Commission expressed interest in retaining some form of redress (e.g. appeal, call-up, reconsideration) whereby the community could have concerns addressed.	Suggestions included: • All parks • Only parks with playgrounds & sports fields • Museums • Youth-oriented facilities • Childcare facilities • Jails/correctional facilities • Courthouses • Healthcare/medical offices
Staff Response	• Notice of cannabis application filing and decision required. • Admin permit verifies compliance with mandatory standards. • Concerns relating to business operations are more effectively addressed through annual business licensing.	• Admin permits are subject to reconsideration. • Limited to examination of facts to determine compliance with mandatory standards (i.e., pass or fail). • Most appropriate form of redress for processing non-impactful land uses (i.e., admin permits). • Notice of application decision required to enable reconsideration.	• Identify uses including impressionable youth, vulnerable populations, and areas for recreational, social, educational, or cultural activities. • Provides balance between community values & the known (non)impact of cannabis uses.

Further details of community feedback are provided within Attachment #2 (Background and Ordinance Summary).

Attachment 4
Planning and Design Commission Feeback & Staff Response

On September 12, 2024, the Planning and Design Commission discussed preliminary recommendations of the Title 17 Cannabis Amendments Project and provided feedback. Commission feedback and staff responses are provided below. Note: at the time of the September 2024 meeting, cannabis consumption lounges were not presented as part of the overall project. They have since been included and are, nonetheless, addressed within the context of comments received at the time.

Redress

The Planning & Design Commission expressed interest in retaining some form of redress (e.g. appeal, call-up, reconsideration) whereby the community could have concerns addressed.

Staff Response:

- For all cannabis land uses subject to the recommended Administrative Permit requirement, the proposed ordinance includes a new requirement whereby the following opportunities for community input are provided:

    - Notice of a Cannabis Administrative Permit Application. When staff receive an application, the following will occur:

        - Email notification will be sent to all registered neighborhood groups; and
        - The subject property will be posted on-site (e.g., project details, staff contact information); and
        - Mailed notice will be sent to all property owners within the sensitive use buffer radius (i.e., 600 feet).

      The goal of these notifications is to inform. Interested parties can establish a dialogue with staff on the facts under review.

    - Notice of Final Decision. When staff act on an application (e.g., approve or deny), mailed notice will again be provided to all property owners within the sensitive use buffer. This notice will include information relating to the reconsideration process. The goal of this notice is to provide for redress when an interested party thinks the facts do not support the decision.

- An “appeal” process functions differently and applies to discretionary permit decisions whereby the overall merits are considered. Consequently, appeals may lead to denial or approval for a broader range of reasons (e.g., findings of approval).

Ministerial applications have a narrower scope of review by relying on objective standards (i.e., distance from sensitive use - pass/fail). For staff, the Administrative Permit and accompanying reconsideration process achieve the following goals:

- Fairness: The 2022 Comprehensive Cannabis Study's findings related to the actual land use effects of cannabis businesses indicate they are like other non-residential land uses. For example, subjecting cannabis dispensaries to a discretionary permit requirement when other retail land uses are allowed by-right treats them differently when the study indicates they are similar. The Administrative Permit achieves greater fairness by providing for a review process at the most comparable level and which enables the verification of compliance with applicable standards (e.g., distance from sensitive uses).

- Equity: Viewing the Conditional Use Permit (and related appeals process) through an equity lens highlights two disparities: (1) between the permit applicants; and (2) the existing regulatory scheme's result of concentrating cannabis businesses in disadvantaged communities (e.g., District 2 and 6).

  The Conditional Use Permit (CUP) process is the costliest and riskiest for applicants. Graduates of the City's Cannabis Opportunity Reinvestment and Equity (CORE) program who seek CUPs are put at a disadvantage. The Administrative Permit achieves greater equity for applicants by uniformly lowering the barrier to entry (e.g., permit cost, time to obtain, certainty of approval) without compromising the community's standards (i.e., distance from sensitive uses).

  The premise of the CUP process for cannabis uses is that it supports the correct siting of them within the community. The permit history to date shows a regulatory incentive whereby cannabis uses have chosen the path of least resistance by locating in District 2 and 6, at property least incumbered by sensitive uses. When combined with proposed changes to sensitive use definitions, the Administrative Permit process enables greater equity (for dispensaries, in particular) by removing that incentive and allowing for a more equitable distribution throughout the city.

- A "call-up" process is reserved for City Council members and presently applied very narrowly to select land use issues subject to discretionary review. For staff and all cannabis land uses (excluding consumption lounges), this form of redress is also inconsistent with the 2022 Comprehensive Cannabis Study's findings related to the actual land use effects of cannabis businesses.

- For cannabis consumption lounges, the proposed ordinance includes, as requested by City Council, a call-up provision for approved Conditional Use Permits.

Youth – Sensitive Use

During the Planning and Design Commission discussion relating to sensitive uses, some comments were raised relating to youth-oriented uses. The commission expressed interest in capturing uses focused on youth development and provided examples of non-profit youth-oriented businesses. The preliminary recommendation to replace “youth-oriented facilities” with “community centers” and “libraries” would not include non-profit businesses focused on youth development.

Staff Response:

- Based on Commission feedback, the proposed ordinance maintains “youth-oriented facility” as a sensitive use but refines the definition to mean any non-profit entity that primarily caters to minors or provides services primarily for minors.

- Non-profit businesses are verifiable through the city’s business operating permit certificate database which will lead to consistent application of the standard over time.

- For-profit businesses may imply an emphasis on youth (e.g., Chuck E. Cheese, McDonalds) or simply be frequented by a wide range of ages (e.g., movie theaters). They are prevalent in the community, can include the sale of alcohol, and are difficult to clearly categorize as ‘youth-oriented.’

- Distinguishing between non-profit and for-profit organizations enables the consistent application of a standard (i.e., buffer) and clear emphasis on locations that are truly ‘youth-oriented’ through mission and purpose.

Cultivation, Odor & Security

During the Planning and Design Commission discussion, some commissioners inquired about cannabis cultivation, how odor and security concerns would be addressed through the Administrative Permit process, and the Conditional Use Permit process for cannabis cultivation.

Staff Response:

- The comprehensive cannabis study documents that cannabis businesses do not result in crime beyond those of other non-residential land uses. At the same time, staff is mindful that robust security is a necessity and that there have been businesses out of compliance with odor control requirements.

- Staff reviewed how these issues are presently addressed through existing regulation and note there two local layers: (1) Title 5 Business Operating Permits; and (2) Title 17 Conditional Use Permits. In reviewing permits issued under both titles of City Code, it is the norm for there to be duplicative and inconsistent conditions of approval. This has led to confusion for both permittees and staff.

- Title 5 Business Operating Permits are issued annually. One benefit to this review

cycle is that the accompanying conditions of approval may be updated (e.g., to include the latest security features). Additionally, from a compliance perspective, the permit may not be renewed when security and/or odor requirements are not met (see City Code Sec. 5.150.240).

- Title 17 Conditional Use Permits are issued once. Changing the CUP's terms and conditions requires either: (a) a permittee to initiate; or (b) an enforcement pathway consisting of revocation proceedings in a public hearing. This is considerably more time and less nimble than the Business Operating Permit process.

- Business Operating Permit security conditions can be modified or amended during annual business operating permit renewal process and provide the best avenue for the City to maintain appropriate business operating security requirements for an ever-changing industry.

- The Sacramento Police Department supports imposing security requirements through the Business Operating Permit process to ensure clarity of requirements and continual improvement through annual renewals.

- City Code 5.150.120 (Odor control) states, "A cannabis business permittee shall prevent all odors generated from the cultivation and storage of cannabis from escaping from the buildings on the site, such that the odor cannot be detected by a reasonable person of normal sensitivity outside the buildings." All Business Operating Permits are subject to this requirement. Creating new regulations for Conditional Use Permits does not enhance or improve the City's enforcement abilities.

ORDINANCE NO.

Adopted by the Sacramento City Council
Date Adopted

AN ORDINANCE AMENDING VARIOUS PROVISIONS OF TITLE 17 OF THE SACRAMENTO CITY CODE, RELATING TO CANNABIS LAND USES

BE IT ENACTED BY THE COUNCIL OF THE CITY OF SACRAMENTO:

SECTION 1.

The city council finds the following:

1. As amended by this ordinance, the Planning and Development Code complements, supports, and facilitates the implementation of the goals, policies, and other provisions of the general plan and the city's specific plans and transit village plans; and

2. The amendments in this ordinance promote the public health, safety, convenience, and welfare of the city.

SECTION 2.

A. Section 17.108.040 ("C" definitions) of the Sacramento City Code is hereby amended as follows:

1. A definition of "cannabis consumption lounge" is hereby added to read as follows:

"Cannabis consumption lounge" means the area within a storefront cannabis dispensary where cannabis or cannabis products are allowed to be consumed in accordance with this code.

2. A definition of "cannabis dispensary, storefront" is hereby added to read as follows:

"Cannabis dispensary, storefront" has the same meaning as in section 5.150.020.

3. A definition of "cannabis manufacturing, nonvolatile" is hereby added to read as follows:

"Cannabis manufacturing, nonvolatile" means cannabis manufacturing done without the use of volatile solvents.

4. A definition of "cannabis processing" is hereby added to read as follows:

"Cannabis processing" means all activities associated with the drying, curing, sifting, grading, trimming, rolling, storing, packaging, and labeling of cannabis or nonmanufactured cannabis products as defined section 15000 of title 4 of the California Code of Regulations.

5. A definition of "cannabis production" is hereby added to read as follows:

"Cannabis production" means cannabis cultivation, cannabis distribution, cannabis manufacturing, and cannabis processing, and any combination thereof.

6. The definition of "cannabis testing" is hereby amended to read as follows:

"Cannabis testing" means performing scientific analysis of cannabis or cannabis products to determine its chemical profile, the presence of contaminants, or other similar data, and research and development related to the innovation and improvement of cannabis products and the processing of cannabis.

7. The definition of "cannabis use" is hereby amended to read as follows:

"Cannabis use" means cannabis production, cannabis testing, cannabis dispensary, and cannabis consumption lounge.

B. Except as amended by subsection A above, all provisions of section 17.108.040 remain unchanged and in full effect.

SECTION 3.

A. Section 17.200.110 (A zone) of the Sacramento City Code is hereby amended as follows:

1. A row for "cannabis cultivation" is hereby added to the table in subsection A.3 (permitted uses; industrial and agricultural uses) to read as follows:

Cannabis cultivation	Subject to special use regulations in article IX of chapter 17.228

2. The "cannabis cultivation" row in subsection B.2 (conditional uses; industrial and agricultural uses) is hereby deleted.

B. Except as amended by subsection A above, all provisions of Section 17.200.110 remain unchanged and in full effect.

SECTION 4.

A. Section 17.212.110 (RMX zone) of the Sacramento City Code is hereby amended as follows:

1. A row for "cannabis dispensary" is hereby added to the table in subsection A.2 (permitted uses; commercial and institutional uses) to read as follows:

Cannabis dispensary	Limited to storefront cannabis dispensary (delivery-only cannabis dispensary not allowed) Subject to special use regulations in article IX of chapter 17.228

2. A row for "cannabis consumption lounge" is hereby added to the table in subsection B.2 (conditional uses; commercial and institutional uses) to read as follows:

Cannabis consumption lounge	Subject to special use regulations in article IX of chapter 17.228	PDC

B. Except as amended by subsection A above, all provisions of section 17.212.110 remain unchanged and in full effect.

SECTION 5.

A. Section 17.216.510 (SC-zone) of the Sacramento City Code is hereby amended as follows:

1. A row for "cannabis dispensary" is hereby added to the table in subsection A.2 (permitted uses; commercial and institutional uses) to read as follows:

Cannabis dispensary	Limited to storefront cannabis dispensary (delivery-only cannabis dispensary not allowed) Subject to special use regulations in article IX of chapter 17.228

2. The "cannabis dispensary" row in subsection B.2 (conditional uses; commercial and institutional uses) is hereby deleted.

3. A row for “cannabis consumption lounge” is hereby added to the table in subsection B.2 (conditional uses; commercial and institutional uses) to read as follows:

Cannabis consumption lounge	Subject to special use regulations in article IX of chapter 17.228	PDC

B. Except as amended by subsection A above, all provisions of section 17.216.510 remain unchanged and in full effect.

SECTION 6.

A. Section 17.216.610 (C-1 zone) of the Sacramento City Code is hereby amended as follows:

1. A row for “cannabis dispensary” is hereby added to the table in subsection A.2 (permitted uses; commercial and institutional uses) to read as follows:

Cannabis dispensary	Limited to storefront cannabis dispensary (delivery-only cannabis dispensary not allowed) Subject to special use regulations in article IX of chapter 17.228

2. A row for “cannabis consumption lounge” is hereby added to the table in subsection B.2 (conditional uses; commercial and institutional uses) to read as follows:

Cannabis consumption lounge	Subject to special use regulations in article IX of chapter 17.228	PDC

B. Except as amended by subsection A above, all provisions of section 17.216.610 remain unchanged and in full effect.

SECTION 7.

A. Section 17.216.710 (C-2 zone) of the Sacramento City Code is hereby amended as follows:

1. A row for “cannabis dispensary” is hereby added to the table in subsection A.2 (permitted uses; commercial and institutional uses) to read as follows:

Cannabis dispensary	Subject to special use regulations in article IX of chapter 17.228

2. Rows for “cannabis cultivation” and “cannabis distribution” are hereby added to the table in subsection A.3 (permitted uses; industrial and agricultural uses) to read as follows:

Cannabis cultivation	Permitted if use is located greater than ½ mile from the center of an existing or proposed light rail station platform and subject to special use regulations in article IX of chapter 17.228
Cannabis distribution	Subject to special use regulations in article IX of chapter 17.228

3. The “cannabis manufacturing” and “cannabis testing” rows in subsection A.3 (permitted uses; industrial and agricultural uses) are hereby amended to read as follows:

Cannabis manufacturing	Permitted if use is located greater than ½ mile from the center of an existing or proposed light rail station platform and subject to special use regulations in article IX of chapter 17.228
Cannabis testing	Subject to special use regulations in article IX of chapter 17.228

4. The “cannabis dispensary” row in subsection B.2 (conditional uses; commercial and institutional uses) is hereby deleted.

5. A row for “cannabis consumption lounge” is hereby added to the table in subsection B.2 (conditional uses; commercial and institutional uses) to read as follows:

Cannabis consumption lounge	Subject to special use regulations in article IX of chapter 17.228	PDC

6. The “cannabis cultivation,” “cannabis distribution,” and “cannabis manufacturing” rows in subsection B.3 (conditional uses; industrial and agricultural uses) are hereby deleted.

B. Except as amended by subsection A above, all provisions of section 17.216.710 remain unchanged and in full effect.

SECTION 8.

A. Section 17.216.810 (C-3 zone) of the Sacramento City Code is hereby amended as follows:

1. A row for "cannabis dispensary" is hereby added to the table in subsection A.2 (permitted uses; commercial and institutional uses) to read as follows:

Cannabis dispensary	Limited to storefront cannabis dispensary (delivery-only cannabis dispensary not allowed) Subject to special use regulations in article IX of chapter 17.228

2. A row for "cannabis consumption lounge" is hereby added to the table in subsection B.2 (conditional uses; commercial and institutional uses) to read as follows:

Cannabis consumption lounge	Subject to special use regulations in article IX of chapter 17.228	PDC

B. Except as amended by subsection A above, all provisions of section 17.216.810 remain unchanged and in full effect.

SECTION 9.

A. Section 17.216.910 (C-4 zone) of the Sacramento City Code is hereby amended as follows:

1. A row for "cannabis dispensary" is hereby added to the table in subsection A.2 (permitted uses; commercial and institutional uses) to read as follows:

Cannabis dispensary	Subject to special use regulations in article IX of chapter 17.228

2. Rows for "cannabis cultivation" and "cannabis distribution" are hereby added to the table in subsection A.3 (permitted uses; industrial and agricultural uses) to read as follows:

Cannabis cultivation	Permitted if use is located greater than ½ mile from the center of an existing or proposed light rail station platform and subject to special use regulations in article IX of chapter 17.228
Cannabis distribution	Subject to special use regulations in article IX of chapter 17.228

3. The “cannabis manufacturing” and “cannabis testing” rows in subsection A.3 (permitted uses; industrial and agricultural uses) are hereby amended to read as follows:

Cannabis manufacturing	Permitted if use is located greater than ½ mile from the center of an existing or proposed light rail station platform and subject to special use regulations in article IX of chapter 17.228
Cannabis testing	Subject to special use regulations in article IX of chapter 17.228

4. The “cannabis dispensary” row in subsection B.2 (conditional uses; commercial and institutional uses) is hereby deleted.

5. A row for “cannabis consumption lounge” is hereby added to the table in subsection B.2 (conditional uses; commercial and institutional uses) to read as follows:

Cannabis consumption lounge	Subject to special use regulations in article IX of chapter 17.228	PDC

6. The “cannabis cultivation,” “cannabis distribution,” and “cannabis manufacturing” rows in subsection B.3 (conditional uses; industrial and agricultural uses) are hereby deleted.

B. Except as amended by subsection A above, all provisions of section 17.216.910 remain unchanged and in full effect.

SECTION 10.

A. Section 17.220.110 (M-1 zone) of the Sacramento City Code is hereby amended as follows:

1. A row for “cannabis dispensary” is hereby added to the table in subsection A.2 (permitted uses; commercial and institutional uses) to read as follows:

Cannabis dispensary	Subject to special use regulations in article IX of chapter 17.228

2. Rows for “cannabis cultivation” and “cannabis distribution” are hereby added to the table in subsection A.3 (permitted uses; industrial and agricultural uses) to read as follows:

Cannabis cultivation	Permitted if use is located greater than ½ mile from the center of an existing or proposed light rail station platform and subject to special use regulations in article IX of chapter 17.228
Cannabis distribution	Subject to special use regulations in article IX of chapter 17.228

3. The “cannabis manufacturing” and “cannabis testing” rows in subsection A.3 (permitted uses; industrial and agricultural uses) are hereby amended to read as follows:

Cannabis manufacturing	Permitted if use is located greater than ½ mile from the center of an existing or proposed light rail station platform and subject to special use regulations in article IX of chapter 17.228
Cannabis testing	Subject to special use regulations in article IX of chapter 17.228

4. The “cannabis dispensary” row in subsection B.2 (conditional uses; commercial and institutional uses) is hereby deleted.

5. A row for “cannabis consumption lounge” is hereby added to the table in subsection B.2 (conditional uses; commercial and institutional uses) to read as follows:

Cannabis consumption lounge	Subject to special use regulations in article IX of chapter 17.228	PDC

6. The “cannabis cultivation,” “cannabis distribution,” and “cannabis manufacturing” rows in subsection B.3 (conditional uses; industrial and agricultural uses) are hereby deleted.

B. Except as amended by subsection A above, all provisions of section 17.220.110 remain unchanged and in full effect.

SECTION 11.

A. Section 17.220.210 (M-1(S) zone) of the Sacramento City Code is hereby amended as follows:

1. A row for "cannabis dispensary" is hereby added to the table in subsection A.2 (permitted uses; commercial and institutional uses) to read as follows:

Cannabis dispensary	Subject to special use regulations in article IX of chapter 17.228

2. Rows for "cannabis cultivation" and "cannabis distribution" are hereby added to the table in subsection A.3 (permitted uses; industrial and agricultural uses) to read as follows:

Cannabis cultivation	Permitted if use is located greater than ½ mile from the center of an existing or proposed light rail station platform and subject to special use regulations in article IX of chapter 17.228
Cannabis distribution	Subject to special use regulations in article IX of chapter 17.228

3. The "cannabis manufacturing" and "cannabis testing" rows in subsection A.3 (permitted uses; industrial and agricultural uses) are hereby amended to read as follows:

Cannabis manufacturing	Permitted if use is located greater than ½ mile from the center of an existing or proposed light rail station platform and subject to special use regulations in article IX of chapter 17.228
Cannabis testing	Subject to special use regulations in article IX of chapter 17.228

4. The "cannabis dispensary" row in subsection B.2 (conditional uses; commercial and institutional uses) is hereby deleted.

5. A row for "cannabis consumption lounge" is hereby added to the table in subsection B.2 (conditional uses; commercial and institutional uses) to read as follows:

Cannabis consumption lounge	Subject to special use regulations in article IX of chapter 17.228	PDC

6. The “cannabis cultivation,” “cannabis distribution,” and “cannabis manufacturing” rows in subsection B.3 (conditional uses; industrial and agricultural uses) are hereby deleted.

B. Except as amended by subsection A above, all provisions of section 17.220.210 remain unchanged and in full effect.

SECTION 12.

A. Section 17.220.310 (M-2 zone) of the Sacramento City Code is hereby amended as follows:

1. A row for “cannabis dispensary” is hereby added to the table in subsection A.2 (permitted uses; commercial and institutional uses) to read as follows:

Cannabis dispensary	Subject to special use regulations in article IX of chapter 17.228

2. Rows for “cannabis cultivation” and “cannabis distribution” are hereby added to the table in subsection A.3 (permitted uses; industrial and agricultural uses) to read as follows:

Cannabis cultivation	Permitted if use is located greater than ½ mile from the center of an existing or proposed light rail station platform and subject to special use regulations in article IX of chapter 17.228
Cannabis distribution	Subject to special use regulations in article IX of chapter 17.228

3. The “cannabis manufacturing” and “cannabis testing” rows in subsection A.3 (permitted uses; industrial and agricultural uses) are hereby amended to read as follows:

Cannabis manufacturing	Permitted if use is located greater than ½ mile from the center of an existing or proposed light rail station platform and subject to special use regulations in article IX of chapter 17.228
Cannabis testing	Subject to special use regulations in article IX of chapter 17.228

4. The “cannabis dispensary” row in subsection B.2 (conditional uses; commercial and institutional uses) is hereby deleted.

5. A row for “cannabis consumption lounge” is hereby added to the table in subsection B.2 (conditional uses; commercial and institutional uses) to read as follows:

Cannabis consumption lounge	Subject to special use regulations in article IX of chapter 17.228	PDC

6. The “cannabis cultivation,” “cannabis distribution,” and “cannabis manufacturing” rows in subsection B.3 (conditional uses; industrial and agricultural uses) are hereby deleted.

B. Except as amended by subsection A above, all provisions of section 17.220.310 remain unchanged and in full effect.

SECTION 13.

A. Section 17.220.410 (M-2(S) zone) of the Sacramento City Code is hereby amended as follows:

1. A row for “cannabis dispensary” is hereby added to the table in subsection A.2 (permitted uses; commercial and institutional uses) to read as follows:

Cannabis dispensary	Subject to special use regulations in article IX of chapter 17.228

2. Rows for “cannabis cultivation” and “cannabis distribution” are hereby added to the table in subsection A.3 (permitted uses; industrial and agricultural uses) to read as follows:

Cannabis cultivation	Permitted if use is located greater than ½ mile from the center of an existing or proposed light rail station platform and subject to special use regulations in article IX of chapter 17.228
Cannabis distribution	Subject to special use regulations in article IX of chapter 17.228

3. The “cannabis manufacturing” and “cannabis testing” rows in subsection A.3 (permitted uses; industrial and agricultural uses) are hereby amended to read as follows:

Cannabis manufacturing	Permitted if use is located greater than ½ mile from the center of an existing or proposed light rail station platform and subject to special use regulations in article IX of chapter 17.228
Cannabis testing	Subject to special use regulations in article IX of chapter 17.228

4. The “cannabis dispensary” row in subsection B.2 (conditional uses; commercial and institutional uses) is hereby deleted.

5. A row for “cannabis consumption lounge” is hereby added to the table in subsection B.2 (conditional uses; commercial and institutional uses) to read as follows:

Cannabis consumption lounge	Subject to special use regulations in article IX of chapter 17.228	PDC

6. The “cannabis cultivation,” “cannabis distribution,” and “cannabis manufacturing” rows in subsection B.3 (conditional uses; industrial and agricultural uses) are hereby deleted.

B. Except as amended by subsection A above, all provisions of section 17.220.410 remain unchanged and in full effect.

SECTION 14.

A. Section 17.220.510 (MIP zone) of the Sacramento City Code is hereby amended as follows:

1. A row for “cannabis distribution” is hereby added to the table in subsection A.2 (permitted uses; industrial and agricultural uses) to read as follows:

Cannabis distribution	Subject to special use regulations in article IX of chapter 17.228

2. The “cannabis manufacturing” and “cannabis testing” rows in subsection A.2 (permitted uses; industrial and agricultural uses) are hereby amended to read as follows:

Cannabis manufacturing	Permitted if use is located greater than ½ mile from the center of an existing or proposed light rail station platform and subject to special use regulations in article IX of chapter 17.228
Cannabis testing	Subject to special use regulations in article IX of chapter 17.228

3. The “cannabis distribution” and “cannabis manufacturing” rows in subsection B.1 (conditional uses; industrial and agricultural uses) are hereby deleted.

B. Except as amended by subsection A above, all provisions of section 17.220.510 remain unchanged and in full effect.

SECTION 15.

A. Section 17.220.610 (MRD zone) of the Sacramento City Code is hereby amended as follows:

1. The “cannabis testing” row in subsection A.2 (permitted uses, commercial and institutional uses) is hereby amended to read as follows:

Cannabis testing	Subject to special use regulations in article IX of chapter 17.228

2. A row for “cannabis distribution” are hereby added to the table in subsection A.3 (permitted uses; industrial and agricultural uses) to read as follows:

Cannabis distribution	Subject to special use regulations in article IX of chapter 17.228

3. The “cannabis manufacturing” row in subsection A.3 (permitted uses; industrial and agricultural uses) is hereby amended to read as follows:

Cannabis manufacturing	Permitted if use is located greater than ½ mile from the center of an existing or proposed light rail station platform

	and subject to special use regulations in article IX of chapter 17.228

3. The “cannabis distribution” and “cannabis manufacturing” rows in subsection B.3 (conditional uses; industrial and agricultural uses) are hereby deleted.

B. Except as amended by subsection A above, all provisions of section 17.220.610 remain unchanged and in full effect.

SECTION 16.

A. Section 17.220.710 (MT zone) of the Sacramento City Code is hereby amended as follows:

1. The “cannabis testing” row in subsection A.2 (permitted uses; commercial and institutional uses) is amended to read as follows:

Cannabis testing	Subject to special use regulations in article IX of chapter 17.228

2. A row for “cannabis dispensary” is hereby added to the table in subsection A.2 (permitted uses; commercial and institutional uses) to read as follows:

Cannabis dispensary	Subject to special use regulations in article IX of chapter 17.228

3. Rows for “cannabis cultivation,” “cannabis distribution,” and “cannabis manufacturing” are hereby added to the table in subsection A.3 (permitted uses; industrial and agricultural uses) to read as follows:

Cannabis cultivation	Subject to special use regulations in article IX of chapter 17.228
Cannabis distribution	Subject to special use regulations in article IX of chapter 17.228
Cannabis manufacturing	Limited to nonvolatile manufacturing and subject to special use regulations in article IX of chapter 17.228

4. The “cannabis dispensary” row in subsection B.2 (conditional uses; commercial and institutional uses) is hereby deleted.

5. A row for “cannabis consumption lounge” is hereby added to the table in subsection B.2 (conditional uses; commercial and institutional uses) to read as follows:

Cannabis consumption lounge	Subject to special use regulations in article IX of chapter 17.228	PDC

6. The “cannabis cultivation,” “cannabis distribution,” and “cannabis manufacturing, nonvolatile” rows in subsection B.3 (conditional uses; industrial and agricultural uses) are hereby deleted.

B. Except as amended by subsection A above, all provisions of section 17.220.710 remain unchanged and in full effect.

SECTION 17.

Article IX of chapter 17.228 of the Sacramento City Code is hereby deleted.

SECTION 18.

Article IX of chapter 17.228 of the Sacramento City Code is hereby added to read as follows:

Article IX. Cannabis

17.228.900 Purpose and intent.

The purpose of this article is to authorize cannabis uses that comply with the standards set forth herein. The regulations in this article work in harmony with the regulations set forth in chapter 5.150.

17.228.910 Definitions.

For purposes of this article, the following definitions apply:

A. “Community center” means a community center, senior center, or clubhouse designated as such in the city’s most recently adopted parks plan.

B. “Park” means a public park designated in the city’s most recently adopted parks plan as a multi-use regional park, multi-use community park, special use community park, multi-use neighborhood park, or neighborhood play lot.

C. “School” means a public or private school providing instruction in kindergarten or any grade from 1 to 12, inclusive, but does not include any private school in which education is primarily conducted in private homes.

D. “Sensitive use” means a community center, library, museum, park, school, substance abuse rehabilitation center, or youth-oriented facility.

E. “Substance abuse rehabilitation center” means a facility licensed by the State Department of Health Care Services pursuant to California Health and Safety Code sections 11834.01 through 11834.50.

F. “Youth-oriented facility” means a facility that is operated by a nonprofit entity that primarily caters to minors or primarily provides services intended for minors.

17.228.920 General requirements.

A. Administrative permit.

1. An administrative permit is required to—

a. Establish a cannabis production, cannabis testing, or cannabis dispensary use; and

b. Modify an existing cannabis production, cannabis testing, or cannabis dispensary use previously authorized by an administrative permit.

2. Notice.

a. The city, at least ten days before issuing a decision on an administrative permit under this article, shall—

i. Post notice of the application at the subject real property; and

ii. Provide notice as set forth in subsection A.2.c.

b. The city shall provide notice of all final decisions on administrative permits authorized by this section as set forth in subsection A.2.c.

c. Providing notice.

i. The notice required by subsections A.2.a and A.2.b must be given by mail or personal delivery to all owners of real property located within 600 feet of the real property that is the subject of the application, utilizing the owners' names and addresses shown on the latest county equalized assessment roll. In lieu of the equalized assessment roll, other records of the county assessor or tax collector that contain more recent information may be used.

ii. If the number of owners to whom notice would be mailed or delivered under subsection A.2.c.i would be greater than 1,000, then in lieu of mailed or personally-delivered notice, notice may be given by publishing the notice in an advertisement of at least one-eighth page in the official newspaper of the city or another newspaper of general circulation within the city.

B. Conditional use permit. In accordance with section 17.228.960, a conditional use permit is required to establish a cannabis consumption lounge.

C. Distance buffers.

1. Measuring distance. Under this article, the distance from a cannabis use to another use is the shortest distance measured in a straight line between the two closest property lines.

2. Distance from schools. No cannabis use may be established within 600 feet of a school.

3. Maps.

a. All applications under this article must include a scaled map that identifies all sensitive uses within the distances specified in this article by name, address, and assessor parcel number.

b. Each applicant must attest in writing, under penalty of perjury, that the map and accompanying information is true and correct to the best of their knowledge and belief.

D. Existing conditional use permits.

1. Medical marijuana dispensaries. A medical marijuana dispensary use that has a valid conditional use permit on the effective date of the ordinance that

codified this section is deemed to have an approved conditional use permit for a cannabis dispensary allowing for a storefront cannabis dispensary for the sale of medical and adult-use cannabis.

2. Nonconforming uses. Conditional use permits for cannabis uses issued before the effective date of the ordinance that codified this section may not be modified under sections 17.232.050.B, 17.232.090, or 17.232.110.

E. Any permit issued in accordance with this article must specifically identify each authorized cannabis use – cannabis production (cultivation, distribution, processing, or manufacturing), cannabis testing, cannabis dispensary (store-front cannabis dispensary, delivery-only cannabis dispensary, or both), or cannabis consumption lounge.

17.228.930 Cannabis production.

A. Power Inn area. No administrative permit will be granted for cannabis cultivation in the area bounded by Power Inn Road to the west, Folsom Boulevard to the north, and the city limits to the east and south, if the total of all cannabis cultivation uses in that area will exceed 2.5 million square feet.

B. C-2 zone. In the C-2 zone, cannabis production must comply with the following provisions:

1. Cannabis distribution and nonvolatile cannabis manufacturing cannot exceed a total of 6,400 square feet per site.

2. Cannabis distribution cannot be the only cannabis production use on a site.

C. Signs. A cannabis production site cannot have more than one sign. The sign may be attached or detached. The sign cannot be illuminated and cannot exceed six square feet in area.

17.228.940 Cannabis testing – signs.

A cannabis testing site cannot have more than one sign. The sign may be attached or detached. The sign cannot be illuminated and cannot exceed six square feet in area.

17.228.950 Cannabis dispensary – distance buffers.

A cannabis dispensary may not be established within 600 feet of a sensitive use.

17.228.960 Cannabis consumption lounges.

A. A conditional use permit, approved by the planning and design commission, is required to establish a cannabis consumption lounge.

B. A cannabis consumption lounge may not be established within 600 feet of a sensitive use.

C. Notice to city council. As soon as reasonably practicable after the planning and design commission makes a decision on a conditional use permit required to establish a cannabis consumption lounge, the planning director shall report that decision to the mayor and the councilmember in whose district the project is located, by sending the report by electronic mail and confirming that each received it.

D. Procedures for call-up review. The mayor or the councilmember in whose district the project is located may call up for city council review any decision described in subsection C by filing a written request with the planning director within 10 business days of the planning and design commission's decision. If both a council member call-up and commission-level decision appeal are pending on the same project, the city council will consider both at the same time. Notice of the city council hearing shall be given in the manner provided in section 17.812.010.A.2.a. The hearing before the city council shall be de novo.

E. Withdrawal of request for review. The requester under subsection D may withdraw that request. The withdrawal shall be noted on the next regularly scheduled meeting of the city council and shall be considered to have occurred on that date. Any other member of the city council shall have 10 days thereafter to file a request for call-up review. If the tenth day is a non-business day, the last day to file the request is the next business day. Noticing and hearing of the matter shall be in accordance with subsection D.

ORDINANCE NO.

Adopted by the Sacramento City Council
Date Adopted

AN ORDINANCE AMENDING VARIOUS PROVISIONS OF TITLE 17 OF THE SACRAMENTO CITY CODE, RELATING TO CANNABIS LAND USES

BE IT ENACTED BY THE COUNCIL OF THE CITY OF SACRAMENTO:

SECTION 1.

The city council finds the following:

1. As amended by this ordinance, the Planning and Development Code complements, supports, and facilitates the implementation of the goals, policies, and other provisions of the general plan and the city's specific plans and transit village plans; and

2. The amendments in this ordinance promote the public health, safety, convenience, and welfare of the city.

SECTION 2.

A. Section 17.108.040 ("C" definitions) of the Sacramento City Code is hereby amended as follows:

1. A definition of "cannabis consumption lounge" is hereby added to read as follows:

"Cannabis consumption lounge" means the area within a storefront cannabis dispensary where cannabis or cannabis products are allowed to be consumed in accordance with this code.

2. A definition of "cannabis dispensary, storefront" is hereby added to read as follows:

"Cannabis dispensary, storefront" has the same meaning as in section 5.150.020.

3. A definition of "cannabis manufacturing, nonvolatile" is hereby added to read as follows:

"Cannabis manufacturing, nonvolatile" means cannabis manufacturing done without the use of volatile solvents.

4. A definition of "cannabis processing" is hereby added to read as follows:

"Cannabis processing" means all activities associated with the drying, curing, sifting, grading, trimming, rolling, storing, packaging, and labeling of cannabis or nonmanufactured cannabis products as defined section 15000 of title 4 of the California Code of Regulations.

5. A definition of "cannabis production" is hereby added to read as follows:

"Cannabis production" means cannabis cultivation, cannabis distribution, cannabis manufacturing, and cannabis processing, and any combination thereof.

6. The definition of "cannabis testing" is hereby amended to read as follows:

"Cannabis testing" means performing scientific analysis of cannabis or cannabis products to determine its chemical profile, the presence of contaminants, or other similar data, and research and development related to the innovation and improvement of cannabis products and the processing of cannabis.

7. The definition of "cannabis use" is hereby amended to read as follows:

"Cannabis use" means cannabis production, cannabis testing, cannabis dispensary, and cannabis consumption lounge.

B. Except as amended by subsection A above, all provisions of section 17.108.040 remain unchanged and in full effect.

SECTION 3.

A. Section 17.200.110 (A zone) of the Sacramento City Code is hereby amended as follows:

1. A row for "cannabis cultivation" is hereby added to the table in subsection A.3 (permitted uses; industrial and agricultural uses) to read as follows:

Cannabis cultivation	Subject to special use regulations in article IX of chapter 17.228

2. The "cannabis cultivation" row in subsection B.2 (conditional uses; industrial and agricultural uses) is hereby deleted.

~~Cannabis cultivation~~	~~Subject to the special use regulations in section 17.228.900~~	~~ZA/PDC~~

B. Except as amended by subsection A above, all provisions of Section 17.200.110 remain unchanged and in full effect.

SECTION 4.

A. Section 17.212.110 (RMX zone) of the Sacramento City Code is hereby amended as follows:

1. A row for "cannabis dispensary" is hereby added to the table in subsection A.2 (permitted uses; commercial and institutional uses) to read as follows:

Cannabis dispensary	Limited to storefront cannabis dispensary (delivery-only cannabis dispensary not allowed) Subject to special use regulations in article IX of chapter 17.228

2. A row for "cannabis consumption lounge" is hereby added to the table in subsection B.2 (conditional uses; commercial and institutional uses) to read as follows:

Cannabis consumption lounge	Subject to special use regulations in article IX of chapter 17.228	PDC

B. Except as amended by subsection A above, all provisions of section 17.212.110 remain unchanged and in full effect.

SECTION 5.

A. Section 17.216.510 (SC-zone) of the Sacramento City Code is hereby amended as follows:

1. A row for "cannabis dispensary" is hereby added to the table in subsection A.2 (permitted uses; commercial and institutional uses) to read as follows:

Cannabis dispensary	Limited to storefront cannabis dispensary (delivery-only cannabis dispensary not allowed) Subject to special use regulations in article IX of chapter 17.228

2. The "cannabis dispensary" row in subsection B.2 (conditional uses; commercial and institutional uses) is hereby deleted.

~~Cannabis dispensary~~	~~Limited to storefront cannabis dispensary (delivery-only cannabis dispensary not allowed)~~ ~~Subject to special use regulations in section 17.228.920~~	~~ZA/PDC~~

3. A row for "cannabis consumption lounge" is hereby added to the table in subsection B.2 (conditional uses; commercial and institutional uses) to read as follows:

Cannabis consumption lounge	Subject to special use regulations in article IX of chapter 17.228	PDC

B. Except as amended by subsection A above, all provisions of section 17.216.510 remain unchanged and in full effect.

SECTION 6.

A. Section 17.216.610 (C-1 zone) of the Sacramento City Code is hereby amended as follows:

1. A row for "cannabis dispensary" is hereby added to the table in subsection A.2 (permitted uses; commercial and institutional uses) to read as follows:

Cannabis dispensary	Limited to storefront cannabis dispensary (delivery-only cannabis dispensary not allowed) Subject to special use regulations in article IX of chapter 17.228

2. A row for "cannabis consumption lounge" is hereby added to the table in subsection B.2 (conditional uses; commercial and institutional uses) to read as follows:

Cannabis consumption lounge	Subject to special use regulations in article IX of chapter 17.228	PDC

B. Except as amended by subsection A above, all provisions of section 17.216.610 remain unchanged and in full effect.

SECTION 7.

A. Section 17.216.710 (C-2 zone) of the Sacramento City Code is hereby amended as follows:

1. A row for “cannabis dispensary” is hereby added to the table in subsection A.2 (permitted uses; commercial and institutional uses) to read as follows:

Cannabis dispensary	Subject to special use regulations in article IX of chapter 17.228

2. Rows for “cannabis cultivation” and “cannabis distribution” are hereby added to the table in subsection A.3 (permitted uses; industrial and agricultural uses) to read as follows:

Cannabis cultivation	Permitted if use is located greater than ½ mile from the center of an existing or proposed light rail station platform and subject to special use regulations in article IX of chapter 17.228
Cannabis distribution	Subject to special use regulations in article IX of chapter 17.228

3. The “cannabis manufacturing” and “cannabis testing” rows in subsection A.3 (permitted uses; industrial and agricultural uses) are hereby amended to read as follows:

Cannabis manufacturing	~~Allowed if extraction processes are not conducted with a volatile solvent and the use is exempt from the conditional use permit requirement pursuant to section 17.228.900.C~~ Permitted if use is located greater than ½ mile from the center of an existing or proposed light rail station platform and subject to special use regulations in article IX of chapter 17.228
Cannabis testing	Subject to special use regulations in article IX of chapter 17.228~~section 17.228.910~~

4. The “cannabis dispensary” row in subsection B.2 (conditional uses; commercial and institutional uses) is hereby deleted.

~~Cannabis dispensary~~	~~Subject to the special use regulations in section 17.228.920~~	~~ZA/PDC~~

5. A row for “cannabis consumption lounge” is hereby added to the table in subsection B.2 (conditional uses; commercial and institutional uses) to read as follows:

Cannabis consumption lounge	Subject to special use regulations in article IX of chapter 17.228	PDC

6. The “cannabis cultivation,” “cannabis distribution,” and “cannabis manufacturing” rows in subsection B.3 (conditional uses; industrial and agricultural uses) are hereby deleted.

~~Cannabis cultivation~~	~~Permitted with a conditional use permit if—~~ ~~1. Use is located within ½ mile from the center of an existing or proposed light rail station platform, subject to special use regulations in section 17.228.127; or~~ ~~2. Use is located greater than ½ mile from the center of an existing or proposed light rail station platform.~~ ~~Subject to special use regulations in section 17.228.900~~	~~ZA/PDC~~
~~Cannabis distribution~~	~~Subject to special use regulations in section 17.228.900~~	~~ZA/PDC~~
~~Cannabis manufacturing~~	~~Permitted with a conditional use permit if extraction processes are not conducted with a volatile solvent and—~~ ~~1. Use is located within ½ mile from the center of an existing or proposed light rail station platform, subject to special use regulations in section 17.228.127; or~~ ~~2. Use is located greater than ½ mile from the center of an existing or proposed light rail station platform.~~ ~~Subject to special use regulations in section 17.228.900~~	~~ZA/PDC~~

B. Except as amended by subsection A above, all provisions of section 17.216.710 remain unchanged and in full effect.

SECTION 8.

A. Section 17.216.810 (C-3 zone) of the Sacramento City Code is hereby amended as follows:

1. A row for "cannabis dispensary" is hereby added to the table in subsection A.2 (permitted uses; commercial and institutional uses) to read as follows:

Cannabis dispensary	Limited to storefront cannabis dispensary (delivery-only cannabis dispensary not allowed) Subject to special use regulations in article IX of chapter 17.228

2. A row for "cannabis consumption lounge" is hereby added to the table in subsection B.2 (conditional uses; commercial and institutional uses) to read as follows:

Cannabis consumption lounge	Subject to special use regulations in article IX of chapter 17.228	PDC

B. Except as amended by subsection A above, all provisions of section 17.216.810 remain unchanged and in full effect.

SECTION 9.

A. Section 17.216.910 (C-4 zone) of the Sacramento City Code is hereby amended as follows:

1. A row for "cannabis dispensary" is hereby added to the table in subsection A.2 (permitted uses; commercial and institutional uses) to read as follows:

Cannabis dispensary	Subject to special use regulations in article IX of chapter 17.228

2. Rows for "cannabis cultivation" and "cannabis distribution" are hereby added to the table in subsection A.3 (permitted uses; industrial and agricultural uses) to read as follows:

Cannabis cultivation	Permitted if use is located greater than ½ mile from the center of an existing or proposed light rail station platform and subject to special use regulations in article IX of chapter 17.228
Cannabis distribution	Subject to special use regulations in article IX of chapter 17.228

3. The “cannabis manufacturing” and “cannabis testing” rows in subsection A.3 (permitted uses; industrial and agricultural uses) are hereby amended to read as follows:

Cannabis manufacturing	~~Allowed if extraction processes are not conducted with a volatile solvent and the use is exempt from the conditional use permit requirement pursuant to section 17.228.900.C~~ Permitted if use is located greater than ½ mile from the center of an existing or proposed light rail station platform and subject to special use regulations in article IX of chapter 17.228
Cannabis testing	Subject to special use regulations in article IX of chapter 17.228~~section 17.228.950~~

4. The “cannabis dispensary” row in subsection B.2 (conditional uses; commercial and institutional uses) is hereby deleted.

~~Cannabis dispensary~~	~~Subject to special use regulations in section 17.228.920~~	~~ZA/PDC~~

5. A row for “cannabis consumption lounge” is hereby added to the table in subsection B.2 (conditional uses; commercial and institutional uses) to read as follows:

Cannabis consumption lounge	Subject to special use regulations in article IX of chapter 17.228	PDC

6. The “cannabis cultivation,” “cannabis distribution,” and “cannabis manufacturing” rows in subsection B.3 (conditional uses; industrial and agricultural uses) are hereby deleted.

~~Cannabis cultivation~~	~~Permitted with a conditional use permit if—~~ ~~1. Use is located within ½ mile from the center of an existing or proposed light rail station platform, subject to special use regulations in section 17.228.127; or~~ ~~2. Use is located greater than ½ mile from the center of an existing or proposed light rail station platform.~~ ~~Subject to special use regulations in section 17.228.900~~	~~ZA/PDC~~

~~Cannabis distribution~~	~~Subject to special use regulations in section 17.229.900~~	~~ZA/PDC~~
~~Cannabis manufacturing~~	~~Permitted with a conditional use permit if—~~ ~~1. Use is located within ½ mile from the center of an existing or proposed light rail station platform, subject to special use regulations in section 17.228.127; or~~ ~~2. Use is located greater than ½ mile from the center of an existing or proposed light rail station platform.~~ ~~Subject to special use regulations in section 17.228.900~~	~~ZA/PDC~~

B. Except as amended by subsection A above, all provisions of section 17.216.910 remain unchanged and in full effect.

SECTION 10.

A. Section 17.220.110 (M-1 zone) of the Sacramento City Code is hereby amended as follows:

1. A row for "cannabis dispensary" is hereby added to the table in subsection A.2 (permitted uses; commercial and institutional uses) to read as follows:

Cannabis dispensary	Subject to special use regulations in article IX of chapter 17.228

2. Rows for "cannabis cultivation" and "cannabis distribution" are hereby added to the table in subsection A.3 (permitted uses; industrial and agricultural uses) to read as follows:

Cannabis cultivation	Permitted if use is located greater than ½ mile from the center of an existing or proposed light rail station platform and subject to special use regulations in article IX of chapter 17.228
Cannabis distribution	Subject to special use regulations in article IX of chapter 17.228

3. The “cannabis manufacturing” and “cannabis testing” rows in subsection A.3 (permitted uses; industrial and agricultural uses) are hereby amended to read as follows:

Cannabis manufacturing	~~Allowed if extraction processes are not conducted with a volatile solvent and the use is exempt from the conditional use permit requirement pursuant to section 17.228.900.C~~ Permitted if use is located greater than ½ mile from the center of an existing or proposed light rail station platform and subject to special use regulations in article IX of chapter 17.228
Cannabis testing	Subject to special use regulations in article IX of chapter 17.228

4. The “cannabis dispensary” row in subsection B.2 (conditional uses; commercial and institutional uses) is hereby deleted.

~~Cannabis dispensary~~	~~Subject to special use regulations in section 17.228.920~~	~~ZA/PDC~~

5. A row for “cannabis consumption lounge” is hereby added to the table in subsection B.2 (conditional uses; commercial and institutional uses) to read as follows:

Cannabis consumption lounge	Subject to special use regulations in article IX of chapter 17.228	PDC

6. The “cannabis cultivation,” “cannabis distribution,” and “cannabis manufacturing” rows in subsection B.3 (conditional uses; industrial and agricultural uses) are hereby deleted.

~~Cannabis cultivation~~	~~Permitted with a conditional use permit if—~~ ~~1. Use is located within ½ mile from the center of an existing or proposed light rail station platform, subject to special use regulations in section 17.228.127; or~~ ~~2. Use is located greater than ½ mile from the center of an existing or proposed light rail station platform.~~ ~~Subject to special use regulations in section 17.228.900~~	~~ZA/PDC~~

~~Cannabis distribution~~	~~Subject to special use regulations in section 17.229.900~~	~~ZA/PDC~~
~~Cannabis manufacturing~~	~~Permitted with a conditional use permit if—~~ ~~1. Use is located within ½ mile from the center of an existing or proposed light rail station platform, subject to special use regulations in section 17.228.127; or~~ ~~2. Use is located greater than ½ mile from the center of an existing or proposed light rail station platform.~~ ~~Subject to special use regulations in section 17.228.900~~	~~ZA/PDC~~

B. Except as amended by subsection A above, all provisions of section 17.220.110 remain unchanged and in full effect.

SECTION 11.

A. Section 17.220.210 (M-1(S) zone) of the Sacramento City Code is hereby amended as follows:

1. A row for "cannabis dispensary" is hereby added to the table in subsection A.2 (permitted uses; commercial and institutional uses) to read as follows:

Cannabis dispensary	Subject to special use regulations in article IX of chapter 17.228

2. Rows for "cannabis cultivation" and "cannabis distribution" are hereby added to the table in subsection A.3 (permitted uses; industrial and agricultural uses) to read as follows:

Cannabis cultivation	Permitted if use is located greater than ½ mile from the center of an existing or proposed light rail station platform and subject to special use regulations in article IX of chapter 17.228
Cannabis distribution	Subject to special use regulations in article IX of chapter 17.228

3. The “cannabis manufacturing” and “cannabis testing” rows in subsection A.3 (permitted uses; industrial and agricultural uses) are hereby amended to read as follows:

Cannabis manufacturing	~~Allowed if extraction processes are not conducted with a volatile solvent and the use is exempt from the conditional use permit requirement pursuant to section 17.228.900.C~~ Permitted if use is located greater than ½ mile from the center of an existing or proposed light rail station platform and subject to special use regulations in article IX of chapter 17.228
Cannabis testing	Subject to special use regulations in article IX of chapter 17.228~~section 17.228.950~~

4. The “cannabis dispensary” row in subsection B.2 (conditional uses; commercial and institutional uses) is hereby deleted.

~~Cannabis dispensary~~	~~Subject to special use regulations in section 17.228.920~~	~~ZA/PDC~~

5. A row for “cannabis consumption lounge” is hereby added to the table in subsection B.2 (conditional uses; commercial and institutional uses) to read as follows:

Cannabis consumption lounge	Subject to special use regulations in article IX of chapter 17.228	PDC

6. The “cannabis cultivation,” “cannabis distribution,” and “cannabis manufacturing” rows in subsection B.3 (conditional uses; industrial and agricultural uses) are hereby deleted.

~~Cannabis cultivation~~	~~Permitted with a conditional use permit if—~~ ~~1. Use is located within ½ mile from the center of an existing or proposed light rail station platform, subject to special use regulations in section 17.228.127; or~~ ~~2. Use is located greater than ½ mile from the center of an existing or proposed light rail station platform.~~ ~~Subject to special use regulations in section 17.228.900~~	~~ZA/PDC~~

~~Cannabis distribution~~	~~Subject to special use regulations in section 17.229.900~~	~~ZA/PDC~~
~~Cannabis manufacturing~~	~~Permitted with a conditional use permit if—~~ ~~1. Use is located within ½ mile from the center of an existing or proposed light rail station platform, subject to special use regulations in section 17.228.127; or~~ ~~2. Use is located greater than ½ mile from the center of an existing or proposed light rail station platform.~~ ~~Subject to special use regulations in section 17.228.900~~	~~ZA/PDC~~

B. Except as amended by subsection A above, all provisions of section 17.220.210 remain unchanged and in full effect.

SECTION 12.

A. Section 17.220.310 (M-2 zone) of the Sacramento City Code is hereby amended as follows:

1. A row for "cannabis dispensary" is hereby added to the table in subsection A.2 (permitted uses; commercial and institutional uses) to read as follows:

Cannabis dispensary	Subject to special use regulations in article IX of chapter 17.228

2. Rows for "cannabis cultivation" and "cannabis distribution" are hereby added to the table in subsection A.3 (permitted uses; industrial and agricultural uses) to read as follows:

Cannabis cultivation	Permitted if use is located greater than ½ mile from the center of an existing or proposed light rail station platform and subject to special use regulations in article IX of chapter 17.228
Cannabis distribution	Subject to special use regulations in article IX of chapter 17.228

3. The “cannabis manufacturing” and “cannabis testing” rows in subsection A.3 (permitted uses; industrial and agricultural uses) are hereby amended to read as follows:

Cannabis manufacturing	~~Allowed if extraction processes are not conducted with a volatile solvent and the use is exempt from the conditional use permit requirement pursuant to section 17.228.900.C~~ Permitted if use is located greater than ½ mile from the center of an existing or proposed light rail station platform and subject to special use regulations in article IX of chapter 17.228
Cannabis testing	Subject to special use regulations in article IX of chapter 17.228~~section 17.228.950~~

4. The “cannabis dispensary” row in subsection B.2 (conditional uses; commercial and institutional uses) is hereby deleted.

~~Cannabis dispensary~~	~~Subject to special use regulations in section 17.228.920~~	~~ZA/PDC~~

5. A row for “cannabis consumption lounge” is hereby added to the table in subsection B.2 (conditional uses; commercial and institutional uses) to read as follows:

Cannabis consumption lounge	Subject to special use regulations in article IX of chapter 17.228	PDC

6. The “cannabis cultivation,” “cannabis distribution,” and “cannabis manufacturing” rows in subsection B.3 (conditional uses; industrial and agricultural uses) are hereby deleted.

~~Cannabis cultivation~~	~~Permitted with a conditional use permit if—~~ ~~1. Use is located within ½ mile from the center of an existing or proposed light rail station platform, subject to special use regulations in section 17.228.127; or~~ ~~2. Use is located greater than ½ mile from the center of an existing or proposed light rail station platform.~~ ~~Subject to special use regulations in section 17.228.900~~	~~ZA/PDC~~

~~Cannabis distribution~~	~~Subject to special use regulations in section 17.229.900~~	~~ZA/PDC~~
~~Cannabis manufacturing~~	~~Permitted with a conditional use permit if—~~ ~~1. Use is located within ½ mile from the center of an existing or proposed light rail station platform, subject to special use regulations in section 17.228.127; or~~ ~~2. Use is located greater than ½ mile from the center of an existing or proposed light rail station platform.~~ ~~Subject to special use regulations in section 17.228.900~~	~~ZA/PDC~~

B. Except as amended by subsection A above, all provisions of section 17.220.310 remain unchanged and in full effect.

SECTION 13.

A. Section 17.220.410 (M-2(S) zone) of the Sacramento City Code is hereby amended as follows:

1. A row for "cannabis dispensary" is hereby added to the table in subsection A.2 (permitted uses; commercial and institutional uses) to read as follows:

Cannabis dispensary	Subject to special use regulations in article IX of chapter 17.228

2. Rows for "cannabis cultivation" and "cannabis distribution" are hereby added to the table in subsection A.3 (permitted uses; industrial and agricultural uses) to read as follows:

Cannabis cultivation	Permitted if use is located greater than ½ mile from the center of an existing or proposed light rail station platform and subject to special use regulations in article IX of chapter 17.228
Cannabis distribution	Subject to special use regulations in article IX of chapter 17.228

3. The “cannabis manufacturing” and “cannabis testing” rows in subsection A.3 (permitted uses; industrial and agricultural uses) are hereby amended to read as follows:

Cannabis manufacturing	~~Allowed if extraction processes are not conducted with a volatile solvent and the use is exempt from the conditional use permit requirement pursuant to section 17.228.900.C~~ Permitted if use is located greater than ½ mile from the center of an existing or proposed light rail station platform and subject to special use regulations in article IX of chapter 17.228
Cannabis testing	Subject to special use regulations in article IX of chapter 17.228~~section 17.228.910~~

4. The “cannabis dispensary” row in subsection B.2 (conditional uses; commercial and institutional uses) is hereby deleted.

~~Cannabis dispensary~~	~~Subject to special use regulations in section 17.228.920~~	~~ZA/PDC~~

5. A row for “cannabis consumption lounge” is hereby added to the table in subsection B.2 (conditional uses; commercial and institutional uses) to read as follows:

Cannabis consumption lounge	Subject to special use regulations in article IX of chapter 17.228	PDC

6. The “cannabis cultivation,” “cannabis distribution,” and “cannabis manufacturing” rows in subsection B.3 (conditional uses; industrial and agricultural uses) are hereby deleted.

~~Cannabis cultivation~~	~~Permitted with a conditional use permit if—~~ ~~1. Use is located within ½ mile from the center of an existing or proposed light rail station platform, subject to special use regulations in section 17.228.127; or~~ ~~2. Use is located greater than ½ mile from the center of an existing or proposed light rail station platform.~~ ~~Subject to special use regulations in section 17.228.900~~	~~ZA/PDC~~

~~Cannabis distribution~~	~~Subject to special use regulations in section 17.229.900~~	~~ZA/PDC~~
~~Cannabis manufacturing~~	~~Permitted with a conditional use permit if—~~ ~~1. Use is located within ½ mile from the center of an existing or proposed light rail station platform, subject to special use regulations in section 17.228.127; or~~ ~~2. Use is located greater than ½ mile from the center of an existing or proposed light rail station platform.~~ ~~Subject to special use regulations in section 17.228.900~~	~~ZA/PDC~~

B. Except as amended by subsection A above, all provisions of section 17.220.410 remain unchanged and in full effect.

SECTION 14.

A. Section 17.220.510 (MIP zone) of the Sacramento City Code is hereby amended as follows:

1. A row for "cannabis distribution" is hereby added to the table in subsection A.2 (permitted uses; industrial and agricultural uses) to read as follows:

Cannabis distribution	Subject to special use regulations in article IX of chapter 17.228

2. The "cannabis manufacturing" and "cannabis testing" rows in subsection A.2 (permitted uses; industrial and agricultural uses) are hereby amended to read as follows:

Cannabis manufacturing	~~Allowed if extraction processes are not conducted with a volatile solvent and the use is exempt from the conditional use permit requirement pursuant to section 17.228.900.C~~ Permitted if use is located greater than ½ mile from the center of an existing or proposed light rail station platform and subject to special use regulations in article IX of chapter 17.228

Cannabis testing	Subject to special use regulations in article IX of chapter 17.228~~section 17.228.950~~

3. The "cannabis distribution" and "cannabis manufacturing" rows in subsection B.1 (conditional uses; industrial and agricultural uses) are hereby deleted.

~~Cannabis distribution~~	~~Subject to special use regulations in section 17.229.900~~	~~ZA/PDC~~
~~Cannabis manufacturing~~	~~Permitted with a conditional use permit if—~~ ~~1. Use is located within ½ mile from the center of an existing or proposed light rail station platform, subject to special use regulations in section 17.228.127; or~~ ~~2. Use is located greater than ½ mile from the center of an existing or proposed light rail station platform.~~ ~~Subject to special use regulations in section 17.228.900~~	~~ZA/PDC~~

B. Except as amended by subsection A above, all provisions of section 17.220.510 remain unchanged and in full effect.

SECTION 15.

A. Section 17.220.610 (MRD zone) of the Sacramento City Code is hereby amended as follows:

1. The "cannabis testing" row in subsection A.2 (permitted uses, commercial and institutional uses) is hereby amended to read as follows:

Cannabis testing	Subject to special use regulations in article IX of chapter 17.228~~section 17.228.950~~

2. A row for "cannabis distribution" are hereby added to the table in subsection A.3 (permitted uses; industrial and agricultural uses) to read as follows:

Cannabis distribution	Subject to special use regulations in article IX of chapter 17.228

3. The "cannabis manufacturing" row in subsection A.3 (permitted uses; industrial and agricultural uses) is hereby amended to read as follows:

Cannabis manufacturing	~~Allowed if extraction processes are not conducted with a volatile solvent and the use is exempt from the conditional use permit requirement pursuant to section 17.228.900.C~~ Permitted if use is located greater than ½ mile from the center of an existing or proposed light rail station platform and subject to special use regulations in article IX of chapter 17.228

3. The "cannabis distribution" and "cannabis manufacturing" rows in subsection B.3 (conditional uses; industrial and agricultural uses) are hereby deleted.

~~Cannabis distribution~~	~~Subject to special use regulations in section 17.229.900~~	~~ZA/PDC~~
~~Cannabis manufacturing~~	~~Permitted with a conditional use permit if—~~ ~~1. Use is located within ½ mile from the center of an existing or proposed light rail station platform, subject to special use regulations in section 17.228.127; or~~ ~~2. Use is located greater than ½ mile from the center of an existing or proposed light rail station platform.~~ ~~Subject to special use regulations in section 17.228.900~~	~~ZA/PDC~~

B. Except as amended by subsection A above, all provisions of section 17.220.610 remain unchanged and in full effect.

SECTION 16.

A. Section 17.220.710 (MT zone) of the Sacramento City Code is hereby amended as follows:

1. The "cannabis testing" row in subsection A.2 (permitted uses; commercial and institutional uses) is amended to read as follows:

Cannabis testing	Subject to special use regulations in article IX of chapter 17.228~~section 17.228.910~~

2. A row for "cannabis dispensary" is hereby added to the table in subsection A.2 (permitted uses; commercial and institutional uses) to read as follows:

Cannabis dispensary	Subject to special use regulations in article IX of chapter 17.228

3. Rows for "cannabis cultivation," "cannabis distribution," and "cannabis manufacturing" are hereby added to the table in subsection A.3 (permitted uses; industrial and agricultural uses) to read as follows:

Cannabis cultivation	Subject to special use regulations in article IX of chapter 17.228
Cannabis distribution	Subject to special use regulations in article IX of chapter 17.228
Cannabis manufacturing	Limited to nonvolatile manufacturing and subject to special use regulations in article IX of chapter 17.228

4. The "cannabis dispensary" row in subsection B.2 (conditional uses; commercial and institutional uses) is hereby deleted.

~~Cannabis dispensary~~	~~Subject to special use regulations in section 17.228.920~~	~~ZA/PDC~~

5. A row for "cannabis consumption lounge" is hereby added to the table in subsection B.2 (conditional uses; commercial and institutional uses) to read as follows:

Cannabis consumption lounge	Subject to special use regulations in article IX of chapter 17.228	PDC

6. The "cannabis cultivation," "cannabis distribution," and "cannabis manufacturing, nonvolatile" rows in subsection B.3 (conditional uses; industrial and agricultural uses) are hereby deleted.

~~Cannabis cultivation~~	~~Subject to special use regulations in section 17.228.900~~	~~ZA/PDC~~
~~Cannabis distribution~~	~~Subject to special use regulations in section 17.229.900~~	~~ZA/PDC~~

~~Cannabis manufacturing, nonvolatile~~	~~Subject to special use regulations in section 17.228.900~~	~~ZA/PDC~~

B. Except as amended by subsection A above, all provisions of section 17.220.710 remain unchanged and in full effect.

SECTION 17.

Article IX of chapter 17.228 of the Sacramento City Code is hereby deleted.

~~**Article IX. Cannabis**~~

~~**17.228.900 Cannabis production.**~~

~~A. For purposes of this section, "cannabis production" includes cannabis cultivation, cannabis distribution, and cannabis manufacturing.~~

~~B. A conditional use permit is required for cannabis production, except for the following:~~

~~1. Cannabis manufacturing that complies with the following:~~
~~a. The use is limited to only packaging and labeling of cannabis or cannabis products, or producing edible or topical cannabis products using an infusion process;~~
~~b. Extraction is not being conducted; and~~
~~c. The gross receipts of the use are under $100,000 annually.~~
~~2. Cannabis distribution in accordance with a type-S cannabis distribution permit, as described in article VIII of chapter 5.150.~~

~~3. Cannabis distribution in accordance with a type-T cannabis distribution permit, as described in article VIII of chapter 5.150.~~

~~4. For the purposes of this section, "gross receipts" has the same meaning as provided in section 3.08.020.~~

~~C. Except as provided in subsection D, the conditional use permit, as required in subsection B, must be approved by the zoning administrator.~~

~~D. A conditional use permit, as required in subsection B, must be approved by the planning and design commission where the production site is within 600 feet of:~~

~~1. A park identified as a neighborhood park or community park in the city's most recently adopted Parks and Recreation Master Plan; or~~

2. A park not yet identified in the city's most recently adopted Parks and Recreation Master Plan.

E. The decision-maker may approve a conditional use permit for cannabis production based on the following findings:

1. The findings set forth in section 17.808.200.C; and

2. The proposed cannabis production will not result in undue concentration of cannabis production establishments. An undue concentration of cannabis production establishments will result if the following condition is met:

a. The proposed cannabis production use is located within the area bounded by Power Inn Road to the west, Folsom Boulevard to the north, and the city limits to the east and south; and will result in more than 2.5 million square feet of building floor space approved by a conditional use permit for cannabis production use in that area. Building floor space designated for a cannabis manufacturing use in a conditional use permit may be excluded from the 2.5 million square footage calculation.

3. If the proposed cannabis production includes cannabis manufacturing with a volatile solvent, the fire chief or designee has determined that the proposed cannabis manufacturing use is compatible with surrounding uses.

F. In any zone, cannabis production must comply with the following provisions:

1. Cannabis production must be within a fully enclosed building and must not be visible from the public right-of-way.

2. Notwithstanding the provisions of California Business and Professions Code section 26054(b), a cannabis production site cannot be located within a 600-foot radius of a school. For purposes of this section, "school" means any public or private school providing instruction in kindergarten or grades 1 to 12, inclusive, but does not include any private school in which education is primarily conducted in private homes.

3. The cannabis production site cannot have more than one sign. The sign may be attached or detached. The sign cannot be illuminated and cannot exceed six square feet in area.

4. Cannabis production must comply with all applicable state and local laws.

5. Each property owner seeking a conditional use permit for cannabis production shall provide a neighborhood responsibility plan in order for the decision-maker to make

~~the requisite findings identified in subsection E. The neighborhood responsibility plan must address the adverse impacts of cannabis distribution on the surrounding area. Compliance with the neighborhood responsibility plan shall be achieved through an agreement with the city, conditions of approval on the use permit, or through other means acceptable to the city.~~

~~6. Cannabis extraction must be performed in a manner that will not create explosive or ignitable mixtures, as approved by the fire chief or designee.~~

~~G. In the C-2 zone, cannabis production must comply with the following provisions:~~

~~1. Cannabis distribution and nonvolatile cannabis manufacturing cannot exceed a total of 6,400 square feet in area.~~

~~2. Cannabis distribution cannot be the only cannabis production use on the site.~~

~~H. Notice to city council. As soon as reasonably practicable after the zoning administrator or planning and design commission makes a decision on a conditional use permit required to establish cannabis production, the planning director shall report that decision to the mayor and the councilmember in whose district the project is located, by sending the report by electronic mail and confirming that each received it.~~

~~I. Procedures for call-up review. The mayor or the councilmember in whose district the project is located may call up for city council review any decision described in subsection H by filing a written request with the planning director within 10 business days of the zoning administrator's or planning and design commission's decision. If both a council member call-up and director-level decision appeal are pending on the same project, the city council will consider both at the same time. Notice of the city council hearing shall be given in the manner provided in section 17.812.010.A.2.a. The hearing before the city council shall be de novo.~~

~~J. Withdrawal of request for review. The requester under subsection I may withdraw that request. The withdrawal shall be noted on the next regularly scheduled meeting of the city council and shall be considered to have occurred on that date. Any other member of the city council shall have 10 days thereafter to file a request for call-up review. If the tenth day is a non-business day, the last day to file the request is the next business day. Noticing and hearing of the matter shall be as set forth in subsection I.~~

~~K. A conditional use permit issued in accordance with this section must specify whether the use allowed is for cannabis cultivation, cannabis distribution, or cannabis manufacturing. An addition of any use specified in this paragraph to the allowed~~

~~uses specified in a conditional use permit is a modification of the terms and conditions of the conditional use permit subject to section 17.808.440.~~

~~17.228.910 Cannabis testing.~~

~~A. Cannabis testing may only be established in the C-2, C-4, M-1, M-1(S), M-2, M-2(S), MIP, MRD, and M-T zones.~~

~~B. In any zone, cannabis testing must comply with the following provisions~~

~~1. The cannabis testing site cannot be located within 600 feet of a school. For purposes of this section, "school" means any public or private school providing instruction in kindergarten or grades 1 to 12, inclusive, but does not include any private school in which education is primarily conducted in private homes.~~

~~2. The cannabis testing must comply with all applicable state and local laws.~~

~~17.228.920 Cannabis dispensary.~~

~~A. For purposes of this section, the following definitions apply:~~

~~1. "School" means any public or private school providing instruction in kindergarten or grades 1 to 12, inclusive, but does not include any private school in which education is primarily conducted in private homes.~~

~~2. "Substance abuse rehabilitation center" means any facility that provides care for persons who have a dependency on alcohol or controlled substances, except any hospital, city or county jail, or state prison. The care provided by a substance abuse rehabilitation center, includes medication, patient counseling, group therapy, physical conditioning, family therapy, and dietetic services.~~

~~3. "Youth-oriented facility" means any establishment that caters to or provides services primarily intended for minors; that is patronized predominantly by minors; or where the people who regularly congregate or assemble are predominantly minors.~~

~~B. A conditional use permit is required to establish a cannabis dispensary in the C-2, C-4, M-1, M-1(S), M-2, M-2(S), M-T, and SC zones.~~

~~C. Except as provided in subsection D, the conditional use permit, as required in subsection B, must be approved by the zoning administrator.~~

~~D. A conditional use permit, as required in subsection B, must be approved by the planning and design commission where any of the following conditions apply:~~

1. The cannabis dispensary is a storefront cannabis dispensary, as defined in chapter 5.150, and the site is within 600 feet of another storefront cannabis dispensary site;

2. The cannabis dispensary site is within 600 feet of any park, childcare center, in-home child care (family day care home), youth-oriented facility, church or faith congregation, substance abuse center, or cinema;

3. The cannabis dispensary site is within 600 feet of any tobacco retailer that has 15,000 square feet or less of gross floor area; or

4. The cannabis dispensary site is within 300 feet of a residential zone.

E. In any zone, a cannabis dispensary must comply with the following provisions:

1. Cannabis dispensary operations must be within a fully enclosed building and must not be visible from the public right-of-way.

2. The cannabis dispensary site cannot be located within 600 feet of a school.

3. The cannabis dispensary must comply with all applicable state and local laws.

4. Each property owner seeking a conditional use permit for cannabis dispensary shall provide a neighborhood responsibility plan in order for the decision-maker to make the requisite findings set forth in section 17.808.200. The neighborhood responsibility plan must address the adverse impacts of a cannabis dispensary on the surrounding area. Compliance with the neighborhood responsibility plan shall be achieved through an agreement with the city, conditions of approval on the use permit, or through other means acceptable to the city.

5. Notwithstanding section 17.452.040.B.2.d, no cannabis dispensary may be established in a planned unit development, unless the planned unit development schematic plan and design guidelines expressly authorize the use.

F. Notice to city council. As soon as reasonably practicable after the zoning administrator or planning and design commission makes a decision on a conditional use permit required to establish a cannabis dispensary, the planning director shall report that decision to the mayor and the councilmember in whose district the project is located, by sending the report by electronic mail and confirming that each received it.

G. Procedures for call-up review. The mayor or the councilmember in whose district the project is located may call up for city council review any decision described in subsection F by filing a written request with the planning director within 10 business days of the zoning administrator's or planning and design commission's decision. If

~~both a council member call-up and director-level decision appeal are pending on the same project, the city council will consider both at the same time. Notice of the city council hearing shall be given in the manner provided in section 17.812.010.A.2.a. The hearing before the city council shall be de novo.~~

~~H. Withdrawal of request for review. The requester under subsection G may withdraw that request. The withdrawal shall be noted on the next regularly scheduled meeting of the city council and shall be considered to have occurred on that date. Any other member of the city council shall have 10 days thereafter to file a request for call-up review. If the tenth day is a non-business day, the last day to file the request is the next business day. Noticing and hearing of the matter shall be as set forth in subsection G.~~

~~I. A conditional use permit issued in accordance with this section must specify whether the use allowed is for a storefront cannabis dispensary or a delivery-only cannabis dispensary, and for the sale of medical cannabis or adult-use cannabis. An addition of any use specified in this paragraph to the allowed uses specified in a conditional use permit is a modification of the terms and conditions of the conditional use permit subject to section 17.808.440.~~

~~J. A medical marijuana dispensary use that has a valid conditional use permit on the effective date of this ordinance is deemed to have an approved conditional use permit for a cannabis dispensary use allowing for a storefront cannabis dispensary and for the sale of medical cannabis, if the property owner provides a neighborhood responsibility plan described in subsection E.4. The deemed approved conditional use permit for a cannabis dispensary use shall be subject to all the provisions of this title relating to conditional use permits.~~

SECTION 18.

Article IX of chapter 17.228 of the Sacramento City Code is hereby added to read as follows:

Article IX. Cannabis

17.228.900 Purpose and intent.

The purpose of this article is to authorize cannabis uses that comply with the standards set forth herein. The regulations in this article work in harmony with the regulations set forth in chapter 5.150.

17.228.910 Definitions.

For purposes of this article, the following definitions apply:

A. "Community center" means a community center, senior center, or clubhouse designated as such in the city's most recently adopted parks plan.

B. "Park" means a public park designated in the city's most recently adopted parks plan as a multi-use regional park, multi-use community park, special use community park, multi-use neighborhood park, or neighborhood play lot.

C. "School" means a public or private school providing instruction in kindergarten or any grade from 1 to 12, inclusive, but does not include any private school in which education is primarily conducted in private homes.

D. "Sensitive use" means a community center, library, museum, park, school, substance abuse rehabilitation center, or youth-oriented facility.

E. "Substance abuse rehabilitation center" means a facility licensed by the State Department of Health Care Services pursuant to California Health and Safety Code sections 11834.01 through 11834.50.

F. "Youth-oriented facility" means a facility that is operated by a nonprofit entity that primarily caters to minors or primarily provides services intended for minors.

17.228.920 General requirements.

A. Administrative permit.

1. An administrative permit is required to—

a. Establish a cannabis production, cannabis testing, or cannabis dispensary use; and

b. Modify an existing cannabis production, cannabis testing, or cannabis dispensary use previously authorized by an administrative permit.

~~1.~~2. Notice.

a. The city, at least ten days before issuing a decision on an administrative permit under this article, shall—

i. Post notice of the application at the subject real property; and

ii. Provide notice as set forth in subsection A.2.c.

b. The city shall provide notice of all final decisions on administrative permits authorized by this section as set forth in subsection A.2.c.

c. Providing notice.

i. The notice required by subsections A.2.a and A.2.b must be given by mail or personal delivery to all owners of real property located within 600 feet of the real property that is the subject of the application, utilizing the owners' names and addresses shown on the latest county equalized assessment roll. In lieu of the equalized assessment roll, other records of the county assessor or tax collector that contain more recent information may be used.

ii. If the number of owners to whom notice would be mailed or delivered under subsection A.2.c.i would be greater than 1,000, then in lieu of mailed or personally-delivered notice, notice may be given by publishing the notice in an advertisement of at least one-eighth page in the official newspaper of the city or another newspaper of general circulation within the city.

B. Conditional use permit. In accordance with section 17.228.960, a conditional use permit is required to establish a cannabis consumption lounge.

C. Distance buffers.

1. Measuring distance. Under this article, the distance from a cannabis use to another use is the shortest distance measured in a straight line between the two closest property lines.

2. Distance from schools. No cannabis use may be established within 600 feet of a school.

3. Maps.

a. All applications under this article must include a scaled map that identifies all sensitive uses within the distances specified in this article by name, address, and assessor parcel number.

b. Each applicant must attest in writing, under penalty of perjury, that the map and accompanying information is true and correct to the best of their knowledge and belief.

D. Existing conditional use permits.

1. Medical marijuana dispensaries. A medical marijuana dispensary use that has a valid conditional use permit on the effective date of the ordinance that

codified this section is deemed to have an approved conditional use permit for a cannabis dispensary allowing for a storefront cannabis dispensary for the sale of medical and adult-use cannabis.

2. Nonconforming uses. Conditional use permits for cannabis uses issued before the effective date of the ordinance that codified this section may not be modified under sections 17.232.050.B, 17.232.090, or 17.232.110.

E. Any permit issued in accordance with this article must specifically identify each authorized cannabis use – cannabis production (cultivation, distribution, processing, or manufacturing), cannabis testing, cannabis dispensary (store-front cannabis dispensary, delivery-only cannabis dispensary, or both), or cannabis consumption lounge.

17.228.930 Cannabis production.

A. Power Inn area. No administrative permit will be granted for cannabis cultivation in the area bounded by Power Inn Road to the west, Folsom Boulevard to the north, and the city limits to the east and south, if the total of all cannabis cultivation uses in that area will exceed 2.5 million square feet.

B. C-2 zone. In the C-2 zone, cannabis production must comply with the following provisions:

1. Cannabis distribution and nonvolatile cannabis manufacturing cannot exceed a total of 6,400 square feet per site.

2. Cannabis distribution cannot be the only cannabis production use on a site.

C. Signs. A cannabis production site cannot have more than one sign. The sign may be attached or detached. The sign cannot be illuminated and cannot exceed six square feet in area.

17.228.940 Cannabis testing – signs.

A cannabis testing site cannot have more than one sign. The sign may be attached or detached. The sign cannot be illuminated and cannot exceed six square feet in area.

17.228.950 Cannabis dispensary – distance buffers.

A cannabis dispensary may not be established within 600 feet of a sensitive use.

17.228.960 Cannabis consumption lounges.

A. A conditional use permit, approved by the planning and design commission, is required to establish a cannabis consumption lounge.

B. A cannabis consumption lounge may not be established within 600 feet of a sensitive use.

C. Notice to city council. As soon as reasonably practicable after the planning and design commission makes a decision on a conditional use permit required to establish a cannabis consumption lounge, the planning director shall report that decision to the mayor and the councilmember in whose district the project is located, by sending the report by electronic mail and confirming that each received it.

D. Procedures for call-up review. The mayor or the councilmember in whose district the project is located may call up for city council review any decision described in subsection C by filing a written request with the planning director within 10 business days of the planning and design commission's decision. If both a council member call-up and commission-level decision appeal are pending on the same project, the city council will consider both at the same time. Notice of the city council hearing shall be given in the manner provided in section 17.812.010.A.2.a. The hearing before the city council shall be de novo.

~~A.~~E. Withdrawal of request for review. The requester under subsection D may withdraw that request. The withdrawal shall be noted on the next regularly scheduled meeting of the city council and shall be considered to have occurred on that date. Any other member of the city council shall have 10 days thereafter to file a request for call-up review. If the tenth day is a non-business day, the last day to file the request is the next business day. Noticing and hearing of the matter shall be in accordance with subsection D.

Final Report

Sacramento Comprehensive Cannabis Study

The Economics of Land Use

Prepared for:
City of Sacramento, Office of Cannabis Management

Prepared by:
Economic & Planning Systems, Inc. (EPS)

March 8, 2022

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1. Introduction

The City of Sacramento (City) has retained a team led by Economic & Planning Systems, Inc. (EPS) to conduct a comprehensive cannabis study (SCCS/Study). The Study is directed to the City and is intended to inform public policy pertaining to land use, fiscal/economic, and other regulatory/policy topics. The industry is continually on the verge of significant change. After only a handful of years of legalized adult cannabis consumption in Sacramento, the timing for this Study is ideal as the City considers regulatory options. The Study revolves around the following four questions:

1. What is the scale of the industry and its constituent elements in Sacramento?
2. How does the industry affect the City's economy, real estate, and neighborhoods?
3. Does the industry cover its related City service costs and generate surplus revenue to the City?
4. Based on the literature and case studies, what are some possible directions to explore regarding appropriate municipal oversight of the industry?

After a brief overview of the footprint of the industry in Sacramento, national, State of California (State), and local industry performance metrics and trends are discussed relative to industry performance and tax receipts. Case studies of other jurisdictions and key literature review findings are included, providing the basis for comparing and contrasting industry regulatory techniques. Several qualitative trends and issues are examined to establish a foundation on which the components of a successful regulatory framework can be identified. For example:

- Where and under what conditions have jurisdictions regulated industry to ensure sustained health, resulting in a sustainable source of revenue?
- Can big tobacco, big pharma, or private equity be combined with local stakeholders in a strategy to capture wealth in the local community?
- What tools and techniques are jurisdictions using successfully to ensure that significant benefits accrue to communities in need?
- What is the most direct path to wealth creation? What cities have tried other approaches, and how do the results contrast with Sacramento's? For example, does it make sense to facilitate major industry interests if the result is a larger and more stable flow of tax proceeds, with expanded funding for local causes or entrepreneurial support beyond the cannabis industry?

The ideal regulatory framework for the City depends on the City's expressed priorities. Cannabis is a dynamic, complex, new industry, highly subject to changes in market conditions and federal regulations. There is a total of 5 years of data on operating adult use cannabis in California. It is often cited as an engine for social restitution, economic development, health/wellness, and public services provision. Yet, industry and government are often not aligned in these efforts, which also reflects its relative newness and its challenge to long-time social convention, as well as legitimate concerns regarding youth exposure and other societal ills.

The cannabis industry has been prominent in California for many decades, and the illicit market remains dominant today. The State has been roundly criticized for its high excise tax, which places legal cannabis in California at a consumer price disadvantage and contributes to an overall cost burden that has become problematic for small and medium-sized operations in Sacramento, and which favors larger players with deep pocket investors that can survive a period of minimal or negative cash flow while gaining market share. Cultivating and growing a local niche of small Cannabis Opportunity, Reinvestment and Equity (CORE), woman-owned, and other sought-after owner groups in Sacramento may require a concerted effort, expanded Office of Cannabis Management (OCM) resources, and supportive policies addressing the headwinds these firms face.

A legitimate case can be made for leveraging Sacramento's excellent geographic and political position in the State to allow arguably inevitable large firm growth to facilitate the generation of more stable and predictable tax revenue. Again, being precise about intended outcomes will help the City sort through candidate options and approaches.

Study Focus Areas, Approach, and Methodologies

A major priority of the Study is to understand how other jurisdictions have handled these issues and options, as well as understanding the greater body of literature on the emerging practice of cannabis regulation. EPS organized its review of policy approaches across the following categories:

1. **Land Use Regulation.** Comparable city land use regulations related to the location of the various cannabis industry sectors and adjacent uses.
2. **Ownership: Structure and Ability to Transfer.** Explore the range of ownership structures in the industry from sole proprietors to large organizational models with the intent to understand current trends and operational specifics across the range. In particular, how is ownership controlled and monitored by various jurisdictions?

3. **Taxation and Fees.** Investigate trends regarding the primary sources of tax revenue generation from the cannabis industry. In particular, decreasing or increasing reliance on the use of any types of taxes, changes in the tax rates applied since legalization, and the introduction of exemptions. Identify other jurisdictions' strategies for allocating additional tax revenues.

A variety of methodologies are leveraged to provide a comprehensive overview of industry dynamics. More specific and detailed discussions of methodologies are included in the following chapters. Highlights are provided here:

- **Multi-City Case Studies.** Following an initial period of evaluation, several cities were chosen to serve as primary case studies, including Long Beach, Oakland, Seattle, and Denver. Case studies were carried out to compare the industry and regulations comprehensively, including but not limited to dispensary ownership regulations and approaches. These case-study findings are woven into the ensuing report on a topical basis. Interviews were held with City cannabis management leaders in Oakland and Long Beach covering a full range of topics as case-study follow-ups.
- **Literature Review.** As an augmentation of case studies and interviews, EPS conducted a comprehensive literature review. A list of documents accessed is provided in the Bibliography. Documents were drawn from a combination of academic, industry, government, and popular press sources.
- **Stakeholder and Key Informant Interviews.** The EPS team conducted wide-ranging and confidential interviews among industry practitioners and representatives, government officials, academics, industry associations, Property and Business Improvement Districts (PBIDs), developers, consultants, lobbyists, neighborhood activists, and community members.
- **Real Estate Performance Evaluations (Leasing and Sale Trends).** EPS conducted detailed evaluations of all cannabis concentrations in the City, focusing on performance metrics applying to both commercial district and residential neighborhood impacts. A variety of commercial database applications were used in these evaluations, as described in **Chapter 5**.
- **Fiscal Impact Analysis.** EPS examined the impact of Sacramento's cannabis industry on the General Fund of the City to evaluate how the complete set of revenues generated by the industry and related activities relates to public service costs caused by the industry. It should be noted that the analysis builds on departmental funding levels currently in place; however, sensitivity analysis is provided, testing increased service levels for certain departments most acutely impacted by the industry.

- **Economic Impact (Input-Output) Analysis (EIA).** The EIA measures the total economic contribution of the industry to Sacramento County,[1] in terms of jobs and economic output. This metric includes primary buyer/supplier transactions with the entire spectrum of entities doing business with the industry, as well as the expenditure of employee salaries in the local economy.

Issues Overview

The Study represents an effort to identify best practices in the regulatory oversight of the industry and to assess various options for the City.

The industry is continuously evolving. Over time, it is expected that federal decriminalization and regulation will substantially change the industry dynamics. In anticipation of sweeping changes, the industry is moving quickly to consolidate and vertically integrate[2] to thrive in a larger but increasingly competitive market.

Consumer acceptance is partially a function of innovative design, packaging, marketing, and branding. Small entrepreneurs are hard pressed, with pressure from larger corporate-backed interests on one side and the black market on the other. Even highly organized and competent enterprises operating in this space in Sacramento are often unable to turn a profit and in some cases are behind on State and federal taxes.

Hence, small locally owned enterprises are also under pressure from both market conditions and tax burdens. Calibrated tax rates and reduced barriers to entry may be needed to bolster these businesses. However, the best opportunity for the industry to fund targeted programs may be reliant on the inevitable advent of big business. On one hand, this may appear to contradict several public policy objectives, including the ongoing goals of the City's CORE program, but may provide a larger, long-term pool of revenue to fund alternative entrepreneurial and restitutive programs.

Can the City effectively incent collaboration to reduce front-end infrastructure costs? How have other cities managed to sort through these and other challenges? How can the City best harness market forces and an understanding of industry economics to benefit its local citizens and business community?

[1] The federal Bureau of Economic Analysis county-based data provide the basis for input-output multiplier analysis; therefore, analysis by county or groupings of counties is more reliable than sub-county areas.

[2] Vertically integrated businesses combine one or more industry functions, typically to achieve greater efficiency or to support increased market share.

Cities such as Denver offer some clues. Several years ahead of Sacramento and other California cities in legalization of both medical and recreational cannabis, Denver has effectively assimilated the industry and the culture around it and become a related tourist destination of sorts. Retail districts are replete with upscale cannabis storefront dispensaries that blend in with a variety of other boutiques.

From an economic development perspective, a key consideration is the spillover effect the industry may have on other sectors in the Sacramento economy. Is cannabis a viable and worthwhile pursuit as an industry providing broad benefit to the City? Further, is it an appropriate industry worthy of directing persons or groups/cohorts toward, or should more broad-based skills be emphasized across more general categories of employment and business management/ownership?

An integrated approach to regulation and taxation will produce maximum benefits such as optimal usage of tax revenues and other industry-generated funds supporting reduced barriers to entry. Tax rates in Sacramento are not excessive compared to other major cities studied. The most vulnerable community entities are highly sensitive to costs of all types, including tax rates. The strongest vertically integrated users have comparatively little sensitivity to tax rates and other imposed costs.

Cannabis is a complex and challenging industry, and not a "training ground" for the inexperienced. Later in this study, EPS posits that training initiatives be spread more broadly across multiple skill sets and industries.

Based on research conducted for and represented by this report, the local legalization and taxation of the industry is related to the following interrelated issues and factors:

1. **Restitution.** The War on Drugs is generally accepted to have damaged individuals, households, and cultures. There is a national effort among many jurisdictions, including Sacramento, to make reparations through increased access to business equity ownership in a young and volatile cannabis industry.
2. **Economic and Community Development.** Does cannabis contribute to or harm the City's efforts to grow and diversify and to train its labor force? How does it affect the neighborhoods proximate to industry facilities? Does it support growth in asset values, attract tourists, and contribute to the local arts and culture milieu? What is the importance of the industry to the City and regional economy?
3. **Fiscal.** The industry generates significant revenues to the City General Fund, but are current tax rates sustainable in terms of facilitating a healthy and growing local cannabis sector?
4. **Health and Well-Being.** For many, cannabis-derived products offer alternative and potentially low-harm benefits for medical uses and may offer a growing range of applications as further research and analysis continues.

This Study concerns itself primarily with topics #2 and #3 stated above. While topic #1 will be further evaluated in planned follow-ups to this analysis, case-study information provided from other U.S. cities is presented as a facilitation of further study. Topic #4 will be informed over time as additional research commences, potentially at such time federal prohibition of cannabis is lifted.

2. Chief Findings

A considerable portion of the unregulated industry is large and sophisticated, sharing many practices and a common long-standing culture with the emerging legal industry. Certainly, for elements of the unregulated market that routinely damage the environment, violate labor practices, and create other societal harms as a basis of their operational strategies, a viable case could be made for reduction of illegal grows and their portion of supply. Nevertheless, beyond basic common-sense measures, the correction of the legal cannabis market cannot be based on, or even primarily focused on, enforcement.

Economic incentives are the primary solution. However, the City cannot unilaterally correct the cannabis policy headwinds originating from the State, a partner with which to lobby for reduced excise taxes, introduction of a percentage cultivation tax, and strategic enforcement.

A central problem confronting these businesses is the amount of periodic debt over income. It is not uncommon to see otherwise viable small operations in Sacramento struggling to pay State and federal income taxes. Current Internal Revenue Service (IRS) provisions (Section 280E) preclude otherwise common business practices such as asset depreciation. For Sacramento's local owners and operators, might it make sense to reduce costs of operation and start-up in support of creating a thriving local culture ahead of the gold rush in the offing?

Large and vertically integrated interests are gaining momentum in North America, with a deeply financed mergers and acquisition wave sweeping the U.S., and California in particular. Sacramento is a major focal point in the State's cannabis industry and has a strong position for future growth, if desired. Is there a rational policy regime the City can advance that provides additional support to vulnerable small and local operations over the next 3 to 5 years, while the industry and the government sort out the rules and regulations on which locals and their investors can base investment decisions?

Success in Sacramento may require the ability to command price premiums and an experiential package that goes beyond cannabis and extends to local culture. Denver has established success in this regard. Dispensaries in Denver are welcomed in their communities, similar to the mostly positive reception in Sacramento's Midtown. Increased quality of experience, brand awareness (local preference) on the revenue side, and appropriate training, financial assistance, and reduced unit costs through economies of scale (shared facilities) are further explored in this report based on case studies of other cities.

These case studies and supporting research suggest that cannabis revenues can be targeted to the local equity/entrepreneurial culture, facilitating the opportunity to leverage their skills into emerging opportunities.

Primary Conclusions

1. ***The industry is growing and diversifying rapidly at the local, regional, State, national, and global levels.***

   Based on taxes remitted to the City by cannabis businesses, the cannabis industry in Sacramento took in more than $800 million in 2021. The industry's 2021 income is more than 3.5 times the income of the industry during the first full year of legalization in 2018. Consumer spending at Sacramento's cannabis retailers has increased rapidly, with annual year-over-year increases of 51 percent and 42 percent, respectively, in the past 2 years.

2. ***Dispensary sales indicate Sacramento is a net exporter of cannabis to the region and other parts of California.***

   With approximately $270 million in estimated taxable (excluding medical use) sales in Fiscal Year (FY) 2020/21, Sacramento experienced sales exceeding $500 per person in the City. As discussed in this report, reliable estimates of legal per capita consumption are under $200, indicating that about 60 percent of sales are oriented to other jurisdictions in the region and to pass-through buyers. As a result, an increase in the number of dispensaries will further strengthen Sacramento's export position in the short term by adding $40 million to $60 million in additional sales to be profitable. However, it is likely additional jurisdictions may enter the market to compete for a share of the potential tax revenue. In addition, local dispensaries are losing market share to delivery services (also known as "non-storefront dispensaries"), a category that is gaining market share following the e-commerce model.

3. ***A short-lived spike in industrial rents following legalization appears to have eased.***

   Many of the industrial areas that are well-suited for cannabis production facilities experienced dramatic spikes in asking lease rates in 2018 on the heels of legalization. The rent spikes, which likely were due to a combination of real demand and speculation, appear to have moderated, though pricing pressure resulting from the growth of e-commerce and distribution remains.

4. ***Cannabis businesses have not had a negative impact on other nearby retail or industrial uses.***

   An analysis of lease rates for retail and industrial uses in the areas surrounding cannabis businesses found no pattern of negative impact on the marketability of surrounding areas, as demonstrated by asking lease-rate trends for available spaces.

5. ***Cannabis businesses have not had a negative impact on nearby home values.***

   A comparison of home sales values within one-quarter mile of dispensaries and those within larger control groups for the same areas found that proximity to dispensaries does not reduce home values relative to other homes in the same general area.

6. ***Cannabis businesses have not created increases in crime beyond the levels generated by other businesses.***

   The proliferation of cannabis businesses in Sacramento has not generated a proportional increase in crimes targeting these businesses, suggesting that the enhanced security measures employed by these businesses are a strong deterrent to crime.

7. ***Cannabis is important to the City General Fund.***

   Cannabis generates a fiscal surplus nearing $20 million annually to the City General Fund. The contribution of cannabis to the City's General Fund indicates potential to increase OCM resources as needed, including various services to smaller minority- and woman-owned operations that are vulnerable in today's economic and policy environment, including incentives to sustain CORE entrepreneurs.

8. ***Cannabis is a significant driver of the Sacramento County and City economies.***

   The industry generates $2.3 billion in economic activity in Sacramento County, supporting approximately 12,500 jobs annually. Based on the City's share of total Sacramento County economic activity, it is estimated that $2.0 billion and 11,000 jobs are located in the City.

9. ***The industry is on the cusp of a profound change with federal legalization combined with massive and ongoing technological innovation.***

   Vertically integrated companies with deep pockets are already establishing a position in Sacramento and the State. Large, well-capitalized players are able to sustain major losses as they gain market share and future control of the industry. Even without near-term legalization, major research efforts have ramped up, informing diversified product development. Of notable concern, the imposition of additional federal excise taxes on legalization could further create pressure on the industry absent corresponding reductions in costs at the State or local level.

10. Smaller local players may be partially protected through "protectionist" policies of the City.

Local industry interests have indicated margins are too thin to be sustainable. Larger corporate interests are also losing money in many cases, often as an overt strategy to gain market share. Examples of useful steps to protect smaller players may include reduced costs across the board, training subsidies, and other tools and techniques suggested by case-study research, combined with assistance and incentives to create local marketing/branding premiums. Absent local intervention, large firms will use deep pockets of funding and operational efficiencies to gain market share and drive small players out. The causes are manifold and cannot be attributed to a single cause. High State excise taxes, combined with federal tax and banking restrictions, as well as the imposition of local industry taxes of normal magnitude all combine to create a cost burden that needs to be addressed. Importantly, current City limitations on the granting or transfer of ownership is problematic for local operators, and (as discussed in this report), a "hybrid" approach discouraging "permit flipping" such as the City of Oakland's may strike the right balance.

11. A major cultivation oversupply is working its way through the market, with prices dropping precipitously.

Contributing to the problem, unregulated grows in California maintain an unregulated price advantage, while contributing to a current glut of supply (both legal and illegal). Cultivation in Sacramento has increased dramatically since 2018. However, the high cost burden for legal production makes it infeasible to compete with the unregulated market. Multiple sources report that California cultivators are growing three times as much cannabis as can be consumed in the State, which is both flooding the market and feeding product to the illicit market.[3] Something akin to "price parity" between the legal and illicit market will need to be achieved to eradicate the problem, similar to what Colorado has achieved.

12. Sacramento is well positioned to command a strong position in the State's trade of legal cannabis, even after federal legalization.

Sacramento is well-located in the State, appealing to the powerful distribution functions, which are at the heart of the industry's economics. Access to large Northern California consumer populations, relatively low costs of labor and land, and access to State policy makers all place Sacramento in strong position for future cannabis growth and development. However, given the advent of major greenhouse cultivation sites emerging throughout the State's coastal valleys, it seems likely cultivation will gradually seek out other locations, reducing pressure on Sacramento's industrial districts.

[3] Forbes, Chris Roberts, "It's gonna be a bloodbath"; Epic Marijuana Oversupply Is Flooding California, Jeopardizing Legalization, August 31, 2021.

13. ***The industry does not appear to produce negative economic effects on commercial and residential districts.***

    The industry has settled into most districts with minimal negative impact. In many cases, the capital investments in cannabis business facilities and other neighborhood improvements have resulted in positive overall impact. Detailed analysis of commercial and neighborhood economic effects in the City's areas of concentration (Districts 2 and 6 in particular) indicate the industry has not substantially changed local market behavior. Over time, the industry will seek to migrate to areas having a competitive advantage. The Denver case study suggests the industry is likely to be economically and culturally assimilated into the City over time. One important area raised by stakeholders is continued efforts to ensure that youth are protected from inappropriate marketing, such as billboards that promote cannabis use.

14. ***Local areas of potential saturation concern include cultivation and delivery services in Districts 2 and 6.***

    This analysis looked at several indicators of over-concentration, including an examination of the root zoning causes of the issue, as well as other measures such as ratios of establishments to population and interviews of stakeholders. However, as discussed in this report, it is likely that the market will "shake out" over time, and it may not be necessary or productive to place barriers on these uses. Cultivation is currently capped at 2.5 million square feet (approximately 10 percent of total industrial space). While CUPs have been granted for the total amount, space used for cultivation is well below the cap, at about half of the allowed square footage. As discussed in this report, demand for this use in Sacramento appears to have tapered somewhat, suggesting that the cap may not be reached.

15. ***Many small and local firms need assistance in funding start-up capital or ongoing operations.***

    The City can help to sustain the local industry until significant business opportunities open up with relaxed federal regulation. In some cases, incentives for providing shared capital benefitting multiple firms can be explored. There is potential for techniques such as creating a local revolving loan fund, seeded by above-referenced General Fund proceeds generated by the industry. Other options for expenditure of tax revenue might include improved City services needs (public safety, permitting times, etc.).

16. ***While OCM has been successful in obtaining major grants from the State to fund specific needs, a sustained allocation of revenue for said purposes will be more predictable than the pursuit of grants.***

    OCM budget needs should be further examined, and case-study lessons from Oakland and other locales may offer lessons regarding the need to monitor or enforce the complex types of equity transfers and investment activity that are transpiring in the industry. Also, business operating permits (BOPs) struggle to keep pace with ownership transfers and complex shared-use arrangements

of business operations. Based on supplemental discussion and analysis, the City could increase its OCM resources. At the same time, simplification of ownership transfer and other requirements may reduce demands on staff time. A range of ownership options are offered by Oakland and Long Beach, as discussed in this report.

Additional Considerations

In addition to using the fiscal surplus identified in this report as seed funding for a revolving loan fund program for all cannabis start-ups to reduce operational costs and barriers to entry, it may be advisable to open up the range of industry-funded benefits to establish a broad, cross-sectional skill base for victims of the war on drugs to allow for both non-management employment in this industry and to open the door to participation in other industries.

Sacramento is on the precipice of a new era in its economic development, with epochal projects such as Aggie Square and others expected to grow and diversify several industries related to the life sciences cluster. A strategy of providing broad-based skills training to communities in need may be appropriate as a path to directing interested CORE applicants back into a cannabis industry facing continued federal illegality, intense economic pressures and transformation, and major corporate consolidation and vertical integration.

A potential exists for Sacramento to leverage competitive advantage to extract maximum benefit from the evolving industry as it takes residence in Sacramento and simultaneously provide real opportunities for social equity applicants to gain market share and generate wealth. The question is, how can CORE equity participants and applicants be best served? Existing CORE permit holders absolutely need the ability to transfer ownership to be viable. Currently, all CORE members can transfer ownership interest in their businesses in the same manner as non-CORE businesses, with the exception of the new Storefront permits, which must stay 51 percent CORE for 10 years. However, to retain CORE benefits, the business must stay at least 51 percent CORE.

Similar to a land trust incorporating deed restrictions in the field of affordable housing to the exclusion of realized capital gains, should these permit holders be denied the same opportunity as non-CORE owners to realize their maximum potential nest egg as they sell their business? The 3-year vesting period as is being considered for Oakland social equity owners may be an avenue to providing this opportunity without the threat of permit flipping being seen in Chicago. The argument against CORE owners selling 100 percent of their dispensary ownership to the highest bidder is that if the purchasing owner is a non-CORE owner, then a CORE opportunity is removed from the pool. This is solely predicated on Sacramento’s dispensary limits.

An alternative scenario may be possible, whereby Sacramento positions itself to accommodate the industry on its regulatory terms, with the goal of levying the maximum sustainable taxes to generate funds applied to a broadened range of training across multiple industries. Tax rates in Sacramento are relatively consistent with other major cities studied. The most vulnerable community entities are highly sensitive to costs of all types, including tax rates. In contrast, the strongest vertically integrated users have comparatively little sensitivity to tax rates and other imposed costs.

Should the City support local players for a defined period of time or pivot to accommodate the large and powerful industry that will influence the industry in Sacramento and California? Depending on expressed priorities, both options are possible. If well integrated, industry forces may be marshaled to constitute a strengthened and better funded local policy program to the benefit of those in need.

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3. Overview of Cannabis in Sacramento

Growth of the Industry

Based on taxes remitted to the City by cannabis businesses, the cannabis industry in Sacramento is estimated to have generated more than $800 million in gross receipts in 2021, as shown in **Table 1**. The industry's 2021 income is more than 3.5 times the income of the industry during the first full year of legalization in 2018. Delivery, distribution, and cultivation now represent a significant portion of the legitimate cannabis economy, accounting for 12 percent, 21 percent, and 24 percent of the total cannabis industry's income in 2021, respectively. In addition, these 3 sectors all took in more than $100 million in gross receipts in 2021.

Table 1. City of Sacramento Gross Receipts by Industry Function Group

Industry Function Group	Note	Estimated Gross Receipts (Millions, per year)								
		2013	2014	2015	2016	2017	2018	2019	2020	2021
Dispensary	[1]	$35.9 M	$57.5 M	$84.2 M	$117.4 M	$129.9 M	$138.8 M	$161.0 M	$219.9 M	$295.8 M
Delivery	[2]	-	-	-	$0.001 M	$0.001 M	$7.5 M	$25.2 M	$60.6 M	$102.0 M
Distribution	[3]	-	-	-	-	-	$6.7 M	$23.4 M	$93.9 M	$173.3 M
Testing	[4]	-	-	-	-	-	$0.5 M	$1.5 M	$4.1 M	$9.0 M
Microbusiness	[5]	-	-	-	-	-	-	$0.9 M	$2.9 M	$3.8 M
Manufacturing	[6]	-	-	-	-	-	$49.2 M	$40.7 M	$8.9 M	$41.0 M
Cultivation	[7]	-	-	-	-	$0.0 M	$15.8 M	$36.3 M	$69.0 M	$195.5 M
TOTAL		**$35.9 M**	**$57.5 M**	**$84.2 M**	**$117.4 M**	**$129.9 M**	**$218.6 M**	**$289.0 M**	**$459.3 M**	**$820.4 M**

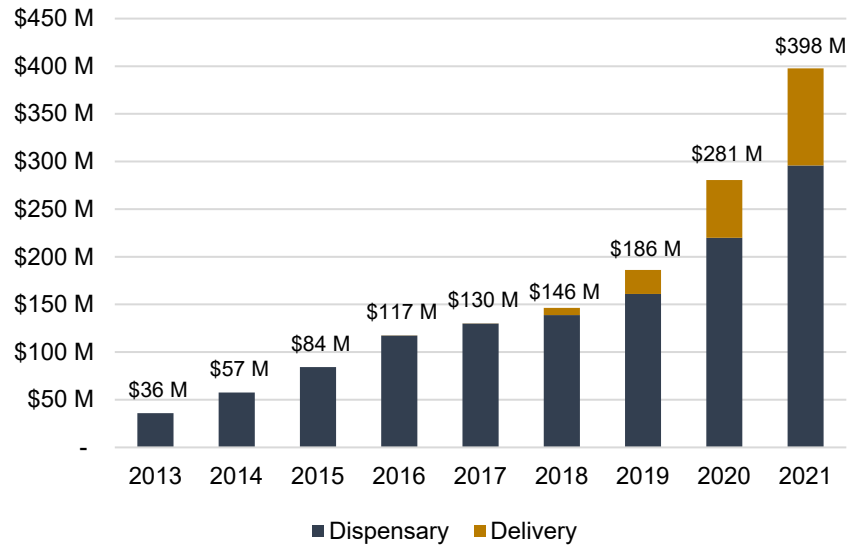
Source: City of Sacramento; EPS.

[1] Dispensary includes storefront only.
[2] Delivery to consumer.
[3] Distribution between industry functions; includes broader logistical services.
[4] Testing of cannabis products.
[5] Microbusiness is a small operation with activities crossing functional areas.
[6] Manufacturing includes processsing of raw ingredients and production of products.
[7] Cultivation is growing and harvesting cannabis plants; only allowed indoors in Sacramento.

Consumer spending on cannabis products in Sacramento, measured by gross receipts at delivery and dispensary businesses, was nearly $400 million in 2021, as shown in **Figure 1**. The share of consumer spending on cannabis products at delivery-only dispensaries has grown from 10 percent of spending in 2018 to 40 percent in 2021, with nearly $200 million in spending at delivery-only dispensaries in 2021.

For context, bars and restaurants in Sacramento took in approximately $744 million and liquor stores took in approximately $80 million in 2021. Spending at Sacramento dispensaries in 2021 was roughly comparable to spending at gas stations ($408 million) and more than double the spending at clothing stores ($198 million) in 2021, as shown in **Figure 2**.[4]

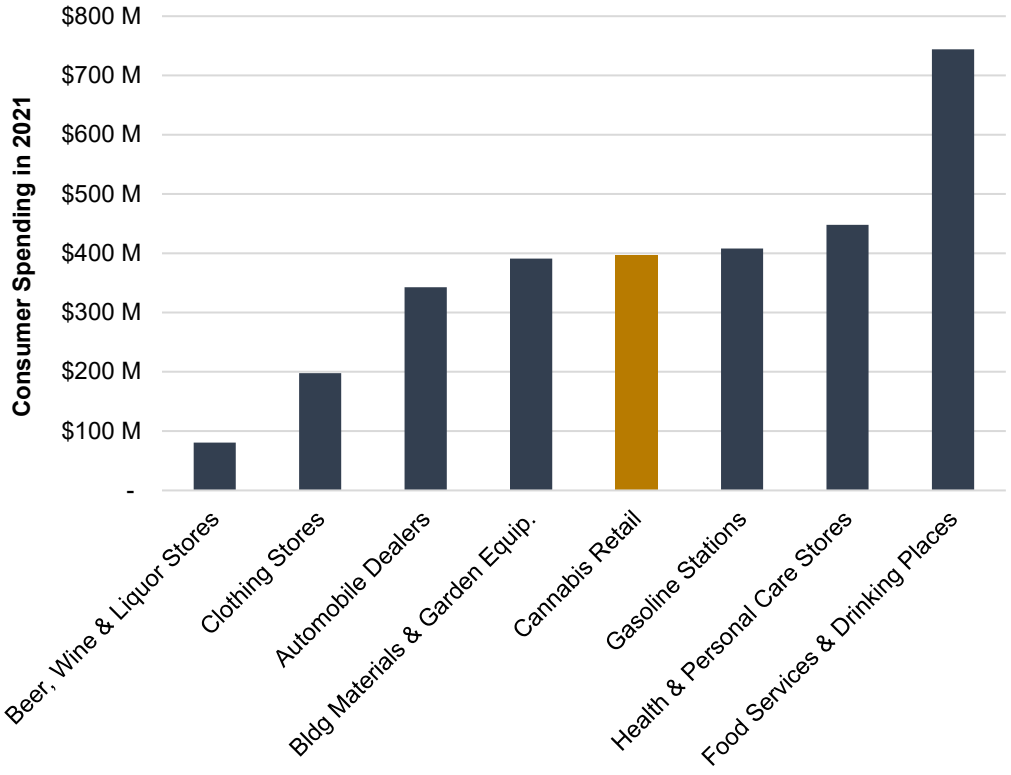
Figure 1. Consumer Cannabis Spending at Sacramento Retailers



Source: City of Sacramento Office of Cannabis Management, EPS.

[4] 2021 consumer spending in other categories based on ESRI Business Analyst's Retail Profile.

Figure 2. City Sacramento Consumer Spending in 2021



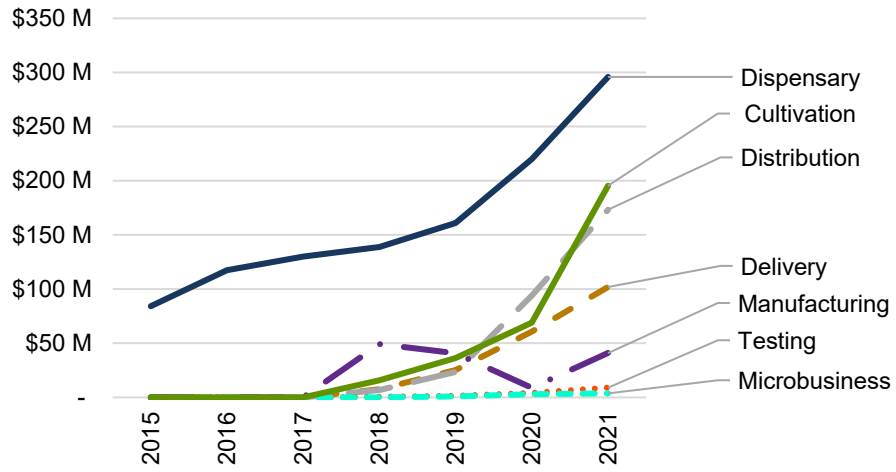
Source: City of Sacramento Office of Cannabis Management, ESRI Business Analyst Retail Marketplace, EPS.

Gross receipts across most types of cannabis businesses in Sacramento have increased every year since legalization. The various permitted activities in the cannabis industry are generally categorized into 7 major groupings, known as Industry Function Groups (IFGs),[5] which are described in detail and summarized in **Table 5** later in this chapter). **Table 1** and **Figure 3** provide citywide summaries of gross receipts for each of the IFGs.

Gross receipts for manufacturers have not followed the same growth trend as the other IFGs. In the first year of legalization, manufacturing was the second-largest cannabis business sector in the City by gross receipts, taking in nearly $50 million. However, revenues for manufacturers have not matched the growth of the overall industry, with manufacturers taking in only $41 million in gross receipts, although this figure is a marked increase over their performance in 2020, when they took in approximately $9 million.

[5] A vertically integrated business may include multiple functions, but each function area generally will require a separate business operating permit, unless it is a microbusiness.

Figure 3. Gross Receipts by Industry Function Group



Source: City of Sacramento, EPS.

Based on results from a survey of cannabis businesses conducted by the City's OCM, it is estimated there are approximately 8,000 people employed directly by the cannabis industry in the City, as shown in **Table 2**. Further, it is estimated that more than half (53 percent) of those employed in the industry are in the cultivation sector, making this by far the most labor-intensive sector of the industry in Sacramento.

Table 2. Cannabis Employment by Industry Function Group (2021)

	Square Feet per Full Time Employee (FTE) [1]	Estimated Employee FTE's
Industry Function Group		
Cultivation	375	4,224
Manufacturing	450	457
Distribution	150	1,363
Retail	150	709
Delivery	100	1,216
Total		**7,970**

Source: City of Sacramento; EPS.

[1] Square feet per employee assumptions are based on intial data provided by the Office of Cannabis Research pertaining to a survey of local cannabis businesses within the City.

As shown in **Table 3**, cannabis is in the top 10 industries by number of employees in the City, contributing significantly to the local economy. For further discussion of the cannabis industry's impact on the larger economy and the finances of the City, see **Chapter 6**.

Table 3. Top 10 Industries by Employment in City of Sacramento (2021)

Rank	Industry	Number Employed in City of Sacramento [1]
1	State Government	25,000
2	Local Government - Education	11,500
3	Transit and Passenger Transportation	11,400
4	Individual and Family Services	10,800
5	Full-Service Restaurants	9,000
6	Hospitals	8,900
7	Limited-Service Restaurants	8,500
8	Emploment Services	8,300
9	**Cannabis**	**8,000**
10	Other Real Estate	7,800

Source: IMPLAN, EPS.

[1] IMPLAN is a private economics firm that provides data and software for analyzing local and regional economies. Employment data from IMPLAN is available at the County level - City estimates for Sacramento were produced from this data by adjusting IMPLAN totals based on the proportion of total County residents that live within the City (83 percent) and rounded to the nearest 100.

In addition to increasing gross receipts overall, the number of cannabis businesses has increased each year since legalization in 2018, with particularly strong growth in 2020, when the 112 new licenses issued more than double the amount of licensed cannabis businesses from 2019. Growth in 2021 has slowed somewhat, with only 46 new businesses added.

As shown in **Table 4** and **Figure 4**, the number of cannabis businesses has increased every year since legalization. Cultivation businesses now account for 35 percent of all licensed cannabis businesses, up from 23 percent in 2019, and growth in delivery businesses has been strong as well, mirroring the growth in delivery businesses' gross receipts. Despite issuing zero licenses for delivery dispensaries in the first year of legalization, there are now 58 licensed delivery dispensaries, making it the second largest industry function group by number of licenses.

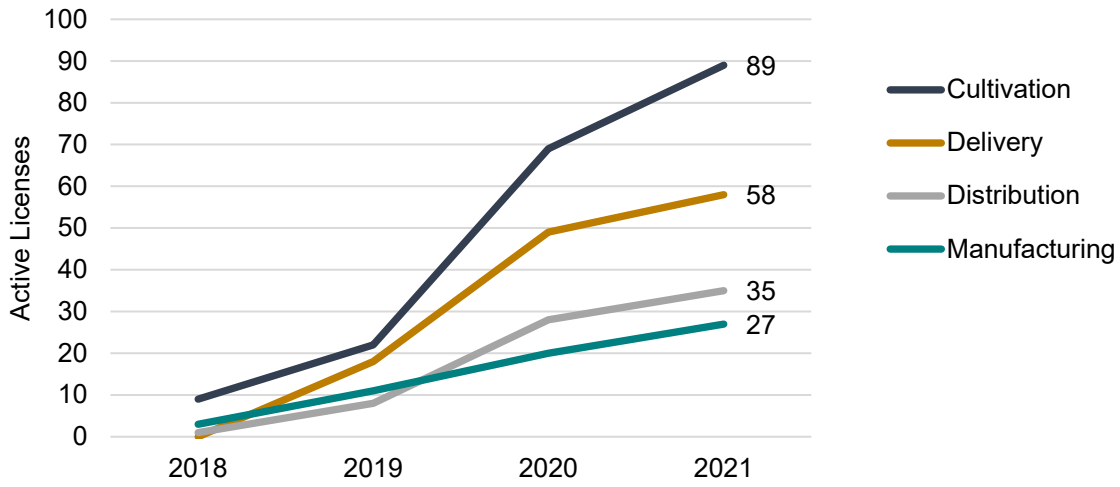
Table 4. Licensed Cannabis Businesses per Year[6]

	2018		2019		2020		2021	
	New	Total	New	Total	New	Total	New	Total
Industry Function Group								
Cultivation	9	9	13	22	47	69	20	89
Distribution	1	1	7	8	20	28	7	35
Manufacturing	3	3	8	11	9	20	7	27
Transport	0	0	1	1	2	3	0	3
Micro	0	0	0	0	3	3	3	6
Lab	4	4	0	4	0	4	0	4
Delivery	0	0	18	18	31	49	9	58
Storefront	30	30	0	30	0	30	0	30
Total	**47**	**47**	**47**	**94**	**112**	**206**	**46**	**252**

Source: City of Sacramento Office of Cannabis Management, EPS.

[6] Real estate, floor area, and crimes analysis is based on data provided by the City's OCM in July 2021. Data provided in January 2022 show 264 licensed cannabis businesses—to be consistent throughout the Study, any discussion of cannabis businesses in Sacramento refers to the data provided in July 2021.

Figure 4. Trends in Licensed Cannabis Businesses per Year[7]



Source: City of Sacramento, EPS.

[7] Storefront dispensaries were not included in this chart because their numbers have not changed since legalization. Microbusinesses, testing laboratories, and transport-only businesses were excluded as there are relatively few of these businesses, and excluding them improves the chart's legibility. See **Table 4** for more detailed information.

The major IFGs are summarized below:

- **Cultivation.** Indoor cultivation in Sacramento is heavily concentrated in the City's industrial zones in Council Districts 2 and 6. Cultivation expanded rapidly in Sacramento and elsewhere in the last few years; however, long-term trends point toward extensive indoor grow operations in California's coastal regions. While cultivation is land intensive and can introduce odor concerns, it continues to be an important component of smaller-scale, vertically integrated "microbusinesses" that prefer to directly control product from seed to final product. Capital costs are very high at the outset. The use generates a substantial fiscal benefit to the City. While some continued growth is likely advisable for the health of the industry, cities around the country are beginning to place limits on this use.
- **Manufacturing.** While manufacturing is a relatively small use in terms of industry footprint, is makes a useful contribution to the City's local economy with skills and other crossovers to other manufacturing. This use is at the center of the creative process in the cannabis industry and features high start-up costs and specific technical skills among employees. Progress on IRS depreciation limitations and banking limitations will be helpful to this function. Shared facilities are a potential necessity, offering the possibility of pairing CORE participants and other small operators with larger vertically integrated firms where proper incentives can be put in place.
- **Distribution and Logistics.** Characterized by warehouse, office, and fleet parking uses, distributers occupy a central position in the industry as the "connective tissue" between cultivators, manufacturing, and retail. Distributors pay cultivation and excise taxes to the State and are at the center of the "burner permit" problem in California, whereby product is legally purchased (and taxes paid) from cultivators, then sold in the unregulated market. Current lawsuits allege the State has turned a blind eye to excessive cultivation resulting in California while realizing the benefits of the flat tax on cultivation (itself an identified problem). This use is a natural fit in the Sacramento Region and generates major fiscal benefits to jurisdictions. Operator interviews indicate that sustaining operations is more difficult than start-up challenges. The industry requires sophisticated executive skills and relies on various emerging software products. Multi-State Operators (MSOs) are prevalent in this sector.

- **Non-Storefront Dispensaries (Delivery).** Delivery services are growing quickly and steadily gaining market share relative to bricks-and-mortar dispensaries. This function has very low barriers to entry and uses mostly unskilled labor, with the exception of management. Like dispensaries, these services provide a major fiscal benefit to the City. These services are heavily concentrated in industrial areas such as District 6. It is expected that these establishments will undergo considerable shake out as the market matures.
- **Dispensaries.** Effectively retail operations, these stores are major fiscal contributors and are heavily staffed by modestly paid and trained "budtenders" and management personnel. Current limitations on the transfer of ownership to non-CORE firms in Sacramento have inhibited the ability of local owners to find buyers.[8] Along with non-retail dispensaries, an estimated 60 percent of product is sold to consumers outside the City. An additional 10 dispensaries, as allocated by Sacramento, would increase the export share and could be met with additional regional competition as additional jurisdictions enter the market. Other cities offer some interesting alternatives to qualifying their respective "equity participants," as discussed in this chapter. The City of Oakland is considering using a 3-year vesting period[9] after initial BOP issuance to help eradicate "permit flipping" among applicants not otherwise interested in owning and operating. Oakland currently allows an open transfer of ownership for non-equity owners, but only allows equity owners to sell their business to other equity owners. As part of this approach, if a local brand for CORE products can be established which commands a price premium which loyal customers are willing to pay, all manner of retail cannabis outlets in Sacramento may have a basis to compete more effectively on an ongoing basis, providing the potential to continue operations without selling to outside investors.

[8] A 1-year moratorium on all ownership transfers is set to expire in May 2022. Otherwise, ownership interest in a permit is allowed to change provided there is continuity in ownership. The permit may not be "sold".

[9] Oakland adopted a 1:1 non-equity to equity ownership policy for all cannabis permits.

Table 5 provides a synopsis of the characteristics of these components of the cannabis industry in Sacramento.

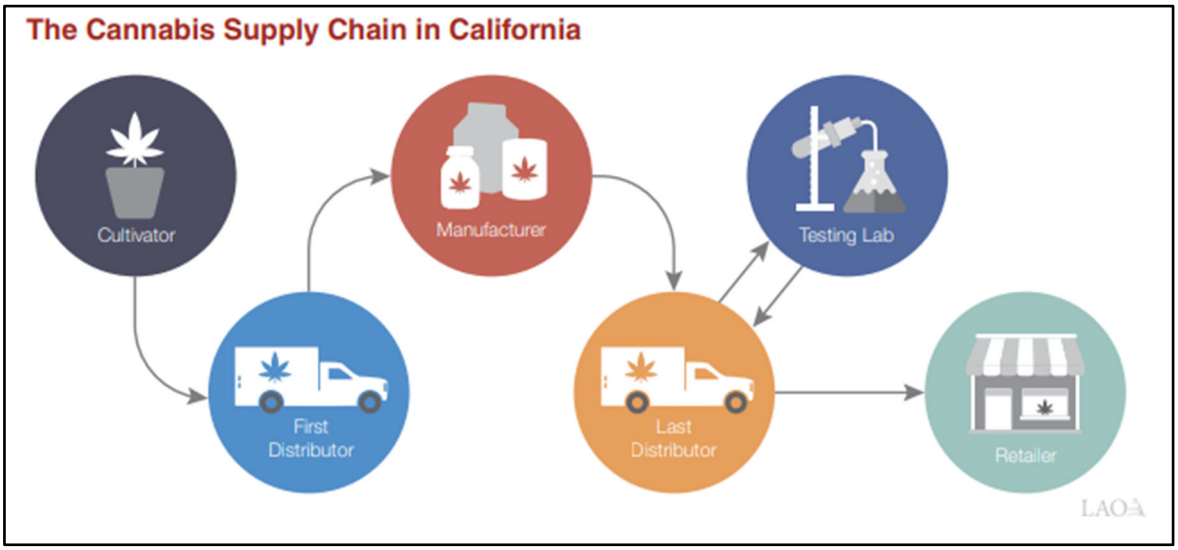
Table 5. Overview of Cannabis Industry Function Groups (IFGs)

IFG (1)	Characteristics
Cultivation	Sacramento - indoor only High power requirements for indoor operations Odor draws neighborhood complaints from certain facilities Evolved into element of sophisticated corporate operations Some concern of underutilization of urban industrial land
Manufacturing	Industrial facility small to medium size Contribution to City economic structure High start-up costs, significant infrastructure Requires working knowledge of technical processes Seamlessly integrated into vertically integrated businesses Good technical sector with cross-over, retain and encourage Supports other sectors of economy
Distribution & Logistics	Warehouse, fleet parking, office Sales, marketing, marketing, customer care, functions High security requirements and costs Farmer, manufacturing, and sale outlet relationships Can arrange logistics around testing, packaging, other value adds Can be vertically integrated with emphasis on distribution, Sophisticated multi-disciplinary operations Executive level skills, knowledge of industry, taxation, packaging, testing, and all other aspects of industry Regional coverage beyond Sacramento Sacramento viable as distribution location - good fundamentals
Non-retail dispensaries (delivery service)	Warehouse plus office Unskilled labor with exception of management 50% drivers, also dispatch and management Gaining significant market share from dispensaries following e-commerce trends in general Have created significant concentrations in industrial areas
Dispensary (bricks and mortar)	Effectively a retail operation Performs well in a variety of retail environments Losing market share to delivery companies Significant start-up costs Owners transitioned from medicinal to recreational, capped at 30 Major movement among MSOs to control market share (M&A) Budtenders make minimum wage plus or slightly more plus tips Sacramento = major exporter to region

(1) Excludes "microbusinesses", which are a combination of above components, often in a campus. Also excludes testing, which is normally located in standard office and R&D uses.

Figure 5 below illustrates the linkages between these major components by way of the industry supply chain. Of note in the supply chain is the relative importance of the distribution function. These entities collect and pay cultivation and excise taxes to the State and have control over what product gets to market through their relationships with cultivators, manufacturers, and retail dispensaries. They are increasingly MSOs as these entities seek market share in California and other domestic U.S. cities ahead of expected federal legalization. This trend is further detailed in **Chapter 4**.

Figure 5. Cannabis Supply Chain Diagram



Graphic reprinted from the Legislative Analyst's Office December 2019 report, "How High? Adjusting California's Cannabis Taxes."

Location of Industry Function Groupings

As shown in **Figure 6**, the cannabis industry is not distributed evenly throughout the City. The central areas of the City, such as Midtown, contain a large proportion of the City's licensed storefront dispensaries, while Districts 2 and 6 contain the majority of cannabis production, manufacturing, and distribution uses, as shown in **Table 6**. Based on the new City Council districts adopted in December 2021, Council District 8 is the only district in the City without a licensed cannabis business. However, Council Districts 1, 3, and 7 only have a total of 4 cannabis businesses between them.

Figure 6. City of Sacramento Distribution of IFGs

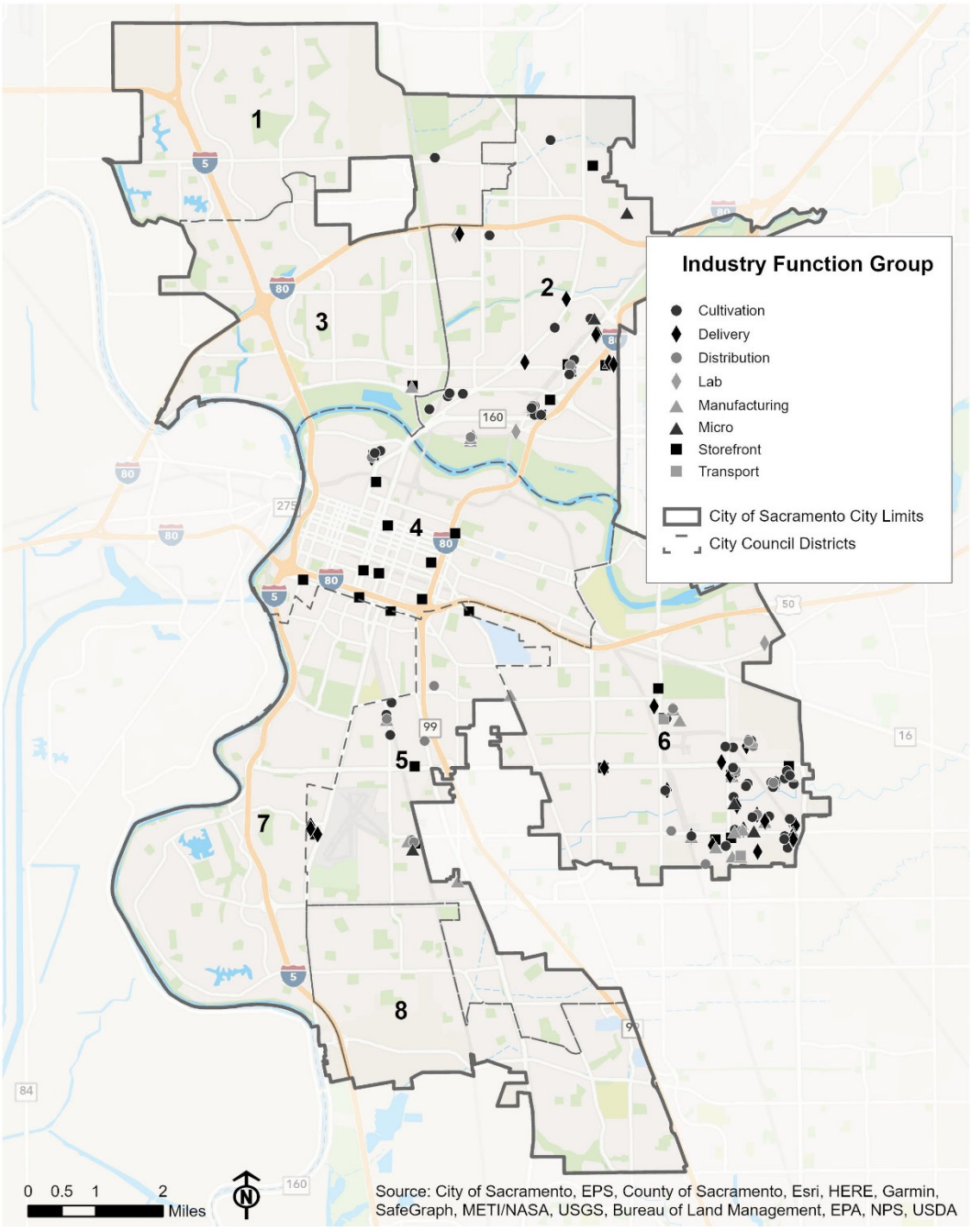


Table 6. Cannabis Businesses by Function Group per Council District

	City Council District							
	1	**2**	**3**	**4**	**5**	**6**	**7**	**Total**
Industry Function Group								
Cultivation	1	19	0	2	4	63	0	**89**
Distribution	0	7	0	2	5	21	0	**35**
Manufacturing	0	6	1	1	4	15	0	**27**
Transport	0	0	0	0	0	3	0	**3**
Micro	0	3	0	0	1	2	0	**6**
Subtotal Production	**1**	**35**	**1**	**5**	**14**	**104**	**0**	**160**
Lab	0	3	0	0	0	1	0	**4**
Delivery	0	10	0	11	3	34	0	**58**
Storefront	0	7	1	10	3	8	1	**30**
Total [1]	**1**	**55**	**2**	**26**	**20**	**147**	**1**	**252**

Source: City of Sacramento Office of Cannabis Management, EPS.

[1] Includes businesses with active licenses as of July 2021.

The uneven distribution and concentration of cannabis businesses is due to 2 primary factors: (1) the location of zoning districts that permit cannabis uses and (2) the location and availability of industrial buildings well-suited for cannabis business users. **Table 6** shows the distribution of cannabis businesses across the Council Districts. Neighborhood and real estate impacts as a result of this distribution are explored in further detail in **Chapter 6**.

Key Chapter Findings

- The industry is growing and diversifying rapidly at the local, regional, State, national, and global levels. Based on taxes remitted to the City by cannabis businesses, the cannabis industry in Sacramento took in more than $800 million in 2021. The industry's 2021 income is more than 3.5 times the income of the industry during the first full year of legalization in 2018. Consumer spending at Sacramento's cannabis retailers has increased rapidly, with annual year-over-year increases of 51 percent and 42 percent respectively in the past 2 years.
- While consumer spending at storefront cannabis dispensaries grew steadily from 2013 to 2021, spending on cannabis delivery sales has grown dramatically in the last 4 years, accounting for more than a quarter of cannabis retail sales in Sacramento in 2021.
- The cannabis industry is now among the top 10 employment sectors in the City, with approximately 8,000 workers, half of whom are estimated to be in the cultivation sector.
- Council District 4 (Midtown) continues to have the highest concentration of storefront dispensaries in the City, while District 6 contains more than half of the City's non-storefront delivery dispensaries.
- District 6 contains a majority of production-related cannabis operations, with 104 of the 160 such operations in the City (as of July 2021); District 2 has the next highest production concentration with 35 operations (as of July 2021).

4. Economic Trends in the Cannabis Industry

Introduction

This chapter describes overarching trends in the industry, followed by trends nationally, statewide, and in the City. It includes case studies of Long Beach, Oakland, Denver, and Seattle on issues of ownership, taxation, concentration, and social equity initiatives.

Macro-Level Trends

For centuries, cannabis has been used for its medicinal, as well as psychotropic, effects. Two events in the 20th century—the 1925 International Opium Convention, which effectively banned its exportation worldwide, and the 1937 Marijuana Tax Act, which banned hemp and cannabis production in the United States—effectively created a worldwide prohibition on cannabis cultivation, distribution, and consumption. During this prohibition, cannabis continued to be cultivated and consumed illegally worldwide. In the 1970s in the Netherlands, cannabis began to be used legally, both medicinally for cancer treatment (and later HIV/AIDS) and recreationally following decriminalization. Over the past half century, cannabis has become increasingly important for both its therapeutic and mood-enhancing qualities.

International Market Dynamics

Increasing legalization for both medicinal and recreational cannabis is driving a global market that is projected to grow from $28.3 billion in 2021 to $197.7 billion in 2028, an annual growth rate (CAGR) of 32 percent.[10] North America dominates the international market and was valued at $16 billion in 2020.

As the first of the G12 (industrially advanced) nations to fully legalize cannabis, Canada has become the leader in the medical cannabis sector. During the past couple of years, the nation's federally licensed industry has expanded into medical cannabis markets such as Australia, Germany, and Brazil. Canadian capital and operating experience are being leveraged in more than a dozen overseas markets.[11]

[10] https://www.fortunebusinessinsights.com/industry-reports/cannabis-marijuana-market-100219

[11] Ibid.

A 2018 report discussed the dynamic of cross-border stock listings, merger and acquisition deals, partnerships between entities from different countries, and breakthrough export and import policies allowing international movement of cannabis products, primarily for medicinal purposes.[12] However, the international picture is evolving rapidly; cannabis usage is at varying stages of legality and decriminalization in several countries in Europe, South America, and parts of Asia. In many countries though, cannabis is expected to remain illegal in the near term.

International research and development are contributing to an evolving product market. Continuous developments in extraction and infusion, along with standardization of products, is contributing to global popularity and demand for both medicinal and recreational cannabis products. More than 130 cannabinoids have been isolated in cannabis plants, and those have fueled wide-ranging research and development efforts for both medical and recreational purposes. Super clone plants are being developed with the intent to highlight specific elements and significantly increase tetrahydrocannabinol (THC) percentages through concentrates.

Multi-national corporations are consolidating and expanding into international markets. Arena Pharmaceuticals, Inc., a biopharmaceutical company, is focused on developing and delivering medicine to American and Swiss patients. In addition, it's expanding into the Asian market via a partnership with Everest Medicines.[13] In December 2021, Arena Pharmaceuticals, Inc. was acquired by pharmaceutical giant Pfizer for $100 per share in an all-cash transaction, for a total equity value of approximately $6.7 billion.

Recently, increased legalization and product development have attracted major multi-national corporations across a wide range of interests, including pharmaceuticals, beverages, and plant sciences. **Table 7** shows the top multi-national interests in the industry.

[12] An Overview of Cannabis Legalization Around the World, Omar Sacirbey, MJBizDaily Report, 2018.

[13] Bojana Petković, Insider Monkey, August 13, 2019.

Table 7. Key Multinational Cannabis Companies

Name	Location	Market Capitalization ($Billions)	2021 Earnings ($Billions)	Core Product Offerings	Notes
Aphria	Ontario, Canada	N/A	-$0.5 B	Medical Consumables	2020 Merger with Tilray Ongoing, Publically Traded Under TLRY Ticker
Scotts Miracle-Gro	Ohio, US	$8.9 B	$0.8 B	Cannabis Cultivation Aids	
Innovative Industrial Properties	California, US	$6.0 B	$0.1 B	Cannabis Real Estate	
Trulieve Cannabis	Florida, US	$4.9 B	$0.3 B	Medical Recreational Consumables	
Green Thumb Industries	Alberta, Canada	$4.7 B	$0.2 B	Medical Recreational Consumables	
Canopy Growth	Ontario, Canada	$3.8 B	-$0.8 B	Medical Recreational Consumables	
Tilray	Ontario, Canada	$3.7 B	-$0.2 B	Medical Recreational Consumables	Joint Venture with AB InBev
Cresco Labs, Inc.	Illinois, US	$2.9 B	-$0.4 B	Medical Recreational Consumables Retail	500 Dispensaries in California through recent acquisition
Aurora Cannabis	Alberta, Canada	$1.2 B	-$0.4 B	Medical Recreational Consumables	
OrganiGram	New Brunswick, Canada	$0.6 B	$0.6 B	Cannabis Cultivation	
HEXO	Ottawa, Canada	$0.3 B	-$0.2 B	Medical Recreational Consumables	
Charlotte's Web Holdings	Colorado, US	$0.2 B	$0.0 B	CBD/Hemp Consumables	
Greenlane	Florida, US	$0.1 B	-$0.1 B	Cannabis Ancillary Products	
The Green Organic Dutchman	Ontario, Canada	$0.1 B	$0.0 B	Medical Recreational Consumables	Largest Publically Traded Organic-Only Cannabis Grower

Source: Zippia, CompaniesMarketCap.com

Before legalization of recreational cannabis in California, the State was already considered an international epicenter of cannabis production. This has not changed as a result of legalization. To the contrary, international companies have significantly increased their pursuit and acquisition of California cannabis businesses throughout the supply chain.

Developing a National Industry

Across the nation, the legal cannabis industry has naturally organized itself in a range of industry function groups (IFGs) that make up the seed-to-sale supply chain, as described in **Chapter 3**. As the industry evolves, new IFGs are becoming more clearly defined as research and development (R&D) becomes increasingly important to the industry and support for consumption lounges potentially generate a new retail IFG.

Cultivation

Cultivation is becoming increasingly sophisticated, gravitating toward greenhouse mixed-light cultivation as a more sustainable approach to indoor growing and producing the highest quality flower product. Mixed-light cultivation focuses on the plant's growth and maturity with the goal of harvesting high-quality flower in

significantly reduced growth cycles using a fraction of the electricity and minimizing water usage through advanced irrigation techniques and treating and reusing irrigation water.

Sacramento vertically integrated cannabis company Natura has erected multiple new greenhouses as part of their master plan expansion. Glass House Farms, near Carpentaria, has the capacity to produce 113,000 dry pounds of sellable cannabis with its more than 500,000 square feet of greenhouse space. With its recent acquisition of 5.5 million square feet of former tomato greenhouses in Camarillo, Glass House Farms expects the facility to produce more than 180,000 dry pounds of sellable cannabis. The facility includes an on-site well, water treatment facilities, an automated roof-washing system, supplemental lights, and natural gas cogeneration facilities producing power, heat, and CO2, and at 6 million total square feet, Glass House Farms is the largest California cannabis cultivator.

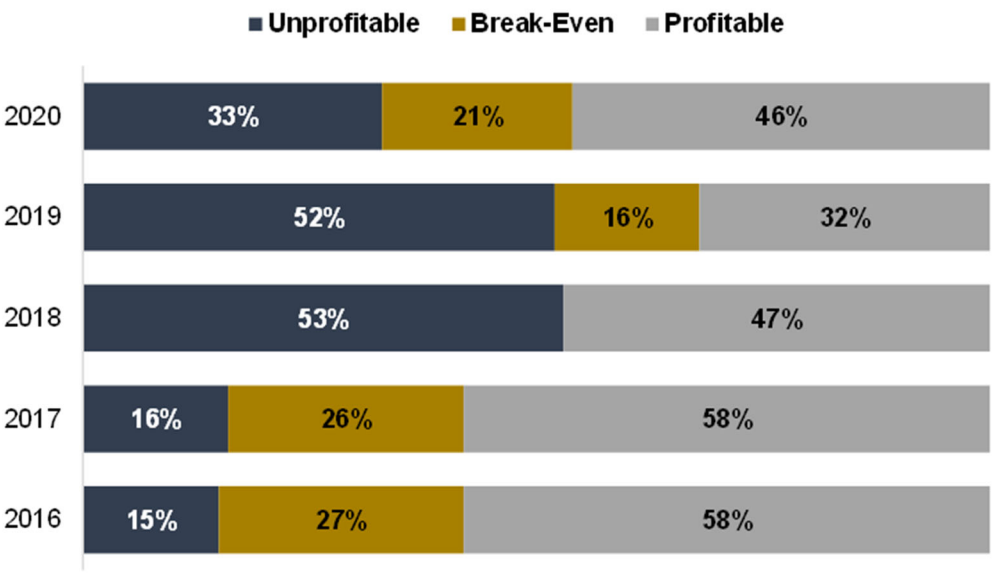
NUGS, a vertically integrated corporation, recently signed a Memorandum of Understanding (MOU) to acquire a Sacramento cannabis cultivation facility spanning more than 15,600 square feet, with the potential to accommodate an estimated 500 grow lights. It is estimated to produce 2 to 3 pounds of premium exotic cannabis flower per light per harvest across an estimated 5.75 harvests per year, suggesting an upside potential of more than 7,000 pounds of premium cannabis flower per year, or more than 14 pounds per light. At 2021 prices ($1,800/lb. for premium flower), that represents $12,600,000 per year.

Simon Yu, CEO of NUGS, commented, "This deal represents the potential to sharply increase our premium cannabis production capacity and materially augment our status as an emerging leader in the vertically integrated California cannabis marketplace. We have already amassed years of experience refining our cultivation methods and strains in an outdoor framework with our NUGS Farm North site. Adding a top-tier indoor cultivation operation stands to help us further build upon that success and drive more volume in the premium flower market, which has powerful implications, given our recent expansion into the dispensary marketplace with our MDRN Tree downtown LA dispensary location. The combination grants NUGS expanding operations at both ends of the farm-to-sale model."[14]

Although the trend is moving toward more sustainable practices, cultivation continues to include both outdoor and indoor production of cannabis flower. Nationally, wholesale cultivation has been under severe operational pressure in recent years as the price of flower has dropped dramatically as the number of legal cultivators has increased, but illicit product has continued to circulate in the market. Additional pandemic-related challenges resulted in significant levels of unprofitability in 2020, as shown in **Figure 7**.

[14] Preeti Singh, SA News Editor, SeekingAlpha.

Figure 7. Wholesale Cultivator Profitability



Source: Marijuana Business Factbook.

Manufacturing

Bioavailability is essentially absorption of a product as a percentage of the dose of the product being consumed. In the cannabis industry, increasing bioavailability is driving manufacturing R&D. With vaporizing bioavailability at 36 percent to 61 percent, smoking flower at 25 percent to 27 percent, and edibles at 4 percent to 12 percent, one of the primary areas of R&D in cannabis manufacturing revolves around increasing bioavailability in manufactured products. In cannabis, flower is flower (packaging is the primary area where manufacturing engages flower products), and all other products are manufactured. "Traditionally there were only three types of cannabis products available to most consumers on the black market: flower, hash, and homemade edibles. While flower remains the top-selling product category in today's legal market, production of concentrates and infused foods and beverages has become more sophisticated over the years, and a much wider array of tetrahydrocannabinol (THC) containing goods—from transdermal patches to dry powder inhalers—are now accessible."[15]

One evolving area of extraction technology has been focused on better bioavailability of cannabinoids and the elimination of less desirable and more harmful delivery methods such as smoking or vaping. Other methods of delivery that help with the bioavailability of cannabinoids by circumventing metabolism (including sublingual, or below the tongue; transdermal patches; and topical sprays or creams) continue to be developed and are increasingly in demand by

[15] John S. Forrester, Lisa McTigue Pierce, Bob Sperber, May 27, 2021, PowderBulkSolids.com.

consumers. The isolation of molecules is an extremely high value product as it's been reported that both cannabigerol (CBG) (16) and cannabinol (CBN) (17) isolates, for example, can bring between approximately $30,000 and $50,000 per kilo.[16]

These extraction and manufacturing practices are generating infused products ranging from topicals (skin products) to highly concentrated consumables. Unlike the more established cultivation landscape, this product area is highly unpredictable in terms of consumer demand preferences and is subject to the watchful interest of established consumer packaged goods companies. Even with highly publicized efforts announcing household names in alcoholic beverages investing in infused beverage product lines, market surveys of industry revenue figures indicate that consumers have not made a measurable shift towards cannabis infused products at the expense of established competitors. This leaves the door open for smaller regional enterprises to consider developing carefully crafted products, but such initiatives should likely be of a restrained nature to avoid the crippling losses that are more tolerable for publicly traded companies with stable international product lines.

In the City, there are 26 active BOPs ranging from boutique social equity manufacturers to large-scale infusion manufacturers, creating gummies, candies, tinctures, topicals, tablets, and capsules, as well as major extraction facilities. Nearly all Sacramento manufacturers are operating out of pre-existing industrial buildings. These manufacturers are involved in extraction, infusion, and production, with some providing distribution and services directed at cultivators, as well as vertically integrated seed-to-store operators. Manufacturing in the Sacramento cannabis industry provides broad opportunities in an extremely dynamic market.

Distribution

Distribution companies in the California cannabis product chain have three fundamental responsibilities: collect the pre-sale dry cultivation taxes from the cultivator when they pick up the product, document the track-and-trace sequence through manufacturing and testing, and collect the excise tax from the retail dispensary when delivering the retail product to market. Many of the larger companies provide manufacturing and testing facilities as well.

This vertical integration provides opportunities to develop partnerships with favorable brands and control supply to retail dispensaries. Others develop relationships with premium cultivators and manufacturers, providing them with packaging, storage, quality control, testing, and distribution, in addition to inventory management, order scheduling/tracking, and cash collection services.

[16] May 5, 2021, David Hodes Cannabis Science and Technology, May 2021, Volume 4, Issue 4, pages 20 to 26.

The State's Type 11 license allows the distributor to provide a wide range of services. The largest of these offer their services statewide, with business relationships extending to hundreds of cultivators, manufacturers, and dispensaries.

The increasing importance of the distribution function is one of the most significant national trends in the cannabis industry. Within the industry, significant competition for market share has led to a drive toward vertical integration, particularly among the manufacturing and distribution IFGs. The prospect of future national legalization provides added incentive for this consolidation, to both respond to new national competition and expand into other markets in anticipation of a national logistics chain.

The industry's prospects for future profitability are demonstrated by the recent mergers & acquisitions (M&A) activity, with larger corporate or other equity-backed entities seeking to maximize market share across state lines and national borders, even in the absence of any federal regulatory framework enabling interstate commerce. For example, Cresco Labs (Cresco), a Chicago-based vertically integrated company valued at more than $5.8 billion, is making major acquisitions in both the medical and recreational arenas.

Cresco's cultivation footprint across 8 states is in excess of 828,000 square feet with 221,000 of that in California. In addition, their acquisition of Origin House is unique in that "Cresco wasn't looking to simply buy retail licenses, grow farms, and processing sites. Rather, it found that the best way to grow sales and infiltrate the largest marijuana market in the world (California) was to acquire one of the very few companies to hold a cannabis distribution license in the Golden State. Buying Origin House allows Cresco Labs to get its products into approximately 575 California dispensaries, representing about 65% of all legal retail locations in the state." In addition, as the nation's largest legal market and a State synonymous with high-quality marijuana, comparable to its reputation in the wine industry, large cannabis interests from other states and other countries are motivated to find a way to enter the California market.

As the legal cannabis industry continues to expand in California (about 36 percent of California communities allow some form of cannabis), consolidation will continue, and smaller operators will face intensifying competition.

The State also provides Distributor Transport Only licenses, which allow the distributor to transport cannabis goods between non-retail licensees but not to any licensed retailer (or the retailer portion of a licensed microbusiness), except for immature cannabis plants or seeds. A Distributor Transport Only licensee has the option to select "Self-Distribution" during the application process. This distributor may only transport cannabis goods that the licensee has cultivated or manufactured. In addition, a Distributor Transport Only self-distribution licensee is not permitted to transport cannabis goods cultivated or manufactured by other

licensees or to hold title to any cannabis goods, unless they are authorized to do so under another State-issued license.

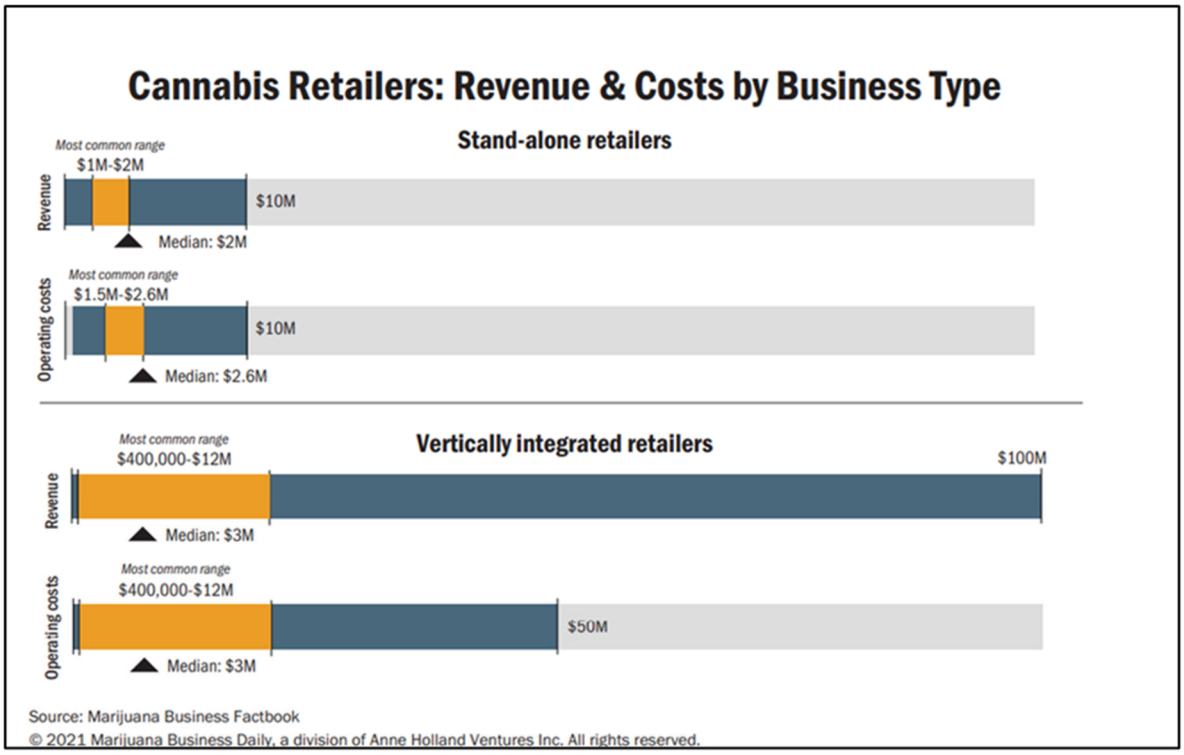
Testing Labs

Testing labs provide the services to ensure the cannabis product that gets to the market is consistent with the requirements of the California Department of Cannabis Control. They test for terpenes, pesticides, potency, microbial contaminants, residual solvents, heavy metals, mycotoxins, and water activity. Some will also offer their customers other services whether they are looking to develop a new product, perfect an existing one, identify potential contamination in their facility, or identify a new strain they are developing. There are only 4 BOPs in Sacramento. With the increased emphasis on new product research, this IFG would appear to have growth potential.

Storefront Retail Dispensaries

Retail storefront dispensaries are the only public onsite venue for cannabis users to view finished product, discuss various strains with budtenders, and purchase cannabis products. Like any retail establishment, they range from extravagant destination centers with classes and events to no-nonsense, low-cost outlets in industrial districts. Upon entering and checking in with a receptionist, customers are often led from the reception area into the primary retail area and greeted by a budtender who provides one-on-one service. Today, dispensaries carry many products such as nearly all forms of cannabis for consumption, equipment, and company lifestyle items.

Figure 8. Cannabis Retailer Revenues and Costs



Graphic reprinted from MJBizDaily Factbook.

Non-Storefront Retail Delivery

Retail delivery businesses fall into two categories. Most dispensaries operate delivery like mail carriers. Stores receive orders, which are then loaded into a vehicle and sent to the customer. Called "hub and spoke," this delivery method is reliable and low-cost, but often slow, much to the frustration of the store and consumer alike. There is a large untapped market in California. The State legalized recreational marijuana in 2016, but it is only sold in 35 percent of the State. The remaining 65 percent does not have access to a dispensary. This could be for several reasons, including lack of resources to develop regulations or a legal prohibition on the sale of cannabis in retail stores.

However, in a 2020 ruling, a Fresno, California, judge affirmed the right to deliver to these areas by dismissing a lawsuit by 24 California cities seeking to ban deliveries.[17] Some delivery-only dispensaries are carrying an inventory of product in the vehicle. California allows operators to work out of a vehicle with $3,000 worth of inventory, and $5,000 worth if the merchandise includes pre-orders. There are legislative efforts to increase the in-vehicle inventory size to between $10,000 and $25,000. With these mobile dispensaries, customers order on an app

[17] Matt Burns@mjburnsy / 8:32 AM PST•November 16, 2021

from the available inventory in a nearby vehicle. But the predominant trend in the industry is to have a bricks-and-mortar warehouse for product and vehicle storage, as well as an office and dispatch center. With this model, customers can order from the entire inventory that the delivery dispensary has on hand.

Consumption Lounges

New California legislation enables local jurisdictions to allow the preparation or sale of non-cannabis food or beverage products by a licensed retailer or microbusiness in an area where cannabis consumption is allowed. This new legislation has the potential to significantly alter the cannabis consumption/food service landscape. A cannabis consumption lounge license in California allows the following activities:

- Smoke, vaporize, and ingest cannabis or cannabis products on the premises of a retailer or microbusiness.
- Prepare and sell non-cannabis food or beverage products in compliance with all applicable provisions of the California Retail Food Code by a retailer or microbusiness.

A cannabis consumption lounge license in California also has multiple restrictions, including age restrictions, visibility, alcohol and tobacco prohibitions, and other operational restrictions.

A cannabis consumption lounge license in California, is a Type 10-Retailer license with a specific consumption cafe/lounge destination. At this time, consumption on site is not allowed in Sacramento. However, the integration of consumption lounges into the City has the potential to significantly increase opportunities for entry into the industry as license holders could partner with existing restaurants and create shared facilities with minimal up-front capital.

Vertical Integration

Eventual federal legalization and the ongoing expansion of legalization in other countries will continue to drive vertical integration in the industry. As it rapidly evolves into a mature industry with a growing global presence, it will begin to resemble other mature industries. The geographic distribution of activities along the supply chain will begin to align along patterns similar to other consumer product industries, as functions gravitate toward locations that provide the optimal combinations of production inputs and costs. For example, large scale cultivation will tend to seek lower land costs and ideal weather conditions (low humidity and cool nights), larger consumables manufacturing facilities will tend to gravitate toward metro fringe locations, and major distribution operations will expand their presence across the transportation network.

National Trends

The efforts of an increasing number of states to adopt cannabis legalizing frameworks in light of the ongoing federal prohibition and continued listing of cannabis as a Class 1 Drug has led to a patchwork of regulations in each state, without federal oversight.

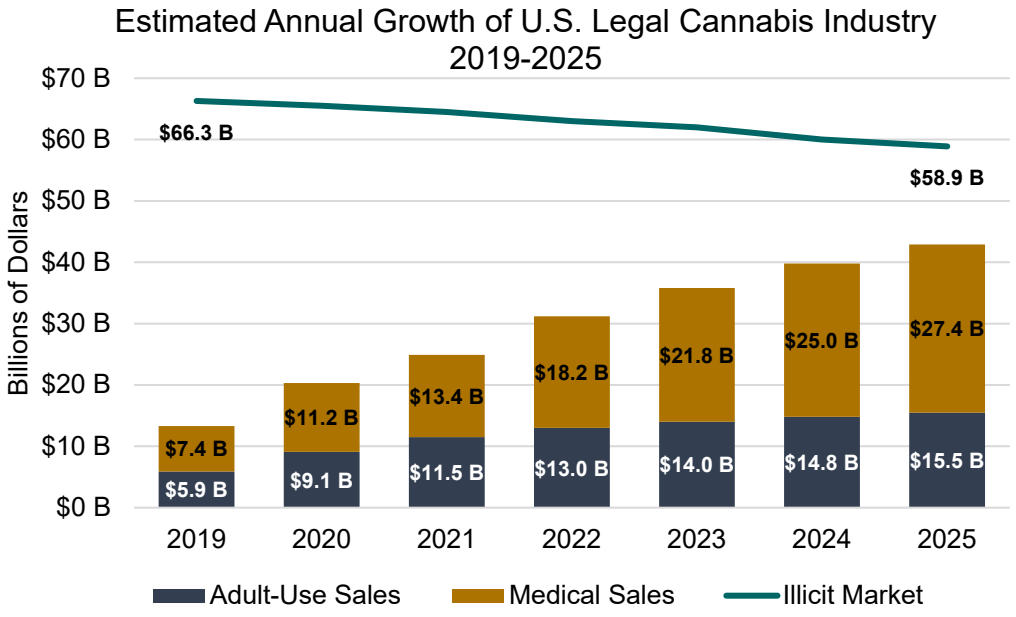
The legal recreational and medical cannabis industry in the United States developed over the past decade, beginning with Colorado and Washington in 2012. Following legalization in those 2 states, the US Department of Justice issued the Cole Memorandum, stating that the federal government would only intervene in state-sanctioned cannabis production in instances of failure to prevent criminal involvement, sales to minors, or illegal diversion to other states.

These first 2 states were joined by Oregon and Alaska in 2014. All 4 states instituted market-based licensing systems, similar to the regulation of alcohol sales in states without state-run alcohol monopolies. Since then, all but 13 states have legalized medical cannabis sales, and the number of states allowing adult-use sales will likely continue to grow, resulting in estimates of $100 billion in economic impacts annually within the next 5 years.[18]

[18] MJBizDaily Factbook.

The figure below illustrates recent and projected growth in legal adult-use and medical cannabis sales in the U.S., compared with declining sales of illicit cannabis, as most states that have legalized marijuana sales have seen notable decreases in illicit market sales. Of the remaining illicit sales nationwide, California continues to be a primary supplier.[19]

Figure 9. Annual Growth of Legal Versus Illicit Cannabis Sales in the US

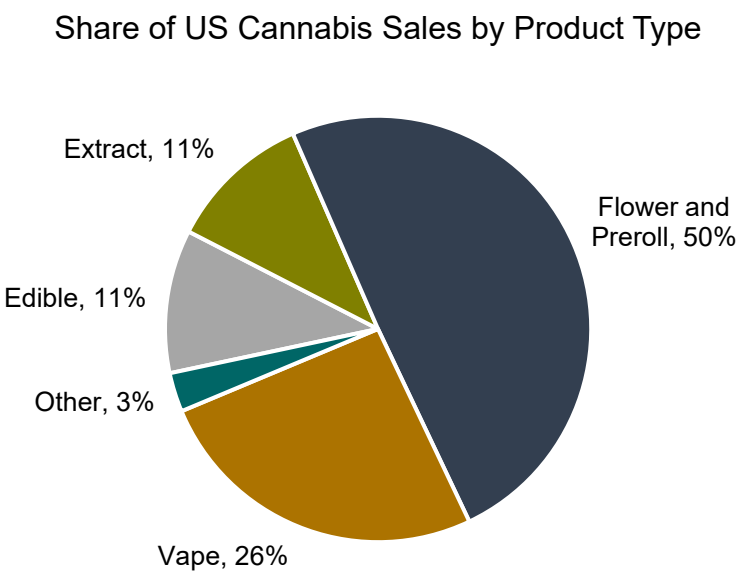


Graphic Data Courtesy of New Frontier Data
2021 Mid-Year Market Update

As the demand for cannabis products has increased, the composition of the product preferences has also evolved, with growth in edible products from 8 percent of total sales in 2018 to 11 percent in 2021. A spike in vaping in 2019 has reduced moderately but continues to account for about a quarter of sales. Flower product for smoking remains approximately half of sales volume. **Figure 10** provides an illustration of the composition of cannabis product sales.

[19] MJBizDaily California Market Woes.

Figure 10. Cannabis Product Composition



Graphic Data Courtesy of New Frontier Data 2021 Mid-Year Market Update

Data preceding widespread legalization found that 30 percent of users in the United States drive approximately 70 percent of demand for cannabis.[20] The extent to which these heavier users drive legal versus illicit sales is not clear. However, it has been found that storefront dispensaries tend to be frequented by older consumers (aged 38+), likely out of a combination of ability to pay higher prices and stronger aversion to illicit activity.

Following the end of Prohibition in the 1930s, the achievement of price parity between legal and illicit alcohol markets was the primary factor reducing the size of illicit operators, and the same patterns will likely hold true for cannabis. Price parity will be the primary path toward eradication of the illicit markets that exist across the country, most notably in California, with its entrenched illegal industry. In addition, consumers are likely to prefer legal products if there is a perception of good quality control.

But the unregulated industry remains sophisticated in its scale and interstate logistical capabilities, sharing many operating practices and sometimes supply chain partners with their established in-state legal counterparts. Certainly, elements of the unregulated market that systematically damage the environment, violate labor practices, and threaten public safety as a result of their operational practices are prime targets for stepped-up enforcement at the State and local

[20] Marijuana Policy Group data cited in June 24, 2016, Econlife article by Elaine Schwartz, "How Price Changes in Marijuana Markets."

levels. However, the daunting challenge of transforming large swaths of labor and resources that power the illicit industry into a legalized framework is more likely to be accomplished by thoughtful regulatory policy design than any targeted surge of law enforcement activity.[21]

Regulatory requirements for licensing and operating guidelines in some of the largest State cannabis markets have facilitated vertical integration and consolidation of supply chains within plant-touching functions. However, the absence of federal legalization and existing local regulations have prevented these market actors from absorbing licensed medical dispensaries, recreational retailers, specialty product manufacturers, and complementary functions such as technology and transportation. These typically smaller businesses outnumber the vertically integrated ones by an estimated ratio of approximately 10:1, as they are protected in the near-term by the absence of economies of scale (e.g., interstate transportation networks, unrestricted use of complicated transnational financial services) that federal legalization will eventually provide.[22]

State Trends

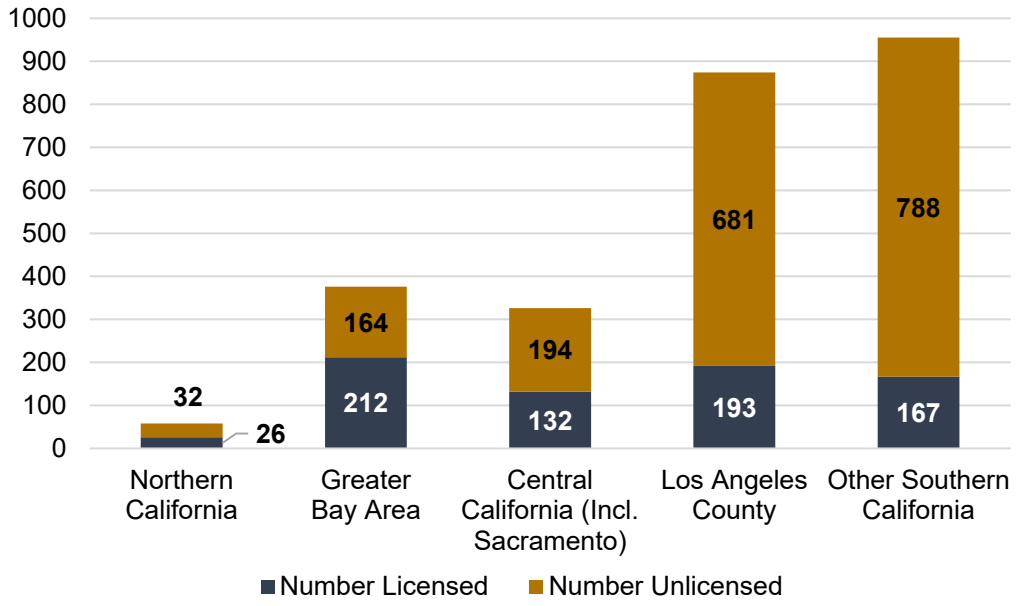
California's illicit marijuana industry has existed for decades and continues to compete with licensed cannabis businesses across the State, in addition to supplying a significant share of the market in states where cannabis remains illegal. As noted previously, while other states that have legalized cannabis have seen illegal activity decline precipitously, the illegal market remains strong in California. The entrenched nature of the industry, combined with the continued demand from states where marijuana remains illegal, contributes to the continued strength of the illegal sector in California. However, both the continued prohibition of sales in many jurisdictions and the impact on product pricing from State taxes help drive the illicit market in the State.

The charts below illustrate the sizable share of unlicensed retailers in various regions of the State and the pricing differentials between licensed and unlicensed purveyors of marijuana flower for storefront and delivery sales.

[21] North Bay Business Journal.

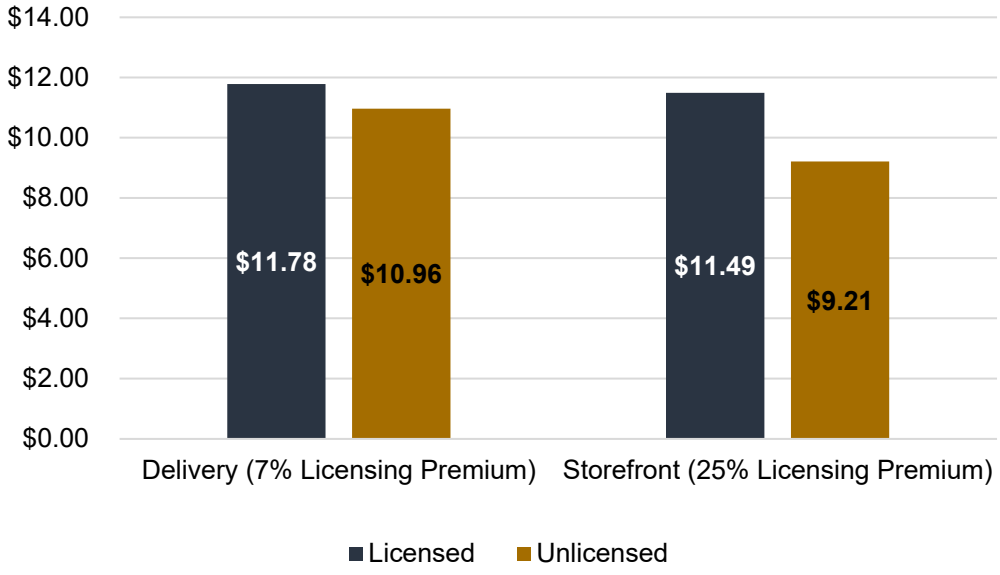
[22] Marijuana Business Factbook.

Figure 11. Estimated Licensed and Unlicensed Retailers by Region



Source: Goldstein et al, Giannini Foundation of Agricultural Economics, University of California.

Figure 12. Average Price for Cannabis Flower by Retail Type



Source: Goldstein et al, Giannini Foundation of Agricultural Economics, University of California.

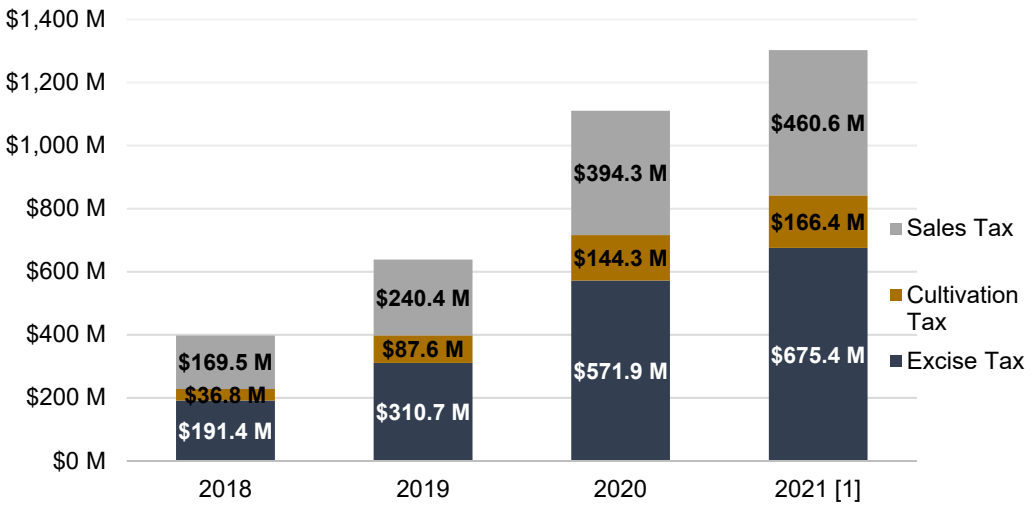
In addition to impacting taxable sales by licensed retailers, the illicit industry contributes to the current oversaturation of the market for raw cannabis leaf. However, the dramatic increase in licensed cultivation over the last few years is also a key factor. The current oversupply of flower is inducing rapidly falling prices for the commodity. According to the Northern California Cannabis Alliance, prices of $1,400 to $1,500 per pound (dry weight) are necessary for a profitable cultivation operation. With prices falling well below these levels, a structural oversupply has emerged.

The State has rolled out a flawed, unpopular regulatory system for cannabis and a tax structure that is fueling the illicit market. A key point of contention among the oldest, most entrenched community of cannabis businesses in Northern California starts at the beginning of the supply chain: cultivation, cannabis concentrate extraction, and manufacturing. Many business owners allege that the State failed to accomplish the goals set out in Proposition 64 by allowing large uncapped grows in the wake of its 2018 emergency regulations. Unlike the widespread appreciation by many long-time business owners for the State's implementation of medical marijuana use legalization in Proposition 215, the combination of Proposition 64's lack of specific small business initiatives and the patchwork nature of localities' ordinances has seemed to favor a certain kind of new entrant: capital-rich corporations that can successfully absorb the cost of a high compliance burden and market fluctuations in the price of flower. More specifically, many experienced business owners report that potential licensed growers are deciding to go back to the unregulated market in a frustrated reaction to some of the administrative roadblocks, as well as the effective tax rates that result from combined assessments at all levels of government.

The recent commitment by the Governor to reduce the State tax burden to support the industry should benefit the industry, particularly if the flat cultivation tax is eliminated. Legislation proposed in February 2022 would discontinue imposition of the cultivation tax as of July 1, 2022. However, the bill would increase the excise tax by an additional 1 percent starting at some point between July 1, 2025, and July 1, 2026. The Department of Finance estimates will generate half the amount of revenue that would have been collected with the cultivation tax. While the elimination of the cultivation tax would benefit wholesale cultivation businesses or functions, the additional State excise tax will create a further disadvantage for retailers relative to the illicit market. It is unclear how the State will use the excise tax revenues.

Despite the issues noted above, the State has experienced strong year-over-year tax receipt growth. However, major concerns are emerging regarding the effects of falling commodity prices, and it is expected that growth rates could diminish or potentially turn negative. The chart below illustrates the growth in cannabis-derived taxes collected by the State from 2018 to 2021. While revenue continued to increase from 2020 to 2021, the rate of growth was significantly below that of the previous 2 years.

Figure 13. State of California Cannabis Tax Revenues—2018-2021



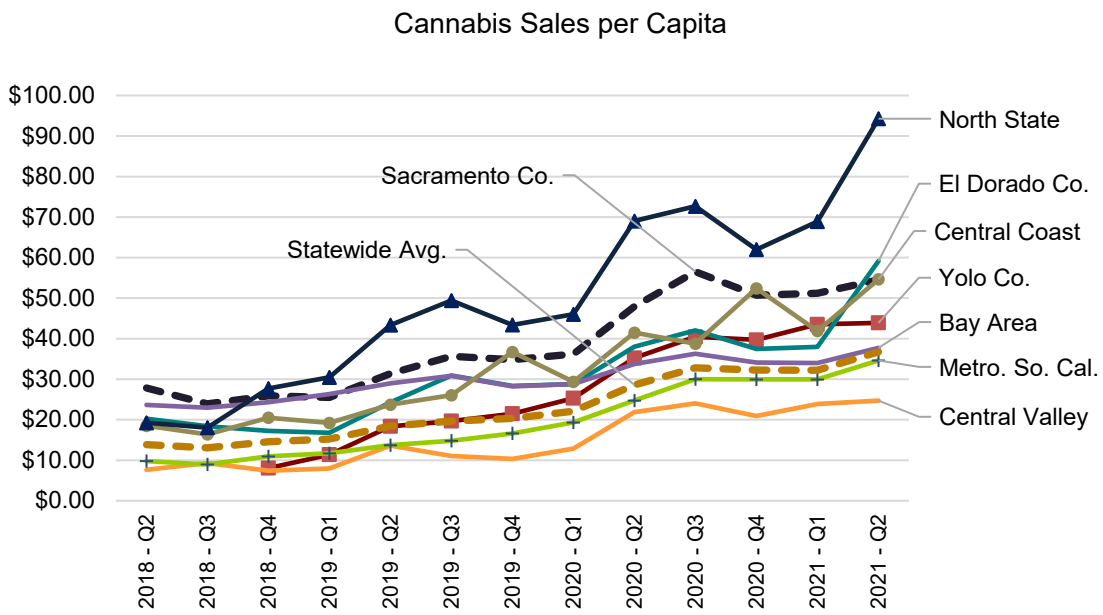
[1] 2021 estimates extrapolated from Q1-Q3 revenues.

Source: CDTFA; EPS.

State Cannabis Sales Dynamics

The 8 northernmost counties in California with licensed cannabis as a group have the highest per capita cannabis sales in the State. The area is known for high-quality cannabis and is a net exporter. Per capita cannabis sales in Sacramento County have typically been close behind those of the northern counties, in part likely because of sales to residents of Placer and lower El Dorado Counties. Sales in El Dorado County increased dramatically in the second quarter of 2021, possibly because of resumption of tourism to South Lake Tahoe.

Figure 14. Quarterly Licensed Cannabis Sales per Capita by California Region



Source: CDTFA; EPS.

Annual spending per capita in each of the regions from 2018 through 2021 is detailed in the table below.

Table 8. Annual Licensed Cannabis Sales per Capita 2018–2021

County/ Region [1]	Annual Per Capita Sales [2]			
	2018 *Extrapolated*	2019	2020	2021 *Extrapolated*
Sacramento County	**$103.57**	**$127.34**	**$191.42**	**$202.81**
Yolo County	$10.76	$70.89	$140.74	$168.31
El Dorado County	$74.55	$100.32	$146.32	$186.64
Greater Sacramento [3]	**$97.83**	**$118.32**	**$181.29**	**$197.41**
Bay Area [4]	$94.55	$114.37	$132.95	$140.44
Central Coast [5]	$73.84	$105.68	$162.01	$180.62
Central Valley [6]	$32.53	$42.95	$79.65	$94.20
Metropolitan Southern California [7]	$39.67	$56.89	$104.04	$127.57
North State [8]	$86.72	$166.66	$249.72	$318.18
Other [9]	$43.35	$57.23	$131.20	$154.62
Statewide Average	**$55.30**	**$73.64**	**$115.75**	**$134.82**

Source: CDTFA; EPS.

[1] Counties without recorded cannabis sales data excluded.
[2] Data covering 3 quarters each for 2018 and 2021 extrapolated into annual estimates.
[3] Includes Sacramento, Yolo, and El Dorado counties.
[4] Includes the nine counties included in ABAG.
[5] Includes Santa Cruz, Monterey, San Luis Obispo, and Santa Barbara counties.
[6] Includes Fresno, Kern, Kings, Merced, San Joaquin, Stanislaus, and Tulare counties.
[7] Includes Los Angeles, Orange, Riverside, San Bernardino, San Diego, and Ventura counties.
[8] Includes Butte, Humboldt, Lake, Mendocino, Mono, Shasta, Siskiyou, and Trinity counties.
[9] Includes Calavaras, Nevada, and Imperial counties.

State Tax Trends

A comparison of the taxes for all states that have approved legal adult-use cannabis yields a range of potential approaches, both at the State and local level. Some states like California charge wholesale taxes (which are cumulative and built into the purchase price); many states also charge excise taxes (which are cumulative and are built into the purchase price), and most states have state sales taxes and local sales taxes. Alaska's tax is based purely on weight.

Based on the comparison by state, California is on the high end of recreational cannabis taxes at the State level, and largely is consistent with other states at the local and county level. The State's 6 percent sales tax mandates an additional 1.5 percent local sales tax and allows an additional 2.5 percent optional local tax.

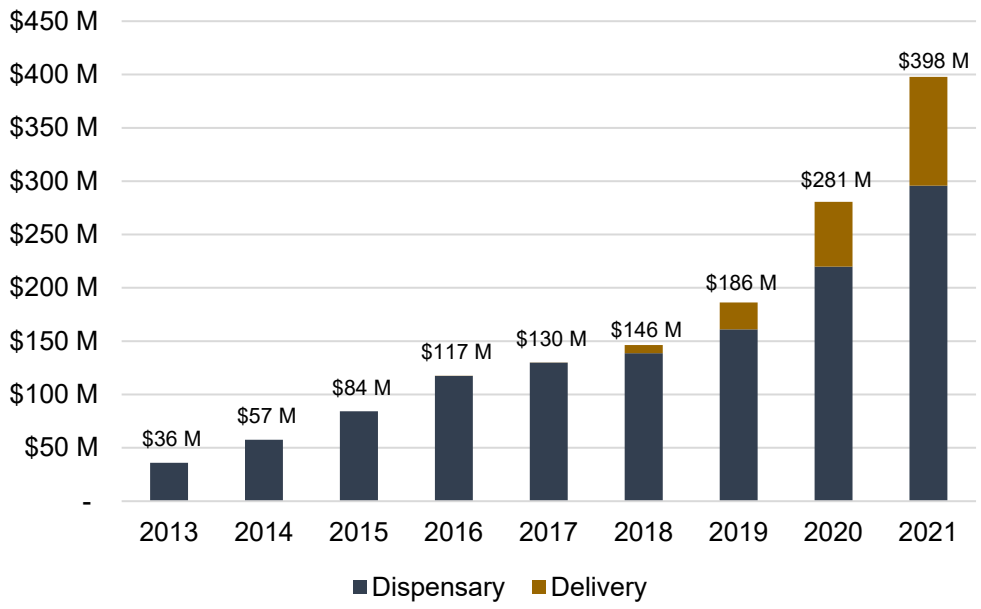
Local Trends

Sacramento's cannabis industry reveals strong growth in consumer demand and receipts, but local cultivators, retail storefront owners, and delivery operators are struggling with high taxation, the price pressures of an aggressive and successful illicit market, and the financial pressures of lack of access to banking and the current limitations on outside investment.[23] Much of this is due to federal restrictions, 280E, and State taxation. But there are areas of local taxation, ownership, and ownership restrictions that are under the control of Sacramento policies. These local trends are explored and compared to the case-study cities of Seattle, Denver, Oakland, and Long Beach.

Industry Metrics

Consumer spending at cannabis dispensaries in the City has grown steadily, with a CAGR of 30 percent between 2013 and 2021. Since 2018, however, spending on cannabis delivery has grown far more dramatically, with a CAGR of 138 percent.

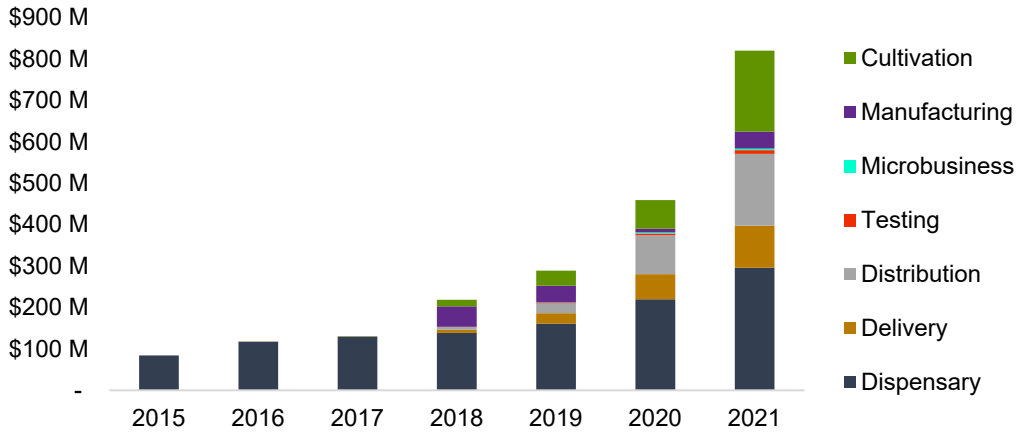
Figure 15. Consumer Spending on Legal Cannabis in Sacramento (2013-2021)



[23] Storefront retailers are under a 1-year moratorium that prohibits changes in ownership interest. It will expire in May 2022.

Gross receipts have increased dramatically across most IFGs in Sacramento since legalization in 2018, but manufacturing has experienced a much greater degree of variability than other IFGs. Microbusinesses, which include a range of functions including manufacturing, have also experienced greater variability. Much of the decline in manufacturing revenues during 2020, however, likely was due to pandemic-related production interruptions.

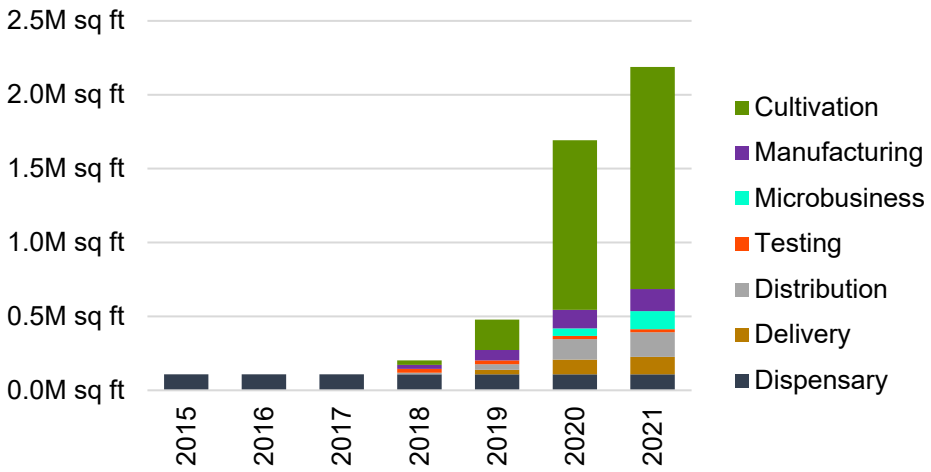
Figure 16. City of Sacramento Gross Receipts by Industry Function Group



Source: City of Sacramento Office of Cannabis Management, EPS.

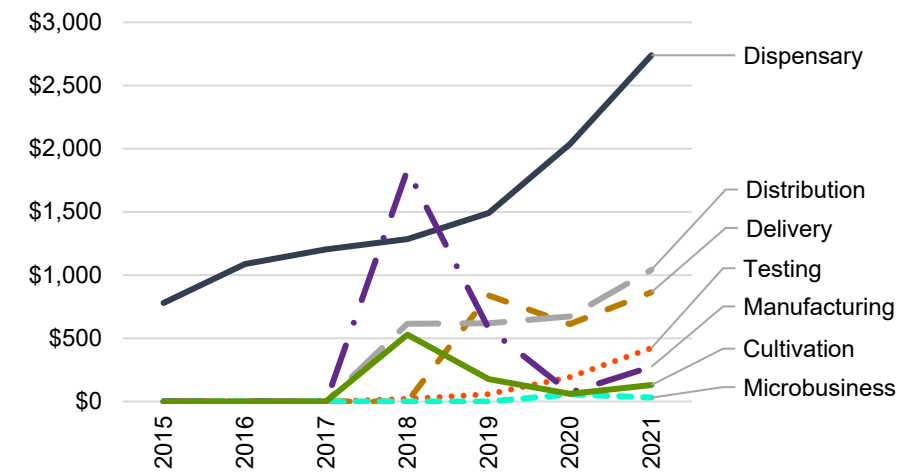
For some IFGs, a correlation exists between gross receipts and the amount of space occupied in the City. However, the space occupied by cultivation has increased far more dramatically than the gross receipts from cultivation, primarily because of falling prices of marijuana leaf because of both overcultivation and pressure from the illicit market. Conversely, dispensary square footage has been static in recent years as gross revenues have continued to grow. As a result, revenue per square foot of cultivation space has declined, while revenue per square foot of dispensary space has increased, as shown below.

Figure 17. City of Sacramento Occupied Square Footage by IFG



Source: City of Sacramento Office of Cannabis Management, EPS.

Figure 18. City of Sacramento Gross Receipts per Square Foot by IFG

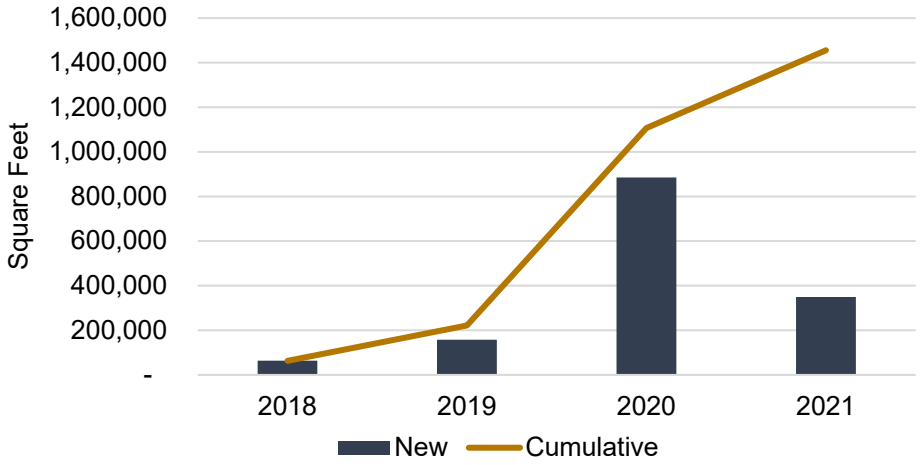


Source: City of Sacramento, EPS.

The 2018 spikes in revenues per square foot for several IFGs, particularly manufacturing, correspond with spikes in asking lease rates (rents) in industrial zones throughout the City in 2018, as discussed in **Chapter 5**.

The chart below illustrates the increase in cultivation floor area between 2018 and 2021. The dramatic expansion of cultivation area in 2020 coincided with the severe decline in flower prices throughout the State, potentially contributing to the much smaller expansion of cultivation area since.

Figure 19. City of Sacramento Cultivation Floor Area Growth



Source: City of Sacramento Office of Cannabis Management, CIty of Sacramento Planning Department, EPS.

Sacramento Industry Function Group Characteristics Overview

The range of IFGs that make up the seed-to-sale supply chain in Sacramento are consistent with both the national and State trends. These IFGs are considered for their particular regulatory, economic, employment, land use, physical plant, and locational advantages and characteristics, as well as issues of taxation, ownership, and concentration. **Table 9** below condenses these characteristics for comparison. As the industry evolves, new IFGs are becoming more clearly defined as R&D becomes increasingly important to the industry and support for consumption lounges potentially generates a new retail IFG.

Table 9. Industry Function Group Characteristics

Taxation, Ownership, and Concentration Characteristics of Sacramento Cannabis Industry Functional Classification (IFG)

IFG	Characteristics	Taxation
Cultivation	Sacramento - indoor only, substantial range in size High power requirements for indoor operations Vertically integrated may have more merit than stand-alone for Sac Can buy cheaper elsewhere Only important to extent needed to control quality Land intensive Odor draws neighborhood complaints from certain facilities Resource intensive (may be changing - water conservation tech) High infrastructure cost at front end - relatively high barriers to entry across board	Major fiscal benefit State excise tax on weight needs to be dynamic, not flat Required at front end Compound effect as "tax on tax" State applies 1.8% mark-up City could lobby State regarding reduction/change Combine forces with other cities as appropriate
Manufacturing	Industrial facility small to medium size Contribution to City economic structure High start-up costs, significant infrastructure Requires working knowledge of technical processes Can be advanced - R&D and testing: scientist to "executive chef" Mature processes can be automated/limited training requirements Small scale facilities and land requirement compared to cultivation Seamlessly integrated into vertically integrated businesses	Modest fiscal benefit, important economic driver Possible to control tax exposure by taking possession but not title IRS 280E (limiting write-offs) is particularly large issue Consider reduction of local tax burden to equity participants and higher value added manufacturing operations (economic dev)
Distribution & Logistics	Warehouse, fleet parking, office Sales, marketing, marketing, customer care, functions Compliance software designed for cultivators Storage, trucking functions paramount High security requirements and costs Ideally located on central point in freeway system (trucking) Farmer, manufacturing, and sale outlet relationships Can arrange logistics around testing, packaging, other value adds Can be vertically integrated with emphasis on distribution, but with multiple BOPs Uses owned or leased vehicle fleet Truck driver and warehousing jobs	Major fiscal benefit Pass through of State cultivation tax Collect on cultivation side, collect State excise from retailer, provide both to the State (outside of City taxes)
Non-retail Dispensaries (delivery service)	Warehouse plus office 12,000 SF facility can provide Statewide service Target range similar to grocery delivery radius Unskilled labor with exception of management 50% drivers, also dispatch and management Gaining significant market share from dispensaries following e-commerce trends in general Consumer credit transactions - Ledger Green/MC - viable (also disp)	Major fiscal benefit Collects 15% SET from consumer, State/local sales tax, Sac BOT sales tax Incidence of SET payment to distributor presents cash flow hit Also pays taxes on vehicles and fuel Sensitive to rising fuel costs
Dispensary (bricks & mortar)	Effectively a retail operation Performs well in a variety of retail environments Requires an estimated $4 to $6 million in gross sales 10 additional stores implies capture of $40-60 million in spending Losing market share to delivery companies Budtenders make minimum wage plus or slightly more plus tips Declining margins resulting in reduced benefits in urban locations Sophisticated operators unable to pay income taxes and maintain profit Many waiting for investor buy-out Investor buy-outs are often calibrated to accrued debt levels Debt to net income is becoming unsustainable Potential for continued retail dispensary cash flow issues Future shaky for operations needing to sell asset to raise cash Unable to obtain loans (banking restrictions) IRS 280E (write-off restrictions) Significant start-up costs Complex staffing, payroll, etc.	Major fiscal benefit Collects 15% SET from consumer, State/local sales tax, Sac BOT sales tax Amounts to 28% wholesale price up front Incidence of SET payment to distributor presents cash flow hit May need to reduce local sales taxes to compete with illicit market Price parity with unregulated market required to "move the needle" Can possibly avoid local tax reduction if State reduces SET

Source: EPS.

Taxation, Ownership, and Concentration Characteristics of Sacramento Cannabis Industry Functional Classification (IFG) (continued)

IFG	Ownership	Concentration/Land Use
Cultivation	Initially controlled by legacy illicit cannabis farmers in rented facilities Limited control on leasing costs Evolved into element of sophisticated corporate operations Consider limiting to: 1) vertically integrated 2) owner occupied	Appropriate use of industrial land? Small vertically integrated firms may prefer control Denver issued moratorium in oveer concentrated neighborhoods Long Beach, no constraints other than buffers WA has a 2 million square foot limit on cultivation Critical to install appropriate security Offsite grows in coastal regions (e.g., Glass House) - key trend
Manufacturing	Shared facilities avoid duplicating infrastructure What models most applicable? Market versus subsidized? Induce through tax incentives and grant funding? Shared manufacturing ordinance could facilitate equity participation in certain facets, with specialized training Some vertically-integrated firms interested in incubating equity participants	Limited concentration issues particular to this use Volatile extraction - special fire protection considerations Good technical sector with cross-over, retain and encourage Supports other sectors of economy
Distribution & Logistics	Sophisticated multi-disciplinary operations Executive level skills, knowledge of industry, taxation, packaging, testing, and all other aspects of industry Regional coverage beyond Sacramento Primary acquisition target for large industry Mullti-State Operators (MSOs) are prevalent Potentially some opportunities for equity participants	Storage function is of potential concern Sacramento viable as distribution location - good fundamentals Central point on transportation grid Low cost of operating Proximity to major population Improving manufacturing prospects would be mutually reinforcing Compares favorably to cultivation if there is a need to limit uses
Non-retail Dispensaries (delivery service)	High concentration of small operators Origin with medical cannabis, have scaled up with recreational product Easy to form business and initiate operations, challenge in sustaining Candidate for operational assistance in the form of low interest loans - good opportunity for equity participants	Significant concentrations in industrial areas High concentrations of establishments/capita Likely to see continual stream of new entrants sans limit Potential preference accruing to major players Amazon? Uber? How long will the current model last?
Dispensary (bricks & mortar)	Major movement among MSOs to control market share (M&A) Owners transitioned from medicinal to recreational, capped at 30 CORE members have fees waived (remove barrier to entry) Moratorium to be released - attract business partners Concern: permit flippers Oakland approach: merit-based with 3 year hold Eligibility is from police beats - arrest rate stats Long Beach: Census Tract with socio-economic criteria New social equity permits: Interview favored over lottery	Major export sector - 60% leaves City New entrants in Sacramento County and eslewhere likely C-1 areas may need to be phased-in as blight is addressed Midtown developers and brokers have accepted this use Compares favorably to many other uses Success in integrating with retail/entertainment Positive evidence of investment in area Consumption lounges worth exploring

Source: EPS.

Ownership Considerations

The nascent legal cannabis industry is evolving so rapidly that it is almost impossible to capture a current profile of the industry before a new significant development alters the landscape. With states legalizing both through ballot measures and legislative actions, new laws and regulations are expanding the national cannabis footprint, and there is significant pressure at the national level in support of full legalization.

States and cities are creating new legislation based on what they perceive as the best legislative efforts of other states and cities. Sacramento and the case-study cities analyzed for this report have ownership structures that are as dynamic as the industry in that they are experiencing the significant financial pressures of volatile wholesale flower prices, dramatic increases in extraction products, State taxation rates well beyond any other industry, and competition from thriving illicit operators. This discussion looks to contrast and compare Sacramento's ownership limitations, tracking, and transfer.

Local Ownership

Major corporate interests are absorbing small local stakeholders nationwide to gain market share. Because it remains illegal to transport cannabis across state lines, major operators must establish a market footprint in each state to build a national presence. California's size makes it an extremely valuable part of the national market. Within the State structure of the law, it is useful to consider paths that Sacramento can take to both provide support to local craft entrepreneurs and capture the economic benefits of a nationalized industry.

The California Department of Cannabis Control is the agency that issues and regulates State licensing for all aspects of cultivation, manufacturing, distribution, testing, and sale of cannabis products. While the State also regulates the taxes and other industry specifics (see **Appendix D**), it is silent on issues of ownership, deferring to each community to craft its own regulations. California was able to look to the early legalization efforts of Washington, Colorado, Alaska, and Oregon to craft the State proposition, but these efforts did not foresee how dynamic the industry has become.

The City's OCM is responsible for granting and monitoring BOPs and ownership requirements for all cannabis businesses in the City. Both the State-granted licenses and City-granted BOPs are based on the individual applicant's/entity's qualifications and have no value. They cannot be transferred, sold, or assigned. The State language does allow ownership in a cannabis business to be transferred. Partial ownership transfer is allowed when the new owner is deemed to be qualified by the State. Full transfer requires a new license.

Sacramento does not limit the number of permits an individual or entity can have, with the exception of retail storefront dispensaries in which no single person or entity is allowed to have ownership interest in more than one dispensary. In the current cap of 30 dispensaries, past practices of ownership entities have compromised the ownership restrictions, resulting in a consolidation of several licenses under multi-corporate ownership. The 10 new CORE dispensary BOPs will also be subject to this restriction. There are other limiting factors on the issuance of BOPs, which are discussed below in the Concentration section of this chapter.

In the seed-to-sale discussion, Sacramento does not prohibit current dispensary owners from vertical integration. These owners have the opportunity to obtain licenses and BOPs throughout the supply chain, including cultivation, and when the moratorium on transfer of non-CORE dispensary licenses ends, they will be allowed to be acquired or partner with larger corporate interests as part of the national consolidation trend.

Tracking Ownership

Sacramento city code requires that every director and any individual/entity who owns more than 20 percent of a cannabis business, regardless of their authority over that business, must submit for a background check and be tracked by the OCM. If the cannabis business is a storefront dispensary, every director and owner, regardless of percentage of ownership, must be tracked. When surveying most of the cannabis businesses licensed in the City, it is clear that an overwhelming majority have opted to structure themselves as corporations.

As has been seen in multiple City documents, many of these corporate entities have the potential themselves to be owned by other corporate entities and even holding companies. This multi-layering of ownership presents considerable challenges in uncovering and tracking a complete ownership structure. The importance of this in all IFGs except retail storefront dispensaries is primarily limited to qualifying owners through the background check. Recently proposed adjustments to Sacramento's ordinance will simplify this further for background check purposes. But for the retail storefront dispensaries, ownership in more than one dispensary is prohibited, and with a cap on dispensaries, ownership can be extremely valuable. Identifying individual ownership in complex corporate structures and holding companies will require significant resources to ensure that individuals have ownership in only one retail storefront dispensary. And as the City cannot restrict ownership individuals or entities from adopting corporate structures, other solutions will need to be explored.

Transfer of Ownership

The City allows the transfer of part or all of a cannabis business ownership with the exception of retail dispensaries. There is a moratorium on selling dispensary ownership that is set expire May 11, 2022. For businesses other than storefront dispensaries, transfer of ownership must be reported to the OCM on the Cannabis

Business Information Change Form, which must be completed with both the information of any entity relinquishing ownership, regardless of the percentage owned, and the information of any potential new ownership.

Language from the form reads, "List any new person who has an aggregate ownership interest of 20% or more in the cannabis business. If a holding company has an ownership interest of 20% or more in the business, that holding company and its ownership percentage must be listed as well as the individuals that own the company. The CEO and members of the board of directors of the cannabis business and any holding company must be listed regardless of the percentage of their ownership interests."

Ownership Case Studies

As the national and State cannabis industry continues to evolve, ownership structures will most likely continue the trend of consolidation. Vertical integration and market share expansion are important trends in the industry. Denver, Oakland, and Long Beach are among the many cities that allow for outside investment and vertical integration. Unlike Seattle, which does not allow cannabis producers to provide retail sales, Sacramento's allowance of vertical integration from seed to sale is consistent with national and State trends.

It is useful to consider the experiences of other regulators wrestling with the travails of managing the fiscally lucrative cannabis industry.

The following case-study discussions provide a range of tools and techniques being used by various jurisdictions. To capture the maximum range of content and ideas for consideration, creative State policies have been evaluated in addition to those of cities and counties.

Seattle

Seattle Ownership

The Washington State Liquor and Cannabis Board (WSLCB) is the licensing authority for the state's cannabis program that combines the recreation and medical markets. The WSLCB is not accepting applications for new retail, producer, or processor licenses. There are 3 primary cannabis business license categories in Washington: production/cultivation, processing, and retailing. Companies can grow and process cannabis, but producers can't also sell cannabis, and retailers can't grow and process their own cannabis. In addition to not allowing for full seed-to-sale vertical integration, Washington cannabis businesses cannot accept investment from non-Washington state entities. Individuals must live in Washington state for at least 6 months before applying for a cannabis license. All business entities applying for a cannabis license must be formed in Washington and all individuals listed as "true parties of interest" must meet and

maintain the Washington state residency requirement. There are more than 100 producer/processer licenses in Seattle and 77 dispensary licenses.[24]

Until recently, Seattle did not have a social equity program and conducted a Cannabis Equity Survey and Analysis. This has led to the recently appointed Social Equity Task Force that is working to provide recommendations to the WSLCB to establish the social equity program. Recently, the state has directed that all cannabis retail licenses that have been subject to forfeiture, cancellation, or revocation or licenses that were not previously issued by the WSLCB will be filled through the Cannabis Social Equity Program.

The WSLCB is also accepting applications for new Transportation and Research licenses and new Cannabis Cooperative registrations. The practice of home cultivation for adult use is prohibited in Washington state, though limited home grows are permitted for medical marijuana patients. There is a growing effort to change this, although a recently introduced bill to allow it failed.

Seattle has also seen at least one financial institution, a credit union, make a full transition to supporting the cannabis industry, including:

- Cash management checking accounts with designated Account Managers providing one-on-one service.
- Employee accounts.
- Online banking and vendor payments.
- Direct deposit payroll.
- Remote deposit capture via check scanner with same day credit.
- Cash pick-up and delivery services.
- ACH transfer processing.

Seattle Ownership Tracking

Washington has multiple levels of ownership, including sole proprietorship partnerships, corporations, multi-level structures, and nonprofits. The tracking of ownership is done both at the initial application process and through their transfer of ownership process. These applications require the listing all true parties of interest. The WSLCB conducts financial and criminal background investigations on all true parties of interest, including:

- Sole proprietorship—the sole proprietor.
- General partnership—all partners.

[24] http://magazine.cannabisbusinesstimes.com/article/june-2021/state-of-washington-state-cannabis.aspx

- Limited partnership, limited liability partnership, or limited liability limited partnership—all general partners and all limited partners.
- Limited liability company (LLC)—all LLC members and all LLC managers.
- Privately held corporation—all corporate officers and directors (or persons with equivalent title) and all stockholders.
- Multilevel ownership structures—all persons and entities that make up the ownership structure.
- Any entity(ies) or person(s) with a right to receive revenue, gross profit or net profit, or exercising control over a licensed business—any entity(ies) or person(s) with a right to receive some or all of the revenue, gross profit, or net profit from the licensed business during any full or partial calendar or fiscal year, and any entity(ies) or person(s) who exercise(s) control over the licensed business.
- Nonprofit corporations—all individuals and entities having membership rights in accordance with the provisions of the articles of incorporation or bylaws.

In addition, it tracks married couples' ownership and stipulates that a married couple may not be a true party of interest in more than 5 retail marijuana licenses, more than 3 producer licenses, or more than 3 processor licenses. A married couple may not be a true party of interest in a marijuana retailer license and a marijuana producer license or a marijuana retailer license and a marijuana processor license.

Seattle Ownership Transfer

Washington allows working with existing licensed businesses to either purchase a licensed business through a new entity, which is called an Assumption, or purchase some or all interest of a licensed business via a Change in Governing People, Percentage Owned, or Stock/Unit Ownership. Applications and qualifications of license ownership are required to be secured through the state before purchasing any interest in the business.

Oakland

Oakland Ownership

The City of Oakland took a very different road to ownership in the industry. Oakland has been a national leader in creating systems that help cannabis businesses thrive. In 2015, in an attempt to create an institutional culture shift toward placing greater weight on equity and inclusion of historically marginalized communities, the Oakland City Council voted to create the nation's second Department of Race and Equity (following Portland) and tasked it with analyzing policies and systems through a racial equity lens. The City of Oakland decided on a policy that would award permits to equity applicants and general applicants on a 1:1 ratio. It also put an initial cap on dispensary permits at 4 and included a

provision for the Oakland City Administrator to allow up to 8 new dispensary licenses per year. It also directs that no individual or entity shall have a direct or indirect interest in more than 2 dispensary permits. The process for general applicants to obtain a dispensary permit is via scoring of the application by city staff. Equity applicants who submit complete applications are selected through a public drawing. There are 14 storefront dispensary permits in the city and an additional 12 that are approved but not yet operational. The City of Oakland did not put the caps on non-storefront retail delivery permits, and there are no other limits on the number or type of permits individuals or entities can hold. The City of Oakland allows for both outside investment and vertical integration.

Oakland Ownership Tracking

The City of Oakland does not expressly define a methodology of tracking ownership other than the information that is required in the initial application. The application requires definition of the type of business structure being used, as well as a list all persons directly or indirectly interested in the permit sought, including all officers, directors, general partners, managing members, stockholders, and partners. Equity applicants are required to file additional qualifying information.

Oakland Ownership Transfer

Oakland does not limit the sale of cannabis ownership for general permit holders. It does require any new ownership interest to acquire State licensing. In addition, the Oakland zoning code states that permits only "apply to the premises and the entities or individuals originally specified, except upon written permission of the City Administrator's Office granted upon written application to the City Administrator's Office made in the same manner as required in the original application process." Anyone with a direct or indirect interest in the permit that was not listed on the original application must undergo a live scan background check, and inspections of the originally permitted premises by relevant agencies may be required. In other words, a general applicant can transfer their ownership in a cannabis business to anyone, provided the new permittee submit their own application and go through the permit process.

The city's general business transfer code has language that the city interprets to preclude transfer of their interest to a non-equity business; however, the city is exploring allowing the transfer of equity permits to anyone after a 3-year vesting period. Because of Oakland's initial requirement of 1:1 equity to general cannabis permits, the pool of equity owners will continue to be replenished.

Long Beach

Long Beach Ownership

When Long Beach set their original ordinance, the city limited dispensary licenses to 32, which were quickly spoken for by the existing medical dispensaries. It did not set caps on other permits, although it did not allow for non-storefront retail

delivery permits. It also does not allow for processor cultivation permits. The city allows for vertical integration under the State's microbusiness license designation, and it does not have language in its ordinance limiting the number of cannabis businesses any single individual or entity can own.

In its efforts to provide social equity applicants a path to entry into the industry, Long Beach is introducing 8 new dispensary permits, shared manufacturing uses, and introducing an unlimited number of retail delivery opportunities exclusive to equity applicants. The goal is to provide equity applicants opportunities in the industry with lower initial capital investment requirements than the higher initial investment cultivation and retail dispensary opportunities.

Long Beach Ownership Tracking

The City of Long Beach does not expressly define a methodology of tracking ownership other than the information that is required in the initial application. The application requires definition of the type of business structure being used, as well as a list of all owners and managers in the permit sought, including all officers, directors, general partners, managing members, stockholders, and partners. Equity applicants are required to file additional qualifying information.

The city does define what constitutes an owner in its ordinance. "Owner" means any of these:

- Any person with an ownership interest of 10 percent or more in the Adult-Use Cannabis Business applying for a permit.
- The chief executive officer of an entity, including nonprofits.
- A member of the board of directors of a for-profit or nonprofit entity.
- All persons in an entity that have a financial interest of 10 percent or more in the proposed Adult-Use Cannabis Business, including but not limited to:
  - A general partner of an Adult-Use Cannabis Business that is organized as a partnership.
  - A non-member manager or managing member of an Adult-Use Cannabis Business that is organized as a LLC.
  - Any person holding a voting interest in a partnership, association, or LLC.
  - All officers or directors of an Adult-Use Cannabis Business that is organized as a corporation, and all shareholders who individually own more than 10 percent of the issued and outstanding stock of the corporation.

Long Beach Ownership Transfer

Long Beach allows for the transfer of ownership of cannabis permits through a process with the Office of Financial Management. A Minor Cannabis Transfer of Ownership Application is required when a business is adding owners to their

license whose ownership percentage totals between 10 percent and 49 percent of the business. The City of Long Beach Office of Financial Management does not stipulate a process for more than 49 percent but does have an application and review process when a business owner is transferring their interest to another party through a business license application. It is an administerial process, and the policy has generated multiple brokers advertising businesses for sale. The new equity-focused shared use is not intended as a salable license but rather an opportunity to provide equity applicants an existing facility in which to operate without significant start-up costs. Long Beach is crafting the ordinances for non-storefront delivery and the 8 new equity applicant retail dispensaries.
In interviews, they are working through how the ordinance will address sales of equity dispensary ownership.

Denver

Denver Ownership

Denver, along with Seattle, approved recreational cannabis on January 1, 2014, but had allowed medical cannabis since 2000. Denver has more than 1,100 cannabis licenses operating out of nearly 500 locations.

Denver's moratorium on licensing new medical marijuana stores and medical marijuana cultivation facilities continues to be in effect; however, the bill reserves new applications for new medical marijuana products manufacturer, medical marijuana transporter, and retail marijuana business licenses from social equity applicants until July 1, 2027, to provide social equity applicants an opportunity for ownership of cannabis businesses. Denver is only accepting applications from non-social equity applicants for a medical or retail testing facility or R&D license or is applying for a retail marijuana business license that will be co-located with a medical marijuana business of the same type.

In addition, Denver has instituted a consumption lounge pilot program that will provide additional ownership opportunities.

Denver Ownership Tracking

Denver keeps a database for active individual and business licenses, as well as inactive licenses; however, it is for all business license types and is limited to identifying the applicant. It does not address ownership structure. As Denver rolls out its opportunities for social equity applicants and attempts to regulate the transfer of social equity ownership to maintain 51 percent social equity through July 1, 2027, a more advanced tracking system will be imperative.

Denver Ownership Transfer

In general, all cannabis businesses are transferable from one person to another on approval by the Director of Marijuana. There are additional requirements for transfers of marijuana transporter businesses, which are subject to limitations set by Colorado state law. Transfer of ownership of cannabis off-premises storage

facility permits or cannabis delivery permits have additional requirements. Denver recently adopted language so that before July 1, 2027, equity applicants are allowed to transfer business interests to either other social equity applicants or to non-social equity applicants, as long as 51 percent or more of the business is held by one or more social equity applicants. After July 1, 2027, businesses held by social equity applicants are transferable either to other social equity applicants or non-social equity applicants following an approval process. Non-social equity owners are not limited and can transfer their entire interest to another individual/entity.

Denver also has a common ownership restriction in that if one or more licenses share the same licensed premises, an application to transfer ownership of any one of the licenses shall not be approved if the transfer would result in that license no longer having common ownership with the licenses sharing the same licensed premises.

Ownership Conclusions

The case studies on ownership, ownership tracking, and transfer of ownership provide several important comparisons to be made.

Ownership

There are distinct attributes of how ownership has a direct correlation with how the initial cannabis ordinances were crafted:

- Seattle is, on the one hand, the most restrictive in the sense of requiring a 6-month residency requirement, prohibiting outside investment, and not allowing seed-to-sale vertical integration. Ownership requirements initially did not include an equity component and were among the least restrictive, favoring well-capitalized legacy owners. The state is now focused on a social equity program and is identifying ownership opportunities dedicated to social equity applicants.
- Both Sacramento and Long Beach placed caps on dispensaries in particular and allowed the previous medical permit holders to convert to recreational permits, effectively closing out any new ownership opportunities. Both cities are using similar social equity initiatives to create a more diverse ownership playing field through additional dispensary ownership opportunities. Long Beach is taking this a step further through their shared manufacturing facility program and opening non-storefront retail opportunities for social equity applicants.
- Denver was also without a social equity program and implemented a dynamic and fast-growing cannabis industry that was market driven and allowed to succeed and fail based on consumer preference. While current ownership is rapidly consolidating through major mergers and acquisitions, Denver has

selectively identified several IFGs for new social equity ownership, including a consumption lounge pilot program.

- Oakland's approach to requiring a 1:1 social equity to general ownership model for all cannabis permits is widely considered one of the most innovative and fair in the country. In addition, allowing up to 8 additional dispensaries per year provides a growth approach that is measurable and adjustable.

Some interesting opportunities exist for Sacramento to build on the success of previous policy initiatives and interesting new initiatives in the industry:

- The potential to adopt a 1:1 social equity to general ownership model for all IFGs moving forward.
- The potential to identify ownership growth areas in the industry and direct those opportunities to social equity applicants.
- The potential to adopt a more fluid and less reactive approach to ownership by allowing "up to" growth models for the IFGs.
- The potential to open an entirely new IFG and perhaps restaurant niche in the space of consumption lounges, combined with food production and service.

Ownership Tracking

Given the complex ownership structures of both individual IFG owners, as well as vertically integrated corporations already establishing footholds in Sacramento, ownership tracking is one of the more difficult puzzles to solve in the current ownership cap structure, while allowing for vertical integration. There appear to be 3 potential avenues for the City to explore:

1. Hire an outside consultant/firm to manage and implement the tracking through IRS, banking, and other industry methods.
2. Create a position or positions in the OCM, and hire experienced staff to manage and implement the tracking in house.
3. Remove the one permit restriction on retail storefront dispensary ownership and streamline the individual/entity ownership reporting requirements to promote transparency.

Avenues 1 and 2 both would require significant resources to implement but, given the complexity of the corporate structures, may be necessary to uphold the provision of the ordinance. A hybrid approach would be to hire a consulting firm to train staff to manage and implement the tracking internally, but this would still require significant additional resources. The threat of Avenue 3 is that the recent trends of publicly traded companies buying multiple dispensary licenses in locales contribute to a consolidation and monopolization of the market. This is only exacerbated by the allowance of vertical integration. A remarkable example of this

is the Florida-based and Canadian-traded company Trulieve. Following the recent acquisition of a major competitor, they will now have 149 retail locations in 11 states, including Florida, and more than 3.1 million square feet of cultivation, with 6 of those dispensaries in California.

Ownership Transfer

Each of the case studies have some version of ownership transfer and, with the exception of Seattle, they all offer vertical integration and outside ownership. Denver, Sacramento, and Long Beach all provide protection for social equity ownership interests to maintain the social equity aspect of the permits. Oakland's ordinance provides for an ongoing social equity ownership model and is looking to see how to allow social equity businesses to sell to the highest bidder.
If Sacramento looks to make adjustments to the ownership model in line with Oakland's (1:1 ratio and an "up to" policy), selling a dispensary should not reduce the social equity pool of ownership. Under the current policy, Sacramento will need to look to other ways to allow social equity dispensary owners to maximize their investment.

Taxation Considerations

The cannabis industry is federally illegal, and the product is taxed at the State level at higher rates than other "sin" products, largely out of tax generation aspirations. Early states to legalize have generated high excise taxes that they have directed to the General Fund. California pursued this approach as discussed in the State Taxation Trends, and as a result, Sacramento and other California communities have real dilemmas regarding their relationship to the State taxes, their local concerns, and the health of the industry.

The confusing nature of the opt in/opt out State legalization structure creates different taxation metrics across counties and cities. This decentralized approach pits communities against each other to reduce local tax rates in an effort to capture market share.

The table below provides a comparison of Sacramento to neighboring jurisdictions. It is important to note that while a significant number of these communities do not allow cannabis, the lure of cannabis tax revenue has many of them contemplating entering the market, which will potentially put additional pressure on Sacramento's local tax rates.

Table 10. Local Tax Comparison

County/City [1]	Local Taxes
Sacramento County	Does not allow.
Sacramento	4% gross receipts for all cannabis businesses.
Sutter County	Does not allow.
Yolo County	4% gross receipts for cultivation. 5% gross receipts for all other activities.
Davis	10% gross receipts for retail, distribution, and cultivation. For Manufacturing, R&D, and Testing: 5% for receipts between $0 - $50,000/month; 4% for receipts from $50,001 - $100,000/month.
West Sacramento	No adopted cannabis business tax; taxes levied via development agreements.
Woodland	No cannabis business tax.
Solano County	Does not allow.
Benecia	1% gross receipts for testing and distribution. Manufacturing: 2% gross receipts Year 1; 2.5% gross receipts Year 2; 3.5% gross receipts Year 3. Cultivation: $5 PSF Year 1; $6 PSF Year 2; $7 PSF Year 3.
Dixon	15% gross receipts for businesses that do not obtain a Development Agreement or CUP. No cannabis business tax otherwise.
Rio Vista	No cannabis business tax.
Vallejo	7% gross receipts for retail. 5% gross receipts for cultivation. 5% gross receipts for manufacturing. 2% gross receipts for distribution.
Yuba County	Does not allow.
Marysville	Cultivation: $10 PSF for artificial lighting; $7 PSF for mixed lighting; $4 PSF for natural lighting; $2 PSF for nursery. 2.5% gross receipts for testing. 6% gross receipts for retail. 3% gross receipts for distribution. 4% gross receipts for manufacturing.

County/City [1]	Local Taxes
Placer County	Does not allow.
Colfax	$7 PSF for cultivation. 4% gross receipts for retail. 2% gross receipts for distribution. 2.5% for manufacturing and testing.
El Dorado County	Cultivation: $2 PSF for natural light; $4 PSF for mixed light; $7 PSF for indoor; 4% gross receipts for nursery. Manufacturing: 2.5% gross receipts for Level 1 (solvent manufacturing); 0% for Level 2 (non-solvent manufacturing). 4% gross receipts for retail. 2% gross receipts for distribution. 0.5% gross receipts for testing.
South Lake Tahoe	No cannabis business tax.
Amador County	Does not allow.
Calavaras	Cultivation: $2 PSF for natural and mixed light; $5 PSF for indoor. 7% gross receipts on retail and manufacturing.
Angels Camp	Does not allow.
San Joaquin County	No set tax rate. Development agreement required through which County may establish gross receipts impact fees. PA-20000070 sets rates at 3.5 percent gross revenue for all cannabis businesses.
Stockton	5% gross receipts for retail. 1% gross receipts for distribution. 3% gross receipts for manufacturing. 5% gross receipts for cultivation. 0% gross receipts for testing. 5% gross receipts for microbusiness.
Contra Costa County	Cultivation: $7 PSF for indoor; $3 PSF for mixed-light; $2 PSF for outdoor; $1 PSF for nursery. 2% gross receipts for distribution. 2.5% gross receipts for manufacturing. 4% gross receipts for retail. 0% gross receipts for testing. 4% gross receipts for microbusiness (2.5% if not including retail).

County/City [1]	Local Taxes
Richmond	5% gross receipts for all businesses.
Pittsburg	10% gross receipts.
Oakley	Does not allow.
Antioch	No cannabis business tax.
Concord	No cannabis business tax.
El Cerrito	No cannabis business tax.
Martinez	No cannabis business tax.
Napa County	Does not allow.
City of Napa	Does not allow.
American Canyon	No cannabis business tax.

[1] Tax rates for counties apply to unincorporated portions of that county only. Cities within each county may set their own tax rates for cannabis businesses within their city limits.

In addition, several nearby cities such as West Sacramento have no specific cannabis business tax but collect cannabis tax revenues through development agreements. Under California law, retail delivery of cannabis cannot be prohibited by local jurisdictions. Therefore, delivery services in communities with lower taxes (and resulting lower sales prices) can deliver into areas with higher taxation, potentially impacting the gross sales and resulting local taxes from Sacramento's retail dispensaries and delivery companies.

Sacramento Tax Revenues

Overall, Sacramento charges 13.75 percent on retail sales, made up of 8.75 percent State and local sales tax and a 4 percent business operating tax. Sacramento's estimated $27.3 million in cannabis industry General Fund revenues comes from a combination of the 4 percent BOP tax, as well as licensing fees and fines, property taxes, utility taxes, and transient occupancy taxes. The General Fund expenditures due to cannabis businesses operating in the City are estimated at $7.5 million, resulting in net revenue of $19.8 million to the City General Fund. (See **Chapter 6** for discussion of the fiscal impact analysis.)

In addition to the General Fund revenues attributable to cannabis, Sacramento's neighborhood responsibility plan fee, which seeks to mitigate negative impacts from "novel business activities" like marijuana, has imposed a fee equivalent to 1 percent of gross revenues on cannabis businesses. The neighborhood responsibility plan fee is estimated to generate an additional $5.2 million in revenues for Fiscal Year 2021/2022, not included in the City's General Fund.

State Grant Programs

Some State tax revenues are returned to the City through State grant programs. Sacramento was recently awarded a grant of up to $5.78 million, authorized by Senate Bill (SB) 129 Local Jurisdiction Assistance Grant Program, to assist business owners with meeting California Environmental Quality Act (CEQA) requirements, enabling licenses to transition from provisional to permanent.[25] Clearing CEQA requirements has been a major hurdle in transitioning the provisional licenses across the range of IFGs. In addition, in May 2021, the Governor announced a $15 million grant program to support community social equity efforts.

Tax Revenue Case Studies

To provide information for future study, here are approaches that other cities have used in developing their cannabis tax structures. The City of Oakland has structured a policy that is both variable in regard to social equity and size and directs a portion of tax revenues to equity owners.

Each of the case-study cities was considered in terms of how they are allocating cannabis tax revenue. In addition, several new states that allow legal recreational cannabis are developing policies for tax expenditures, and they are found in **Appendix B**.

The Oakland Case

All cannabis tax proceeds in Oakland are deposited into the General Fund. In 2017, the Oakland City Council determined that a loan program was needed to assist historically marginalized cannabis operators, given the lack of personal wealth in low-income communities and federal restrictions on bank lending. The Equity Loan Program re-invests cannabis tax revenue into economic opportunities for those most impacted by the War on Drugs.

Oakland's 2020 tax has yielded $13.7 million for the General Fund, of which $3.4 million is dedicated toward technical assistance and the revolving no-interest loan program for low-income cannabis "equity applicants." Sacramento also uses a revolving no-interest loan fund. The CORE Capital Loan Program is funded with more than $3 million.

Loan Program Summary

Oakland's loan program establishes tiers of business development that are awarded specific amounts of funds up to a cumulative maximum of $115,000.00 for 100 percent social equity businesses. The Equity Loan Program consists of

[25] Sacramento was earmarked for the fourth highest allocation in the State at $1,813,612.38. The funding has not yet been received. While the funding cannot be set aside for social equity members only, it is anticipated that social equity members will be a primary beneficiary of the programs launched with the grant.

public funds, and repayments need to be made to make loans to equity applicants in the future. The program has seen mixed results as several loan participants have not made repayments and have been sent to collections.

Sacramento's loan program, CORE Capital, is a 6-year interest-free loan program for cannabis businesses made available through grant funds from the Governor's Office of Business and Economic Development (Go-Biz). The largest amount available for an initial, or first-time, loan is $50,000 if an applicant has a signed business lease for a location/premise or owns a location. Loan applicants may apply for additional loans ("Follow-on Loans") in increments of up to $50,000, without fully repaying their prior loan(s), as long as they have spent the funds on eligible expenses, are not delinquent, and are compliant with CORE requirements.

In 2019, Oakland lowered the tax rate to 0.12 percent per year for all equity businesses with gross receipts under $1.5 million. It also created a phased-in system that lowered the tax rates for non-equity businesses and larger equity businesses to between 2.5 and 5 percent for non-equity businesses by 2022, depending on the size and sector of the business. In addition, non-equity businesses can receive 0.5 percent rebates for equity activities such as incubating an equity business, local hiring, equity supply chain contractors, and workforce quality of life. However, businesses are limited in the number and frequency of rebates they can receive and still must pay a minimum tax rate of 2.5 percent in 2022. Most business tax classifications in Oakland pay below 2 percent per year. Cannabis businesses assessed at 2.5 percent will pay the highest business tax rate in Oakland, followed by the classification for "Firearms Dealers" that pay 2.4 percent. So far, the 0.5 percent rebate program has not yielded the intended results as operators see the reporting requirements outweighing the benefit.

While Oakland's tax reductions for IFGs across the board initially reduce the city's cannabis tax revenue, it is argued that they further strengthen the local industry's ability to be profitable, compete with the illicit market, and have the potential to generate higher revenues if demand for regulated product increases.

The Long Beach Case

In 2019, a broad-based coalition of cannabis industry professionals, policy advocates, patients, consumers, and city officials came together to support the city's legal cannabis industry in reducing taxes. In the face of a significant budget deficit, the Long Beach City Council voted in 2019 to lower the tax rate for cannabis businesses from 6 percent to 1 percent. The city collected $10.3 million in cannabis tax revenue for the fiscal year with the tax revenue flowing into the City's General Fund. This was a $6.3 million surplus over the $4 million in projected revenue. According to a report, local dispensaries "felt a boom" from the lower tax rates, and a city analysis projects that some levels of increased

sales will continue.[26] Just as Sacramento is, Long Beach was facing increased pressure from the illicit market and sought to reduce taxes to be more competitive, preserve jobs in the legal industry, and reduce public safety concerns.

Sacramento and Long Beach share nearly the same amount of retail storefront dispensaries. However, Sacramento has a significant non-storefront retail delivery IFG that is only recently being proposed in Long Beach. Extrapolating the incremental success of Long Beach's tax reduction to revenue increase over Sacramento's retail sales has the potential to increase the viability of the retail IFGs, produce additional revenue, and provide more stiff competition with the illicit market.

The Denver Case

Denver cannabis tax is imposed with a 15 percent state excise tax and a local tax of 9.81 percent. The City of Denver collected more than $70 million in sales tax revenue from $715 million in cannabis sales in 2020, a 17 percent jump from the $60 million collected in 2019, according to the Department of License and Excise. Denver is projected to earn the same amount of tax revenue in 2021.

In November 2013, Denver voters approved adding a special sales tax on retail marijuana that could vary from 3.5 percent to 15.0 percent. The tax is in addition to standard sales tax and all other applicable state taxes. Since 2017, retail marijuana is exempt from the state standard sales tax but is subject to both state and local special sales taxes:

- Denver standard sales tax: 4.31%.
- Denver special sales tax on retail cannabis: 5.50%. This tax can fluctuate between 3.5% and 15% by Denver City Council authorization.
- State special sales tax on retail cannabis: 15.0%.
- Total retail cannabis sales tax: 24.81%. Since 2017, 10% of the state special sales tax has been shared with local jurisdictions.[27]

During the 2021 elections, two ballot measures, one state and one local to increase taxes on cannabis were defeated as opponents debated the health of the industry against programs the taxes would fund. Yet in the face of one of the highest major city tax structures in the industry, there appears to be little momentum to lower taxes. Instead, Denver is experiencing continued illicit cannabis production and sales throughout the city.

[26] CallifforniaCityNews.org, After Lowering its Cannabis Taxes Long Beach Saw a Windfall, 2/23/2021.

[27] The Denver Collaborative Approach, Leading The Way In Municipal Marijuana Management, 2020.

What is relevant in Denver's tax model is how the revenues are spent, with 37 percent allocated to homeless housing, 6 percent to education, and 5 percent to public health. This is a significant investment in homeless housing as Denver grapples with many of the same homeless issues confronting communities throughout the state.

The Seattle Case

Washington taxes cannabis with a 37 percent excise tax and an optional 10 percent local tax. As approved by voters in 2012, Initiative Measure No. 502 did not set aside any money for local governments when it legalized recreational cannabis in Washington. City and county officials later asked the legislature for a share of the state's marijuana tax revenue with the goal of helping to defray some of the costs they might accrue from the new law, such as the cost of enforcing the ban on using marijuana in public places. The legislature reworked the state's legal cannabis laws significantly in 2015 and, as part of that overhaul, gave local jurisdictions a share of the tax money, provided they did not ban cannabis businesses within their boundaries. Seattle is receiving a reported $30 million per year in revenues.

Like California, Washington has dedicated funds toward social equity programs. The cannabis revenues must allocate $1,650,000 for Fiscal Year 2022 and the same amount for Fiscal Year 2023 to the Department of Commerce to fund the marijuana social equity technical assistance competitive grant program. In addition, Washington has established a fund for mentors as part of the cannabis social equity technical assistance grant program.

Nearly half of all cannabis revenues for Fiscal Years 2015 through 2020 went to Washington's Basic Health Plan Trust Account. That account is described by the Office of Financial Management as providing "necessary basic health care services to working persons and others who lack coverage, at a cost to these persons that does not create a barrier to the utilization of necessary health care services."

Washington, and by extension Seattle, has the highest excise tax in the nation on retail sales; however, there is no wholesale tax, as is the case with California and, by extension Sacramento. The Seattle model places the entire tax burden on the retail transaction and relieves the cultivator from having to pay taxes on raw product with variable pricing. This effectively eliminates the incentive to grow and distribute to the illicit market to avoid wholesale taxation.

Options for Sacramento

As noted previously, the State levies a flat cultivation tax based on product weight, not value. This flawed approach places a tremendous burden on small cultivators when the sales price of raw product declines and pressures local jurisdictions to lower tax rates to sustain the viability of local cannabis businesses. It has also incentivized the sale of raw product into the illicit market through what

is known as burner permits[28] and "track-and-trace" manipulation.[29] However, the Governor of California's recent commitment to make adjustments to State regulations and taxes could allow Sacramento greater leeway in adjusting the local tax to support local programs. A proposed bill being circulated would eliminate the wholesale cultivation tax entirely and increase the retail excise tax initially to 50 percent of the anticipated revenue of the cultivation tax and then raise to capture 100 percent of the cultivation revenue.

It is uncertain how the bill will look once passed through the State legislature, and what impact it will have on retail pricing; however, it will certainly benefit the viability of cultivators. This significant tax adjustment makes it difficult to predict what, if any, adjustments to the Sacramento tax model should be made.

As seen in **Table 10**, several Northern California communities add an additional tax on cultivation, primarily by square footage. While this method, or a tax on sales price, are more predictable than the State's tax by weight, they create additional pressure for cultivators to sell to the illicit market.

Sacramento's 4 percent local tax does not appear to be out of line with other nearby communities, although it will bear watching how neighboring communities contemplating allowing cannabis businesses set their local taxes, as this development could have a direct impact on local sales and tax revenue.

Taxation Conclusions

- Sacramento could look to a modified Oakland model and reduce the 4 percent local tax for all social equity businesses while maintaining the current tax for non-equity.
- Sacramento could look to the success of Long Beach and reduce the local tax across the board as a means to stimulate sales revenue in the regulated market.
- If the cultivation tax is eliminated and the excise tax is increased by half of the projected cultivation tax revenues, Sacramento could increase the local sales tax by an increment that would fall within 50 percent of the cultivation tax. This approach would need to be re-evaluated once the excise tax reverts to 100 percent of the cultivation tax revenues.

[28] Burner permits are associated with distributors who purchase raw product from a cultivator, pay the cultivation tax to the states, and sell the product to the illicit market.

[29] Track-and-trace manipulation is when cultivators track only a fraction of the actual flower produced by a plant and then sell the rest to the illicit market.

Concentration

Land use regulations, sensitive receptor buffers, and facility availability are the primary drivers of cannabis business concentration. Many cities have used zoning in industrial areas to create what are known as "green zones," where the cities allow all cannabis IFGs to locate. Cultivation, distribution, manufacturing, and testing businesses are industrial in nature and are better located in industrial districts. Delivery is dependent on proximity to its regional market business size, but it is also primarily a small warehouse-type use. Dispensaries are essentially retail stores and are generally located in neighborhood retail areas or along commercial corridors. Sacramento's ordinance also directs the industrial aspects of the cannabis community to specific land use zones, and these are primarily in Council Districts 2 and 6.

Chapter 5 of this Study details the concentration of the various IFGs and the real estate and neighborhood impacts. Sacramento is similar to other cities in that older industrial and residential districts are often adjacent and even comingled, as can be seen in both Districts 2 and 6. The land use tables in **Appendix C** identify the allowed zoning classifications for the range of IFGs. Sacramento has 2 additional concentration restrictions in District 6. In 2018, the City Council passed a limit on cannabis cultivation, capping it at 10 percent of the industrial real estate or approximately 2.5 million square feet. In addition, the City limits retail non-storefront delivery permits in the southeast industrial area to 50 permits. As shown in **Table 11** (**Chapter 5**), there are 34 active delivery BOPs in the district. One additional restriction in Sacramento limits retail storefront dispensaries to the C-2 General Commercial Zone and C-4 Heavy Commercial Zone and restricts it from the C-1 Limited Commercial Zone and the C-3 Central Business District Zone.

Looking to Other Cities

Denver has not limited its number of dispensaries. However, like Sacramento, some surrounding cities in the area didn't allow recreational cannabis, allowing Denver to capitalize as the regional epicenter for the cannabis industry. Denver has effectively let the market decide what dispensaries survive. As the Denver cannabis industry has matured, the city has concerned itself with dispensary and cultivation oversaturation in neighborhoods, despite their generally positive reception. Now, Denver does not allow either of these licenses in the 5 most impacted neighborhoods, recalibrated each year. The impact is measured in the number of cannabis business permits per capita. In one of the most impacted neighborhoods, there is 1 business permit for every 91 inhabitants.

Oakland was about initial quantity limits, beginning with 4 dispensaries, and allowing up to 8 new dispensaries per year, with their social equity requirements in all other licenses requiring a 1:1 ratio of equity licenses to non-equity licenses and did not limit other licenses. Oakland used its zoning ordinance to create a

defined green zone and uses buffers from sensitive receptors as a second limiting factor. Growth has continued since legalization, but there does not appear to be any organized concern about oversaturation.

In Long Beach, available land with the correct zoning is their concern, and they are also introducing reduced buffers in some cases to expand their green zone. Long Beach doesn't limit concentration or location other than dispensaries must be a minimum of 1,000 feet apart. The City of Long Beach relies on consumer demand and available property to limit concentration. They have even recently allowed a dispensary in a residential mixed-use building. Previously, non-storefront retail delivery was not allowed in the city, but along with 8 new dispensaries for social equity applicants, they are opening the delivery business permit to social equity applicants as well. In discussion with their cannabis department, there was not a concern for overconcentration. This may be due in part to the overwhelming industrial footprint in the south Los Angeles area, including Wilmington.

Cultivation

With the exception of Seattle, the case-study cities have a range of approaches to concentration of cultivation licenses.

Initially, Denver's rush to the market saw cultivators swarm Denver's older industrial districts, with older Class B and Class C space. As their market has matured, Denver introduced a moratorium on the licenses and only recently opened new cultivation licenses to equity applicants. As discussed previously, Denver is maintaining moratoriums on those communities (top 5 each year) most impacted by concentration.

Long Beach does not limit the number of cannabis cultivation licenses, but according to the city's zoning restrictions, it is allowed in light, medium and heavy industrial zones and in general industrial areas but not in residential, institutional, park, commercial, and port zones, and the lack of available facilities limit the concentration.

Oakland limits cultivation licenses by zoning not by number, and facilities that meet the zoning are prolific as Oakland has an extensive industrial green zone with facilities appropriate to indoor cultivation. Cultivation is allowed by right in all industrial zones. The tables in **Appendix C** provide a summary of land use regulations for Sacramento and the case-study cities for comparison.

Sacramento has 93 cultivation BOPs producing far more product that is consumed in the City. Based on the consumption per capita data shown previously in **Table 8**, there appears to be far more product being cultivated than is locally consumed. However, cultivators are free to move their product throughout the State, and as such, it is not possible to say with certainty how saturated the Sacramento market is. In addition, the burner permits and the track-and-trace

manipulations discussed earlier make it even more difficult to assess. But with the number of cities and counties adjacent to Sacramento and the high number of non-dispensary delivery services, regional consumption will capture a percentage of the cultivation.

Manufacturing and Distribution

Manufacturing and distribution are both growth opportunities in Sacramento. These are complex industries on which the supply chain relies and are evolving daily. They are scientific, technological, logistical, fabricating, packaging, and marketing. Larger, well capitalized entities are well positioned to gain ownership in these components of the industry.

Would Sacramento be better served to welcome these large corporate companies and incorporate specific jobs training and local hiring practices into their licensing requirements? Colorado and Washington represent 2 different approaches.

Washington makes a concerted effort to limit consolidation and support small local businesses, but that may change soon as many fear that without outside capital investment, Washington will not be able to thrive in a national legal industry. Colorado invites the industry to "come on in" for investment, which appears to have resulted in significant consolidation.

What is clear is that these 2 IFGs are the center of vertical integration and will dominate this young industry through their relationships with cultivators and dispensaries, their abilities to continually advance product quality, and their brand control.

Retail

Retail dispensaries are simply retail stores, and there is little if any evidence of negative impacts on their surroundings in the case-study cities. In fact, these outlets tend to meld into their respective communities, as illustrated in Midtown Sacramento, and are good neighbors. However, there is clear and direct evidence from the interview process and recent press that many are struggling. When the moratorium on outside investment ends in May, outside investment will be important in stabilizing this aspect of the industry. With 10 new dispensaries coming online in the future, could the concentration concerns around these stores be lessened by opening up additional zoning and districts to them?

Non-storefront retail or delivery is being looked to by several cities as a means of increasing local ownership, particularly for social equity applicants. Long Beach is at the forefront of this as delivery has not been allowed in the city but will now open up to social equity applicants. According to one of the interviewees for this Study, larger examples of this business can make about 600 deliveries a day, with capital facilities including a warehouse to store product, a fleet of vehicles, an office, and dispatchers.

In contrast to the cost of cultivation and dispensaries, retail delivery businesses have a relatively low cost to entry but may face challenges in terms of high ongoing operational costs. While authorized to deliver to other markets in the State approved for sales, limits on carried inventory and practical considerations result in a high number of establishments serving local and even regional consumers.

With the growing use of online purchases and rapid delivery times, these delivery companies should continue to see growth. The threat to them in the near term appears to be a combination of rising costs, particularly fuel and insurance, the tax structure, and the volatility of the retail prices. In the long term, competition from large fleet, multi-platform companies such as UBER may prove to be a much larger threat. And with Amazon now backing federal legalization, it may be inevitable that these mega players will dominate the procurement and delivery sectors of the industry.

While there is concern, particularly in District 6, of an overconcentration of the delivery businesses, the City has already introduced policy to limit the number of these permits to 50, with 34 current BOPs.

Concentration Conclusions

- Concern with oversaturation in particular neighborhoods or districts of cultivation could be regulated in the same manner that the City is regulating the concentration of cultivation in District 6.
- With 10 new social equity dispensary permits approved, the City may need to open additional Council Districts and potentially the C-1 and C-3 zones to avoid overconcentration in Midtown and District 6.

Youth Impacts

Dispensary and Delivery Advertising and Packaging

There is general consensus among public health experts that abuse of cannabis among youth is associated with a range of negative consequences such as reduced high school graduation rates and certain mental and physical health outcomes.[30] In Sacramento, groups such as California Youth Forward and others have noted a tendency for billboards and other advertising that may be "suspect" in terms of messaging and imagery that could be construed as appealing to youthful sentiments. In addition, packaging and wrapping has come under fire for

[30] Fischer, Benedikt, et. al. 2022. Lower-Risk Cannabis Use Guidelines (LRCUG) for reducing health harms from non-medical cannabis use: A comprehensive evidence and recommendations update. *International Journal of Drug Policy*.

mimicking various candies (e.g., gummies), often appealing to youth in non-cannabis settings.

While these concerns are substantial, this issue is largely outside the purview of this Study. The State's Department of Cannabis Control is tasked with enforcing the advertising restrictions that were enacted by Proposition 64, which include bans on cannabis advertising within 1,000 feet of schools, daycare centers, or playgrounds. Local efforts to monitor product packaging targeted to children are likely to be ineffective, given that products are manufactured and sold throughout the State, although the City should lobby the Department of Cannabis Control to more strongly enforce Proposition 64's restrictions on youth-oriented packaging.

Clearly the City should evaluate its ability to influence advertising and packaging in its jurisdiction. These efforts could include allowing residents to report cannabis advertising that violates restrictions on youth-oriented advertising via the City's 311 service, or even explore adding an additional level of City review for cannabis billboards, as is being considered in the City of San Diego.[31] Lastly, the City could enact a local ordinance restricting the location of cannabis advertising, similar to the City of Oakland's sign ordinance,[32] which restricts outdoor tobacco and alcohol advertisements within 1,000 feet of schools, youth centers, and churches. However, enforcement of this measure would require a significant dedication of City resources. To the extent possible, the local industry could potentially be expected to follow certain guidelines in return for receiving City services.

However, it is less clear that the mere existence of dispensaries and delivery services has an influence on youth participation. While some research has indicated a possible relationship between knowledge of nearby cannabis resources and propensity to use cannabis,[33] one advantage of regulated cannabis is the ability to verify age. As discussed throughout this report, dispensary customers tend to skew toward older age groups, generally in their mid-30's and older, reflecting economic ability to shoulder the tax structure. The balance of consumer demand, including among youth, continues to be met through illicit supply, based both on price and availability.

Overall, there is limited evidence that legalization has influenced youth participation. As stated by the International City/County Management Association, "evidence that legalization of cannabis significantly changes patterns of youth use/abuse is lacking."

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[31] Garrick, David. 2018. San Diego plans to crack down on marijuana ads, especially billboards. *Los Angeles Times.* October 20, 2018.

[32] City of Oakland Municipal Code Section 14.04.280.

[33] International City/County Management Association. 2018. Local Impacts of Commercial Cannabis. Available at https://icma.org/sites/default/files/Local%20Impacts%20of%20Commercial%20Cannabis%20Final%20Report_0.pdf

Many municipalities are applying substantial sums of both earmarked and General Fund resources to address a range of societal objectives related to childhood well-being. For example, the City of Santa Cruz recently asked its voters to approve a charter amendment, allowing for the creation of a Children's Fund for early childhood development programs, funded by a permanent allocation of 20 percent of all cannabis tax revenue. Further examples of cities using cannabis tax revenues to fund youth well-being are the City of Santa Ana, Monterey County, and Humboldt County, as detailed in the California Cannabis Tax Revenues report.[34]

[34] Youth Forward. 2020. California Cannabis Tax Revenues: A Windfall For Law Enforcement or an Opportunity for Healing Communities?

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5. Real Estate and Neighborhood Impacts

Overview

Of the original 30 medical cannabis dispensaries, 13 were located in or immediately adjacent to Midtown. Following legalization of adult-use cannabis, these locations transitioned into the first recreational cannabis retail options, cementing Midtown's role as a primary location for retail dispensaries. Other locations throughout the City are generally located along major commercial corridors. Other non-retail cannabis operations have largely been defined as industrial uses and have therefore located in the City's existing industrial zones in those Council Districts where they are allowed. As start-ups with cash flow limitations, the operations generally sought out less-expensive spaces in the smaller, older Class B and Class C industrial buildings common in several of the City's industrial areas.

The map shown below illustrates the geographic dispersion of the different IFGs in each of the Council Districts. For detailed descriptions of each of the IFGs, see **Chapter 3**.

As shown in **Figure 20** and **Table 11**, the majority of cannabis businesses are in Council Districts 2 and 6.[35] Only 8 of Sacramento's 93 licensed cultivation businesses are located outside of these 2 Council Districts, and 80 percent of the licensed production businesses are located in these 2 districts. In addition, half of the City's 30 storefront dispensaries are located in these 2 Council Districts as well.

[35] There are 264 licensed cannabis businesses in the City. The analysis in this section relies on data provided by the OCM in July 2021 when there were 252 licensed cannabis businesses in the City.

Figure 20. City of Sacramento Distribution of Cannabis IFGs

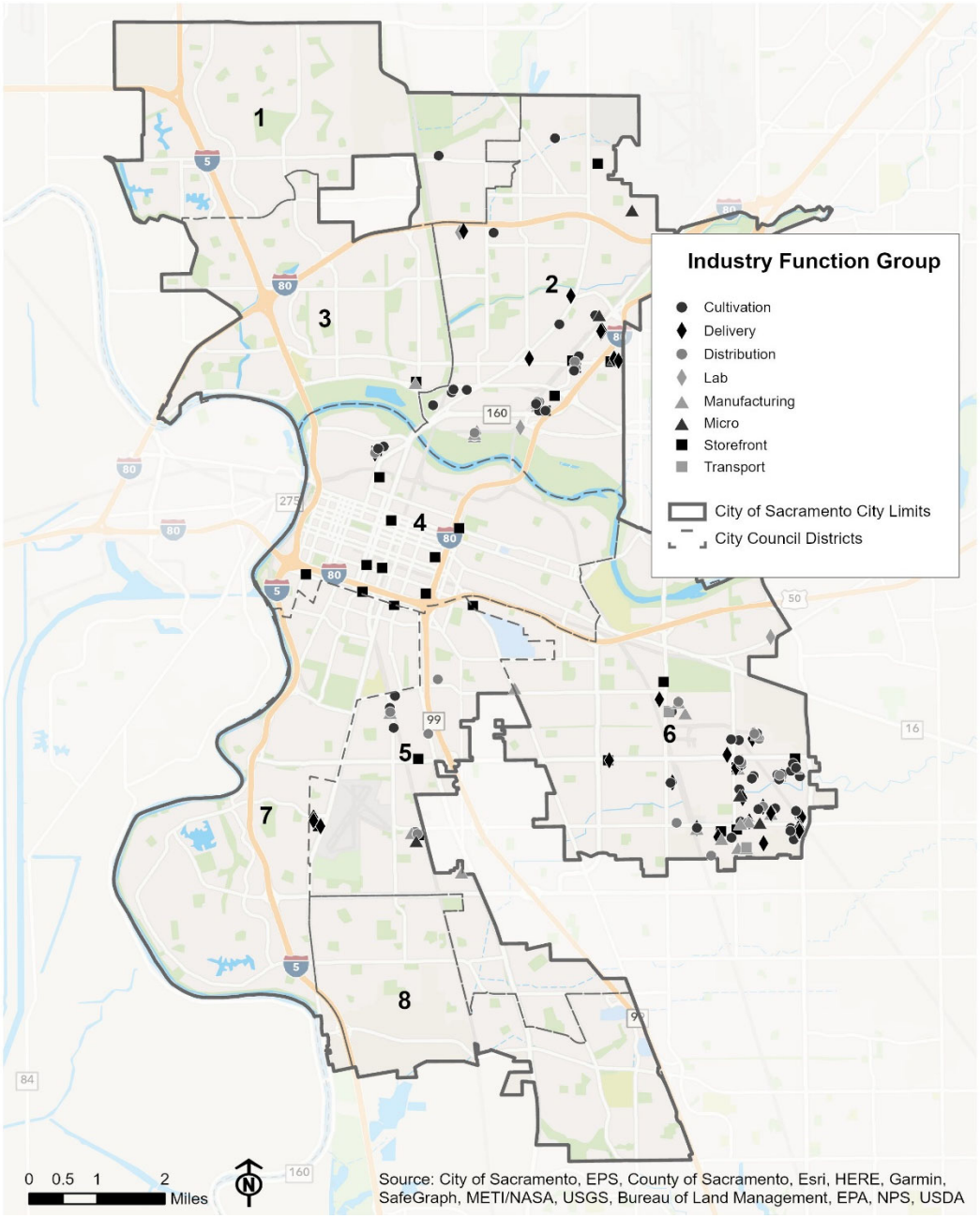


Table 11. Licensed Cannabis Businesses by Council District

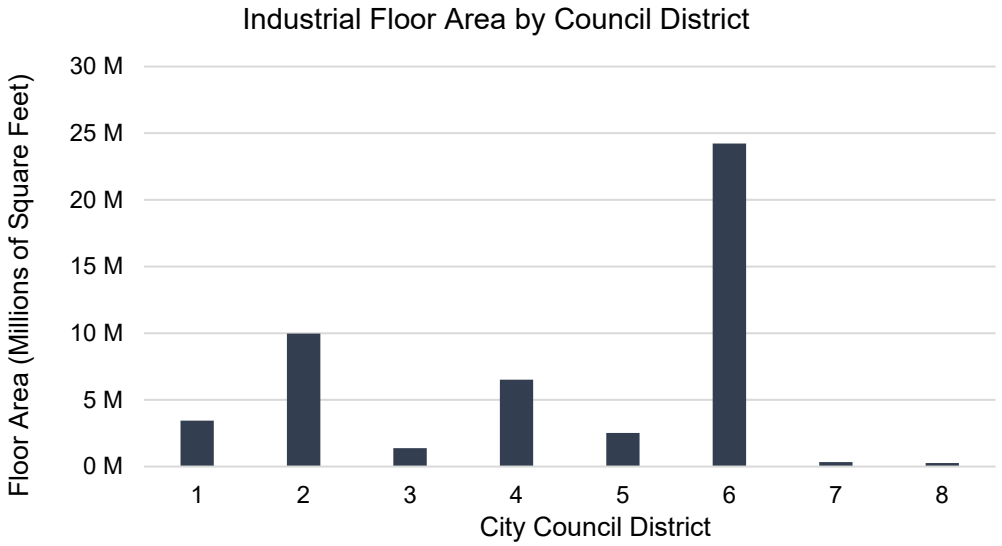
	City Council District							
	1	**2**	**3**	**4**	**5**	**6**	**7**	**Total**
Industry Function Group								
Cultivation	1	19	0	2	4	63	0	**89**
Distribution	0	7	0	2	5	21	0	**35**
Manufacturing	0	6	1	1	4	15	0	**27**
Transport	0	0	0	0	0	3	0	**3**
Micro	0	3	0	0	1	2	0	**6**
Subtotal Production	**1**	**35**	**1**	**5**	**14**	**104**	**0**	**160**
Lab	0	3	0	0	0	1	0	**4**
Delivery	0	10	0	11	3	34	0	**58**
Storefront	0	7	1	10	3	8	1	**30**
Total [1]	**1**	**55**	**2**	**26**	**20**	**147**	**1**	**252**

Source: City of Sacramento Office of Cannabis Management, EPS.

[1] Includes businesses with active licenses as of July 2021.

The existing Class B and Class C industrial buildings in Districts 2 and 6 are appealing for start-up operations, as the lower rents of these spaces puts less strain on low cash flows during the early stages of the business. As shown in **Figure 21**, these 2 Council Districts contain the vast majority of buildings and floor area classified as "Industrial" by the Sacramento County Assessor's Office.

Figure 21. Industrial Floor Area by Council District

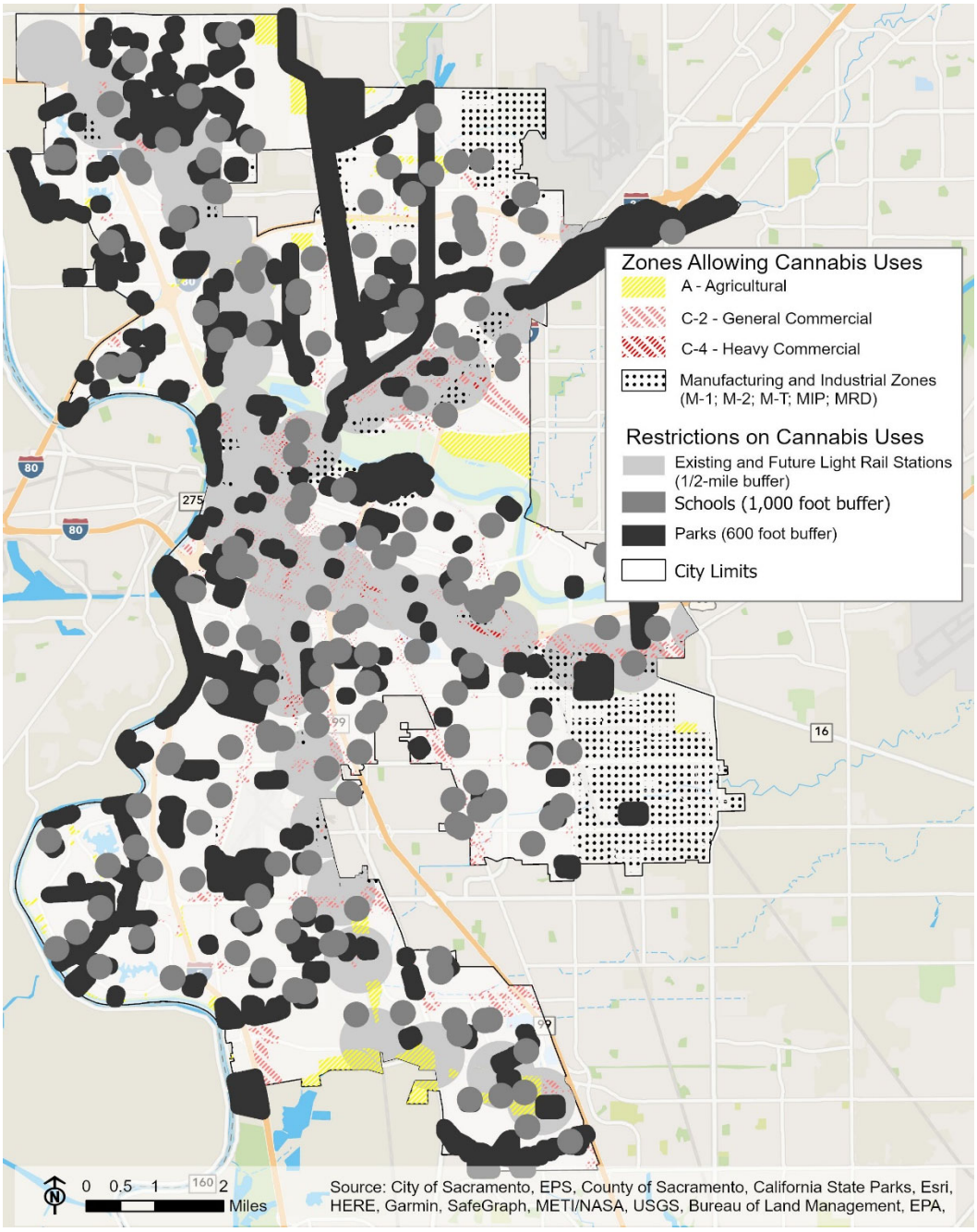


Source: City of Sacramento, Sacramento County Assessor's Office, EPS.

The City's zoning policy contributes to the concentrations of uses in Districts 2 and 6, as shown in **Figure 22**, with cannabis production uses allowed in the C-2 General Commercial, C-4 Heavy Commercial, A-Agriculture, or Manufacturing and Industrial zoning districts. Within the C-2 zoning district, manufacturing and distribution uses are limited to 6,400 square feet of floor area, and distribution cannot be a stand-alone use. In addition, all cannabis uses must be at least 600 feet away from any K-12 school, and businesses within ½-mile from any existing or future light rail station face additional permitting conditions.[36] In **Figure 22**, which shows the zoning districts where cannabis uses are permitted and where there are restrictions, the restriction on areas around schools is increased to 1,000 square feet to account for the distance from the center of the school to the edge of school grounds, from where the 600-foot regulatory buffer is measured.

[36] Per Sacramento Municipal Code Section 17.228.127, if within a ½-mile of an existing or future light rail station, the project must include "pedestrian features" such as lighting, benches, tree shading, and landscaping. If the project involves new construction, the City has several other requirements related to facade design and parking that the project must implement.

Figure 22. City of Sacramento Cannabis Buffers and Available Land



As seen in **Figure 22**, there are large areas with no restrictions on cannabis uses in the industrial zone at the eastern boundary of District 6, as well as at the northeastern edge of District 2. However, the northern half of the large industrial zone in the northeastern corner of District 2 is composed of vacant, undeveloped land with several development constraints, such as existing wetlands and the ownership of a large portion of the area by the federal government. Overall, 78 percent of cannabis businesses in the City are located in industrial zoning classifications, as shown in **Table 12**.

Table 12. Sacramento Cannabis Businesses by Zoning Classification

Zone [1] Zoning Description	M-1 Light Industrial Zone	M-2 Heavy Industrial Zone	C-4 Heavy Commercial Zone	C-2 General Commercial Zone	M-T Industrial and Transit-Area Zone
Industry Function Group					
Cultivation	25	54	5	3	2
Manufacturing	11	12	2	2	0
Micro	3	2	0	0	1
Distribution	9	20	4	2	0
Transport	1	2	0	0	0
Delivery	24	18	11	5	0
Storefront	10	4	3	13	0
Lab	2	0	0	2	0
Total	**85**	**112**	**25**	**27**	**3**

Source: City of Sacramento Office of Cannabis Management, City of Sacramento Open Data Portal, EPS.

[1] This analysis relies on the zoning dataset available on the Sacramento Open Data Portal dated January 6, 2022.

As seen in **Table 13**, the total floor area occupied by cannabis businesses reflects the concentration of cannabis businesses in Districts 2 and 6 and a lesser degree of concentration in District 3. As a result of cannabis businesses being largely concentrated in Districts 2 and 6, these districts have a much larger portion of their commercial floor area occupied by cannabis businesses. Approximately 3.6 percent of all commercial floor area in District 6 is occupied by licensed cannabis businesses.

The concentration of cannabis floor area in Districts 2 and 6 is the result of both the overall concentration of cannabis businesses in these districts, and specifically, the concentration of cultivation businesses in these districts, which require much more floor area than other business types. As noted in the August 17, 2021, staff report to the Law and Legislation Committee of the City Council, the amount of square footage that has received land use approval is much greater than the square footage currently occupied by licensed cannabis businesses.

Table 13. Cannabis Business Floor Area Concentration by Council District

Industry Function Group	Council District 1 Cannabis Commercial Space [1]	% of Total [2]	Council District 2 Cannabis Commercial Space [1]	% of Total [2]	Council District 3 Cannabis Commercial Space [1]	% of Total [2]	Council District 4 Cannabis Commercial Space [1]	% of Total [2]	Council District 5 Cannabis Commercial Space [1]	% of Total [2]	Council District 6 Cannabis Commercial Space [1]	% of Total [2]	Council District 7 Cannabis Commercial Space [1]	% of Total [2]
Cultivation	26,565		398,105		-		8,577		51,325		971,018		-	
Manufacturing	-		25,652		6,081		1,443		14,060		100,937		-	
Distribution	-		25,071		-		9,305		13,725		126,219		-	
Transport	-		-		-		-		-		12,413		-	
Micro	-		46,051		-		-		3,085		73,111		-	
Delivery	-		32,989		-		11,642		6,307		53,815		-	
Production Subtotal	**26,565**		**527,868**		**6,081**		**30,967**		**88,502**		**1,337,514**		**-**	
Storefront	-		27,305		4,000		34,394		9,811		29,265		3,232	
Lab	-		18,313		-		-		-		7,942		-	
Total	**26,565**	*0.2%*	**573,486**	*2.5%*	**10,081**	*0.1%*	**65,361**	*0.1%*	**98,314**	*0.9%*	**1,374,721**	*3.7%*	**3,232**	*0.0%*

Source: City of Sacramento Office of Cannabis Management, Sacramento County Assessor's Office, EPS.

[1] Includes only the square footage of businesses with an active Cannabis Business Operating Permit
[2] Includes properties categorized by the Sacramento County Assessor's office as Industrial, Retail/Commercial, Office.

Potential Negative Concerns

Potential concerns with retail cannabis operations (dispensaries) cited by citizens, officials, and a study completed shortly after legalization (Matrix Consulting Group[37]), range from blighting effects brought about by undesirable clientele in non-Midtown locations to gentrifying effects from increased retail activity and resulting higher retail rents because of Midtown retail cannabis facilities. Potential concerns with industrial cannabis uses vary depending on the function and Council District. A key concern in Council District 2, which includes older and comingled industrial and residential uses north of the Center City, is the impact cannabis production and distribution facilities have on the nearby residential uses. A key concern in Council District 6, which includes the Power Inn area, is the impact on industrial rents and the potential for displacing long-term tenants and their associated jobs and services.

To assess the potential negative impacts of cannabis businesses on the surrounding commercial uses, EPS analyzed commercial occupancy and leasing rate (rent) trends in the areas surrounding cannabis business operations relative to trends in their respective Council Districts and the City overall. Potential negative effects on residential property values were assessed through a comparison of home sales value trends in areas proximate to cannabis businesses relative to trends in the wider surrounding geographies.

[37] Completed in January 2019 by the Matrix Consulting Group, the Analysis of Cannabis Impacts study has a dedicated section reporting neighborhood impact concerns voiced by commercial and residential stakeholders at that point in time.

Details of the commercial leasing market analysis and the residential sales pricing analysis are discussed in their respective sections below.

Figure 23. Detail of Cannabis Businesses in Council District 2

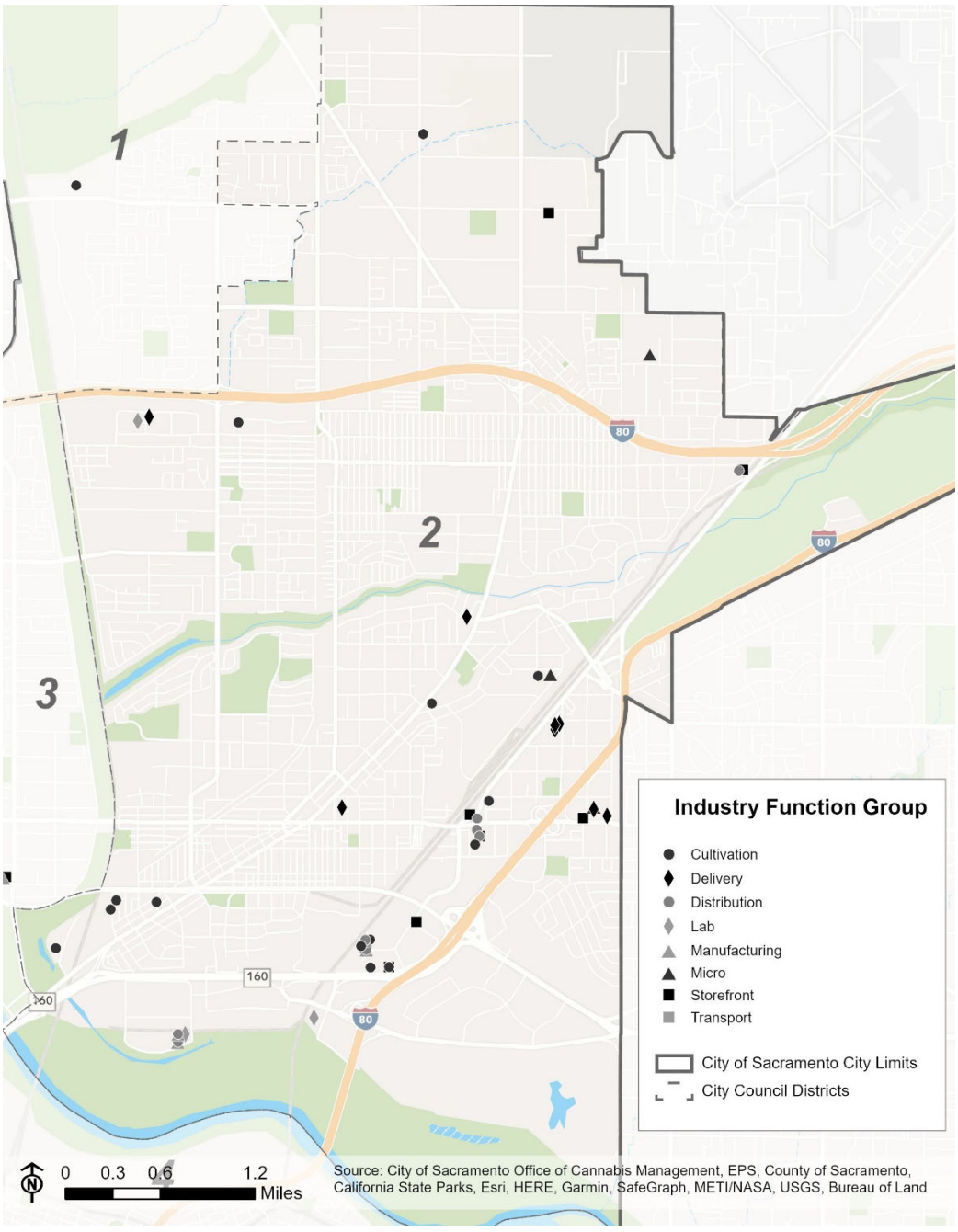


Figure 24. Detail of Cannabis Businesses in Council District 3

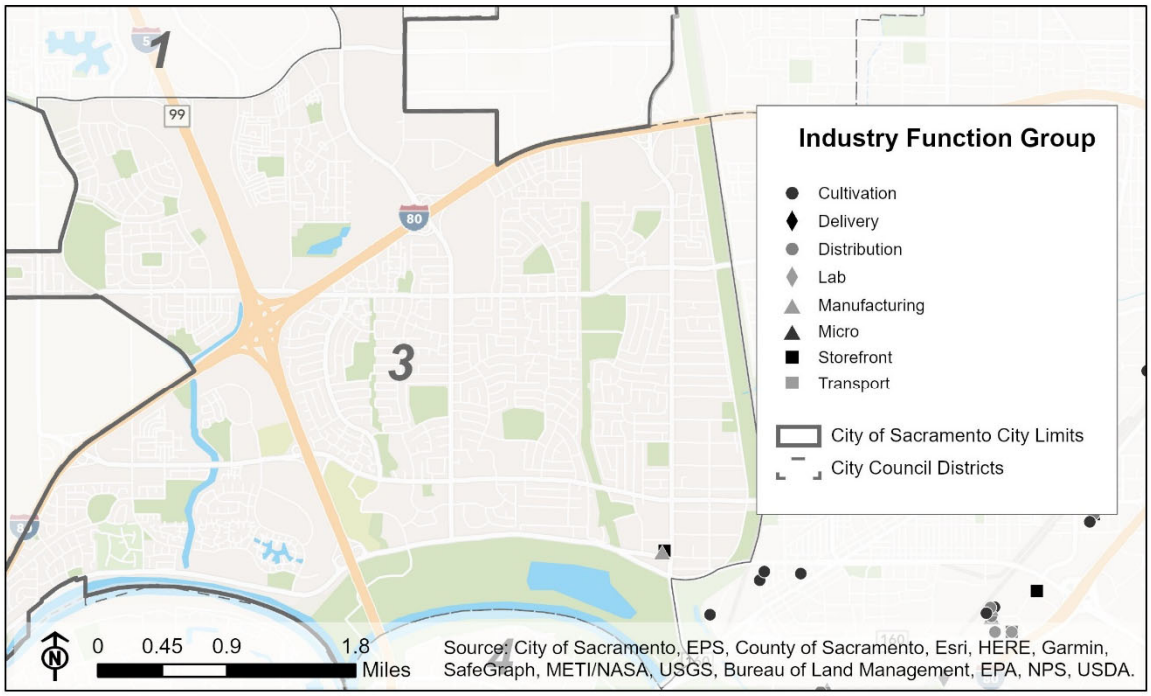


Figure 25. Detail of Cannabis Businesses in Council District 4

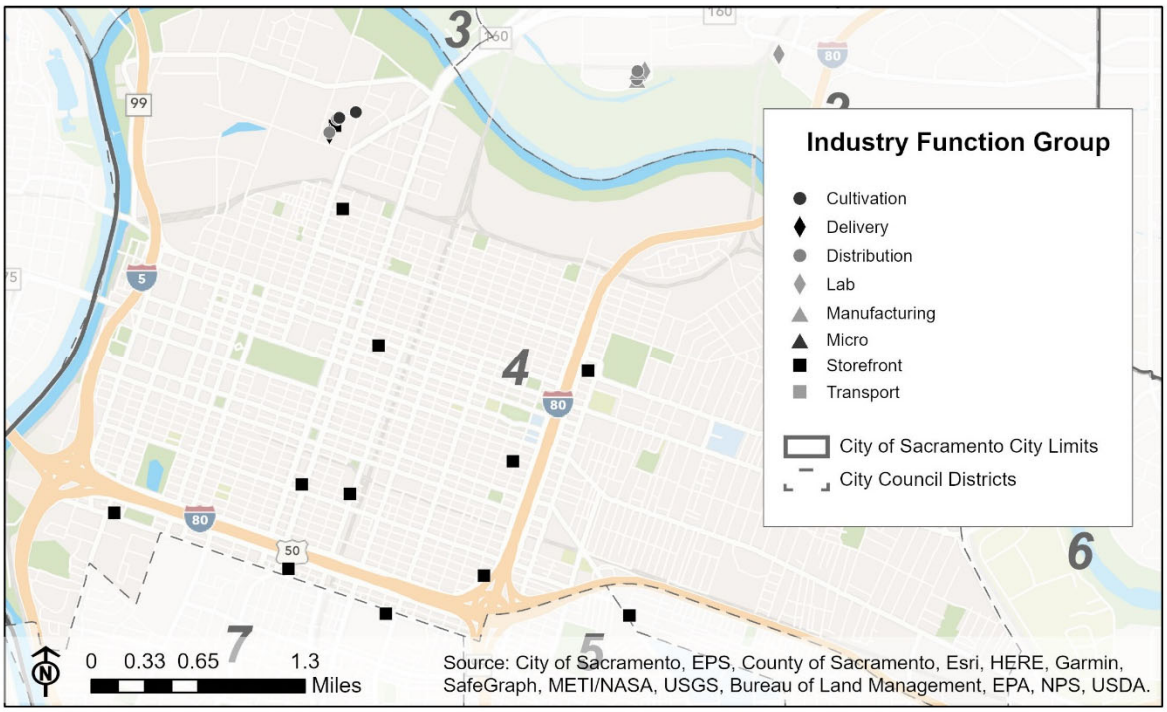


Figure 26. Detail of Cannabis Businesses in Council District 5

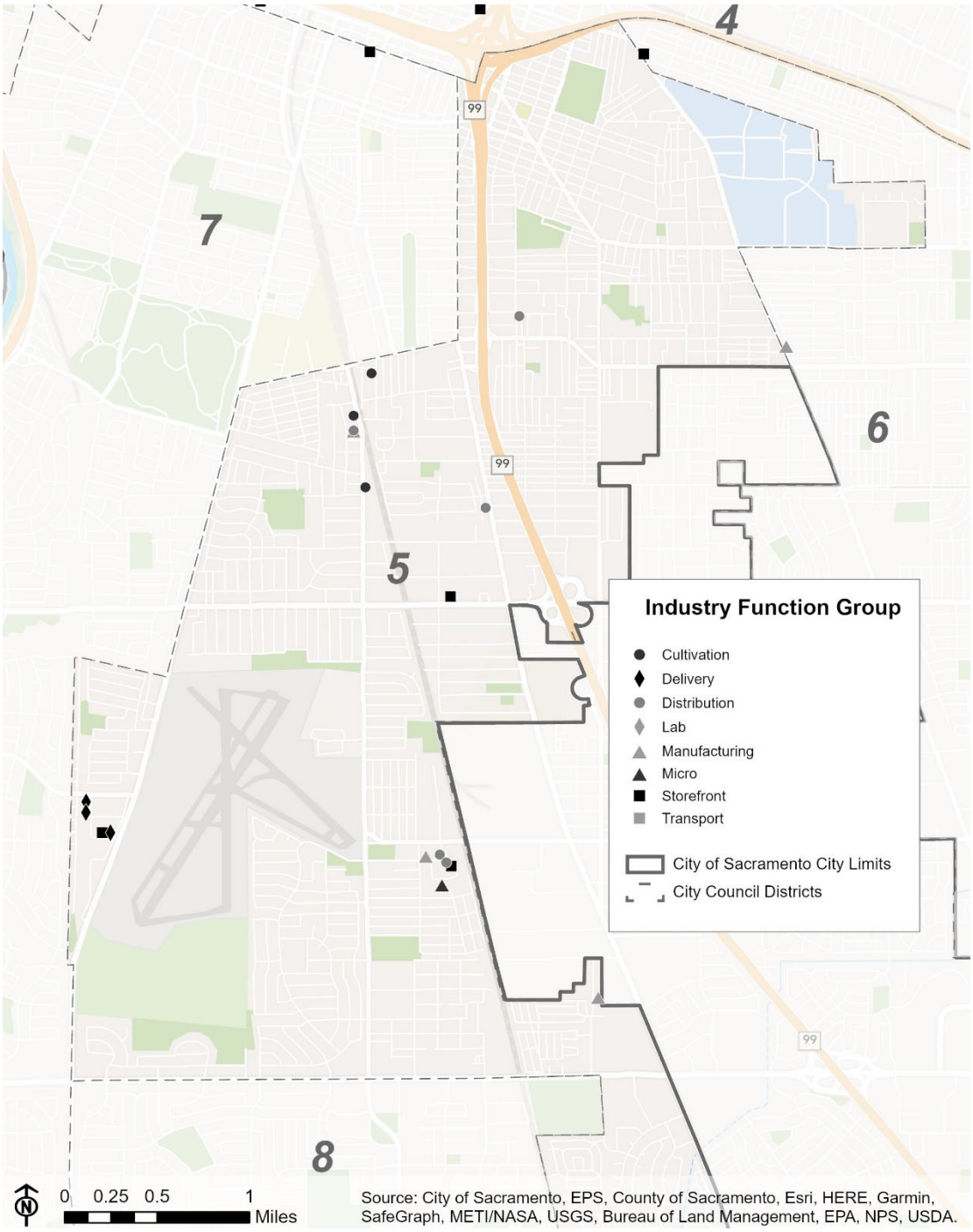
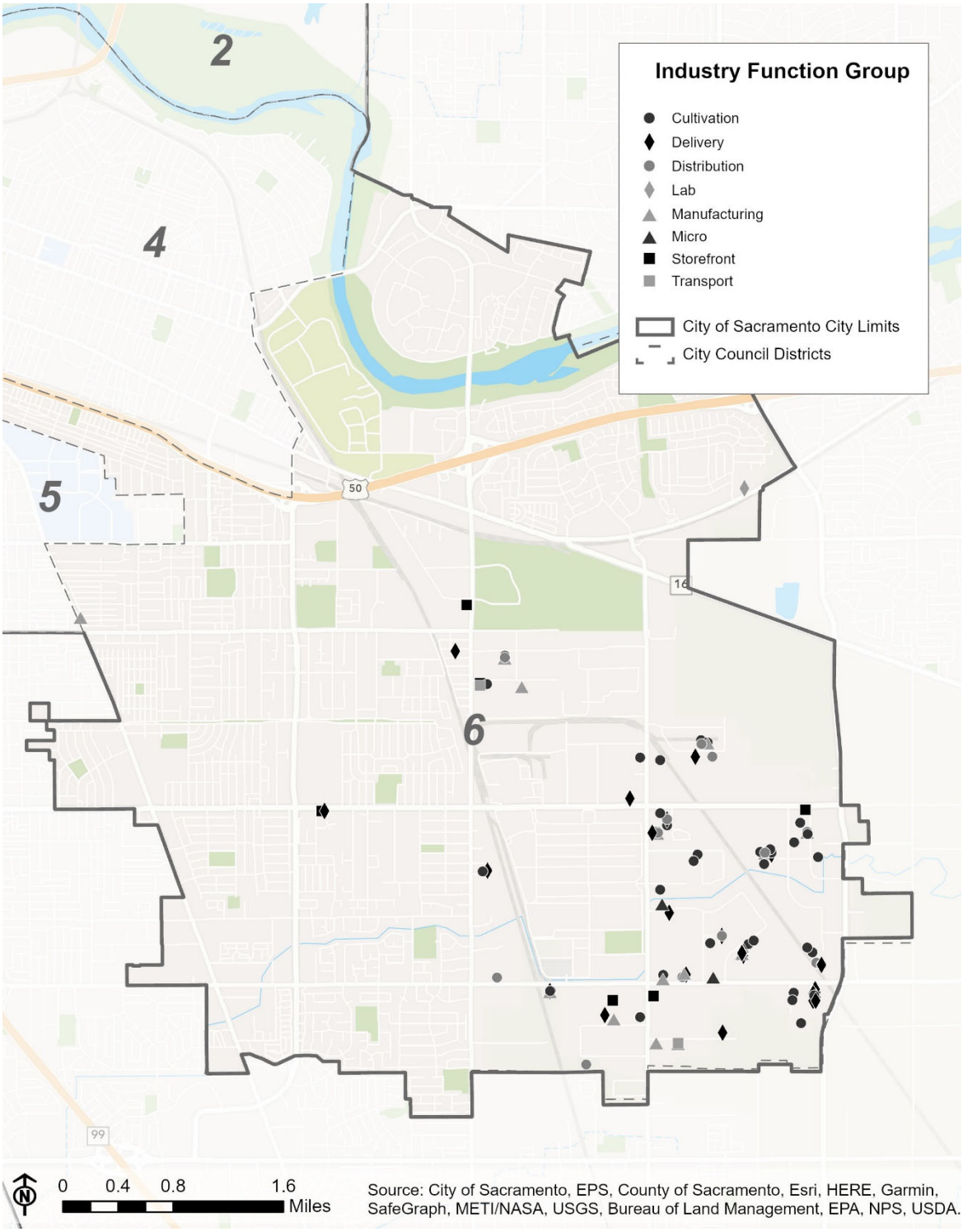


Figure 27. Detail of Cannabis Businesses in Council District 6



Contrasting Geographies: Long Beach, Seattle, Denver, and Oakland

Comparative Mapping Exhibits

Sacramento's approach is consistent with most other cities reviewed in that there are significant concentrations of industrial cannabis IFGs in the District 2 and 6 locations that have a large concentration of industrial zoning, although Sacramento is distinct in that the retail storefront dispensaries and in fact all cannabis activity is not allowed in some Council Districts.

Long Beach on the other hand does not limit the location of retail storefront dispensaries and allows them in any retail zone in the city. The core of the industrial footprint in Long Beach is concentrated in its southwest corner adjacent to the Port of Long Beach and the industrial community of Wilmington.

Oakland similarly focuses the industrial uses in the long industrial stretch along the Oakland Estuary and in the industrial areas of West Oakland, while allowing retail uses in any retail district in the city.

These patterns also hold true for Denver. However, because of concentration concerns, Denver now has a moratorium on licenses in the five most impacted communities for both dispensaries and cultivation.

Seattle also allows dispensaries in retail districts but identifies specific historic and cultural areas that prohibit all cannabis businesses.

Lessons Learned

- Sacramento is consistent with most other cities in terms of concentration and restrictions on industrial cannabis operations and, as a result, pushes these uses into existing industrial zones, causing potential overconcentration issues.
- Sacramento excludes retail dispensaries from the downtown district through zoning, when other cities allow them in any commercial zone, subject to buffers and other cultural restrictions.
- Denver, like Sacramento, is showing concern for over-impacted neighborhoods and is limiting concentrations of retail dispensaries and cultivation in 5 most impacted communities for each IFG.

Figure 28. Distribution of Cannabis Businesses in the City of Long Beach

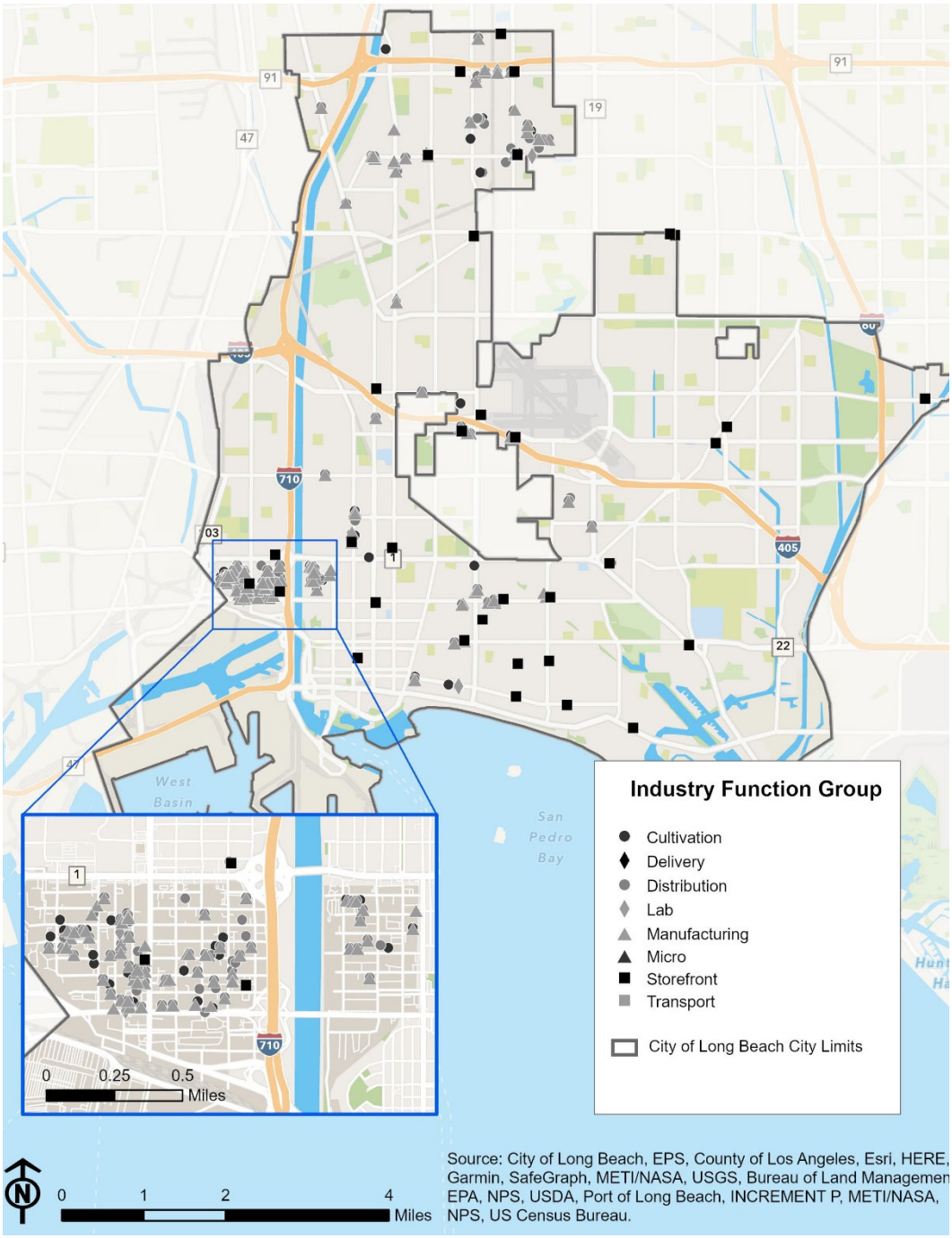
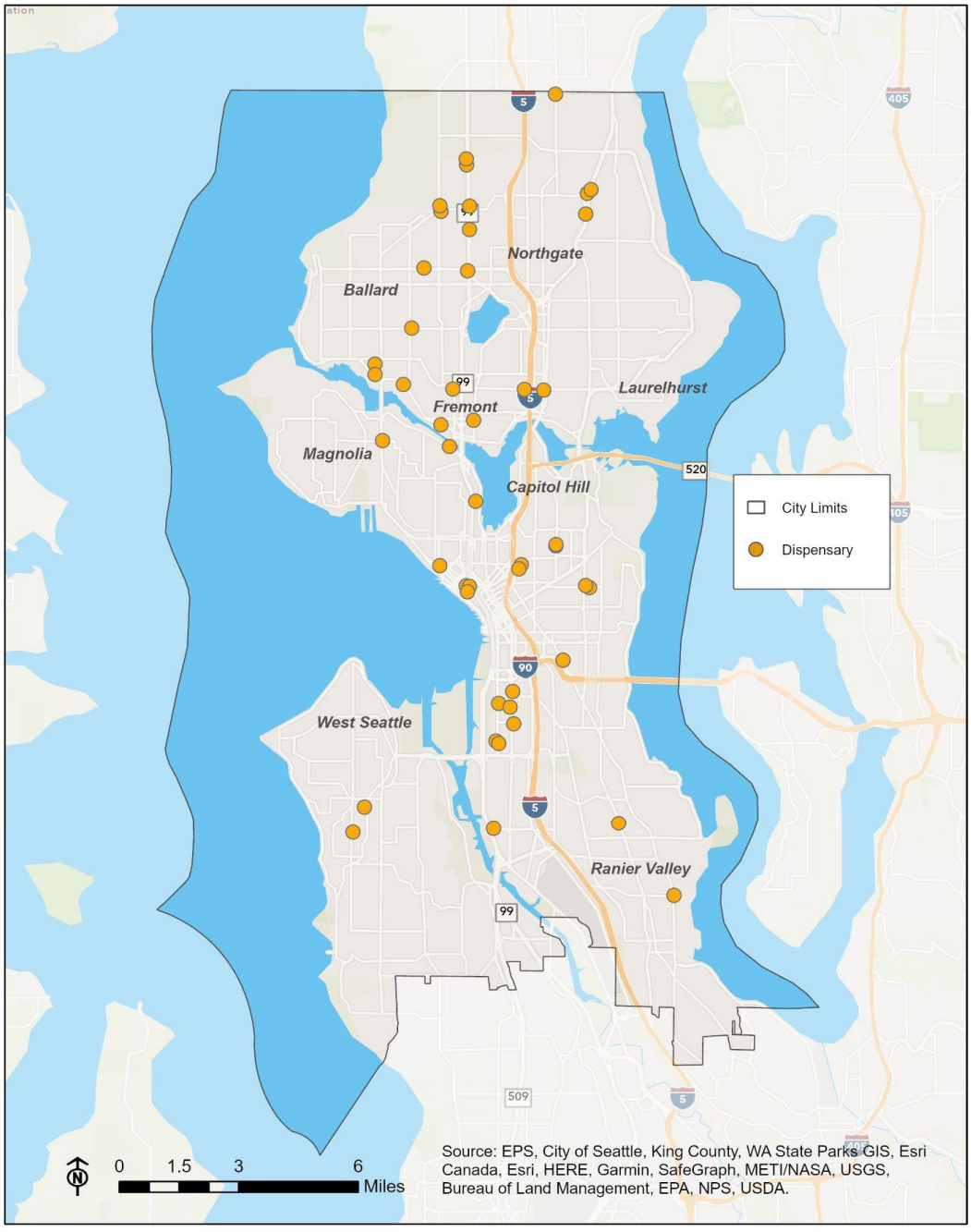


Figure 29. Distribution of Cannabis Dispensaries in the City of Seattle



Real Estate and Neighborhood Impact Indicators and Findings

The Analysis of Cannabis Impacts report, prepared for the City in January 2019 (Matrix Report), identified several potential impacts to neighborhoods that could result from the legalization of cannabis businesses in the City. The Matrix Report identified the following potential impacts:

- Increase in nonresidential rental and lease rates because of increased demand from cannabis businesses.
- Downsizing of employment opportunities because of a lower number of employees per square foot for cannabis production compared to other industrial businesses.
- Influence on neighborhood reputation because of stigma and stereotypes about cannabis businesses.
- Decreased residential property values for properties located near cannabis businesses.

At the time the Matrix Report was published, adult-use marijuana had been legal for only 1 year, an insufficient amount of time to analyze the impacts that cannabis businesses have had on these neighborhoods.

The Real Estate and Neighborhood Analysis is divided into 2 main sections below, with the first section focusing on potential effects of cannabis business clusters on commercial real estate, and the second section evaluating the potential effects on residential neighborhoods.

Real Estate Indicators and Findings

Commercial Real Estate

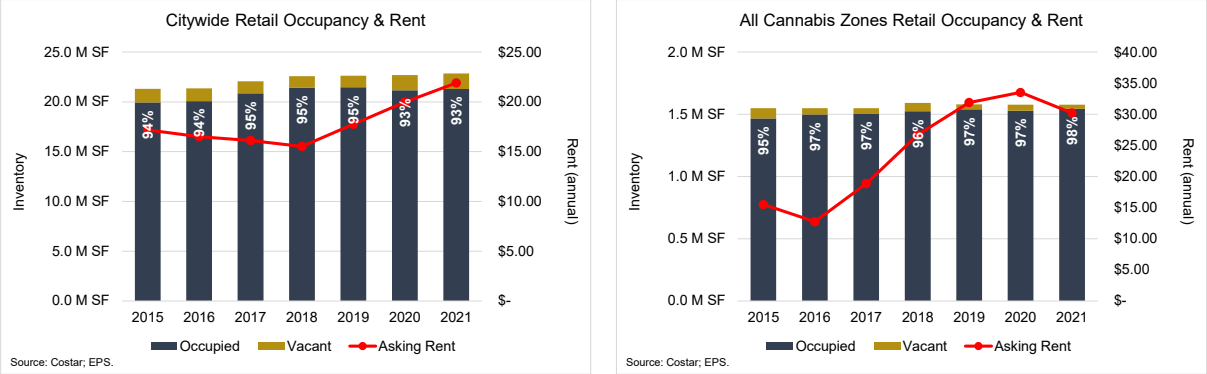
Cannabis Retail Analysis

Citywide retail zones overall and those with cannabis businesses differ considerably because most retail nodes in the City do not include any cannabis business and generally have different market characteristics than those retail areas that do include cannabis businesses. Retail areas without cannabis businesses include significant square footage in areas ranging from Arden Fair Mall to various big box retailers to numerous grocery store-anchored shopping centers. Cannabis retail, however, tends to be located in areas with smaller, free-standing retail in more urban settings such as Midtown, in smaller parcel/non-shopping center sections of commercial corridors, and several are in light industrial areas.

Citywide, retail rents declined as square footage was added between 2015 and 2018, followed by increasing retail lease rates since.

Retail areas near cannabis businesses have had consistently high occupancy levels and steady space inventories, with the exception of additional square footage in District 4 in 2018. However, retail asking rents in the areas analyzed near cannabis businesses (referred to herein as cannabis analysis zones) have increased much more than citywide, with a dramatic rise from 2016 to 2020.

Figure 30. Retail Occupancy & Rent: Citywide and Cannabis Analysis Zones



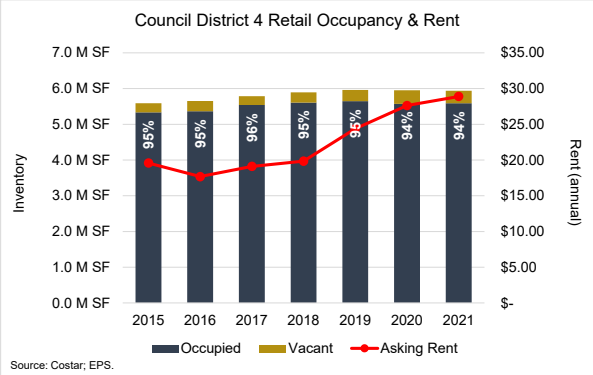
District 4

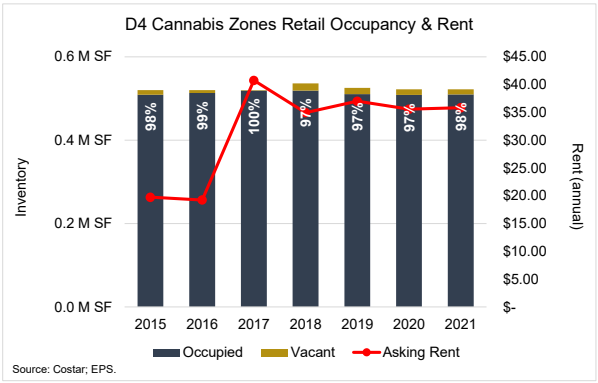
As noted previously, cannabis dispensaries in District 4 predate the legalization of recreational-use sales. However, the legalization of recreational-use marijuana has likely increased the foot traffic in those blocks where cannabis dispensaries are located. Furthermore, retail space near District 4 cannabis businesses has seen significant increases in asking rents in recent years. However, cannabis businesses in District 4 also tend to be located in areas that were existing neighborhood commercial nodes or have evolved into commercial nodes as significant new mixed-use developments have responded to the increasing demand for dense urban housing with nearby walkable amenities.

The rise in retail rents in Midtown is likely driven by the upscale restaurants and retailers responding to the increasing share of higher educated, higher earning persons and households present in the area and the "retail synergy" created by co-locating with other retailers catering to the same populations. It is unlikely cannabis dispensaries induce higher spin-off customer traffic to trendy local restaurants or national retail chains such as upmarket apparel or home goods stores than any other successful retail establishments that may exist in Midtown.

The District 4 retail market trends show steady additions of new square footage and rising rents since 2016. The District 4 cannabis analysis zones saw the addition of retail space in 2018 following a spike in asking rents in 2017, potentially resulting from the marketing of the new Ice Blocks spaces coming online.

Figure 31. Retail Occupancy & Rent: D4 Overall and D4 Cannabis Analysis Zones

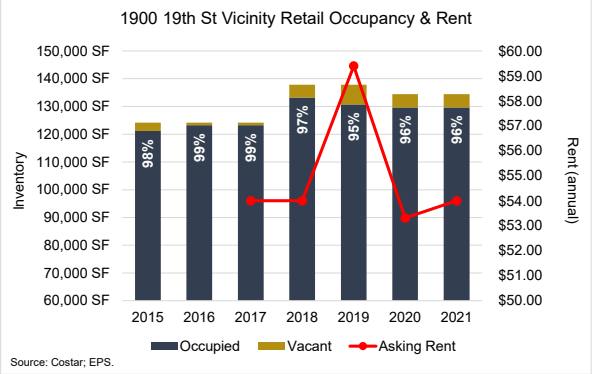


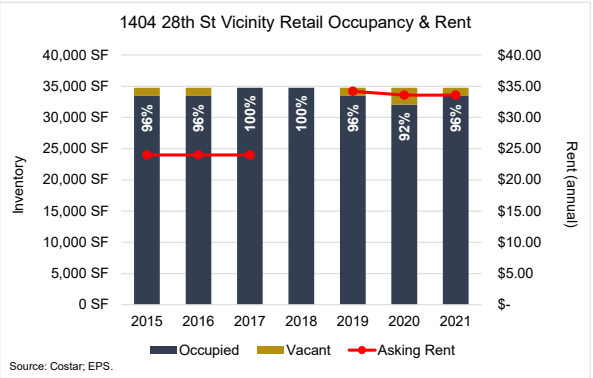


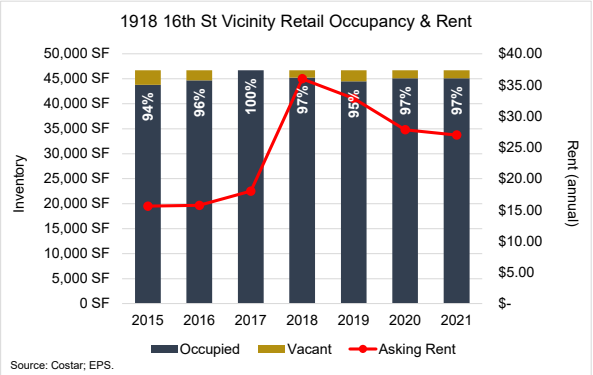
District 4 Area Highlights

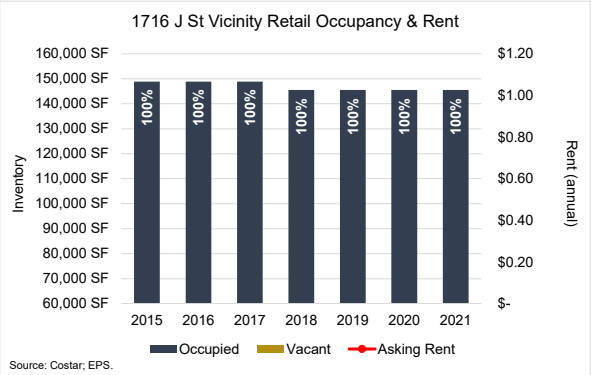
The following charts illustrate the retail occupancy and rent trends in some of the cannabis retail zones in District 4. Given the relatively tight 500-foot zones analyzed around the Midtown cannabis locations, the specific spaces and buildings marketed during a calendar year can significantly affect asking rate trends.

Figure 32. Retail Occupancy & Rent: Representative D4 Cannabis Analysis Zones







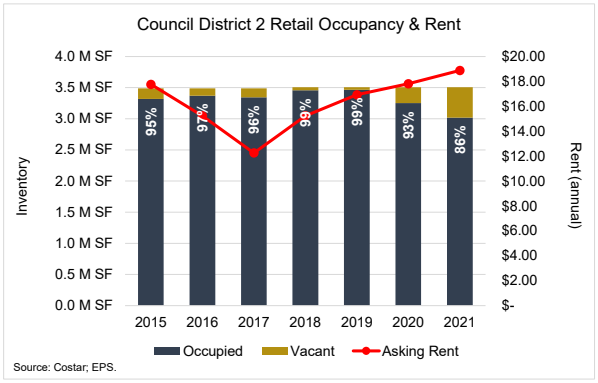


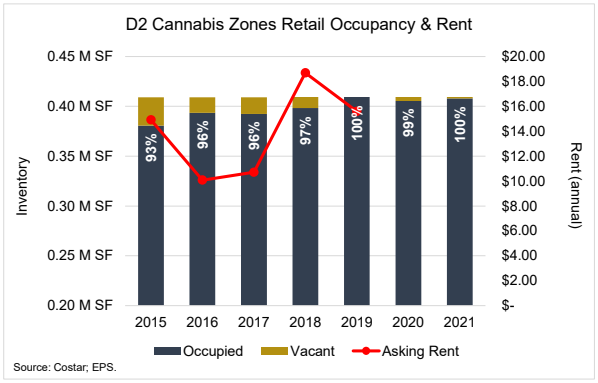
Other Council Districts with Cannabis

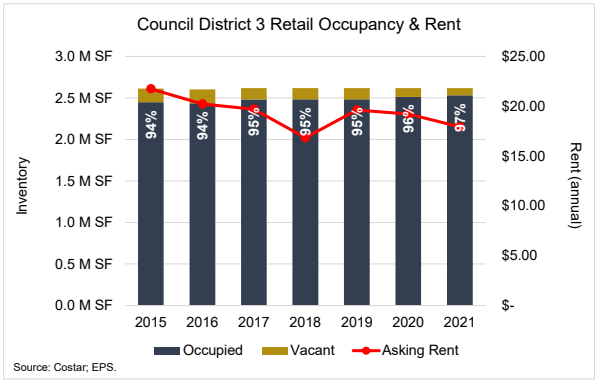
Retail rent and occupancy trends near cannabis businesses in the non-Midtown districts vary widely but generally follow similar patterns to the rest of their respective Council District, with some key differences noted below:

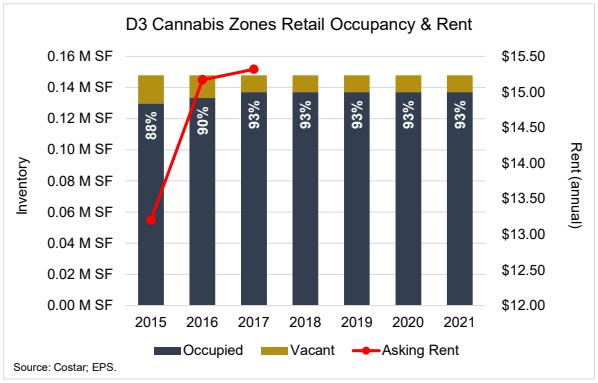
1. High occupancy rates in District 2, both districtwide and in the cannabis analysis zones, appear to have been the driver for a rise in retail rents in 2018, with the district average asking rates declining recently in response to lower occupancy, while the cannabis analysis zones have remained fully occupied.
2. The cannabis analysis zones in District 3 have historically had lower rents and occupancy levels than the district overall; however, asking rents in the cannabis analysis zones now exceed the district average, though occupancy rates remain moderately lower.
3. The District 5 cannabis zone rent surge in 2018 appears to be related to the addition of approximately 25,000 square feet of new retail space that was added to the inventory and likely commanded a lease-rate premium.
4. The District 6 cannabis zone retail rents spiked in 2019 with full occupancy. Retail rents in the areas near cannabis facilities have since moderated; however, occupancy remains stronger than the district overall.

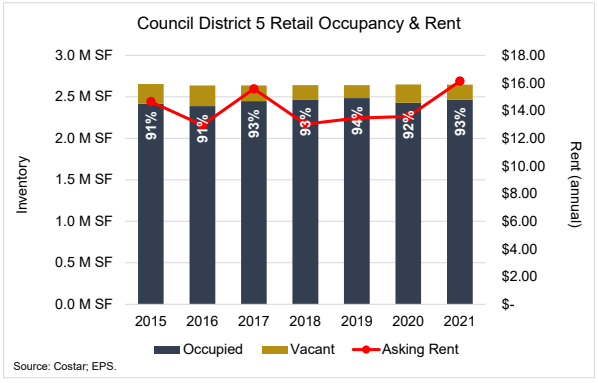
Figure 33. Retail Occupancy & Rent: Districts Overall and Cannabis Analysis Zones

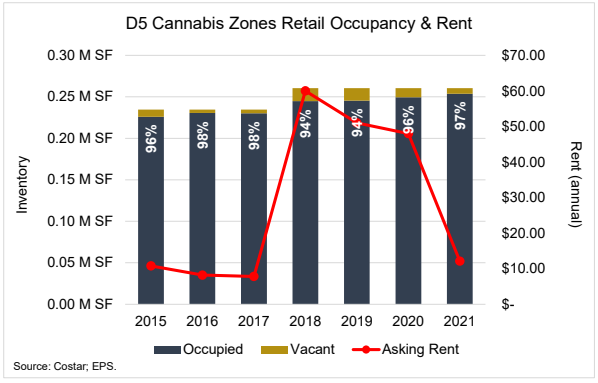


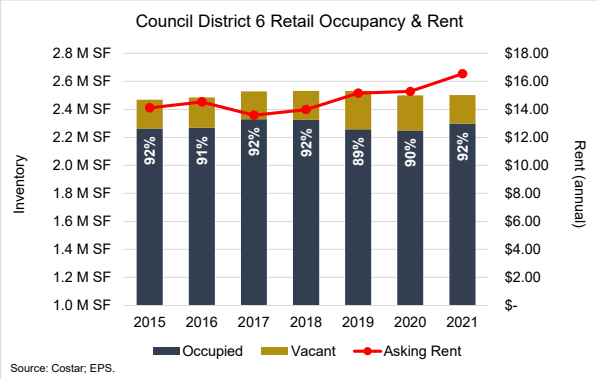


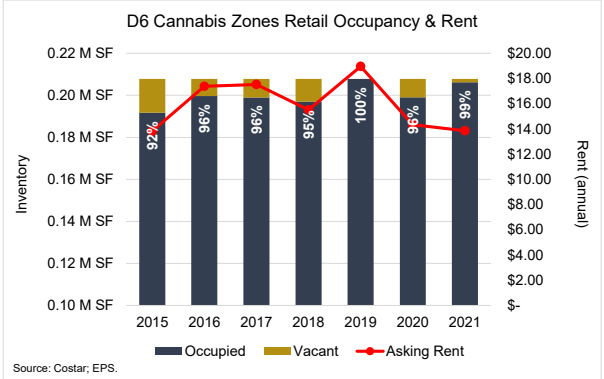


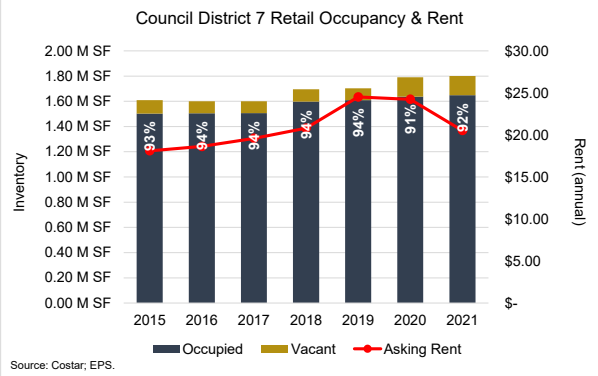


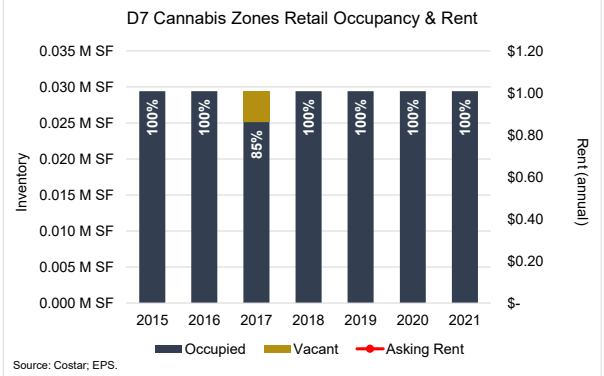





Council District 6 Retail Occupancy & Rent
Inventory
Rent (annual)
2.8 M SF
2.6 M SF
2.4 M SF
2.2 M SF
2.0 M SF
1.8 M SF
1.6 M SF
1.4 M SF
1.2 M SF
1.0 M SF
$18.00
$16.00
$14.00
$12.00
$10.00
$8.00
$6.00
$4.00
$2.00
$-
92%
91%
92%
92%
89%
90%
92%
2015
2016
2017
2018
2019
2020
2021
Occupied
Vacant
Asking Rent
Source: Costar; EPS.


D6 Cannabis Zones Retail Occupancy & Rent
Inventory
Rent (annual)
0.22 M SF
0.20 M SF
0.18 M SF
0.16 M SF
0.14 M SF
0.12 M SF
0.10 M SF
$20.00
$18.00
$16.00
$14.00
$12.00
$10.00
$8.00
$6.00
$4.00
$2.00
$-
92%
96%
96%
95%
100%
96%
96%
2015
2016
2017
2018
2019
2020
2021
Occupied
Vacant
Asking Rent
Source: Costar; EPS.


Council District 7 Retail Occupancy & Rent
Inventory
Rent (annual)
2.00 M SF
1.80 M SF
1.60 M SF
1.40 M SF
1.20 M SF
1.00 M SF
0.80 M SF
0.60 M SF
0.40 M SF
0.20 M SF
0.00 M SF
$30.00
$25.00
$20.00
$15.00
$10.00
$5.00
$-
93%
94%
94%
94%
94%
91%
92%
2015
2016
2017
2018
2019
2020
2021
Occupied
Vacant
Asking Rent
Source: Costar; EPS.


D7 Cannabis Zones Retail Occupancy & Rent
Inventory
Rent (annual)
0.035 M SF
0.030 M SF
0.025 M SF
0.020 M SF
0.015 M SF
0.010 M SF
0.005 M SF
0.000 M SF
$1.20
$1.00
$0.80
$0.60
$0.40
$0.20
$-
100%
100%
85%
100%
100%
100%
100%
2015
2016
2017
2018
2019
2020
2021
Occupied
Vacant
Asking Rent
Source: Costar; EPS.

Cannabis Impacts on Industrial Real Estate

Sacramento Industrial Real Estate Market Overview

For several years following the Great Recession, the Sacramento Region's industrial market continued to experience lackluster performance, characterized by high vacancy rates and average lease rates generally below the levels required for new development to be feasible without a major signed tenant preceding construction. Much of the drag on the region's industrial market was due to older, smaller spaces considered functionally obsolete for most larger users of industrial space, in addition to some significant vacated purpose-built spaces. Larger industrial spaces constructed since the 1990s generally include significantly higher unobstructed spaces below the roof supports, known as Clear Height, of at least 30 to 36 feet and ultra-flat floors to accommodate modern equipment.

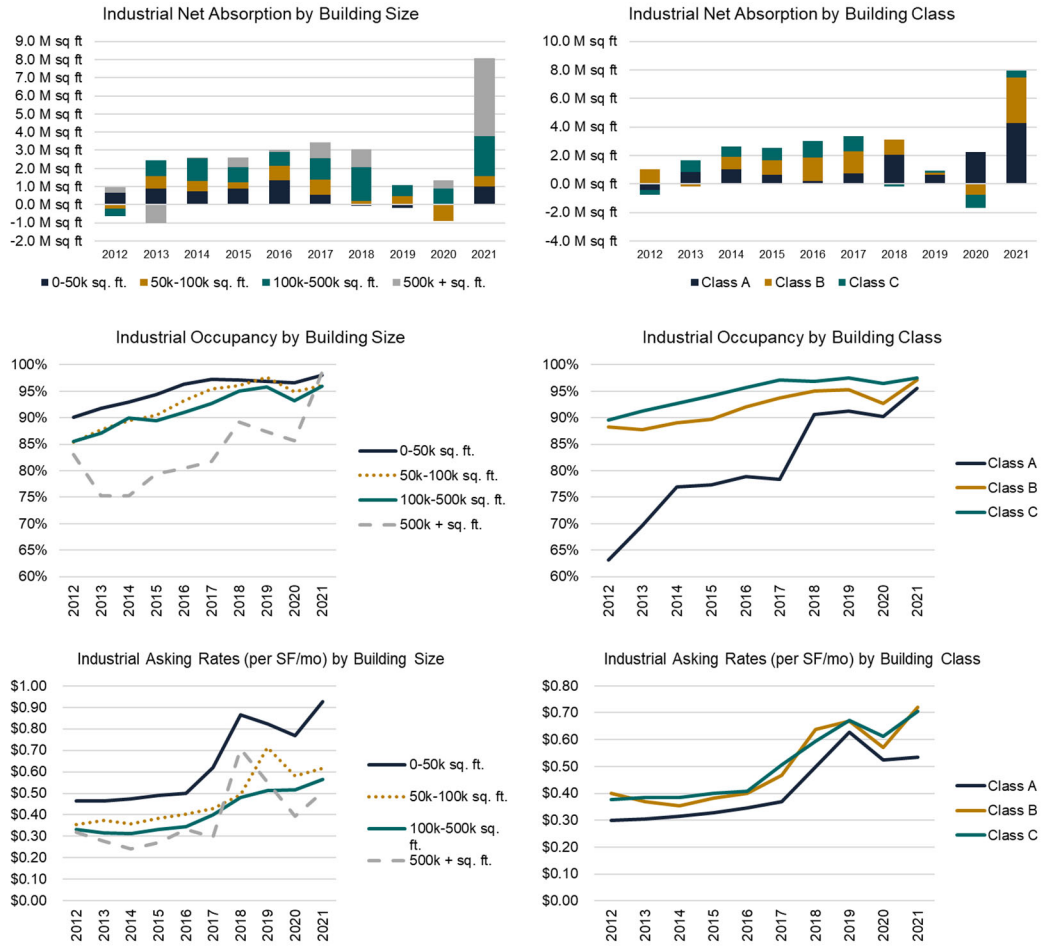
Over the last several years, the market for industrial real estate in the Sacramento Region has strengthened considerably. The advent of cannabis legalization coincided with the industrial market's first significant signs of recovery since the recessionary period. However, the continued growth and evolution of the distribution sector, combined with the region's location at the nexus Interstate 80 (I-80) and Interstate 5 (I-5) transportation corridors, and tightening of the Tracy-Lathrop logistics hub, have supported the region's emergence as a logistics center. The COVID-19 pandemic has provided further acceleration of these trends.

Commercial brokerages report the Sacramento Region has absorbed more than 10.0 million square feet over the last 4 years, driving vacancy rates low and contributing to increasing lease rates. The charts below summarize industrial real estate market activity in the Sacramento market (defined by Costar as Sacramento, Yolo, Placer, and El Dorado Counties).

While absorption of Class A spaces in larger buildings has dominated market activity throughout the Sacramento Market[38] recently (largely because of the development of Metro Air Park), a significant share of absorption occurred in smaller Class B and Class C buildings in the years leading up to 2018, driving up occupancy levels and asking rents in these spaces, as shown in the figures below.

[38] The Sacramento Market is defined by Costar as Sacramento, Yolo, Placer, and El Dorado Counties.

Figure 34. Industrial Real Estate Metrics by Building Size and Class



Cannabis Industrial Analysis

As noted previously, non-dispensary cannabis businesses are generally limited to the City's industrial areas because of zoning restrictions. Therefore, a fair amount of clustering in these zones is inevitable. The areas analyzed for each individual business or cluster of businesses vary depending on the number of clustered cannabis businesses and density of surrounding uses. For clusters of a few neighboring cannabis manufacturing and distribution establishments, such as found in several District 2 locations, a 1,000-foot radius from the center of the cluster was analyzed, with some adjustments to avoid areas separated by freeways. In the Power Inn area, where numerous cannabis businesses are scattered throughout industrial zones, larger geographies were analyzed (e.g., for the area around Power Inn Road and 14th Avenue, the area of analysis included the area between the railroad tracks and Granite Regional Park).

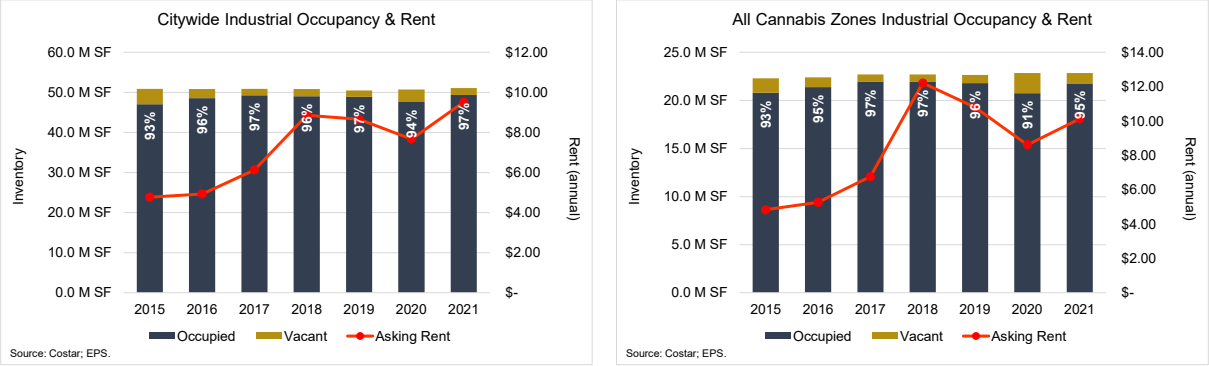
For individual retail dispensary locations in densely developed Midtown, the area analyzed was limited to a 500-foot radius from the establishment, while areas within a 700-foot radius were analyzed for retail establishments along major corridors and other less densely developed areas, such as Stockton Boulevard or Fruitridge Road.

Maps of the analysis zones are located in **Appendix E**.

Industrial Findings

In the City, industrial occupancy levels peaked at 98 percent in 2018, with an accompanying spike in average asking rents, which softened to 2020, followed by a further increase in 2021.

Figure 35. Industrial Occupancy & Rent: Citywide and Cannabis Analysis Zones



The City's industrial zones surrounding cannabis uses, which tend to include a higher share of older, smaller spaces (Class B and Class C), generally mirrored those in the City overall but saw a higher spike in rents in 2018 than found citywide. Conversely, the recent uptick in industrial rents in the City overall, largely driven by warehouse and fulfillment demand, is less pronounced in the cannabis analysis zones because these areas tend to have fewer of the large, high-ceiling spaces sought by larger distribution operators.

Council District Cannabis Analysis Zones Industrial Analysis

The following sections provide comparisons of industrial occupancy and lease rate trends for the areas surrounding cannabis businesses (cannabis analysis zones) in each of the Council Districts with the overall trends found in the districts. The districtwide trends are presented first, followed by the cannabis analysis zones. In addition, market data for several specific analysis zones are provided for illustrative purposes.

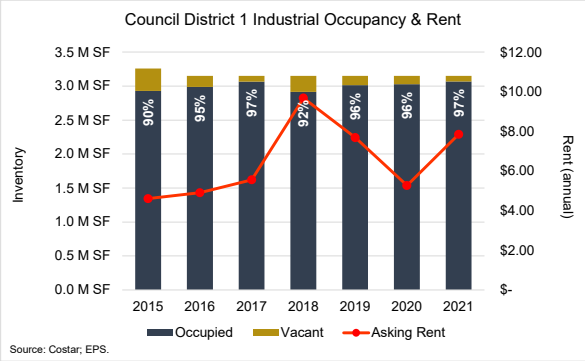
While several locations lacked sufficient commercial real estate leasing activity to provide sufficient data for analysis, either because of small inventories or high occupancy levels with little turnover, many of the cannabis analysis zones with adequate data for analysis showed similar patterns, as discussed below.

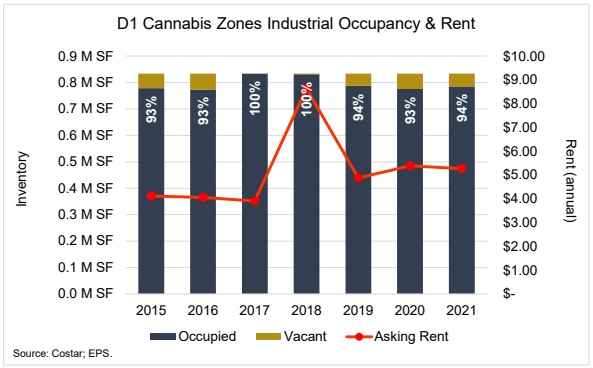
(Note that years with insufficient reported lease rate data show as breaks in the asking rent trend lines in the charts below.)

District 1 Industrial

The District 1 cannabis zone industrial is confined to the vicinity of 135 Main Avenue, where a spike in asking rent was noted in 2018 when the area was at full occupancy. After some movement returned to the market the following year, asking rents declined moderately.

Figure 36. Industrial Occupancy & Rent: D1 Overall and D1 Cannabis Analysis Zones

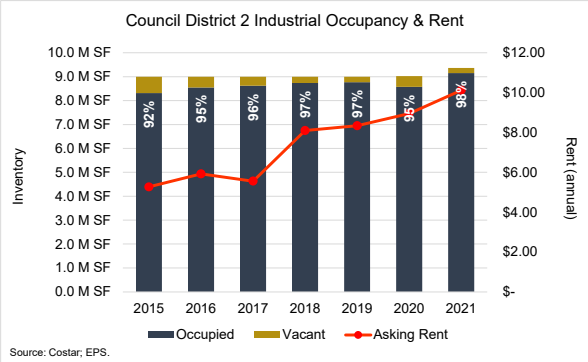


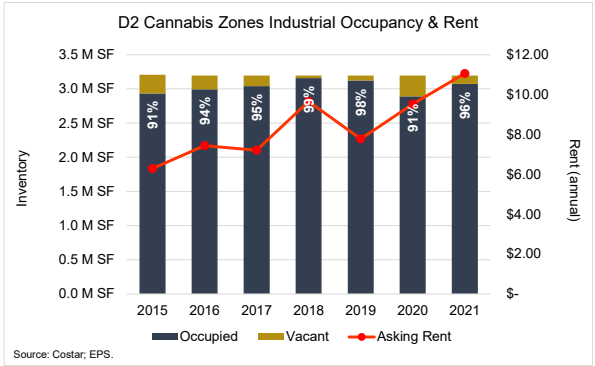


District 2 Industrial

The District 2 cannabis analysis zones exhibited similar industrial market trends as the district overall. However, asking rents near cannabis businesses dropped somewhat more rapidly from their 2018 peak and have seen a smaller spike in 2021.

Figure 37. Industrial Occupancy & Rent: D2 Overall and D2 Cannabis Analysis Zones

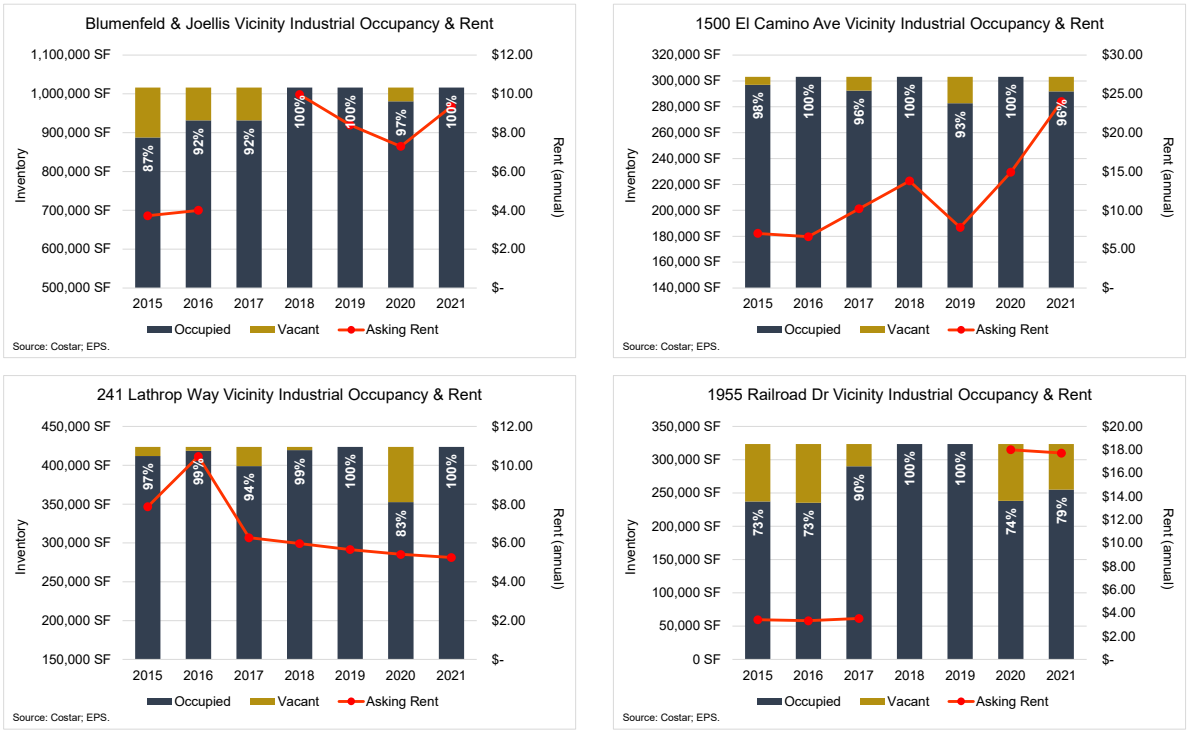




District 2 Area Highlights

In each of the District 2 industrial-oriented cannabis analysis zones, the findings vary because of the specific mix of buildings, tenants, and leasing activity. For example, the area near Blumenfeld Drive and Joellis Way roughly aligns with trends found citywide, while the area in the vicinity of 1500 El Camino Avenue experienced a much less dramatic spike in industrial lease rates in 2018 but a much more pronounced increase in average asking rates in the last 2 years. The area around Lathrop Way has experienced continued softening in rates. The Railroad Drive area has seen a dramatic increase in industrial asking rates following the lease up of a significant amount of previously unoccupied space in 2018 that followed a period of low rental rates.

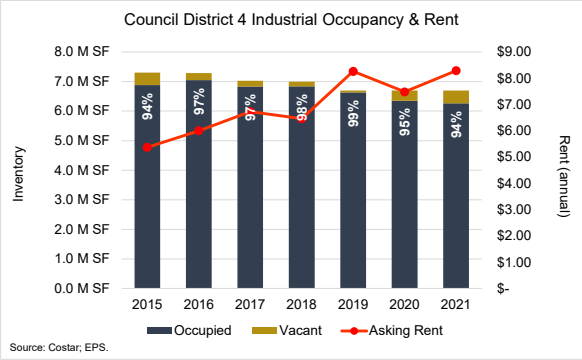
Figure 38. Industrial Occupancy & Rent: Representative D2 Cannabis Analysis Zones

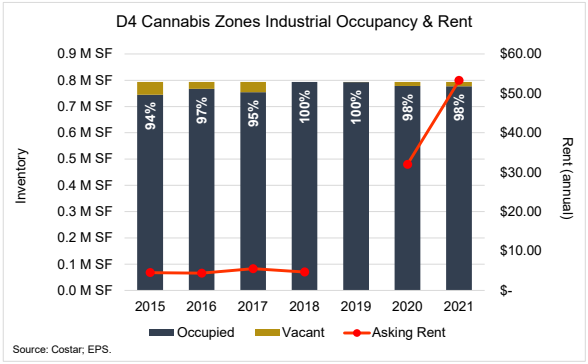


District 4 Industrial

The industrial square footage in District 4 is scattered over several areas but mostly located along the northern fringe of Midtown, or adjacent to railroad lines or freeways. The industrial square footage located in the District 4 cannabis analysis zones is generally fairly small compared to some of the other more industrially focused areas of the City. The small inventory combined with relatively convenient location (depending on use) results in very little available vacant space and therefore little to no data on asking lease rates, particularly in the cannabis analysis zones.

Figure 39. Industrial Occupancy & Rent: D4 Overall and D4 Cannabis Analysis Zones

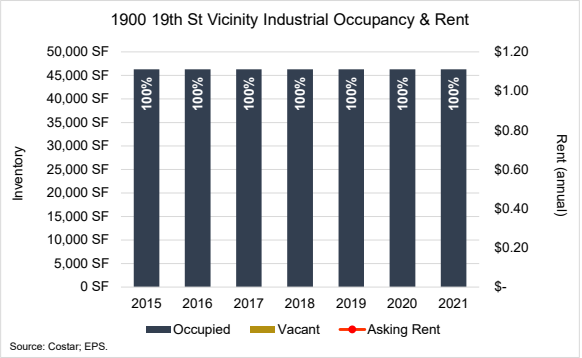


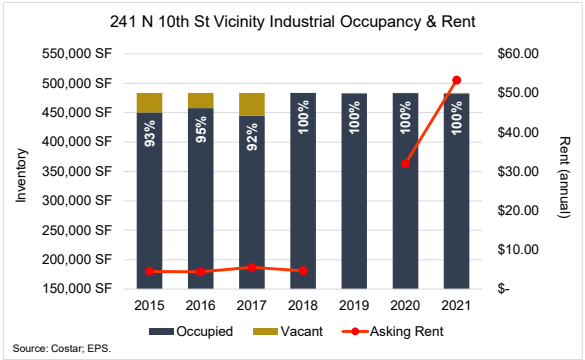


District 4 Area Highlights

The area near 1900 19th Street illustrates the low inventory combined with high occupancy levels and resulting lack of industrial asking lease rate data, typical of District 4 cannabis analysis zones.

Figure 40. Industrial Occupancy & Rent: Representative D4 Cannabis Analysis Zones



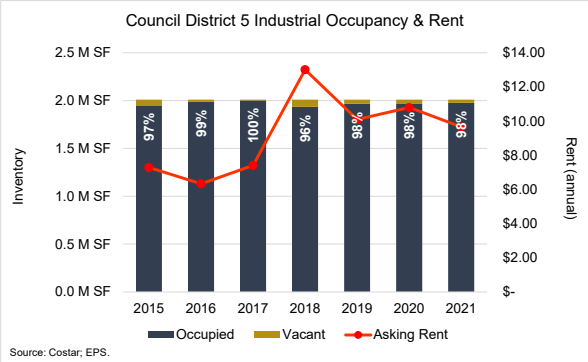


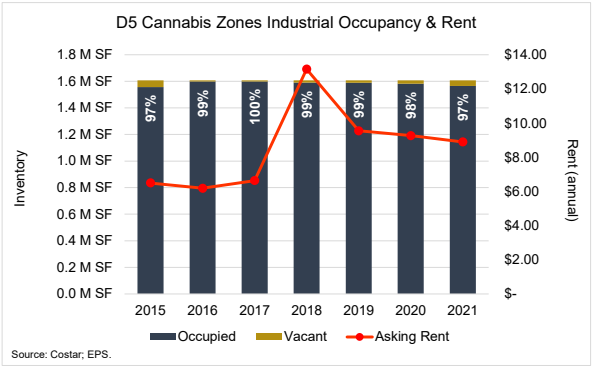
Note: The area near 12th and C Streets includes periods with sizeable vacancy (15 percent), but no available asking lease rate data, suggesting the vacant space may not be on the market.

District 5

Industrial areas around cannabis businesses in District 5 exhibited similar lease rate patterns as the district overall. However, the cannabis analysis zones peaked at a lower average asking rate in 2018 and have remained lower than the district overall.

Figure 41. Industrial Occupancy & Rent: D5 Overall and D5 Cannabis Analysis Zones

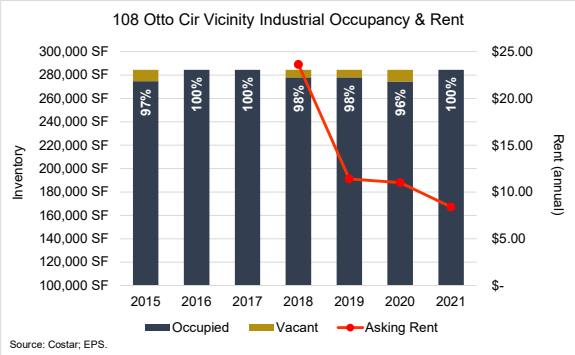


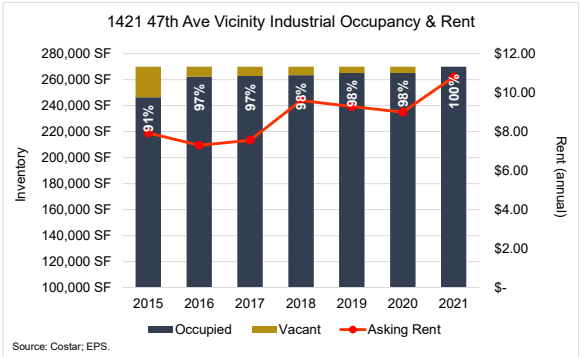


District 5 Area Highlights

The Otto Circle analysis area has exhibited very high occupancy levels for the past several years. Following a period of 100 percent occupancy, vacant inventory that was added to the market in 2018 appears to have initially followed the same asking rate spike found elsewhere, with rates falling in subsequent years. However, the area does not appear to have experienced the recent uptick in industrial rents.

Figure 42. Industrial Occupancy & Rent: Representative D5 Cannabis Analysis Zones



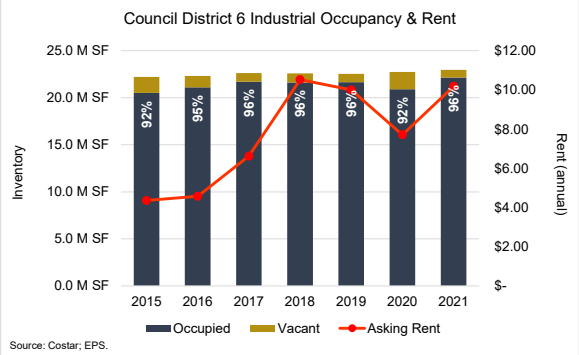


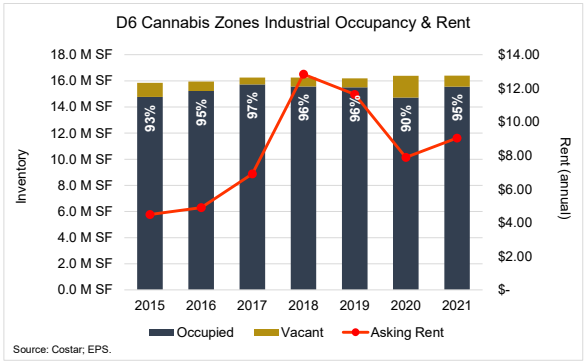
The 47th Avenue cannabis analysis zone closely mirrors citywide asking rate trends, with a moderate peak in 2018, followed by a tapering and recent increase. The area has had high occupancy levels since 2016.

District 6

The areas identified as cannabis analysis zones for this analysis comprise a significant share of the total District 6 industrial square footage. As such, the similar lease rate trends from 2015 to the 2018 spike illustrated in the charts are understandable. However, the cannabis analysis zones have seen asking rates drop since the 2018 spike, while asking rates for the district overall have largely remained near the level reached in 2018. This suggests that some of the more desirable industrial space in the district is outside the cannabis analysis zones.

Figure 43. Industrial Occupancy & Rent: D6 Overall and D6 Cannabis Analysis Zones



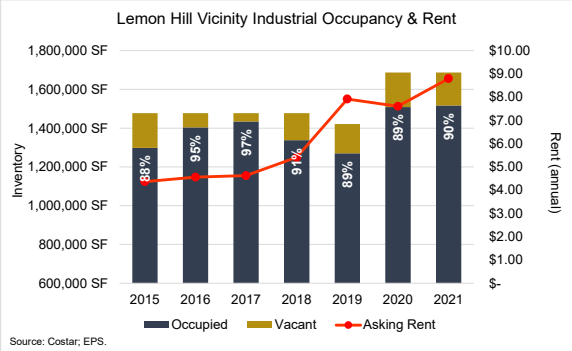


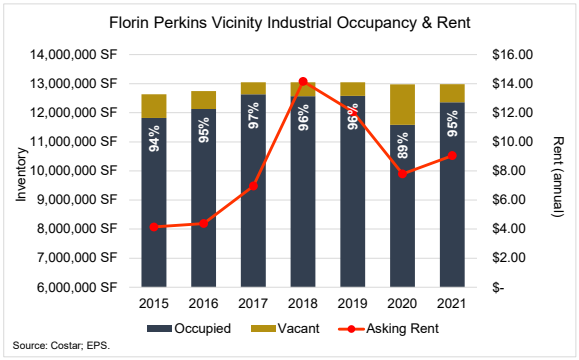
District 6 Area Highlights

The Florin Perkins analysis zone epitomizes the cannabis industrial zone lease rate trend, with a dramatic peak in 2018, followed by a decline and slight rebound. Moreover, with approximately 13 million square feet, the area was a key driver of the citywide spike in 2018. The following drop in occupancy in part may be attributable to cases of rent speculation cited by individuals close to the local submarket, where landlords declined to renew existing leases in a quest for higher paying cannabis tenants. While such a strategy may have rewarded some property owners, it does not appear to have been sustainable, given the increased vacancy and decreased rents.

The growth in industrial asking lease rates throughout the district has spread to the traditionally economically depressed Lemon Hill area, with rates approaching levels found elsewhere in the district. However, given the higher sustained lease levels since 2018 in the district overall than found in the cannabis analysis zones, it does not appear that cannabis has been the driver of the recent run-up in asking rents in Lemon Hill.

Figure 44. Industrial Occupancy & Rent: Representative D6 Cannabis Analysis Zones

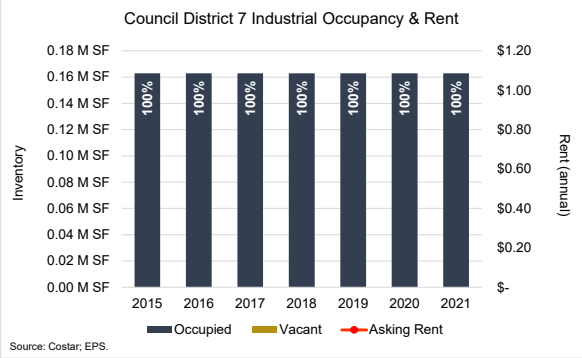


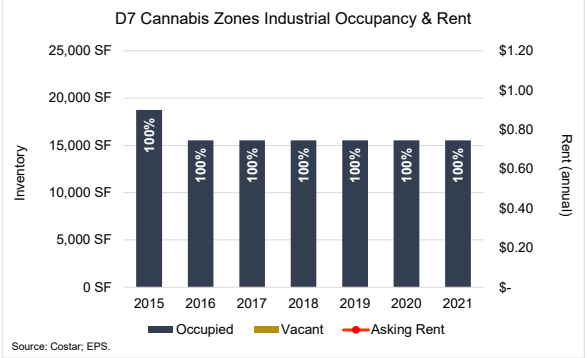


District 7

District 7 has limited industrial area, with full occupancy in the cannabis zone and districtwide.

Figure 45. Industrial Occupancy & Rent: D7 Overall and D7 Cannabis Analysis Zones





Residential Real Estate

EPS analyzed the impact of cannabis businesses on residential property values. The Matrix Report found that community members were concerned that proximity to cannabis businesses could lower residential property values. To assess the impact of cannabis businesses on residential property values, this section provides an overview of the housing market in Sacramento, summarizes available literature on this issue, and presents the findings of a quantitative analysis of property values near cannabis businesses.

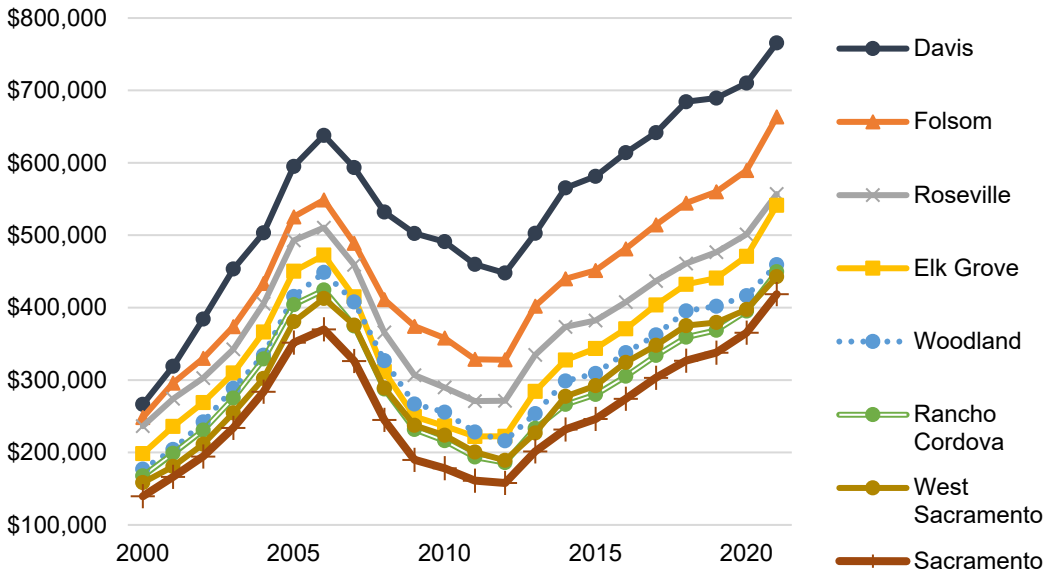
Although the Matrix Report does not identify the exact characteristics of cannabis businesses that could drive down home values, EPS's research has identified the following issues:

- Unpleasant odor of cannabis plants from cultivation or manufacturing processes.
- Blight and urban decay from poorly maintained structures used by cannabis businesses.
- Increased crime around cannabis businesses.

Overview of Sacramento Housing Market

The City is the central city of the Sacramento-Roseville-Arden Arcade Metropolitan Statistical Area (Sacramento MSA). As of November 2021, the Sacramento MSA has the 14th highest home prices of the 34 MSAs in California for which Zillow tracks data. In the Sacramento MSA, where Zillow tracks home values for 77 cities, the City has the 69th highest home prices. As shown in **Figure 46**, the typical home value in Sacramento is slightly lower than in neighboring jurisdictions.

Figure 46. Home Values in the Sacramento Region

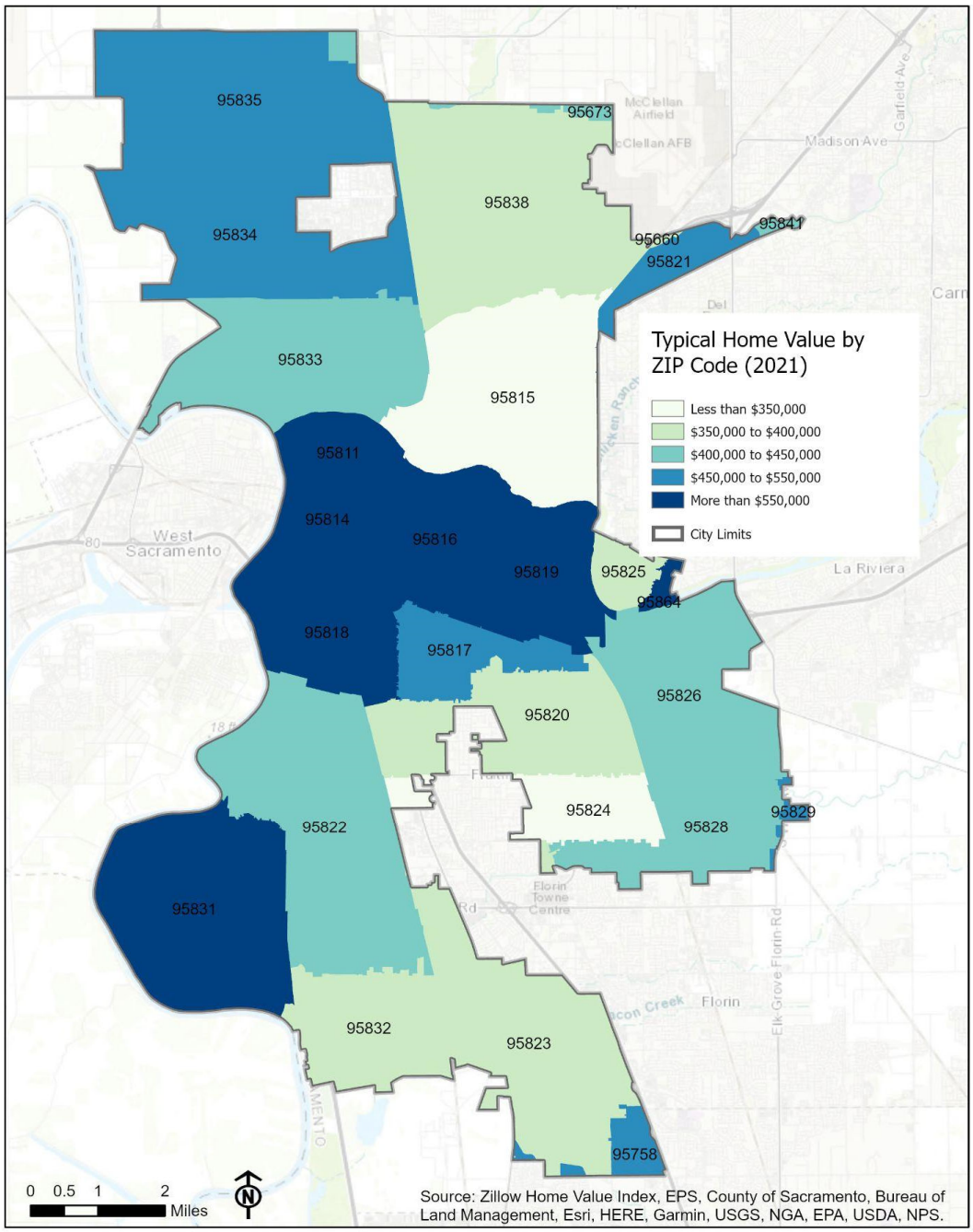


Source: Zillow, EPS.

Over the past 20 years, home values in the City and the broader region increased sharply from 2000 to 2007 before the Great Recession. Home values reached their Recession-induced nadir in 2012 and have been increasing steadily ever since. Over the past 2 years, home values in the region have begun to increase more rapidly because of restricted supply and in-migration to the region from the more expensive San Francisco Bay Area.

In the City, home values are generally highest in the legacy neighborhoods immediately to the south and east of the central business district and in the Pocket neighborhood (ZIP code 95831) in southwest Sacramento, as shown in **Figure 47**. The lowest home values are found in the northeast and southeast portions of the City, which also contain the majority of the land available for industrial and heavy commercial uses.

Figure 47. Home Values in Sacramento Neighborhoods



Drivers of Home Prices

Studying the impact of nearby cannabis businesses on home values is somewhat difficult, as most cannabis businesses are located in industrial zones. Because of the impact of industrial activity, which can include air pollution, noise and odor from industrial processes, neglected properties, and heavy truck traffic, residential values near industrial zones are typically lower than in other areas of cities.[39] This impact on prices is strongest on homes within a short distance of industrial uses, about one-half to two-thirds of a mile.[40] While cannabis production uses presumably share many of the disamenity characteristics of general industrial uses, cannabis retail does not. Although the Matrix Report did not identify specific neighborhood concerns regarding cannabis dispensaries, public comments show that residents are concerned about the potential for illegal activity, blight, and impacts to neighborhood reputation arising from dispensary locations. Because of the difference in how dispensaries and production uses are presumed to impact property values, this Study analyzes home value impacts from dispensaries separately from production uses.

Because legalized cannabis is a relatively new industry, there are few studies on the impact of cannabis businesses on residential property values. The available studies show conflicting results. A study in Seattle showed that homes located within 0.36 mile of a dispensary had negative price impacts of 3 to 4 percent compared to homes located outside of this distance.[41] However, a study from Denver, Colorado, showed that homes within 0.1 mile of a dispensary were worth approximately 8 percent more than their neighbors outside of this distance.[42] At a larger scale, a study of 12 states and Washington, D.C., found that legalization of adult-use cannabis was associated with increases in home values statewide, and that neighborhoods in Washington, D.C., and Colorado experienced increased prices after nearby cannabis dispensaries opened.[43]

Cannabis Businesses and Home Prices in Sacramento

Using data on home sales from the Sacramento County Assessor's office, the per-square-foot (PSF) sales prices of single-family homes within one-quarter mile of cannabis businesses are compared to those within one-quarter to one-half mile from a cannabis business. Homes within the quarter-mile to half-mile distance were chosen to control for the general price effects of the neighborhood, including access to jobs, transportation, and amenities. In **Figures 50** through **52**, later in

[39] Wiley, Jonathan. 2015. The Impact of Commercial Development on Surrounding Residential Property Values. Georgia Multiple Listing Service. Available at https://www.gamls.com/images/jonwiley.pdf [Accessed November 2021].
[40] De Vor, Friso & De Groot, Henri. 2009. The Impact of Industrial Sites on Residential Property Values: A Hedonic Pricing Analysis from the Netherlands. Tinbergen Institute Discussion Papers. Available at https://papers.tinbergen.nl/09035.pdf [Accessed December 2021].
[41] Thomas, Danna & Tian, Lin. 2021. "Hits from the Bong: The impact of recreational marijuana dispensaries on property values." Regional Science and Urban Economics. Elsevier. Vol. 87(C).
[42] Conklin, J., Diop, M., & Li, H. 2021. Contact High: The External Effects of Retail Marijuana Establishments on House Prices. Real Estate Economics.
[43] Kim,D., O'Connor, S., Norwood, B. 2020. Retail Marijuana Deregulation and Housing Prices.

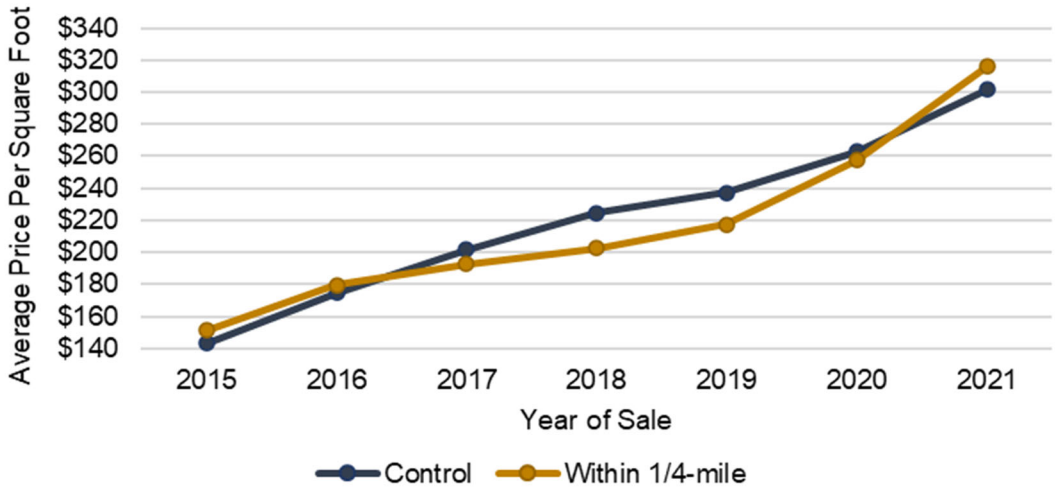
this chapter, these sales are labeled "control." In addition, the impact of proximity to production uses (cultivation, manufacturing, or microbusiness) and retail dispensaries are also analyzed separately in the manner described above.

Home prices in candidate neighborhoods are evaluated over the time period extending from 2015 through 2021 to allow comparison of values both before and after the establishment of legalized commercial cannabis businesses in 2018. The analysis did not include any home sales under $20,000 as these are assumed to be non-arms-length transactions.

Home Values Near Production Uses

Overall, the analysis found that homes within one-quarter mile did not suffer any decrease in home value relative to their neighbors slightly farther away, as shown in **Figure 48**. Based on an average of 92 sales per year for homes within a quarter-mile of a cannabis production business, and 309 sales per year for homes within a quarter-mile to a half-mile, both groups of homes experienced sales price appreciation between 2015 and 2021 as Sacramento continued its recovery from the Great Recession, but as shown in **Table 14**, homes within a quarter-mile of a cannabis production business are sold for approximately $40 more PSF than homes within a quarter-mile to a half-mile away from these businesses. In addition, sales price growth for those homes nearer to these cannabis businesses has been greater than homes slightly further away in each of the last 3 years.

Figure 48. Home Prices within ¼-Mile of Cannabis Production Uses



Source: City of Sacramento Office of Cannabis Management, Sacramento County Assessor's Office, EPS.

Table 14. Home Prices Near of Cannabis Production Uses (Citywide)

Year	Control [1]		Test [2]	
	Price Per Square Foot	Change from Previous Year	Price Per Square Foot	Change from Previous Year
2015	$143.26	N/A	$151.32	N/A
2016	$174.47	22%	$179.68	19%
2017	$201.46	15%	$192.46	7%
2018	$224.60	11%	$202.49	5%
2019	$237.05	6%	$217.61	7%
2020	$262.74	11%	$257.42	18%
2021	$301.54	15%	$315.85	23%
Total Change (2015 - 2021)	**$158.27**	**110%**	**$164.53**	**109%**

Source: City of Sacramento, Sacramento County Assessor, EPS.

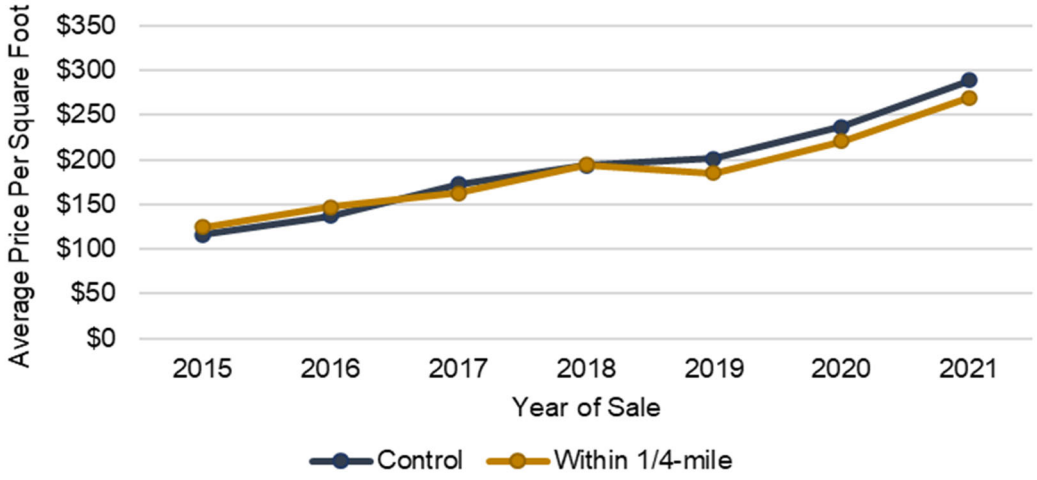
[1] Includes properties between 1/4-mile and 1/2-mile from cannabis production uses.
[2] Includes properties within 1/4-mile of cannabis production uses.
[3] Heavy cannabis uses include cultivation, manufacturing, and micro businesses.
[4] Includes all single-family residential sales above $20,000. Sales below $20,000 are presumed to be non arms-length transactions.
[5] Cannabis production uses include businesses licensed for cultivation, distribution, transport, microbusiness, lab, manufacturing, and delivery.

As noted previously, Council District 2 and Council District 6 contain the majority of cannabis production businesses. As such, this Study examines impacts on home values for homes in those districts that are near cannabis businesses.

Council District 2

As of July 2021, Council District 2 had 55 of the 264 actively licensed cannabis businesses, as shown in **Table 5** (**Chapter 3**). These 55 businesses are largely concentrated along Business Interstate 80/Capitol City Freeway and Del Paso Boulevard, as shown in **Figure 22** (**Chapter 3**). Data from the Sacramento County Assessor's office identified an average of 134 sales per year of homes within one-quarter to one-half mile from cannabis production uses and 66 sales per year of homes within one-quarter mile of cannabis production uses. These data show similar results to the citywide analysis in that both groups of homes experienced price appreciation during the Study period. However, in District 2, homes sold in 2021 near cannabis businesses sold for approximately $20 less PSF than homes slightly further away, as shown in **Table 15**.

Figure 49. Home Prices Near Cannabis Production Uses in Council District 2



Source: City of Sacramento Office of Cannabis Management, Sacramento County Assessor's Office, EPS.

Table 15. Home Prices Near Cannabis Production Uses in Council District 2

Year	Control [1]		Test [2]	
	Price Per Square Foot	Change from Previous Year	Price Per Square Foot	Change from Previous Year
2015	$116.21	N/A	$124.41	N/A
2016	$136.63	18%	$146.89	18%
2017	$172.59	26%	$162.52	11%
2018	$193.73	12%	$194.48	20%
2019	$201.21	4%	$185.04	-5%
2020	$237.24	18%	$220.98	19%
2021	$288.78	22%	$269.55	22%
Total Change (2015 - 2021)	**$172.57**	**148%**	**$145.14**	**117%**

Source: City of Sacramento, Sacramento County Assessor, EPS.

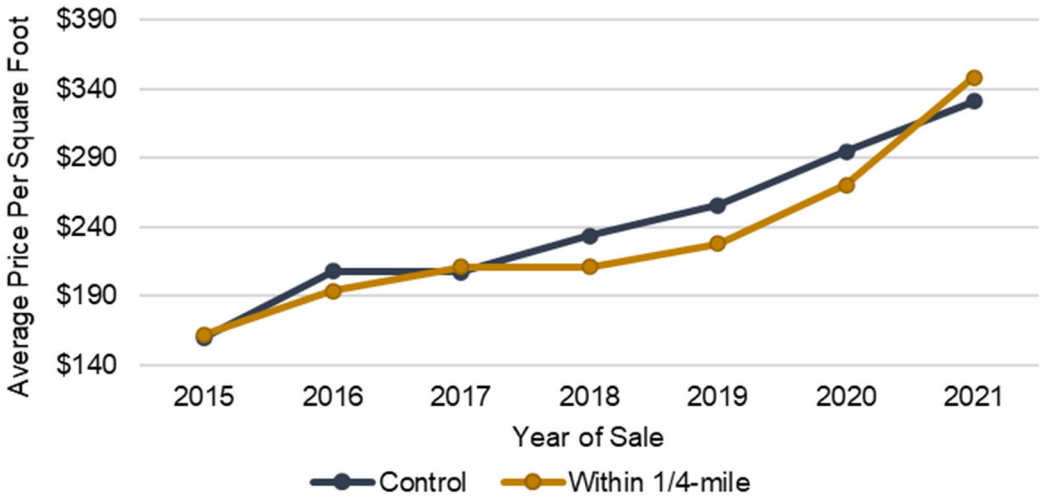
[1] Includes properties between 1/4-mile and 1/2-mile from cannabis production uses.
[2] Includes properties within 1/4-mile of cannabis production uses.
[3] Heavy cannabis uses include cultivation, manufacturing, and micro businesses.
[4] Includes all single-family residential sales above $20,000. Sales below $20,000 are presumed to be non arms-length transactions.
[5] Cannabis production uses include businesses licensed for cultivation, distribution, transport, microbusiness, lab, manufacturing, and delivery.

Council District 6

As of July 2021, Council District 6 had the highest concentration of cannabis businesses. The district contained 65 percent of the 160 licensed cannabis production businesses in the City, and 58 percent of all cannabis businesses. However, as shown in **Figure 29**, cannabis uses in District 6 are largely located in the industrial areas east of Power Inn Road, segregated from the residential areas. Because of this separation of residential and industrial uses in District 6, EPS's analysis of home sales includes fewer sales than the analysis of District 2. In District 6, there were approximately 47 single-family home sales per year in the control group and 13 sales per year of homes within one-quarter mile of a cannabis production use.

As seen in **Figure 50** and **Table 16**, sales prices of homes in District 6 were between $20 and $40 PSF lower for homes within one-quarter mile of cannabis uses between 2018 and 2020. However, in 2021, homes within one-quarter mile of cannabis uses were selling for approximately $30 more PSF than homes within one-quarter to one-half miles of cannabis production businesses.

Figure 50. Home Prices Near Cannabis Production Uses in Council District 6



Source: City of Sacramento Office of Cannabis Management, Sacramento County Assessor's Office, EPS.

Table 16. Home Sales Near Cannabis Production Uses in Council District 6

Year	Control [1]		Test [2]	
	Price Per Square Foot	Change from Previous Year	Price Per Square Foot	Change from Previous Year
2015	$160.08	N/A	$182.16	N/A
2016	$207.90	30%	$245.62	35%
2017	$207.51	0%	$250.01	2%
2018	$233.55	13%	$213.02	-15%
2019	$255.84	10%	$218.69	3%
2020	$294.56	15%	$278.91	28%
2021	$330.75	12%	$364.10	31%
Total Change (2015 - 2021)	**$170.66**	**107%**	**$181.95**	**100%**

Source: City of Sacramento, Sacramento County Assessor, EPS.

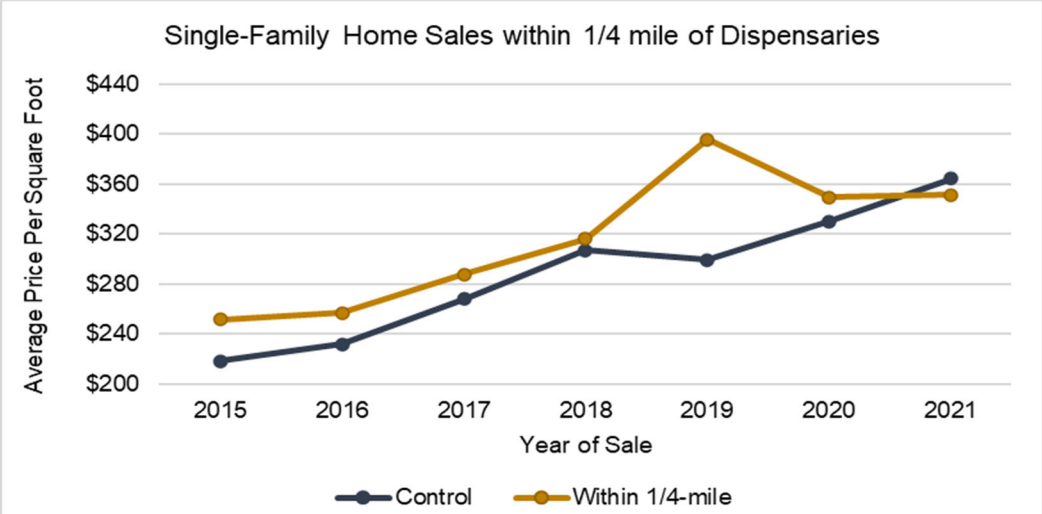
[1] Includes properties between 1/4-mile and 1/2-mile away from heavy cannabis uses.
[2] Includes properties within 1/4-mile of heavy cannabis uses.
[3] Heavy cannabis uses include cultivation, manufacturing, and micro businesses.
[4] Includes all single-family residential sales above $20,000. Sales below $20,000 are presumed to be non arms-length transactions.

Home Values Near Dispensaries

The City's land use policies are more permissive for storefront dispensaries than other cannabis uses because they are essentially retail businesses and therefore are more readily able to locate in General Commercial (C-2) zones. As seen in **Table 12** earlier in this chapter, storefront dispensaries make up nearly half of the 27 cannabis businesses located in General Commercial zones. General Commercial zones are generally either interspersed within residential neighborhoods, such as in Midtown, or along commercial corridors.

Based on an average of 338 sales per year for the control group and 86 sales per year for homes within one-quarter mile of dispensaries, the analysis finds that proximity to dispensaries does not reduce home values relative to other homes in the same general area. As seen in **Figure 51**, homes within one-quarter mile of dispensaries had higher sales prices PSF from 2015 to 2020. Only in 2021 did the PSF price for homes within one-quarter mile of dispensaries fall below the PSF price for homes within one-quarter to one-half mile away.

Figure 51. Single-Family Home Sales within One-Quarter Mile of Dispensaries (Citywide)



Source: City of Sacramento Office of Cannabis Management, Sacramento County Assessor's Office, EPS.

As shown in **Table 17**, in 2021, homes within one-quarter mile of a dispensary were sold for approximately $13 less PSF than homes between one-quarter and one-half mile away from a dispensary. While this is a reversal of the 2015 to 2020 trends, more years of data and observation will be needed to see if the current trend continues.

Table 17. Home Sales Near Cannabis Dispensaries (Citywide)

	Control [1]		**Test** [2]	
Year	Price Per Square Foot	Change from Previous Year	Price Per Square Foot	Change from Previous Year
2015	$218.34	N/A	$251.72	N/A
2016	$232.20	6%	$257.03	2%
2017	$268.15	15%	$287.96	12%
2018	$307.00	14%	$316.35	10%
2019	$299.21	-3%	$395.65	25%
2020	$330.16	10%	$349.59	-12%
2021	$364.41	10%	$351.22	0%
Total Change (2015 - 2021)	**$146.07**	**67%**	**$99.50**	**40%**

Source: City of Sacramento, Sacramento County Assessor, EPS.

[1] Includes properties between 1/4-mile and 1/2-mile away from a dispensary.
[2] Includes properties within 1/4-mile of a dispensary.
[3] Includes all single-family residential sales above $20,000. Sales below $20,000 are presumed to be non arms-length transactions.

Crime and Cannabis Businesses

Although the Matrix Report did not specifically identify crime as a concern, it did describe the concern that cannabis businesses could have a negative impact on "neighborhood reputation," of which the local crime rate is presumably a major component. In addition, public testimony on the District 2 Land Use Study, heard before the City's Law and Legislation Committee on August 17, 2021, specifically identified crime at cannabis businesses as a major concern.

Before legalization of recreational cannabis in 2016, trade in recreational cannabis was, by definition, a criminal activity. Cultivation, distribution, and retail sale of marijuana had strong links to organized crime.[44] Even post legalization, there remains a strong black market for illicit cannabis, and the stigma linking cannabis businesses to criminal activity also remains. Public concern about criminal actors operating cannabis businesses is compounded by concern about criminal actors targeting legitimate cannabis businesses. With a large market for illicit cannabis and cannabis products, as well as the tendency of cannabis businesses to hold large amounts of cash, cannabis businesses may present attractive targets for robberies and theft. In recent months, cannabis businesses have made high-profile news stories as both perpetrators and victims of crimes. In Alameda County, sheriffs targeting an illegal grow operation seized more than $10 million in cash and 100,000 cannabis plants.[45] In addition, in November 2021, news organizations reported on a series of more than 2 dozen robberies of licensed cannabis delivery businesses in Oakland in less than a week, with business owners claiming losses of up to $5 million.[46]

At the state level, cannabis legalization is generally associated with a decrease in crime, likely because of the disruption of illicit markets by legal ones.[47] Previous studies of the relationship between the location of cannabis businesses and crime

[44] National Drug Intelligence Center, 2008. National Drug Threat Assessment 2009. Available at https://www.justice.gov/archive/ndic/pubs31/31379/dtos.htm [Accessed December 2021].

[45] Cordova, Gilbert. 2021. Upwards of $10M in cash alone seized in illegal marijuana grow operation in Alameda County. ABC10.Com. Available at https://www.abc10.com/article/news/crime/alameda-county-sheriffs-office-seize-large-amounts-of-marijuana-in-bust/103-80dcef91-2d69-42bd-ab36-fee4553672d8 [Accessed December 2021].

[46] Anthony, Laura. 2021. 'I fear for my business': Oakland cannabis dispensaries say they've lost $5M in recent thefts. ABC7News.Com. Available at https://abc7news.com/oakland-thefts-cannabis-dispensaries-police/11282132/ [Accessed December 2021].

[47] Huber, Arthur; Newman, Rebecca; & La Fave, Daniel. 2016. Cannabis Control and Crime: Medicinal Use, Depenalization and the War on Drugs. The B.E. Journal of Economic Analysis & Policy. Available at https://www.researchgate.net/publication/335379896_Not_in_my_backyard_Not_so_fast_The_effect_of_marijuana_legalization_on_neighborhood_crime [Accessed December 2021].

at smaller spatial scales have produced mixed results. A 2009 study[48] of the distribution of medical cannabis dispensaries in Sacramento found that census tracts with a higher density of medical marijuana dispensaries did not have higher property and violent crime than other census tracts and posited that the additional security measures that dispensaries typically use—security guards, video cameras—may serve to deter criminals seeking to target the dispensary. At a slightly larger scale, a study in Los Angeles found that census block groups with medical cannabis dispensaries had higher crime rates than nearby block groups without dispensaries.[49]

A 2016 study in Long Beach found that higher numbers of medical marijuana dispensaries were associated with higher crime rates in surrounding areas, leading the authors to suggest that the additional security measures deployed by dispensaries may push crime to surrounding areas. In Denver, researchers found that recreational cannabis dispensaries were associated with lower violent crime but slightly higher property crime rates on the block-long street segments on which the dispensaries were located.[50] However, a second study in Denver occurring at the same time examined the impact of dispensaries and found that the opening of a dispensary in a census tract led to a 19 percent decrease in crime rates compared to other census tracts, attributing this effect to both the disruption of organized criminal cannabis trade and the additional security measures employed by dispensaries.

While criminal activity around the production and distribution of illicit cannabis remains a concern, this report focuses on the latter portion of crime—that of criminal opportunists targeting cannabis businesses, as this is the more relevant concern when examining the neighborhood impact of licensed cannabis businesses. Since licensed cannabis operations began in 2018, the Sacramento Police Department (SPD) has tracked burglaries and robberies at cannabis businesses. As shown in **Table 18**, there were between 30 and 84 robberies and burglaries per year targeting cannabis businesses. Over these 4 years, robberies and burglaries at cannabis businesses accounted for less than 1 percent of all robberies and burglaries reported to the SPD.

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[48] Kepple, Nancy and Freisthler, Bridget. 2012. Exploring the ecological association between crime and medical marijuana dispensaries. Journal of Studies on Alcohol and Drugs. Available at https://www.ncbi.nlm.nih.gov/pmc/articles/PMC3364319/ [Accessed December 2021].

[49] Contreras, Christopher. 2017. A block-level analysis of medical marijuana dispensaries and crime in the City of Los Angeles. Justice Quarterly. Available at https://www.tandfonline.com/doi/full/10.1080/07418825.2016.1270346 [Accessed January 2022].

[50] Connealy, Nathan; Piza, Eric; & Hatten, Dave. 2019. The Criminogenic Effect of Marijuana Dispensaries in Denver, Colorado: A Microsynthetic Control Quasi-Experiment and Cost Benefit Analysis. City University of New York Academic Works. Available at https://academicworks.cuny.edu/cgi/viewcontent.cgi?article=1349&context=jj_pubs [Accessed December 2021].

Table 18. Robberies and Burglaries at Cannabis Businesses in Sacramento (2018–2021)

Year		2018	2019	2020	2021
All Crime					
Robberies	Total	1,053	1,053	894	984
	Change from Previous Year	-	0%	(15%)	10%
Burgalries	Total	6,207	7,138	5,853	5,124
	Change from Previous Year	-	15%	(18%)	(12%)
Crimes at Cannabis Businesses					
Robberies	Total	3	17	4	9
	Change from Previous Year	-	467%	(76%)	125%
Burgalries	Total	28	67	26	77
	Change from Previous Year	-	139%	(61%)	196%
Total	Total	31	84	30	86
	Change from Previous Year	-	171%	(64%)	187%
Marijuana Related Crime [1]					
	Total	197	213	116	94
	Change from Previous Year	-	8%	(46%)	(19%)

Source: City of Sacramento Police Department, EPS.

[1] Marijuana-related crimes include posession (of greater than 28.5 grams), unlicensed cultivation, posession of marijuana for sale, transportation of marijuana, and posession of marijuana in a vehicle.

While overall robberies and burglaries have trended downward since 2019, the number of crimes targeting cannabis businesses has been much more volatile, with no discernable trend. Although crimes targeting cannabis businesses have not shown any sign of trending downward, crimes involving illicit cannabis have declined significantly since commercial cannabis businesses were legalized. Crimes involving possession (of more than 28.5 grams of cannabis), unlicensed cultivation, or transportation and sale of illicit cannabis declined from a high of 213 in 2019 to just 94 in 2021, as seen in **Table 18**.

While the total number of crimes targeting cannabis businesses has not declined significantly since 2018, as general property crime has, the number of cannabis businesses has increased significantly in that time frame. As seen in **Table 19**, the number of crimes per cannabis business has declined significantly since 2018. Throughout the Study period, cultivation, delivery, and storefront dispensaries are the most commonly targeted types of businesses, both in terms of overall numbers of crimes and the number of crimes per licensed business.

Table 19. Robberies and Burglaries by Cannabis Business Type (2018–2021)

Year	2018		2019		2020		2021			
	Total	Per Licensed Business	Total	Per Licensed Business	Total	Per Licensed Business	Total	Per Licensed Business	Total Crimes (2018 - 2021)	Average Annual Crimes per Licensed Business
Industry Function Group										
Cultivation	9	1.00	23	1.05	13	0.19	47	0.53	92	**0.69**
Delivery	6	[1]	30	1.67	5	0.10	17	0.29	58	**0.69**
Distribution	3	3.00	3	0.38	2	0.07	1	0.03	9	**0.87**
Manufacturer	2	0.67	4	0.36	0	0.00	11	0.41	17	**0.36**
Microbusiness	0	0.00	0	0.00	0	0.00	5	1.25	5	**0.31**
Lab	1	0.25	2	0.50	0	0.00	0	0.00	3	**0.19**
Storefront	9	0.30	22	0.73	10	0.33	5	0.17	46	**0.38**
Total	**30**	**0.64**	**84**	**0.89**	**30**	**0.15**	**86**	**0.34**	**230**	**0.50**

Source: City of Sacramento Office of Cannabis Management, City of Sacramento Police Department, EPS.

[1] The Sacramento Police Department reported 6 crimes at cannabis delivery businesses in 2018, although no delivery businesses were licensed until 2019.

Overall, this analysis of crime at cannabis businesses, as well as review of the available literature, shows mixed results. On a regional level, the legalization of cannabis and the expansion and maturation of a legitimate cannabis industry will likely reduce crime, as licensed cultivators, distributors, and retailers continue to displace the criminal organizations that ran this industry before legalization. At the neighborhood level, cannabis businesses will likely remain an attractive target for thieves, although their attractiveness will decrease if federal legalization proceeds and allows these businesses to join traditional financial institutions and decrease the amount of cash they process and store on site. Despite this attractiveness, the proliferation of cannabis businesses in Sacramento has not generated a proportional increase in crimes targeting these businesses, suggesting that the enhanced security measures employed by these businesses are a strong deterrent to crime.

Key Chapter Findings

- Many of the industrial areas that are well-suited for cannabis production facilities experienced dramatic spikes in asking lease rates in 2018 on the heels of legalization. The rent spikes, which were likely due to a combination of real demand and speculation, appear to have moderated, though pricing pressure resulting from the growth of e-commerce and distribution remains.
- An analysis of lease rates for retail and industrial uses in the areas surrounding cannabis businesses found no pattern of negative impact on the marketability of surrounding areas, as demonstrated by asking lease rate trends for available spaces.
- A comparison of home sale values within one-quarter mile of dispensaries and those within larger control groups for the same areas found that proximity to dispensaries does not reduce home values relative to other homes in the same general area.
- The proliferation of cannabis businesses in Sacramento has not generated a proportional increase in crimes targeting these businesses, suggesting that the enhanced security measures employed by these businesses is a strong deterrent to crime.

6. Cannabis Economic and Fiscal Impacts in Sacramento

Economic Impact Analysis

Employment Overview and Trends

While the cannabis industry is comparable to other industries in several ways, there are also significant additional benefits and industry synergies beyond those seen by other similar operations. Cannabis cultivation and manufacturing are prime examples of this dynamic. Based on guidance provided by IMPLAN, the economic impacts of cultivation operations were estimated to be consistent with the impacts associated with indoor greenhouse industry operations.

Cannabis cultivation has similar needs to indoor greenhouses in terms of employment and output potential but serves as a significant catalyst for R&D beyond a standard greenhouse operation. Sacramento cannabis operations encourage significant agricultural research in the region, including the genetic innovations resulting in new strains of cannabis and development of new innovative growing technologies.

Proximity to the University of California at Davis, a university with significant agriculture research facilities, creates the opportunity for the Sacramento Region to become a hub for cannabis growing technology and research. Major agricultural companies, such as Scott's Miracle Grow, have begun to enter the cannabis R&D sphere, creating a catalytic effect and infusing the cannabis industry with much-needed research funding.

Similarly, the cannabis manufacturing industry is most closely akin to food manufacturing operations with some key distinctions. Where the cannabis industry diverts from the typical food production manufacturing industry related to the more scientific nature of cannabis operations as dosage in goods and specific manufacturing techniques require more intensive laboratory research and development. Maintaining proper dosage throughout the manufacturing requires very specific technology and, at times, a more intensive manufacturing operation.

These are some tie-ins to other prominent sectors in Sacramento:

- Cannabis manufacturing is commonly compared to craft brewery operations, which often undertake similar stages of testing and development of new brewing methods.
- Seed variety innovations relate strongly to life science and seed science research activity, including genetics research and tie-in to wider innovation in the ag industry.
- Delivery companies resemble (and may someday be directly influenced by) e-commerce-oriented companies.
- Distribution operations of the cannabis industry are similar to many non-cannabis operations choosing Sacramento as a central hub for transportation and distribution infrastructure, serving growing markets throughout the western United States.
- Value-added packaging and manufacturing of consumer-oriented packaged goods in the cannabis industry are reflective of other small- to medium-sized manufacturing in the region.

Cannabis Industry Multiplier Effects

This Study includes an Economic Impact Analysis of cannabis-related operations in the City. The purpose of this Economic Impact Analysis is to estimate the quantifiable economic impacts of ongoing cannabis operations on the City and the regional economy with respect to jobs, income, and total economic output. The economic stimulus generated by cannabis operations has a multiplying effect throughout the local economy as businesses, consumers, and the households of employees associated with cannabis operations make local expenditures.

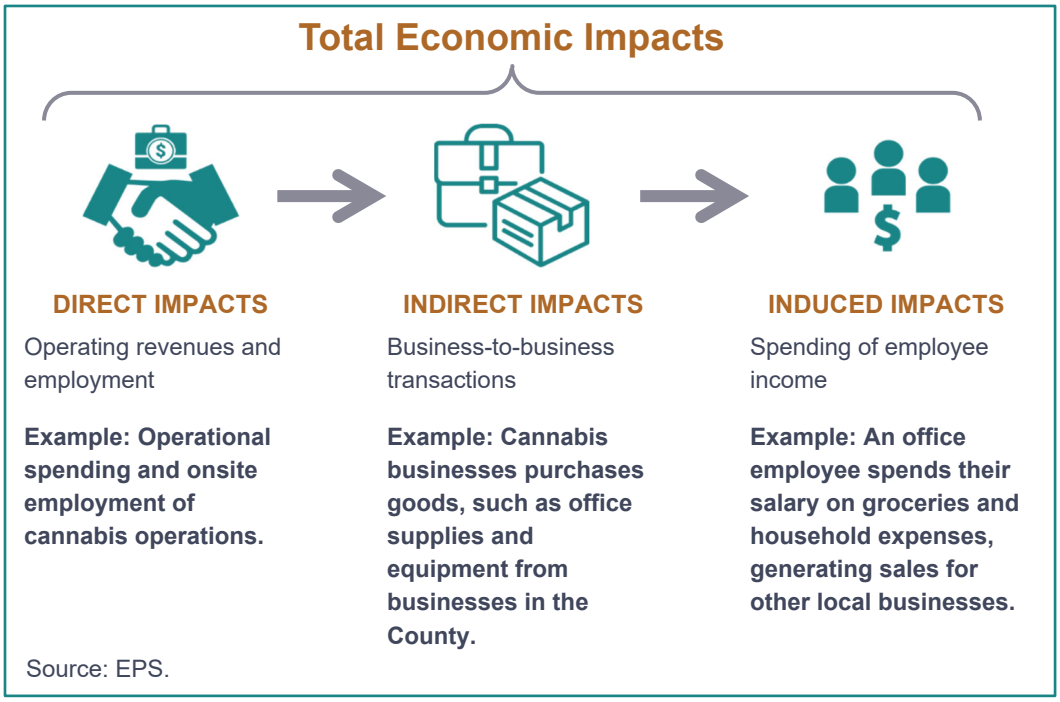
The Economic Impact Analysis quantifies these impacts using an input/output (I/O) economic modeling system, which measures the change in regional economic activity resulting from an economic stimulus. The purpose of this analysis is to estimate the existing ripple effect of economic activity generated by cannabis operations.

This estimate of the economic impacts of cannabis operations relies on the I/O modeling system called IMPLAN, which encompasses fixed relationships and linkages between households, businesses, and government entities within a regional economy. In this Economic Impact Analysis, the regional economy is defined as the County of Sacramento and is based on the 2019 IMPLAN dataset, which represent the latest available data from IMPLAN, although all economic impacts are presented in current 2021$.

IMPLAN models are most useful in examining small, incremental changes in an economy and are most often used to reflect the growth in economic activity in a region as new economic stimuli develop. As this Study is assessing the economic activity of existing, ongoing operations, adjustments to the standard IMPLAN modeling have been made. Specifically, this analysis uses an industry contribution analysis methodology, which estimates the economic activity generated by existing business in an economy and limits the ripple effect to existing business in the economy.

The economic impacts measured in this Economic Impact Analysis include the direct contributions of the cannabis operations, as well as indirect and induced impacts of cannabis operations, including those impacts related to employment and associated households, and local contract expenditures. **Figure 52** illustrates the components described in this Economic Impact Analysis.

Figure 52. Economic Impact Analysis Components



Key Findings

This Study includes an estimate of the economic impacts generated by cannabis operations by broad business group categories, including cultivation, manufacturing, distribution, and retail. A summary of economic impacts by business group is shown in **Table 20**.

Table 20. Summary of Economic Impacts

Activity/Impact Categories	Annual Economic Impacts of Cannabis Activity by Business Group					
	Cultivation	Manufacturing	Distribution	Retail	Delivery	**Total**
Source	*Table A-14*	*Table A-15*	*Table A-16*	*Table A-17*	*Table A-18*	*Table A-13*
Annual Ongoing Economic Impacts						
Annual Ongoing Operational Impacts [1]	$1,550.3 M	$238.3 M	$229.8 M	$79.2 M	$135.8 M	$2,233.4 M
Annual Ongoing Operational Jobs (Annual Average) [2]	7,005	889	2,047	912	1,565	12,418

Source: IMPLAN, 2019 Dataset; City of Sacramento; EPS.

[1] Includes direct, indirect, and induced impacts of cannabis activity.
[2] Employment includes both full-time and part-time workers.

1. ***Cannabis operations in the City are estimated to result in $2.2 billion in total economic output in the local economy, annually, inclusive of direct, indirect, and induced impacts.***

   Of the $2.2 billion in activity, $606.3 million will be retained by employees of local businesses in the form of income. Cannabis operations generate $1.5 billion in direct economic activity, $357.1 million of which is income. The remaining $746.2 million of economic activity reflects the estimated indirect and induced impacts supported by cannabis operations as spending ripples through the local economy. This level of economic activity generates support for approximately 12,500 full- and part-time jobs in the region, including 8,000 direct, 2,600 indirect, and 1,800 induced jobs.

2. ***The majority of economic activity created by cannabis operations are estimated to be captured by the City.***

   All $1.5 billion in direct economy activity generated annually is captured in the City, and a significant portion (65 percent) of indirect and induced impacts are estimated to be retained by the City, for a total City impact of $2.0 billion, annually, supporting 11,000 jobs.[51]

[51] City capture or Sacramento County economic activity is based on the percentage of total annual economic activity occurring in the City, based on total economic impact estimates provided by IMPLAN.

3. ***Cultivation activities generate the most significant economic impacts of all cannabis operations, followed by manufacturing and distribution.***

   Cannabis cultivation activities are estimated to generate $1.6 billion in economic activity annually, supporting 7,000 jobs, the greatest level of impact generated out of all cannabis business groups analyzed. Manufacturing and distribution reflect the next largest economic drivers in the local economy, generating $238.3 million and $229.8 million in economic output, respectively.

4. ***Economic activity attributable to cannabis operations accounts for approximately 2 percent of the local economy.***

   Based on regional data provided by IMPLAN, $151.4 million in economic output is generated in Sacramento County, of which cannabis operations account for approximately 2 percent.

Fiscal Effects of the Cannabis Industry on the City General Fund

A City Fiscal Impact Analysis (Fiscal) has been prepared for its cannabis industry, which estimates the annual fiscal revenues, expenditures, and resulting fiscal surplus or deficit to the City General Fund attributable to cannabis operations. This Fiscal examines the estimated annual net fiscal impact on the City's General Fund budget resulting from cannabis operations, based on the approved Fiscal Year (FY) 2021/22 City budget.

Specifically, the Fiscal estimates whether estimated General Fund revenues from cannabis operations adequately cover the cost of delivering General Fund municipal services (e.g., police and fire protection) to the cannabis businesses, as well as provide ongoing funding for the OCM. The fiscal impacts of cannabis operations were estimated for each major cannabis business group, cultivation, manufacturing, distribution, and retail.

Key Findings

Table 21 shows the annual fiscal surplus resulting from each cannabis business group. A detailed accounting of all fiscal revenues and expenditures included in this analysis is included on **Table 22**.

Table 21. Summary of Fiscal Impacts

Item	Annual Fiscal Impact Summary by Business Group (Millions)					
	Cultivation	Manufacturing	Distribution	Retail	Delivery	**Total**
City General Fund Net Fiscal Impacts						
Annual General Fund Revenues	$6.5 M	$1.2 M	$5.8 M	$13.8 M	$4.8 M	**$27.3 M**
Annual General Fund Expenditures	$2.2 M	$0.4 M	$1.7 M	$2.5 M	$1.1 M	**$7.5 M**
Annual Net General Fund Surplus/(Deficit)	**$4.3 M**	**$0.9 M**	**$4.1 M**	**$11.3 M**	**$3.7 M**	**$19.8 M**
Additional Cannabis Fiscal Revenues						
Local Neighborhood Responsibility Fee	$0.9 M	$0.2 M	$1.2 M	$2.2 M	$0.7 M	**$5.2 M**

Source: EPS.

Table 22. Detailed Summary of Fiscal Impacts

Item	Annual Fiscal Impacts by Business Group					
	Cultivation	Manufacturing	Distribution	Retail	Delivery	**Total**
City General Fund						
Annual Revenues						
Property Tax	$716,000	$93,000	$69,000	$60,000	$69,000	$938,000
Property Tax in lieu of VLF	$333,000	$43,000	$32,000	$28,000	$32,000	$436,000
Real Property Transfer Tax	$44,000	$6,000	$4,000	$4,000	$4,000	$58,000
Sales Tax	$76,000	$8,000	$25,000	$2,082,000	$663,000	$2,191,000
Sales Tax - Measure U	$76,000	$8,000	$25,000	$2,082,000	$663,000	$2,191,000
Sales Tax - Prop. 172 (Public Safety)	$4,000	$0	$1,000	$122,000	$39,000	$127,000
Transient Occupancy Tax (TOT)	$6,000	$1,000	$2,000	$1,000	$2,000	$10,000
Utility Taxes	$93,000	$10,000	$30,000	$16,000	$27,000	$149,000
Business Operations Tax - Cannabis	$3,617,000	$814,000	$4,846,000	$8,703,000	$2,671,000	$17,980,000
Business Operations Tax - Other	$43,000	$5,000	$14,000	$7,000	$12,000	$69,000
Franchise Fees	$7,000	$1,000	$2,000	$1,000	$2,000	$11,000
Cannabis Business Permit Fees	$1,434,000	$251,000	$724,000	$714,000	$590,000	$3,123,000
Fines and Forfeitures	$21,000	$2,000	$7,000	$4,000	$6,000	$40,000
Total Annual GF Revenues	**$6,470,000**	**$1,242,000**	**$5,781,000**	**$13,824,000**	**$4,780,000**	**$27,323,000**
Annual Expenditures						
General City Operations	$1,252,136	$135,564	$404,020	$210,258	$360,484	$2,001,978
Cannabis Operations						
Cannabis Management	$247,889	$55,774	$332,089	$596,429	$183,019	$1,415,200
City Attorney	$184,621	$41,539	$247,330	$444,203	$136,307	$1,054,000
Community Development	$117,201	$26,370	$157,010	$281,989	$86,530	$669,100
Finance	$17,674	$3,977	$23,677	$42,524	$13,049	$100,900
Fire	$13,925	$3,133	$18,655	$33,505	$10,281	$79,500
Police	$220,755	$49,669	$295,738	$531,144	$162,986	$1,260,292
Auditor	$29,094	$6,546	$38,977	$70,002	$21,481	$166,100
Community Outreach and Education	$131,372	$29,558	$175,994	$316,084	$96,993	$750,000
Total Cannabis Operations Expenditures	**$962,532**	**$216,564**	**$1,289,470**	**$2,315,881**	**$710,645**	**$5,495,092**
Total Annual GF Expenditures	**$2,214,668**	**$352,128**	**$1,693,490**	**$2,526,139**	**$1,071,130**	**$7,497,070**
Annual General Fund Surplus/(Deficit)	**$4,255,332**	**$889,872**	**$4,087,510**	**$11,297,861**	**$3,708,870**	**$19,825,930**
Additional Cannabis Fiscal Revenues						
Local Neighborhood Responsibility Fee	$904,318	$203,466	$1,211,483	$2,175,817	$667,666	$5,162,750

detsum

Source: EPS.

Note: All values are rounded to the nearest $1,000.

1. ***Cannabis operations generate a significant fiscal surplus of $19.8 million to the City's General Fund annually.***

   Cannabis operations are estimated to generate $27.3 million in General Fund revenues annually, well above the estimated $7.5 million in General Fund expenditures required to fund municipal services for cannabis-related businesses. Cannabis-related revenues are estimated to account for approximately 5 percent of all General Fund revenues budgeted for FY 2021/22. Retail operations are the largest driver of fiscal surpluses, with an estimated surplus of $11.3 million attributable to retail cannabis operations.

2. ***Business operations taxes are the largest revenue source for cannabis operation in the City.***

   Based on the FY 2021/22 City budget, it is anticipated that cannabis uses will generate $20.7 million in business operations taxes. Cannabis uses are anticipated to contribute approximately 73 percent of all business operations taxes generated in the City.

3. ***Cannabis operations are anticipated to generate approximately $4.5 million in sales tax revenue in FY 2021/22, including all City sales tax revenues.***

   At the time of retail sales, non-medical adult-use cannabis products are assessed multiple sales taxes, including the general 1 percent sales tax, the City Supplemental General Fund Measure U transaction and use tax, and Proposition 172 public safety sales tax, all of which provide revenues to the City General Fund. Cannabis sales in the City are anticipated to generate approximately 5 percent of all budgeted City sales tax revenues for FY 2021/22.

4. ***Revenues generated are significantly greater than the cost of operating the OCM.***

   The approved City budgeted expenditures for the OCM are estimated at $3.2 million for FY 2021/22, accounting for less than 1 percent of all budgeted General Fund expenditures.

5. ***Based on conversations with the City Police and Fire Departments, cannabis uses have not been shown to be overly taxing on the respective departments beyond a typical commercial or industrial user.***

   Using a per-persons-served multiplier effect, it is estimated that cannabis operations will require $1.0 million in police services and $760,000 in fire services for a total public safety expenditure budget of $1.8 million for FY 2021/22.

6. ***In addition to the estimated General Fund revenues, cannabis operations are estimated to generate an additional $5.2 million in non-General Fund revenues through the neighborhood responsibility plan fee.***

   Estimated as 1 percent of all activity related to cannabis operations, the neighborhood responsibility plan fee is anticipated to generate an additional $5.2 million in revenues beyond those captured by the City's General Fund.

The above-referenced fiscal surplus indicates the possibility of introducing several industry-supportive measures, as discussed in **Chapter 4** of this report.

Key Chapter Findings

- Cannabis operations in the City are estimated to result in $2.2 billion in total economic output in the local economy, annually, inclusive of direct, indirect, and induced impacts, supporting nearly 12,500 jobs. Cannabis operations generate $1.5 billion in direct economic activity, $357.1 million of which is income. The remaining $746.2 million of economic activity reflects the estimated indirect and induced impacts supported by cannabis operations as spending ripples through the local economy. The City is anticipated to capture the majority of economic activity attributable to cannabis, with $2.0 billion of the estimated economic activity anticipated to be captured in the City, annually, supporting 11,000 jobs.
- Cannabis operations generate a significant fiscal surplus of $19.8 million to the City's General Fund, annually. Cannabis operations are estimated to generate $27.3 million in General Fund revenues annually, well above the estimated $7.5 million in General Fund expenditures required to fund municipal services for cannabis-related businesses. Cannabis-related revenues are estimated to account for approximately 5 percent of all General Fund revenues budgeted for FY 2021/22. The neighborhood responsibility plan fee is anticipated to generate an additional $5.2 million in revenues beyond those captured by the City's General Fund.

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APPENDICES:

Appendix A: Fiscal and Economic Impact Analysis Methodology and Detailed Tables

Appendix B: Initiatives in Other States

Appendix C: Comparison of Cannabis Land Use Regulations: Sacramento, Oakland, Long Beach, Seattle

Appendix D: Comparison of City of Sacramento and State of California Cannabis Regulations

Appendix E: Real Estate Market Analysis Support Figures

Appendix F: Cannabis Business Crime Data

Appendix G: Cannabis Industry Survey Responses

APPENDIX A:

Fiscal and Economic Impact Analysis Methodology and Detailed Tables

Fiscal and Economic Impact Analysis Methodology and Detailed Tables

This section details the underlying methodology and assumptions used to estimate the fiscal impact of cannabis operations on the City. It describes assumptions concerning municipal service delivery and General Fund budgeting. In addition, it details the methodology used to estimate the General Fund revenues and municipal service expenditures attributable to cannabis operations. The municipal services analyzed in this Analysis comprise General Fund services only (e.g., police, fire). The Analysis excludes any services that may be funded privately. Further, this Analysis does not address activities budgeted in other City Governmental Funds or Proprietary Funds (e.g., enterprise funds), nor does it include an evaluation of capital facilities or the funding of capital facilities needed to serve new development.

General Assumptions

The Analysis is based on the City's Approved Budget for FY 2021–22, estimated citywide residential and employment populations as of 2021, tax regulations and statutes current as of December 2021, and other general assumptions discussed herein. Each revenue item is estimated based on current State legislation and current City practices. Future changes by either State or City legislation or practices may affect the revenues and expenditures estimated in this Analysis. All costs and revenues are shown in constant 2021 dollars. General fiscal and demographic assumptions are detailed in **Table A-1**.

EPS consulted the City's budget documents to develop forecasting methodologies for specific revenues and expenditures affected by cannabis operations. In addition, EPS consulted with City staff to clarify budget data and review assumptions.

Cannabis Business Assumptions

Listed below are summaries of cannabis business operations-related assumptions used in this Analysis:

- **Building Square Footage.** Building square footage of cannabis businesses was obtained from building permit application data for all cannabis uses with the City. Building square feet by business group is shown in **Table A-2**.
- **Estimated Population.** Employment estimates are based on an assumed employment density for each cannabis business group. A building square foot per employee assumption was developed based on preliminary data provided by the City pertaining to a survey of cannabis business. The City data provided an estimate of full and part time employees for each business group. To estimate the full-time

equivalent employees, this study assumes all part time employees are one half of a full-time employee. In estimating certain annual revenues and expenditures (service demands), EPS developed a "persons-served" population estimate to approximate the impacts of an employee relative to a City resident. EPS uses a factor of 0.5 employees plus all residents to derive the persons-served population. As this analysis is an assessment of business-related costs and revenues, persons served is equal to one half of all employees. **Table A-2** shows the estimated employees, and persons served generated by cannabis uses.

- **Assessed Value.** The assessed value for cannabis uses is estimated in this analysis utilizing assessed value per square foot assumptions based on available data for similar nonresidential uses located in and around the Sacramento region. The estimated assessed value for cannabis uses includes the value of both secure and unsecure property. The estimated assessed value is presented in **Table A-12**.
- **Property Turnover Rates.** It is assumed in this analysis that all property will turn over once every 20 years and an annual turnover rate of 5 percent is assumed for all business groups.

General Fund Assumptions

This Fiscal Analysis considered only discretionary General Fund revenues that are generated by cannabis operations. Offsetting revenues, provided by City Finance Department staff, are General Fund revenues dedicated to offset the costs of specific General Fund department functions and are excluded from this Analysis for both revenue and cost estimates. Offsetting revenues by revenue and cost categories are shown in **Table A-4** and **Table A-10**, respectively.[52]

In addition, this Fiscal Analysis excluded revenue and expenditure items that are not expected to be impacted by cannabis operations.

General Fund Revenue-Estimating Methodology

EPS used either an average-revenue approach or a marginal-revenue case-study approach to estimate Project-related General Fund revenues:

- **The average-revenue approach** uses the City's FY 2021-22 budgeted revenue amounts on a citywide per capita, per-employee, or per-persons-served basis to forecast revenues derived from cannabis employees, or persons served.

[52] Although commonly included as an offsetting revenue source, a portion of funding from fines and forfeitures is used to fund services related to cannabis. As such, this revenue source is estimated using a per persons served multiplier, which assumes that fine and forfeitures collected from cannabis operations is consistent with the collection from other sources on a per persons served basis.

- **The marginal-revenue case-study approach** simulates actual revenue generation resulting from new development. The case-study approach for estimating sales and use tax revenues, for instance, forecasts market demand and taxable spending from the cannabis employees and direct cannabis taxable sales. Case studies used in this Analysis are discussed in greater detail later in this section.

Revenue sources not expected to be impacted by cannabis operations are excluded from this Fiscal Analysis. These sources of revenue are not affected by cannabis operations because they are either one-time revenue sources not guaranteed to be available in the future or there is no direct relation between cannabis operations and increased revenue.

A listing of all City General Fund revenue sources and the corresponding estimating procedure used to estimate revenues attributable to cannabis operations is shown in **Table A-4**. A summary of estimated annual General Fund revenues generated by cannabis operations is provided in **Table A-5**. As shown, cannabis operations are estimated to generate nearly $27.3 million in annual General Fund revenues. In addition to the General Fund revenues, cannabis operations are estimated to generate an additional $5.2 million in non-General Fund revenues in the form of neighborhood responsibility plan fees.

Average-Revenue Categories

An average revenue multiplier was used to estimate a variety of revenue sources, including transient occupancy taxes (TOT), utility taxes, business operations taxes (non-cannabis related), franchise fees, other license and permit fees, and fines and forfeitures.

All sources were estimated using a per-persons-served revenue multiplier, except business operations tax revenue, which was estimated based on a per-employee revenue multiplier.

An adjustment factor was applied to the average revenue multiplier for the all categories to account for the unpredictable, historical ebbs and flows of these revenue sources. As a conservative approach to prevent potentially overestimating revenues, this Fiscal Analysis discounts all revenues estimated via multiplier by 50 percent.

The average revenue methodologies used in this Analysis are based on EPS's previous experience in forecasting these revenue sources and conversations with City Finance staff to determine specific circumstances related to these City General Fund revenues.

Marginal-Revenue Categories

Property Tax

Estimated annual property tax revenue resulting from cannabis operations is presented in **Table A-6**. The estimate of property taxes the City receives is derived from the estimated assessed values of all cannabis uses, shown in **Table A-12**, and the City

average General Fund's post-Educational Revenue Augmentation Fund (ERAF) share of the 1 percent ad valorem property tax rate.

Property Tax in Lieu of Vehicle License Fee

The Analysis uses a formula provided by the State Controller's Office to forecast Property Tax in Lieu of Vehicle License Fees (PTIL VLF). PTIL VLF is calculated by taking the percentage of the City's assessed value resulting from the assessed value of cannabis uses and applying that percentage increase to the City's current State allocation of PTIL VLF revenue, as shown in the City's FY 2021-22 budget. This calculation of PTIL VLF based on the Project's estimated total and marginal assessed values is shown in **Table A-6**.

Real Property Transfer Tax

Real property transfer tax is based on the assessed value of cannabis uses and the anticipated turnover of properties over time. This Analysis is based on the assumption that all property will transfer once every 20 years. An estimate of real property transfer revenue attributable to cannabis uses is shown on **Table A-7**.

Sales Tax

Sales tax revenue is based on estimated taxable sales, the Bradley-Burns local 1 percent Uniform Local Sales Tax rate and the Measure U 1 percent rate as summarized in **Table A-8**. Measure U was a supplemental half-cent transactions and use tax rate approved by voters in 2012 as a temporary tax. In November 2018, Sacramento voters approved a new version of the City's Measure U tax, extending it and raising it from a half-cent to a full cent.

EPS uses a combination of methodologies to account for taxable sales generated by the Project:

1. **Market Support Method.** This methodology measures taxable sales generated from cannabis business employees spending money within the City's boundaries.
2. **Retail Space Method.** This methodology estimates direct taxable sales from retail sales of cannabis.

Annual Taxable Sales from Market Support (Employees)

Based on estimates gleaned from the 2012 International Council of Shopping Centers' Office-Worker Spending in a Digital Age report and conversations with the City's sales tax consultant, employees within the City are estimated to spend an average of $10 in taxable retail expenditures per day for each of the 240 work days annually. To remain

conservative, this Fiscal Analysis estimates the City will capture approximately 75 percent of taxable expenditures from the Project's employees.

Refer to **Table A-8A** for estimated annual taxable sales from market support.

Direct Annual Taxable Sales from Retail Cannabis Sales

Retail and delivery operations generate both medical and adult use sales. While medical sales will result in business operations tax and other revenues, medical sales of cannabis is not eligible for general sales tax collection. The Fiscal Analysis estimated total annual retail sales for both retail category for FY 2021-22 based on the amount of business operations taxes allocated to both sale categories for FY 2020-21, as provided by City staff. The Fiscal Analysis assumes that FY 2021-22 retail sales will be consistent with levels seen in FY 2020-21. Based on data provided by the City, it is estimated that $290 million in taxable sales will occur in FY 2021-22, $271 million of which is adult use. EPS further allocated retail sales to retail and delivery uses based on the share of business operations tax collected for each category in the previous year.

Refer to **Table A-8B** for estimated annual taxable sales from onsite retail development at buildout of the Project

Proposition 172 Public Safety Sales Tax

Public safety sales tax is collected on a countywide basis and allocated principally to the County, with a small portion of revenues allocated to incorporated cities in the County. This revenue source is used to fund police and fire services in the City. The Analysis estimates these tax revenues using the current FY 2021-22 relation between total sales tax revenue and Proposition 172 public safety sales tax revenue. This relation may vary in the future because actual revenues received by the City are affected by several factors in the rest of the County. The estimated FY 2021-22 revenues shown in this Analysis reflect existing fiscal conditions. Estimated revenues from the City's share of the half-cent sales tax for public safety are shown in **Table A-8**.

Business Operations Tax

Project business operations taxes for cannabis uses are included in the FY 2021-22 approved budget for City and are fully allocable to cannabis operations. The Fiscal Analysis assumes that projected business operations tax revenues will be generated by each business group, consistent with that group's proportional share of revenues seen in the previous year. Allocation of business operation taxes to each business is shown in **Table A-9**.

Neighborhood Responsibility Plan Fee

The neighborhood responsibility plan fee is a 1 percent fee applied to all cannabis uses in the City. This revenue source is not allocated to the General Fund and has been estimated in this analysis as an independent revenue not contributing to the estimated

annual General Fund surplus. Estimated as 1 percent of all cannabis related activity for each business group, the local neighborhood responsibility plan fee is estimated to result in an additional $5.2 million in revenues. The obligation is occasionally met in whole or in part through in-kind services. For purposes of this analysis, the value of any in-kind services are assumed to have a value similar to the 1% fee. Estimated revenues from the neighborhood responsibility plan fee are estimated on **Table A-9.**

Expenditure-Estimating Methodology

Expenditure estimates are based on the City's FY 2021-22 approved budget and supplemental information from City staff. The Fiscal Analysis shows estimates of General Fund expenditures attributable to cannabis operations, including direct Cannabis expenditure and general City operational expenditures. General city operationsal expenditures are defined as General Fund department expenditures not directly attributable to cannabis operations. These expenditures that are expected to be affected by the Project are forecasted using an average-cost approach. The average-cost approach uses the City's FY 2021-22 budgeted expenditures on a citywide per capita or per-persons-served basis to forecast expenditures required to serve new development.

A listing of all City General Fund expenditures and the corresponding estimating procedure used to forecast future expenditures is shown in **Table A-10**. A summary of estimated annual General Fund expenditures required to serve cannabis operations is provided in **Table A-11**. As shown, the Project is estimated to result in about $7.5 million in annual General Fund costs. Expenditures directly related to cannabis operations were provided by the City based on the approved FY 2021-22 budget, including all expenditures related to cannabis specific FTEs. Cannabis operational expenditures are estimated at $5.5 million annually. The remaining $2.0 million in expenditures is attributed to general City operational expenditures required to serve Cannabis businesses and employees.

Average-Cost Expenditures

General City operational expenditures are estimated using a per persons served or per capita expenditure multiplier. Convention and Cultural Services and Citywide and Community Support expenditures are estimated using a per capita average cost multiplier because this service generally is demanded by residential development only. As the Fiscal Analysis estimates the impact of nonresidential uses, no annual expenditures are estimated for these cost categories.

Expenditures that are affected by residents and employees are projected using a per-persons-served average cost multiplier. These expenditures include General Government, Police, Fire, Community Development, and Public Works expenditures, net of direct cannabis expenditures.

An adjustment factor can be applied to the average-cost multipliers for expenditure categories to reflect the percentage of expenditures subject to increase due to development within the City, considering fixed costs. This analysis assumes adjustment

factors consistent with those used for recent fiscal completed for various projects in the City. Expenditure factors range from 50 to 90 percent for all expenditure categories, except for police and fire services, which do not include an adjustment factor. As shown on **Table A-10**, general City operational are estimated at approximately $593 per person served.

Police and Fire Expenditures

Based on conversations with the City police and fire departments, cannabis operations have not been shown to be overly taxing on their respective public safety departments beyond the impacts associated with typical industrial and commercial uses. As such, this Fiscal Analysis estimates police and fire expenditures using a per persons served multiplier method for all expenditures beyond those directly attributed to Cannabis employment.

Cannabis Operations Expenditures

Based on the approved FY 2021-22 City budget and supplemental information provided by City staff, approximately $5.5 million in annual City General Fund expenditures are attributable directly to cannabis related employment. These expenditures include funding for the Office of Cannabis Management and all other cannabis related City employment FTEs. Consistent with the allocation of business operating taxes between business groups, direct cannabis operational expenditures are attributed to each business group based on the proportional share of economic activity generated by each business group, as shown on **Table A-10**.

Economic Impact Analysis: Detailed Findings and Assumptions

The following section provides the detailed results of the economic impact analysis, as well as the assumptions used to calculate each impact.

Economic Impacts of Annual Cannabis Operations

To estimate the economic activity resulting from the cannabis operations, this Analysis estimates the ongoing economic impacts occurring annually as a result of cannabis operations in the local economy, defined as Sacramento County for the economic impact analysis. Ongoing economic impacts capture the direct, indirect, and induced impacts generated by cannabis activity, including direct operational expenditures, employee wages, and employee household spending. While the local economy for the economic impact analysis is defined as Sacramento County, due to the location of cannabis businesses in the City, it can be assumed that all direct impacts occur within the City and the majority of indirect and induced impacts would similarly occur in the City.

Impacts associated with these economic activities are estimated for each of the major business groups, including cultivation, manufacturing, distribution, retail, and delivery, based on employment estimates for each group. As shown on **Table A-2** employment levels are estimated based on an assumed square foot per employee assumption applied

to the total square footage of cannabis businesses for each business group. As described previously, the total square footage of cannabis businesses included in the study is based on the building square footages included on business permit applications for cannabis businesses. To arrive at a full time equivalent employee estimate for cannabis businesses, a building square foot per employee assumption was developed based on preliminary data provided by the City pertaining to a survey of cannabis business, adjusted based on EPS knowledge of data pertaining to similar land uses within the greater Sacramento region. The City data provided an estimate of full and part time employees for assorted cannabis businesses. To estimate the full time equivalent employees, this study assumes all part time employees are one half of a full time employee. As shown, cannabis operations are estimated to support approximately 8,000 full time equivalent employees in the City.

A detailed summary of the estimated economic impacts of each business groups are described below and summarized in **Tables A-13** through **A-18** of this appendix

Economic Impacts of All Cannabis Business Groups

Table A-13 summarizes the total combined estimated annual impacts associated with all cannabis business group operations. The resulting impacts are described below:

- **Annual Output.** Cannabis operations are estimated to generate approximately $1.5 billion in direct industry output annually. Local business to business expenditures result in approximately $437.4 million in indirect industry output impacts and employee household spending results in $308.8 million in induced impacts annually for a total industry output impact of $2.2 billion on an annual basis.
- **Employee Compensation.** Of the $1.5 billion in direct industry output reported above, approximately $357.1 million is received by employees in the form of salary, wages, and benefits. Indirect and induced employee compensation impacts total approximately $249.2 million for a total annual employee compensation impact of approximately $606.3 million.
- **Annual Employment.** Cannabis operations are estimated to employ approximately 8,000 direct FTEs and support 2,600 indirect jobs, and 1,800 induced jobs annually for a total employment impact of approximately 12,400 jobs on an annual basis.

Economic Impacts of Cultivation Activities

Table A-14 summarizes the total estimated annual impacts associated with cultivation operations. The resulting impacts are described below:

- **Annual Output.** Cultivation operations are estimated to generate approximately $1.1 billion in direct industry output annually. Local business to business expenditures result in approximately $254.0 million in indirect industry output impacts and

employee household spending results in $200.1 million in induced impacts annually for a total industry output impact of $1.6 billion on an annual basis.

- **Employee Compensation.** Of the $1.1 billion in direct industry output reported above, approximately $238.2 million is received by employees employed by cultivation operations in the form of salary, wages, and benefits. Indirect and induced employee compensation impacts total approximately $152.4 million for a total annual employee compensation impact of approximately $390.6 million.
- **Annual Employment.** Cultivation operations are estimated to employ approximately 4,200 direct FTEs and support 1,600 indirect jobs, and 1,200 induced jobs annually for a total employment impact of approximately 7,000 jobs on an annual basis.

Economic Impacts of Manufacturing Activities

Table A-15 summarizes the total estimated annual impacts associated with manufacturing operations. The resulting impacts are described below:

- **Annual Output.** Manufacturing operations are estimated to generate approximately $159.1 million in direct industry output annually. Local business to business expenditures result in approximately $59.1 million in indirect industry output impacts and employee household spending results in $20.2 million in induced impacts annually for a total industry output impact of $238.3 million on an annual basis.
- **Employee Compensation.** Of the $159.1 million in direct industry output reported above, approximately $12.0 million is received by employees employed by manufacturing operations in the form of salary, wages, and benefits. Indirect and induced employee compensation impacts total approximately $28.7 million for a total annual employee compensation impact of approximately $40.7 million.
- **Annual Employment.** Manufacturing operations are estimated to employ approximately 500 direct FTEs and support 300 indirect jobs, and 100 induced jobs annually for a total employment impact of approximately 900 jobs on an annual basis.

Economic Impacts of Distribution Activities

Table A-16 summarizes the total estimated annual impacts associated with distribution operations. The resulting impacts are described below:

- **Annual Output.** Distribution operations are estimated to generate approximately $114.2 million in direct industry output annually. Local business to business expenditures result in approximately $75.0 million in indirect industry output impacts and employee household spending results in $40.6 million in induced impacts annually for a total industry output impact of $229.8 million on an annual basis.

- **Employee Compensation.** Of the $114.2 million in direct industry output reported above, approximately $46.5 million is received by employees employed by distribution operations in the form of salary, wages, and benefits. Indirect and induced employee compensation impacts total approximately $36.8 million for a total annual employee compensation impact of approximately $229.8 million.
- **Annual Employment.** Distribution operations are estimated to employ approximately 1,400 direct FTEs and support 400 indirect jobs, and 200 induced jobs annually for a total employment impact of approximately 2,000 jobs on an annual basis.

Economic Impacts of Retail Activities

Table A-17 summarizes the total estimated annual impacts associated with retail operations. The resulting impacts are described below:

- **Annual Output.** Retail operations are estimated to generate approximately $43.7 million in direct industry output annually. Local business to business expenditures result in approximately $18.1 million in indirect industry output impacts and employee household spending results in $17.4 million in induced impacts annually for a total industry output impact of $79.2 million on an annual basis.
- **Employee Compensation.** Of the $43.7 million in direct industry output reported above, approximately $22.2 million is received by employees employed by retail operations in the form of salary, wages, and benefits. Indirect and induced employee compensation impacts total approximately $11.5 million for a total annual employee compensation impact of approximately $33.8 million.
- **Annual Employment.** Retail operations are estimated to employ approximately 700 direct FTEs and support 100 indirect jobs, and 100 induced jobs annually for a total employment impact of approximately 900 jobs on an annual basis.

Economic Impacts of Delivery Activities

Table A-18 summarizes the total estimated annual impacts associated with delivery operations. The resulting impacts are described below:

- **Annual Output.** Delivery operations are estimated to generate approximately $74.9 million in direct industry output annually. Local business to business expenditures result in approximately $31.1 million in indirect industry output impacts and employee household spending results in $29.8 million in induced impacts annually for a total industry output impact of $135.8 million on an annual basis
- **Employee Compensation.** Of the $74.9 million in direct industry output reported above, approximately $38.1 million is received by employees employed by delivery operations in the form of salary, wages, and benefits. Indirect and induced employee

compensation impacts total approximately $19.8 million for a total annual employee compensation impact of approximately $57.9 million.

- **Annual Employment.** Delivery operations are estimated to employ approximately 1,200direct FTEs and support 200 indirect jobs, and 200 induced jobs annually for a total employment impact of approximately 1,600 jobs on an annual basis.

Table A-1
City of Sacramento Cannabis Study
Fiscal and Economic Impact Analysis
General Assumptions

Item	Assumption
General Assumptions	
Base Fiscal Year [1]	FY 2021-22
General Demographic Characteristics	
City of Sacramento	
Population [2]	515,673
Employees [3]	367,400
Persons Served [4]	699,373

gen assumps

Source: California Department of Finance; US Census Bureau, OnTheMap, and LEHD Origin Destination Employment Statistics; California EDD; EPS.

[1] This Fiscal Impact Analysis is based on the City of Sacramento's FY 2019-20 Approved Budget.
[2] California Department of Finance estimate for January 1, 2019.
[3] US Census Onthemap.ces.census.gov estimated a total of 318,363 jobs in Sacramento, CA in 2017. California EDD reports an annual average growth rate of 4.91% since 2017 for the Sacramento MSA. EPS escalated 2017 employment figure to arrive at 2020 employment estimate, adjusted by an additional 10% to account for self-employed workers, and rounded to the nearest hundred employees.
[4] "Persons Served" is defined as City of Sacramento's population plus 50% of employees.

Table A-2
City of Sacramento Cannabis Study
Fiscal and Economic Impact Analysis
Cannabis Business Group Estimated Square Footage and Employment

Item	Total Cannabis Land Uses and Employment by Business Group					
	Cultivation	Manufacturing	Distribution	Retail	Delivery	**Total**
Building Square Footages						
Active Cannibis Business Licenses	70	39	99	29	58	**295**
Building Square Footage	1,583,999	205,793	204,440	106,394	121,607	**2,222,233**
Employment Estimates						
Square Feet per Full Time Employee (FTE) [1]	375	450	150	150	100	
Estimated Employee FTE's	4,224	457	1,363	709	1,216	**7,970**

Source: City of Sacramento; EPS.

[1] Square feet per employee assumptions are based on intial data provided by the Office of Cannabis Research pertaining to a survey of local cannabis businesses within the City.

Table A-3
City of Sacramento Cannabis Study
Fiscal and Economic Impact Analysis
Project Assumptions

Land Use Category	Land Use Assumptions				
	Cultivation	Manufacturing	Distribution	Retail	Delivery
Square Feet per Employment FTE [1]	375	450	150	150	100
Property Turnover Rate	5%	5%	5%	5%	5%
Assessed Value per Square Foot					
Secured Value [2]	$150	$150	$150	$250	$250
Unsecured Value [2]	$50	$50	$0	$0	$0
Total Value per Square Foot	**$200**	**$200**	**$150**	**$250**	**$250**

Assumps

Source: City of Sacramento; EPS.

[1] Square feet per employee assumptions are based on intial data averages provided by the Office of Cannabis research pertaining to a survey of local cannabis businesses within the City, rounded.
[2] Assessed value assumptions are based on industry standard average valuations for similar uses in the City and surrounding region.

Table A-4
City of Sacramento Cannabis Study
Fiscal and Economic Impact Analysis
Revenue-Estimating Procedures (2021$)

Item	Estimating Procedure	Reference Table [1]	City of Sacramento Approved FY 2021-22 Revenues (Rounded)	Offsetting Revenues [2]	Adjusted Net FY 2021-22 Revenues	% of Total	Adjustment Factor [3]	Service Population	Revenue Multiplier
Annual General Fund Revenues									
Taxes									
Property Tax	Case Study	Table A-6	$137,699,000	$0	$137,699,000	33.5%	0.0%	NA	NA
Property Tax in lieu of VLF [4]	Case Study	Table A-6	$53,363,000	$0	$53,363,000	13.0%	0.0%	NA	NA
Real Property Transfer Tax	Case Study	Table A-7	$12,659,000	$0	$12,659,000	3.1%	0.0%	NA	NA
Sales Tax	Case Study	Table A-8	$96,411,000	$0	$96,411,000	23.5%	0.0%	NA	NA
Sales Tax - Prop. 172 (Public Safety)	Case Study	Table A-8	$5,640,000	$0	$5,640,000	1.4%	0.0%	NA	NA
Transient Occupancy Tax (TOT)	Per Person Served	Table B-6	$3,743,000	$0	$3,743,000	0.9%	50.0%	688,422	$2.72
Utility Taxes	Per Person Served	Table A-5	$61,594,000	$0	$61,594,000	15.0%	50.0%	699,373	$44.04
Business Operations Tax - Cannabis	Case Study [5]	Table A-9	$20,651,000	$0	$20,651,000	5.0%	0.0%	NA	NA
Business Operations Tax - Other	Per Employee	Table A-5	$7,509,000	$0	$7,509,000	1.8%	50.0%	367,400	$10.22
Residential Development Property Tax	[6]	NA	$368,000	$0	$368,000	0.1%	0.0%	NA	NA
Subtotal Taxes			**$399,637,000**	**$0**	**$399,637,000**	**97.2%**			
Licenses and Permits									
Franchise Fees	Per Person Served	Table A-5	$4,331,000	$0	$4,331,000	1.1%	50.0%	699,373	$3.10
Cannabis Related Business Permit Fees	[5]	Table A-5	$3,178,000	$0					
Other Licenses & Permits	Per Person Served	Table A-5	$27,488,000	$27,488,000	$0	0.0%	50.0%	699,373	$0.00
Subtotal Licenses and Permits			**$34,997,000**	**$27,488,000**	**$4,331,000**	**1.1%**			
Fines and Forfeitures	Per Person Served	Table A-5	$7,029,000	$0	$7,029,000	1.7%	0.0%	699,373	$10.05
Use of Money (Interest, Rents, and Concessions)	[7]	NA	$2,854,000	$2,854,000	$0	0.0%	0.0%	NA	NA
Intergovernmental Revenue	[7]	NA	$14,205,000	$14,205,000	$0	0.0%	0.0%	NA	NA
Charges for Services	[7]	NA	$59,935,000	$59,935,000	$0	0.0%	0.0%	NA	NA
Miscellaneous Revenues	[7]	NA	$780,000	$780,000	$0	0.0%	0.0%	NA	NA
Contributions From Other Funds									
Enterprise Funds/General Tax	[7]	NA	$31,303,000	$31,303,000	$0	0.0%	0.0%	NA	NA
In-lieu Franchise Fee	[7]	NA	$2,154,000	$2,154,000	$0	0.0%	0.0%	NA	NA
In-lieu Property Tax	[7]	NA	$700,000	$700,000	$0	0.0%	0.0%	NA	NA
Investment Fees	[7]	NA	$2,850,000	$2,850,000	$0	0.0%	0.0%	NA	NA
Subtotal Contributions From Other Funds			**$37,007,000**	**$37,007,000**	**$0**	**0.0%**			
Total Annual General Fund Revenues [8]			**$556,444,000**	**$142,269,000**	**$410,997,000**	**100.0%**			

rev pro

Source: City of Sacramento FY 2019-20 Approved Budget; California Office of the Controller; California Department of Finance; EPS.

[1] Refers to table with detailed revenue calculations.
[2] Revenues are adjusted by user fees and cost recovery amounts shown in the City's FY 2021-22 Budget. These deductions from ongoing revenues also are deducted from ongoing costs, as shown in Table C-1. If Offsetting Revenues exceeds Revenues then Adjusted Net Revenues equal $0.
[3] Adjustment factor accounts for the unpredictable ebbs and flows of this revenue source. As a conservative approach to prevent potentially overestimating revenues, this analysis discounts revenues by 50%.
[4] Property Tax in lieu of Motor Vehicle License Fees is authorized by SB 1096 as amended by AB 2115.
[5] The entirety of revenues from this revenue item is attributable to cannabis operations.
[6] This revenue source is not expected to be directly affected by cannabis operations and therefore is not evaluated in this analysis.
[7] This revenue source is based on cost recovery or transfers from another fund and is therefore not evaluated in this analysis (see footnote [2] above).
[8] Excludes funding for General Fund Capital Improvement expenditures.

Table A-5
City of Sacramento Cannabis Study
Fiscal and Economic Impact Analysis
Estimated Annual Project Revenues (2021$)

Revenues	Reference Table	Annual Net Revenues						% of Total at Buildout
		Cultivation	Manufacturing	Distribution	Retail	Delivery	Total	
Annual General Fund Revenues								
Taxes								
Property Tax	Table A-6	$715,968	$93,018	$69,305	$60,112	$68,708	**$1,007,112**	3.1%
Property Tax in lieu of VLF	Table A-6	$332,965	$43,259	$32,231	$27,956	$31,953	**$468,363**	1.5%
Real Property Transfer Tax	Table A-7	$43,560	$5,659	$4,217	$3,657	$4,180	**$61,273**	0.2%
Sales Tax	Table A-8	$76,032	$8,232	$24,533	$2,082,372	$662,920	**$2,854,088**	8.9%
Sales Tax - Measure U	Table A-8	$76,032	$8,232	$24,533	$2,082,372	$662,920	**$2,854,088**	8.9%
Sales Tax - Prop. 172 (Public Safety)	Table A-8	$4,448	$482	$1,435	$121,818	$38,781	**$166,963**	0.5%
Transient Occupancy Tax (TOT)	Table A-4	$5,742	$622	$1,853	$964	$1,653	**$10,833**	0.0%
Utility Taxes	Table A-4	$93,002	$10,069	$30,009	$15,617	$26,775	**$175,472**	0.5%
Business Operations Tax - Cannabis	Table A-9	$3,617,272	$813,865	$4,845,932	$8,703,268	$2,670,662	**$20,651,000**	64.3%
Business Operations Tax - Other	Table A-4	$43,165	$4,673	$13,928	$7,248	$12,427	**$81,442**	0.3%
Residential Development Property Tax	NA	$0	$0	$0	$0	$0	**$0**	0.0%
Subtotal Taxes		**$5,008,186**	**$988,111**	**$5,047,975**	**$13,105,384**	**$4,180,979**	**$28,330,634**	**88.3%**
Licenses and Permits								
Franchise Fees	Table A-4	$6,539	$708	$2,110	$1,098	$1,883	**$12,338**	0.0%
Cannabis Related Business Permit Fees	Table A-4	$1,434,444	$250,749	$723,730	$714,114	$589,963	**$3,713,000**	
Subtotal Licenses and Permits		**$1,440,983**	**$251,457**	**$725,840**	**$715,212**	**$591,845**	**$3,725,338**	11.6%
Fines and Forfetitures	Table A-4	$21,227	$2,298	$6,849	$3,564	$6,111	**$40,049**	
Total Annual Gen. Fund Revenues (rounded)		**$6,470,000**	**$1,242,000**	**$5,781,000**	**$13,824,000**	**$4,779,000**	**$32,096,000**	**100.0%**
Neighborhood Responsibility Plan Fee	Table A-9	**$904,318**	**$203,466**	**$1,211,483**	**$2,175,817**	**$667,666**	**$5,162,750**	

revenues

Source: EPS.

Table A-6
City of Sacramento Cannabis Study
Fiscal and Economic Impact Analysis
Estimated Annual Property Tax Revenues (2021$)

Property Tax

Item	Assumption/ Source	Formula	Estimated Annual Property Tax Revenues					
			Cultivation	Manufacturing	Distribution	Retail	Delivery	**Total**
Property Tax Revenue (1% of Assessed Value)								
Assessed Valuation [1]	Table A-12	*a*	$316,799,871	$41,158,519	$30,666,065	$26,598,405	$30,401,750	**$445,624,609**
Property Tax Revenue (1% of Assessed Value)	1.00%	*b = a * 1.00%*	$3,167,999	$411,585	$306,661	$265,984	$304,018	**$4,456,246**
Estimated Property Tax Allocation								
City General Fund [2]	**22.60%**	***c = b * 22.60%***	**$715,968**	**$93,018**	**$69,305**	**$60,112**	**$68,708**	**$1,007,112**
Other Agencies/ERAF	77.40%	*f = b * 77.40%*	$2,452,031	$318,567	$237,355	$205,872	$235,310	**$3,449,134**
Property Tax In-Lieu of Motor Vehicle In-Lieu Fee Revenue (VLF)								
Total Citywide Assessed Value [3]	$50,772,282,921	*h*						
Total Assessed Value of Project		*i*	$316,799,871	$41,158,519	$30,666,065	$26,598,405	$30,401,750	**$445,624,609**
Percentage of Citywide AV		*j = i / h*	0.62%	0.08%	0.06%	0.05%	0.06%	0.88%
Property Tax In-Lieu of VLF [4]	**$53,363,000**	***k = j * $53,363,000***	**$332,965**	**$43,259**	**$32,231**	**$27,956**	**$31,953**	**$468,363**

prop tax

Source: Sacramento County Office of the Assessor; City of Sacramento Finance Department; EPS.

[1] Refer to Table A-12 for details.
[2] The allocation of the 1% property tax rate apportioned to the City of Sacramento is an estimated citywide average allocation and includes a shift to the Educational Revenue Augmentation Fund.
[3] Reflects Final FY 2021-22 Assessed Valuation. Includes Citywide secured, unsecured, homeowner exemption, and public utility roll.
[4] Property tax in-lieu of VLF amount of $53.4 million taken from FY 2021-22 Approved City Budget. See Table B-1.

Table A-7
City of Sacramento Cannabis Study
Fiscal and Economic Impact Analysis
Real Property Transfer Tax (2021$)

Real Property Transfer Tax Revenue

Item	Assumptions/ Sources	Annual Property Transfer Tax Revenues					
		Cultivation	Manufacturing	Distribution	Retail	Delivery	**Total**
Rate per $1,000 of AV [1]	**$2.75**						
Property Turnover Rate [2]	*Table A-3*	5%	5%	5%	5%	5%	
Assessed Value [3]	Table A-12	$316,799,871	$41,158,519	$30,666,065	$26,598,405	$30,401,750	**$445,624,609**
Total Annual Transfer Tax Revenue		**$43,560**	**$5,659**	**$4,217**	**$3,657**	**$4,180**	**$61,273**

transfer

Source: Sacramento County Recorder-Clerk; EPS.

[1] The rate of $2.75 per $1,000 of AV is for the City of Sacramento only and excludes the County of Sacramento rate of $0.55 per $1,000 of AV.
[2] Property is anticipated to turn over once every 20 years.
[3] Property transfer tax is estimated based on the total assessed value and assumes any unsecured property will transfer with the sale of the building. Refer to Table A-12 for details.

Table A-8
City of Sacramento Cannabis Study
Fiscal and Economic Impact Analysis
Estimated Annual Taxable Sales and Use Tax Revenue (2021$)

Sales Tax Revenue

Item	Formula	Source/ Assumptions	Estimated Sales Tax Revenue					
			Cultivation	Manufacturing	Distribution	Retail	Delivery	**Total**
Estimated Annual Taxable Sales								
Annual Taxable Sales from Employee Spending	*a*	Table A-8A	$7,603,197	$823,170	$2,453,285	$1,276,723	$2,188,926	$14,345,302
Taxable Sales from Retail Activity [1]	*b*	Table A-8B	$0	$0	$0	$206,960,469	$64,103,066	$271,063,535
Total Annual Taxable Sales	***c = a + b***		**$7,603,197**	**$823,170**	**$2,453,285**	**$208,237,192**	**$66,291,992**	**$285,408,836**
Annual Sales Tax Revenue to City								
Bradley Burns Sales Tax Rate [2]	*d = c * 1.000%*	1.0000%	$76,032	$8,232	$24,533	$2,082,372	$662,920	$2,854,088
Measure U Citywide Transaction Tax Rate [3]	*e = c * 1.000%*	1.0000%	$76,032	$8,232	$24,533	$2,082,372	$662,920	$2,854,088
Total Sales Tax Rate	***g***	**2.0000%**						
Annual Sales Tax from Employee Spending	*h = a * (d + e)*		$152,064	$16,463	$49,066	$25,534	$43,779	$286,906
Annual Sales Tax from Retail Activity	*i = b * h*		$0	$0	$0	$4,139,209	$1,282,061	$5,421,271
Total	***j = h + i***		**$152,064**	**$16,463**	**$49,066**	**$4,164,744**	**$1,325,840**	**$5,708,177**
Gross Prop 172 Public Safety Sales Tax Revenue [4]	***k = c * 0.0585%***	**0.0585%**	**$4,448**	**$482**	**$1,435**	**$121,818**	**$38,781**	**$166,963**

sales tax

Source: California State Board of Equalization; City of Sacramento Finance Department; EPS.

[1] Includes retail activity from both store and home delivery activity.
[2] The City of Sacramento is allocated a full 1.0000% of the Uniform Local Sales Tax.
[3] In 2012, Measure U was approved by voters as a temporary, supplemental, half-cent transaction and use tax rate. In November 2018, Sacramento voters approved a new version of Measure U, extending the tax rate in perpetuity and raising it from a half-cent to a full-cent rate, effective April 1, 2019. This analysis estimates revenues and Measure U-funded expenditures generated by the full one cent tax rate.
[4] The City of Sacramento receives approximately $.000627 for every $1 generated by the Public Safety Sales Tax authorized by Proposition 172. This is estimated by taking the 2020-21 Budget amount for Prop. 172 divided by the total Sales Tax from Table A-4.

Table A-8A
City of Sacramento Cannabis Study
Fiscal and Economic Impact Analysis
Estimated Annual Taxable Sales from New Employees (2021$)

Sales Tax Revenue - Market Support

Item	Assumptions / Source	Taxable Sales from Employee Spending					
		Cultivation	Manufacturing	Distribution	Retail	Delivery	**Total**
Annual Taxable Sales from New Employees							
New Employees							
Average Daily Taxable Sales per Employee	$10.00						
Work Days per Year	240						
Total Project Employees at Buildout	Table A-2	4,224	457	1,363	709	1,216	**7,970**
Total Taxable Sales from New Employees		**$10,137,596**	**$1,097,560**	**$3,271,047**	**$1,702,298**	**$2,918,568**	**$19,127,069**
Estimated Citywide Capture from New Employees [1]	**75%**	**$7,603,197**	**$823,170**	**$2,453,285**	**$1,276,723**	**$2,188,926**	**$14,345,302**
							employee spend

Source: U.S. Department of Labor, Bureau of Labor Statistics; City of Sacramento; EPS.

[1] Capture rate estimated by EPS.

Table A-8B
City of Sacramento Cannabis Study
Fiscal and Economic Impact Analysis
Estimated Annual Taxable Sales from Retail Activity (2021$)

Sales Tax Revenue - Retail Sales

Item	Assumption	Annual Taxable Sales from Retail Activity
Annual Taxable Sales		
FY 2020-21 Business Operating Tax for Retail Sales [1]		
Adult Use Revenue		$10,842,541
Medical Use Revenue		$791,673
Total FY 2020-21 Business Operating Tax for Retail Sales		**$11,634,215**
City Business Operating Tax Rate	4%	
Estimated Retail Sales		
Adult Use Revenue		$271,063,535
Medical Use Revenue		$19,791,833
Total Estimated Retail Sales		**$290,855,368**
Estimated Taxable Retail Sales		
Adult Use Revenue		$271,063,535
Medical Use Revenue [2]		$0
Total Estimated Taxable Retail Sales		**$271,063,535**
Percentage Storefront and Delivery (Adult Use Sales)		
Storefront Retail Taxable Sales	76%	$206,960,469
Delivery Taxable Sales	24%	$64,103,066
Total Estimated Taxable Retail Sales		**$271,063,535**

retail sales

Source: City of Sacramento; EPS.

[1] Reflect FY 2020-21 business operating taxes paid by cannabis business related to retail sale of cannabis for adult use and medical use as provided by the City of Sacramento. Includes storefront and delivery sales. This analysis assumes Fiscal Year 2021-22 sales will be consistent with receipts from the previous year.

[2] Medical use sales are required to be considered in estimating business operation taxes paid to the City, but are not eligible for sales tax.

Table A-9
City of Sacramento Cannabis Study
Fiscal and Economic Impact Analysis
Cannabis Business Operations Tax (2021$)

Business Operations Tax - Cannabis

Item	Annual Business Operations Tax					
	Cultivation	Manufacturing	Distribution	Retail	Delivery	**Total**
Fiscal Year 2020/21 Business Operations Tax						
Annual Revenues [1]	$4,244,347	$954,954	$5,686,002	$10,212,029	$3,133,637	**$24,230,969**
Percent of Total	18%	4%	23%	42%	13%	**100%**
Fiscal Year 2021/22 Business Operations Tax [2]	**$3,617,272**	**$813,865**	**$4,845,932**	**$8,703,268**	**$2,670,662**	**$20,651,000**
Neighborhood Responsibility Plan Fee [3]	**$904,318**	**$203,466**	**$1,211,483**	**$2,175,817**	**$667,666**	**$5,162,750**

transfer

Source: Sacramento County Recorder-Clerk; EPS.

[1] Business operating tax revenues generated by business groups provided by the City of Sacramento. Taxes attributable to microbusinesses have been allocated to other uses proprtional to the size of each business group in the City.

[2] Fiscal year 2021-22 tax revenue estimate based on the approved Fiscal Year 2021-22 Approved Budget for cannabis business operations taxes allocated based on the proportional share of revenues from each business group in the previous year.

[3] The neighborhood responsibility fee is a 1 percent fee applied to all cannabis activity agreed to as a condition of conditional use permitting. The neighborhood responsibility fee is collected outside of the City General Fund. This analysis estimates the local neighborhood responsibility fee based by applying the 1 percent rate to the all activity generated in each business group. While not commonly enacted, this tax can be paid through in kind activities. This analysis does not assume any in lieu activity is completed.

Table A-10
City of Sacramento Cannabis Study
Fiscal and Economic Impact Analysis
Expenditure-Estimating Procedures (2021$)

Category	Estimating Procedure	Reference Table [1]	City of Sacramento Approved FY 2021-22 Expenditures (Rounded)	Offsetting Revenues [2]	Adjusted Net FY 2021-22 Expenditures	% of Total	Service Population	FY 2021-22 Avg. Cost	Adjustment Factor [3]	Cost Multiplier
Formula			*a*	*b*	*c = a - b*		*d*	*e = c / d*	*f*	*g = e * f*
Annual General Fund Expenditures										
General Government										
Mayor/Council	Per Person Served	Table A-11	$4,930,917	$0	$4,930,917	0.9%				
City Manager - General Operations	Per Person Served	Table A-11	$5,808,464	$0	$5,808,464	1.1%				
City Attorney	Per Person Served	Table A-11	$8,088,179	$52,000	$8,036,179	1.5%				
City Auditor	Per Person Served	Table A-11	$1,006,603	$0	$1,006,603	0.2%				
City Clerk	Per Person Served	Table A-11	$2,224,706	$52,000	$2,172,706	0.4%				
City Treasurer	Per Person Served	Table A-11	$1,999,862	$3,496,000	$0	0.0%				
Finance	Per Person Served	Table A-11	$8,209,262	$820,000	$7,389,262	1.4%				
Information Technology	Per Person Served	Table A-11	$15,516,190	$0	$15,516,190	2.9%				
Human Resources	Per Person Served	Table A-11	$4,341,932	$0	$4,341,932	0.8%				
Subtotal General Government			**$52,126,115**	**$4,420,000**	**$49,202,253**	**9.2%**				
General Government Cannabis Operations [6]	[4]		$3,486,200	$0	$3,486,200	0.7%	NA	NA	NA	NA
Subtotal Government (Non-Cannabis Operations)	Per Person Served		**$48,639,915**	**$4,420,000**	**$45,716,053**	**8.6%**	**699,373**	**$65.37**	**50%**	**$32.68**
Convention and Cultural Services	Per Capita	Table A-11	$1,309,212	$923,000	$386,212	0.1%	515,673	$0.75	50%	$0.37
Utilities	Per Person Served	Table A-11	$122,410	$0	$122,410	0.0%	699,373	$0.18	50%	$0.09
Police [7]	Per Person Served	Table A-11	$205,080,406	$0	$205,080,406	38.5%	699,373	$293.23	100%	$293.23
Police - Cannabis Operations	[4]	Table A-11	$1,260,292	$0	$1,260,292	0.2%	NA	NA	NA	NA
Fire [7]	Per Person Served	Table A-11	$158,259,697	$0	$158,259,697	29.7%	699,373	$226.29	100%	$226.29
Fire - Cannabis Operations	[4]	Table A-11	$79,500	$0	$79,500	0.0%	NA	NA	NA	NA
Youth, Parks, and Community Enrichment	[5]	NA	$1,562,715	$5,018,000	$0	0.0%	NA	NA	NA	NA
Debt Service	[5]	NA	$16,431,090	$0	$16,431,090	3.1%	NA	NA	NA	NA
Citywide and Community Support	Per Capita	Table A-11	$60,358,871	$40,525,000	$19,833,871	3.7%	515,673	$38.46	90%	$34.62
Community Development [7]	Per Person Served	Table A-11	$31,529,203	$0	$31,529,203	5.9%	699,373	$45.08	90%	$40.57
Community Development - Cannabis Operations	[4]	Table A-11	$669,100	$0	$669,100	0.1%	NA	NA	NA	NA
Public Works	Per Person Served	Table A-11	$22,224,170	$23,124,000	$0	0.0%	699,373	$0.00	90%	$0.00
Total Annual General Fund Expenditures [8]			**$551,012,781**	**$74,010,000**	**$482,854,034**	**100.0%**				
Total General Operations Expenditure Multipliers										
Per Person Served		Table A-11			$440,707,769	91.3%	699,373	$630.15	94%	$592.87
Per Capita		Table A-11			$20,220,083	4.2%	515,673	$39.21	89%	$34.99
Total Cannabis Operations					$5,495,092	1.1%	NA	NA	NA	NA

exp pro

Source: City of Sacramento FY 2021-22 Approved Budget; EPS.

[1] Refers to table with expenditure category calculation.
[2] Revenues are adjusted by user fees and cost recovery amounts shown in the City's FY 2020-21 Budget. These deductions in ongoing expenditures also are deducted from ongoing revenues, as shown in Table B-1. If Offsetting Revenues (b) exceeds Expenditures (a) then Adjusted Net Expenditures (c) equals $0.
[3] Adjustment factors account for fixed costs and expenditures that do not grow and change as new development occurs within the City.
[4] This expenditure category is fully attributable to cannabis operations and allocated to business groups on Table A-9.
[5] This expenditure category is not expected to be affected by cannabis operations and is not evaluated in this analysis.
[6] General government cannabis operations allocation includes expenditures related to cannabis management, city attorney, finance, auditor, and community outreach and education.
[7] Reflects the portion of departmental expenditures not directly attributable to cannabis operations.
[8] Excludes General Fund Capital Improvement expenditures.

Table A-11
City of Sacramento Cannabis Study
Fiscal and Economic Impact Analysis
Estimated Annual Project Expenditures (2020$)

Expense Category	Reference Table	Per Person Served Multiplier	Annual Net Expenditures						% of Total
			Cultivation	Manufacturing	Distribution	Retail	Delivery	**Total**	**at Buildout**
Cannabis Operations Assumptions by Business Group									
Total Employees	Table A-2		4,224	457	1,363	709	1,216	**7,970**	
Total Persons Served	Table A-11		2,112	229	681	355	608	**3,985**	
Share of Business Activity [1]	Table A-9		18%	4%	23%	42%	13%	**100%**	
Annual General Fund Expenditures									
General City Operations [2]	Table A-10	$592.87	$1,252,136	$135,564	$404,020	$210,258	$360,484	**$2,001,978**	26.7%
Cannabis Operations									
Cannabis Management	Table A-10		$247,889	$55,774	$332,089	$596,429	$183,019	**$1,415,200**	18.9%
City Attorney	Table A-10		$184,621	$41,539	$247,330	$444,203	$136,307	**$1,054,000**	14.1%
Community Development	Table A-10		$117,201	$26,370	$157,010	$281,989	$86,530	**$669,100**	8.9%
Finance	Table A-10		$17,674	$3,977	$23,677	$42,524	$13,049	**$100,900**	1.3%
Fire	Table A-10		$13,925	$3,133	$18,655	$33,505	$10,281	**$79,500**	1.1%
Police	Table A-10		$220,755	$49,669	$295,738	$531,144	$162,986	**$1,260,292**	16.8%
Auditor	Table A-10		$29,094	$6,546	$38,977	$70,002	$21,481	**$166,100**	2.2%
Community Outreach and Education	Table A-10		$131,372	$29,558	$175,994	$316,084	$96,993	**$750,000**	10.0%
Total Cannabis Operations Expenditures			**$962,532**	**$216,564**	**$1,289,470**	**$2,315,881**	**$710,645**	**$5,495,092**	73.3%
Total Annual General Fund Expenditures			**$549,711**	**$123,682**	**$736,429**	**$1,322,622**	**$405,856**	**$7,497,070**	**100.0%**

expenditures

Source: EPS.

[1] Share of business activity based on the estmated proportional share of annual revenues for each business group as shown on Table A-9.
[2] Represents all City General Fund operations assumed to be impacted by cannabis business operations in excess of City operations dedicated specifically to cannabis operations. Refer to Table A-10 for details.

Table A-12
City of Sacramento Cannabis Study
Fiscal and Economic Impact Analysis
Estimated Assessed Value of Cannabis Businesses within the City

Item	Total Cannabis Land Uses and Employment by Business Group					
	Cultivation	Manufacturing	Distribution	Retail	Delivery	**Total**
Building Square Footage	1,583,999	205,793	204,440	106,394	121,607	**2,222,233**
Estimated Assessed Value of Cannabis Uses						
Assessed Value per Square Foot						
Secured Value	$150	$150	$150	$250	$250	
Unsecured Value	$50	$50	$0	$0	$0	
Total Value per Square Foot	**$200**	**$200**	**$150**	**$250**	**$250**	
Estimated Assessed Value						
Secured Value	$237,599,903	$30,868,889	$30,666,065	$26,598,405	$30,401,750	**$356,135,012**
Unsecured Value	$79,199,968	$10,289,630	$0	$0	$0	**$89,489,597**
Total Assessed Value	**$316,799,871**	**$41,158,519**	**$30,666,065**	**$26,598,405**	**$30,401,750**	**$445,624,609**

av

Source: City of Sacramento; EPS.

Table A-13
City of Sacramento Cannabis Study
Fiscal and Economic Impact Analysis
Detailed Summary of Annual Economic Impacts of All Cannabis Activity (Rounded 2021$)

All Activity

Activity/Impact Categories	Source	Impact Type			Total Annual Ongoing Impacts
		Direct	Indirect	Induced	
Key Input					
Ongoing Project Full Time Equivalent (FTE) Employees	Table A-2	7,970			
Annual Ongoing Operating Impacts					
Sacramento County Output [1]					
Industry Output (excl. Income)		$1,130,140,000	$291,110,000	$205,900,000	**$1,627,150,000**
Income [2]		$357,060,000	$146,280,000	$102,940,000	**$606,280,000**
Total Sacramento County Output		**$1,487,200,000**	**$437,390,000**	**$308,840,000**	**$2,233,430,000**
Sacramento County Employment (Annual Average) [3]		7,969	2,608	1,841	**12,418**

all eia

Source: IMPLAN, 2019 Dataset; City of Sacramento; EPS.

[1] Analysis based on Sacramento County data. Output is the amount of business expenditures on goods and services retained within the local economy.
[2] Includes employee compensation, proprietors income, and other income (profits, rents, and royalties).
[3] Reflects stabilized operational employment. Employment includes both full-time and part-time workers.

Table A-14
City of Sacramento Cannabis Study
Fiscal and Economic Impact Analysis
Detailed Annual Economic Impacts of the Cultivation Activity (Rounded 2021$)

Cultivation

Activity/Impact Categories	Source	Impact Type			Total Annual Ongoing Impacts
		Direct	Indirect	Induced	
Key Input					
Ongoing Project Full Time Equivalent (FTE) Employees	Table A-2	4,224			
Annual Ongoing Operating Impacts					
Sacramento County Output [1]					
Industry Output (excl. Income)		$857,210,000	$168,620,000	$133,910,000	**$1,159,740,000**
Income [2]		$238,180,000	$85,420,000	$66,970,000	**$390,570,000**
Total Sacramento County Output		**$1,095,390,000**	**$254,040,000**	**$200,880,000**	**$1,550,310,000**
Sacramento County Employment (Annual Average) [3]		4,224	1,583	1,198	**7,005**

cultivation

Source: IMPLAN, 2019 Dataset; City of Sacramento; EPS.

[1] Analysis based on Sacramento County data. Output is the amount of business expenditures on goods and services retained within the local economy.
[2] Includes employee compensation, proprietors income, and other income (profits, rents, and royalties).
[3] Reflects stabilized operational employment. Employment includes both full-time and part-time workers.

Table A-15
City of Sacramento Cannabis Study
Fiscal and Economic Impact Analysis
Detailed Annual Economic Impacts of Manufacturing Activity (Rounded 2021$)

Manufacturing

Activity/Impact Categories	Source	Impact Type			Total Annual Ongoing Impacts
		Direct	Indirect	Induced	
Key Input					
Ongoing Project Full Time Equivalent (FTE) Employees	Table A-2	457			
Annual Ongoing Operating Impacts					
Sacramento County Output [1]					
Industry Output (excl. Income)		$147,050,000	$37,130,000	$13,450,000	**$197,630,000**
Income [2]		$12,040,000	$21,960,000	$6,710,000	**$40,710,000**
Total Sacramento County Output		**$159,090,000**	**$59,090,000**	**$20,160,000**	**$238,340,000**
Sacramento County Employment (Annual Average) [3]		457	312	120	**889**

man

Source: IMPLAN, 2019 Dataset; City of Sacramento; EPS.

[1] Analysis based on Sacramento County data. Output is the amount of business expenditures on goods and services retained within the local economy.
[2] Includes employee compensation, proprietors income, and other income (profits, rents, and royalties).
[3] Reflects stabilized operational employment. Employment includes both full-time and part-time workers.

Table A-16
City of Sacramento Cannabis Study
Fiscal and Economic Impact Analysis
Detailed Annual Economic Impacts of Distribution Activity (Rounded 2021$)

Distribution

Activity/Impact Categories	Source	Impact Type			Total Annual Ongoing Impacts
		Direct	Indirect	Induced	
Key Input					
Ongoing Project Full Time Equivalent (FTE) Employees	Table A-2	1,363			
Annual Ongoing Operating Impacts					
Sacramento County Output [1]					
Industry Output (excl. Income)		$67,710,000	$51,700,000	$27,050,000	**$146,460,000**
Income [2]		$46,460,000	$23,320,000	$13,510,000	**$83,290,000**
Total Sacramento County Output		**$114,170,000**	**$75,020,000**	**$40,560,000**	**$229,750,000**
Sacramento County Employment (Annual Average) [3]		1,363	443	241	**2,047**

distribution

Source: IMPLAN, 2019 Dataset; City of Sacramento; EPS.

[1] Analysis based on Sacramento County data. Output is the amount of business expenditures on goods and services retained within the local economy.
[2] Includes employee compensation, proprietors income, and other income (profits, rents, and royalties).
[3] Reflects stabilized operational employment. Employment includes both full-time and part-time workers.

Table A-17
City of Sacramento Cannabis Study
Fiscal and Economic Impact Analysis
Detailed Annual Economic Impacts of Retail Activity (Rounded 2021$)

Retail

Activity/Impact Categories	Source	Impact Type			Total Annual Ongoing Impacts
		Direct	Indirect	Induced	
Key Input					
Ongoing Project Full Time Equivalent (FTE) Employees	Table A-2	709			
Annual Ongoing Operating Impacts					
Sacramento County Output [1]					
Industry Output (excl. Income)		$21,430,000	$12,400,000	$11,600,000	**$45,430,000**
Income [2]		$22,240,000	$5,740,000	$5,800,000	**$33,780,000**
Total Sacramento County Output		**$43,670,000**	**$18,140,000**	**$17,400,000**	**$79,210,000**
Sacramento County Employment (Annual Average) [3]		709	99	104	**912**

retail

Source: IMPLAN, 2019 Dataset; City of Sacramento; EPS.

[1] Analysis based on Sacramento County data. Output is the amount of business expenditures on goods and services retained within the local economy.
[2] Includes employee compensation, proprietors income, and other income (profits, rents, and royalties).
[3] Reflects stabilized operational employment. Employment includes both full-time and part-time workers.

Table A-18
City of Sacramento Cannabis Study
Fiscal and Economic Impact Analysis
Detailed Annual Economic Impacts of Delivery Activity (Rounded 2021$)

Delivery

Activity/Impact Categories	Source	Impact Type			Total Annual Ongoing Impacts
		Direct	Indirect	Induced	
Key Input					
Ongoing Project Full Time Equivalent (FTE) Employees	Table A-2	1,216			
Annual Ongoing Operating Impacts					
Sacramento County Output [1]					
Industry Output (excl. Income)		$36,740,000	$21,260,000	$19,890,000	**$77,890,000**
Income [2]		$38,140,000	$9,840,000	$9,950,000	**$57,930,000**
Total Sacramento County Output		**$74,880,000**	**$31,100,000**	**$29,840,000**	**$135,820,000**
Sacramento County Employment (Annual Average) [3]		1,216	171	178	**1,565**

delivery

Source: IMPLAN, 2019 Dataset; City of Sacramento; EPS.

[1] Analysis based on Sacramento County data. Output is the amount of business expenditures on goods and services retained within the local economy.
[2] Includes employee compensation, proprietors income, and other income (profits, rents, and royalties).
[3] Reflects stabilized operational employment. Employment includes both full-time and part-time workers.

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APPENDIX B:

Initiatives in Other States

Initiatives in Other States

Highlights of recent state legalization efforts that have prioritized social equity at the front end of their legalization regulation efforts regarding ownership, taxation, and spending are summarized below for New York, Illinois, and Connecticut.

New York

- Retailers, microbusinesses, and delivery licensees are allowed to deliver to consumers but cultivators are not. Only one delivery license per entity and no more than 25 full time employees.
- Sets a goal of 50% of licenses for equity applicants. Existing medical cannabis businesses can convert a maximum of three of their existing storefronts if they pay a one time fee to fund social and economic equity and incubator assistance.
- Social consumption sites and delivery services are permitted.
- Proposes a hybrid tax with both a potency based tax on distributors of 0.5 cents per milligram of THC flower, 0.8 cents per milligram of THC for concentrates and 3 cents per milligram of THC for edibles as well as a 9% state tax and a 4% local point of sale tax.
- Governor Kathy Hochul has pledged to create a $200 million public-private fund for social equity applicants looking to enter the adult-use cannabis marketplace in New York.
- Cities towns and villages may opt out of retail dispensaries or on-site consumption licenses by passing local laws up to nine months after the legislation.

Illinois

- Set license types to include retail dispensaries, infusers, transporters, craft growers with between 5,000 and 14,000 square feet of canopy, and cultivation centers growing up to 210,000 square feet of canopy space. Craft growers can also hold infuser and dispensary licenses in the same facility.
- Taxes include a 7% wholesale tax on cultivation centers and craft growers. Retail taxes are directly related to potency and will include a 10% tax on flower or products with less than 35% THC, 20% tax on infused and edible products, and a 25% tax on any product with a THC concentration higher than 35%. The state sales tax of 6.25% and local sales taxes of up to 3.5% also apply. The retail point of sale taxes will range from 19.55% to 34.75% not including the wholesale tax.

- Tax revenues will be distributed with 2% going to public education and safety campaigns, 8% to local government funds for prevention and training of law enforcement, 25% to the Recover, Reinvest and Renew (R3) program. 3R grants will fund programs in Illinois communities that have been harmed by violence, excessive incarceration, and economic disinvestment and fund programs including civil legal aid, economic development, reentry, violence prevention, and youth development. 20% of the taxes will go to mental health services and substance abuse programs, 10% to pay unpaid bills, and 35% to the general fund.
- The social equity program provides for expungement of convictions, extra points in license applications for social equity applicants, as well as developing a $30 million cannabis business development fund to provide financial start up assistance. Local colleges will also be able to obtain licenses for training programs to help prepare residents for cannabis industry-related jobs. The Department of Agriculture and Community College board will create up to eight pilot programs to train students to work in the legal industry with at least five of the eight programs for schools in which at least 50% of the students are low income.

Connecticut

- The Department of Consumer Protection (DCP) will issue nine types of cannabis licenses: retailer, hybrid retailer (which sells both adult-use and medical cannabis), cultivator (which cultivate 15,000 square feet or more), micro-cultivator (which start between 2,000 and 10,000 square feet), product manufacturer, food and beverage manufacturer, product packager, delivery service, and transporter.
- DCP must reserve 50% of the maximum number of applications that must be considered for eligible license types for social equity applicants. The vast majority of new licenses will be issued by lottery to provide an equal opportunity to all who qualify and avoid requiring large sums of money to apply.
- The state will create $50 million in bonding for initial funding for start-up capital for social equity applicants, the cannabis business accelerator program, and workforce training developed by the Social Equity Council.
- Beginning on July 1, 2023, 60% to 75% of the cannabis excise tax revenue will be directed to the Social Equity and Innovation Fund. Social Equity and Innovation Fund money can be used to promote social equity in relation to access to capital for businesses, funding workforce education, and funding for community investments.
- In addition to standard sales tax, the state imposes an excise tax based on potency at the point of retail sale. It exempts medical cannabis. The rate is: $0.00625 per milligram of THC in flower cannabis, $0.0275 per milligram of THC in edibles, and $0.009 per milligram of THC for other cannabis products.

- Until June 30, 2023, 100% of the excise tax would be directed to the General Fund. Starting on July 1, 2023 and thereafter, 25% of the excise tax would go to the Prevention and Recovery Services Fund. From July 1, 2023 until June 30, 2026, 60% of the excise tax would go to the Social Equity and Innovation Fund. On July 1, 2026, that would increase to 65%. Beginning on July 1, 2028, it would increase again and would remain at 75%. The remainder of the tax (starting at 15%, ending at 0%) would go to the General Fund.
- The state imposes a 3% point-of-sale tax that goes to the host municipality for specific purposes, such as re-entry services, mental health or addiction services, youth services bureaus, and streetscape improvements near cannabis retailers.

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APPENDIX C:

Comparison of Cannabis Land Use Regulations: Sacramento, Oakland, Long Beach, Seattle

Appendix C

Sacramento Comprehensive Cannabis Study
Case Study: Land Use Regulations

City: Sacramento

Land Use	Regulations
Cultivation	Use Permit Required, Zones A, C2, C4, M1, M1S, M2, and M2S, M-T. Class A < 5K, Class B < 10K, Class C < 22K
Distribution (Large Scale)	Use Permit Required, Zones C2, C4, M1, M1S, M2, and M2S, MIP, MRD, M-T. Class D1- up to $5M, D2 - up to $20M, D3 - over $20M
Manufacturing	Use Permit Required, Zones C2, C4, M1, M1S, M2, M2S, MIP, MRD, M-T. Class D1- up to $5M, D2 - up to $20M, D3 - over $20M
Storefront Dispensary (Retail)	Use Permit Required, Zones C-2, C-4, M-1, M-1(S), M-2, and M-2(S), M-T and SC
Non Storefront Delivery (Retail)	Use Permit Required, Zones C2, C4, M1, M1S, M2, and M2S
Microbusiness (Vertical Integration)	Use Permit Required, Zones C2, C4, M1, M1S, M2, M2s, MIP, MRD
Testing Labs	Use Permit Required, Zones C2, C4, M1, M1S, M2, M2S, MIP, MRD, M-T.
Consumption lounges/alternate gathering venues	Consumption lounges are currently not allowed. An illegal outdoor smoking gathering event called Club 1130 was shut down. There are a number of cannabis friendly hotels and B&Bs, but no recent evidence of private smoking clubs.

Additional conditions: All uses are subject to Scacramento's buffer distances to sensitive receptors. No cannabis use can be permitted within 600 feet of K-12 Public and Private Schools other than Private Home Schools. Use must be approved by the planning and design commission where the production site is within 600 feet of: A park identified as a neighborhood park or community park in the city's most recently adopted Parks and Recreation Master Plan; or a park not yet identified in the city's most recently adopted Parks and Recreation Master Plan.

Cultivation and manufacturing uses are subject to a 1/2 mile proximity limitation the center of light rail platforms, and manufactures in certain zones are restricted to non-volitle extraction methods.

Within the area bounded by Power Inn Road to the west, Folsom Boulevard to the north, and the city limits to the east and south, there is a cap on cannabis production facilities totalling 2.5 million square feet.

Appendix C

Sacramento Comprehensive Cannabis Study
Case Study: Land Use Regulations

City: Oakland

Land Use	Regulations
Cultivation	Proposed cultivation, distribution, testing or transporting locations shall be in areas where "light manufacturing industrial," "R&D," or their equivalent use, is permitted by right.
Distribution (Large Scale)	See Cultivation.
Manufacturing	Manufacturing, packaging and infusion of cannabis products using nonvolatile solvents shall be in areas where "custom manufacturing industrial," or its equivalent use, is permitted by right.
Storefront Dispensary (Retail)	Must be located in a commercial or industrial zone, or its equivalent as may be amended, of the City.
Non Storefront Delivery (Retail)	Must be located in a Commercial or Industrial Zone, excluding the CN Neighborhood Center Commercial Zones and the D-BV Broadway Valdez District Commercial Zones.
Microbusiness (Vertical Integration)	Dependent on what types of businesses are in the vertical integration.
Testing Labs	See Cultivation
Consumption lounges/alternate gathering venues	Oakland allows existing dispensaries to apply for a second on-site consumption permit. Covid-19 regulations stopped all indoor smoking, and some businesses have failed. The historic Park theater has a dispensary operating and is preparing an entertainment, food and smoking venue.

Additional Conditions: All uses are subject to Oakland's buffer distances to sensitive receptors. No cannabis use can be permitted within 600 feet of K-12 Public and Private Schools other than Private Home Schools. Cultivation, manufacturing and distribution can be associated with a dispensary provided the dispensary is located in a zone compatible with the other uses and they do not face a public retail street or impede retail activity.

There is little in the Oakland Municipal Code about additional buffers to sensitive receptors such as community centers, parks, and adult treatment centers.

Appendix C

Sacramento Comprehensive Cannabis Study
Case Study: Land Use Regulations

City: Long Beach

Land Use	Regulations
Cultivation	Allowed in light and medium industrial zones, and with an administrative use permit (AUP) in general industrial areas, not allowed in residential, institutional, park, commercial and port zones.
Distribution (Large Scale)	Self-Distribution is an allowed use in the light, medium, and general industrial zones. Distribution is allowed with an AUP in the same 3 zones. Both are not allowed in all other zones.
Manufacturing	Manufacturing is an allowed use in the light, medium, and general industrial zones. It is not allowed in all other zones.
Storefront Dispensary (Retail)	Allowed in commercial and light industrial districts and with a conditional use permit (CUP) in the medium and light industrial zones. They are not allowed in all other zones. Recently approved a retail dispensary in a mixed use building with residential in downtown. Staff is currently developing an ordinance for 8 new equity storefront dispensaries.
Non Storefront Delivery (Retail)	Currently not allowed. Staff is developing an ordinance for non-storefront delivery based on feasibility study.
Microbusiness (Vertical Integration)	Dependent on what types of businesses in the vertical integration.
Testing Labs	Allowed in the commercial and light industrial zones and allowed with an AUP in the medium and general industrial zones.
Consumption lounges/alternate gathering venues	The City of Long Beach does not allow smoking in any public venue or dispensaries.

Additional conditions: Long Beach is currently revising their instituted buffers from schools, beaches and other dispensaries (1,000 feet) as well as parks, daycares and libraries (600 feet). The City is looking to expand the green zone by reducing the school buffer to 600 feet, which is the distance required by state law, and eliminating the buffers for parks and beaches unless they have a playground.

Appendix C

Sacramento Comprehensive Cannabis Study
Case Study: Land Use Regulations

City: Seattle

Land Use Regulations

The Seattle Municipal Code Chapter 23.42.058 - Marijuana lays out the requirements for locating "major marijuana activity"
In 2013, the city amended its zoning ordinance to specify where larger-scale marijuana business activities could locate (§23.42.058). The specific activities include processing, selling, delivery, and the creation of marijuana-infused products and usable marijuana. While these activities are prohibited in residential, neighborhood commercial, certain downtown, and several historic preservation and other special-purpose districts, the zoning ordinance does not require a land-use permit to specifically conduct marijuana-related activities in industrial, most commercial, and a few downtown districts. For example, an applicant who wishes to open a marijuana retail store or an agricultural application is required to get the applicable permit, but is not required to disclose that the use is marijuana related.
The ordinance does,however, impose a size limit on indoor agricultural operations in industrial areas, but this applies to all agricultural uses in industrial areas, not just marijuana production (§23.50.012, Table A, Note 14).
Additional conditions: In 2015, the City Council revised the State buffer requirements to include the following: 1. Any lot line of any major marijuana activity must be at least 1,000 feet from any elementary or secondary school, or playground. 2. Any lot line of any major marijuana activity including retail sales of marijuana products must be at least 500 feet from any child care, gaming arcade, library, public park, public transit station, or recreation center. 3. Any lot line of any major marijuana activity not including retail sales of marijuana products must be at least 250 feet from any child care, gaming arcade, library, public park, public transit station, or recreation center. 4. Any lot line of any major marijuana activity must be at least 350 feet from any other major marijuana activity and no more than 2 major marijuana activities can be within 1,000 feet of each other.

APPENDIX D:

Comparison of City of Sacramento and State of California Cannabis Regulations



Appendix D
Comparison of Selected City of Sacramento and State of California Regulations

Definition of Reportable Ownership and Rights of Transference

City of Sacramento	State of California
(5.150.050) Cannabis business permits issued pursuant to this chapter are not property and have no value. Cannabis business permits may not be transferred, sold, assigned or bequeathed expressly or by operation by law. Any attempt to directly or indirectly transfer a cannabis business permit shall be unlawful and void, and shall automatically revoke the permit. (Ord. 2017-0046 § 1)	The business may continue to operate under the active license while the Department reviews the qualifications of the new owner(s) in accordance with the Act and these regulations to determine whether the change would constitute grounds for denial of the license, if at least one existing owner is not transferring his or her ownership interest and will remain as an owner under the new ownership structure. If all owners will be transferring their ownership interest, the business shall not operate under the new ownership structure until a new license application has been submitted to and approved by the Department, and all application and license fees for the new application have been paid.

City of Sacramento	State of California
(5.150.055) A. No person shall transfer, sell, assign, or bequeath any ownership interest in any storefront cannabis dispensary permittee to another person. B. Any transfer, sale, assignment, or bequest of any ownership interest is unlawful and void. C. This section remains in effect until May 11, 2022. (Ord. 2021-0028 § 1; Ord. 2020-0040 § 1; Ord. 2019-0041 § 2)	(A) A change in ownership occurs when a new person meets the definition of owner in section 15003 of this division. (B) A change in ownership does not occur when one or more owners leave the business by transferring their ownership interest to the other existing owner(s). (2) In cases where one or more owners leave the business by transferring their ownership interest to the other existing owner(s), the owner or owners that are transferring their interest shall provide a signed statement to the Department confirming that they have transferred their interest within 14 calendar days of the change.

Appendix D
Comparison of Selected City of Sacramento and State of California Regulations

Definition of Reportable Ownership and Rights of Transference (continued)

City of Sacramento	State of California
(5.150.055) A. A cannabis business shall provide the city with names and addresses of all of the following interested parties: 1. Person with an aggregate ownership interest of 20% or more in the entity engaging in the cannabis business, unless the interest is solely a security, lien, or encumbrance. 2. The chief executive officer and the members of the board of directors of the entity engaging in the cannabis business. 3. The managers of the cannabis business. 4. Person who delivers cannabis or cannabis products for the cannabis business. 5. Person who transports cannabis or cannabis products for the cannabis business.	(a) An applicant for a commercial cannabis license or a licensee shall disclose all financial interest holders. A financial interest holder of the commercial cannabis business includes all of the following, except as provided in subsection (b): (1) A person with an aggregate ownership interest of less than 20 percent. (2) A person providing a loan to the commercial cannabis business. (3) A person entitled to receive 10 percent or more of the profits of the commercial cannabis business, including: (A) An employee who has entered into a profit share plan with the commercial cannabis business. (B) A landlord who has entered into a lease agreement with the commercial cannabis business for a share of the profits. (C) A consultant who is providing services to the commercial cannabis business for a share of the profits. (D) A person acting as an agent, such as an accountant or attorney, for the commercial cannabis business for a share of the profits. (E) A broker who is engaging in activities for the commercial cannabis business for a share of the profits. (F) A salesperson who earns a commission. (b) Financial interest holders do not include any of the following: (1) A bank or financial institution whose interest constitutes a loan; (2) Persons whose only financial interest in the commercial cannabis business is through an interest in a diversified mutual fund, blind trust, or similar instrument; (3) Persons whose only financial interest is a security interest, lien, or encumbrance on property that will be used by the commercial cannabis business; and (4) Persons who hold a share of stock that is less than 10 percent of the total shares in a publicly traded or privately held company.

Appendix D
Comparison of Selected City of Sacramento and State of California Regulations

Maintaining Business Records

City of Sacramento

5.150.160
A. A cannabis business shall maintain the following business records in printed format for at least three years on the site and shall produce them to the city within 24 hours after receipt of the city's request:
1. The name, address, and telephone numbers of the owner and landlord of the property. 2. The name, date of birth, address, and telephone number of each manager and staff of the cannabis business; the date each was hired; and the nature of each manager's and staff's participation in the cannabis business. 3. A written accounting of all income and expenditures of the cannabis business, including, but not limited to, cash and in-kind transactions. 4. A copy of the cannabis business' commercial general liability insurance policy and all other insurance policies related to the operation of the business. 5. A copy of the cannabis business' most recent year's financial statement and tax return. 6. An inventory record documenting the dates and amounts of cannabis received at the site, the daily amounts of cannabis on the site, and the daily amounts of cannabis sold, distributed, and transported from the site. 7. The name, address, and telephone numbers of the owners and officers of the cannabis business; and the nature of the ownership interest in, and control of, the cannabis business. B. A cannabis business shall report any loss, damage, or destruction of these records to the city manager within 24 hours of the loss, damage, or destruction. (Ord. 2019-0041 § 3; Ord. 2017-0046 § 1)

5.150.525 Delivery of cannabis.
H. A cannabis business shall maintain the information described in subsection D for at least three years on the site and shall produce the information to the city upon request. (Ord. 2020-0004 § 17; Ord. 2019-0002 § 2; Ord. 2017-0002 § 2; Ord. 2017-0060 § 3)

State of California

(a) Licensees must keep and maintain records in connection with the licensed commercial cannabis business. Records must be kept for at least seven years from the date of creation, unless a shorter time is specified. Records include, but are not limited to: (1) Financial records including, but not limited to, bank statements, sales invoices, receipts, tax records, and all records required by the California Department of Tax and Fee Administration (formerly Board of Equalization) under title 18, California Code of Regulations, sections 1698 and 4901. (2) Personnel records, including each employee's full name, Social Security number or individual taxpayer identification number, date employment begins, and date of termination of employment, if applicable. (3 Training records including, but not limited to, the content of the training provided and the names of the employees who received the training. (4) Contracts regarding commercial cannabis activity. (5) Permits, licenses, and other local authorizations to conduct the licensee's commercial cannabis activity. (6) All other documents prepared or executed by an owner or their employees or assignees in connection with the licensed commercial cannabis business. (7) Records required by the Act or this division. (b) Records must be kept in a manner that allows the records to be produced for the Department in either hardcopy or electronic form. (c) Records must be legible and accurate. No person may intentionally misrepresent or falsify records. (d) Records must be stored in a secured area where the records are protected from debris, moisture, contamination, hazardous waste, and theft.

Appendix D
Comparison of Selected City of Sacramento and State of California Regulations

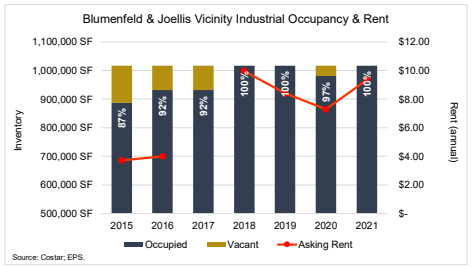
Limits on Delivery Vehicle Inventory

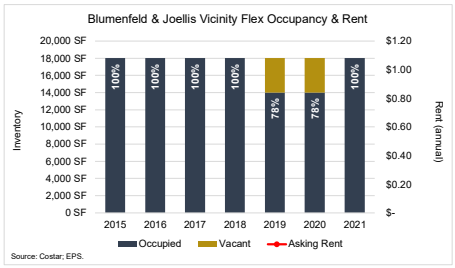
City of Sacramento	State of California
5.150.525 Delivery of cannabis. B. No person delivering cannabis or cannabis products shall possess more than $3,000 worth of cannabis and cannabis products at any time.	(a) A licensed retailer's delivery employee shall not carry cannabis goods in the delivery vehicle with a value in excess of $5,000 at any time. The value of cannabis goods carried in the delivery vehicle for which a delivery order was not received and processed by the licensed retailer prior to the delivery employee departing from the licensed premises may not exceed $3,000.

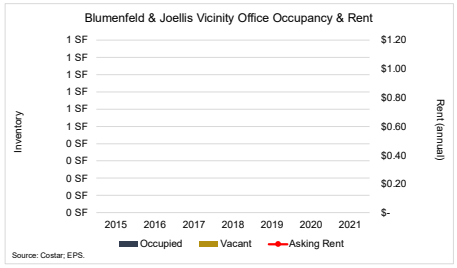
APPENDIX E:

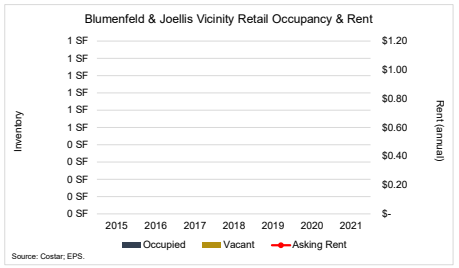
Real Estate Market Analysis Support Figures

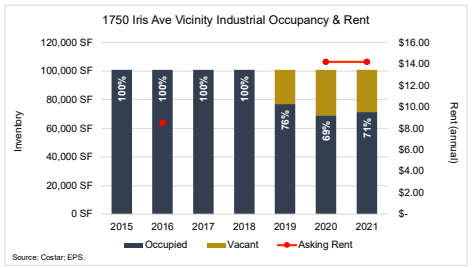
Appendix E-1
Cannabis Zones Commercial Real Estate Market Performance

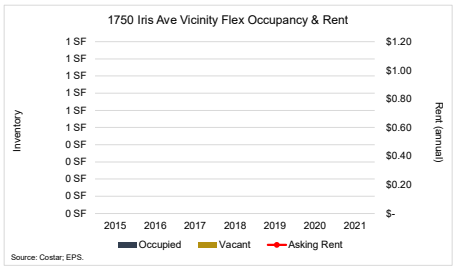




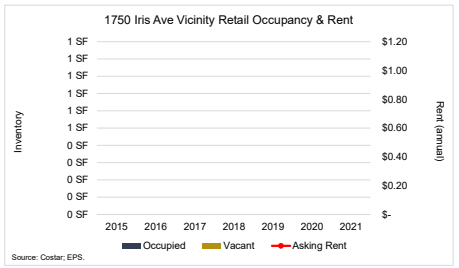


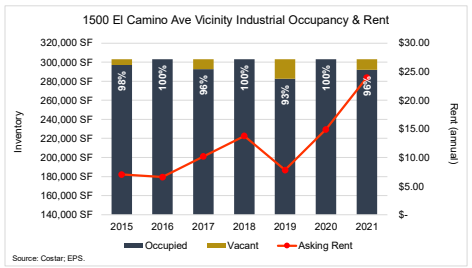


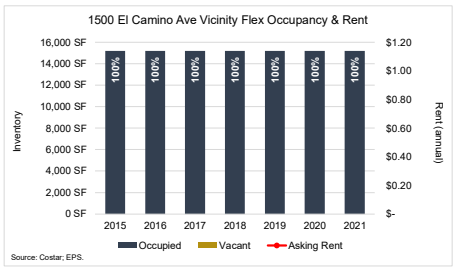


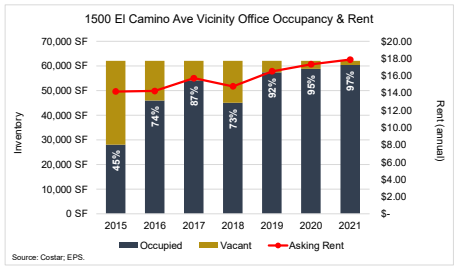


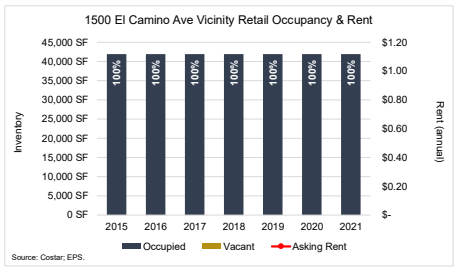




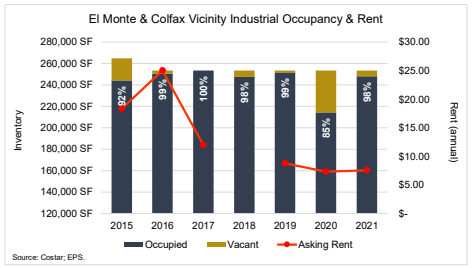


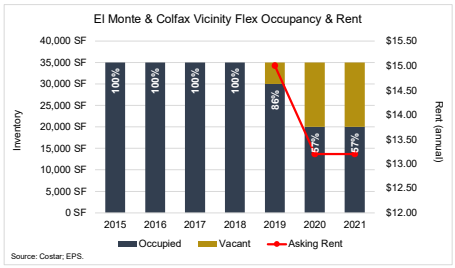


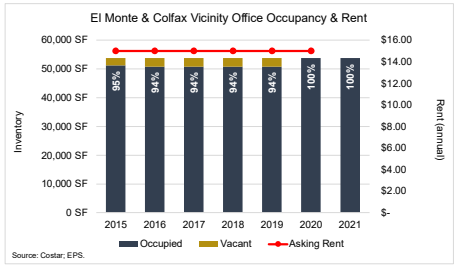


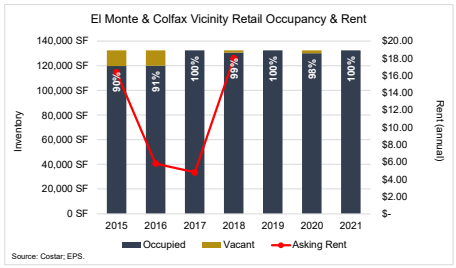


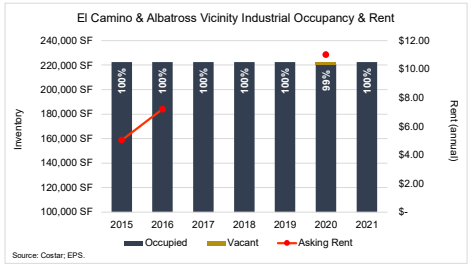
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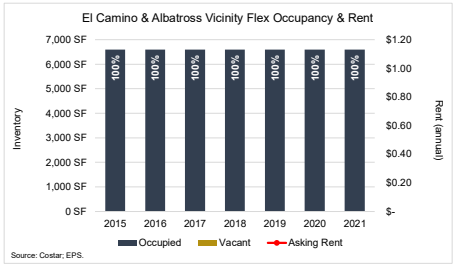


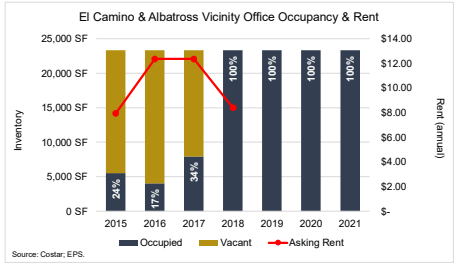


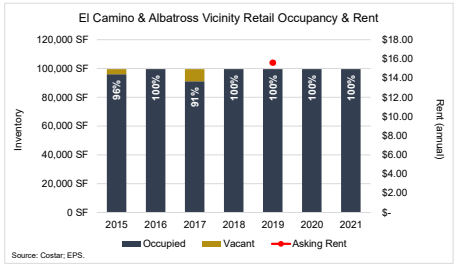


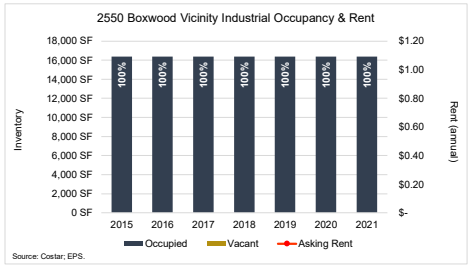


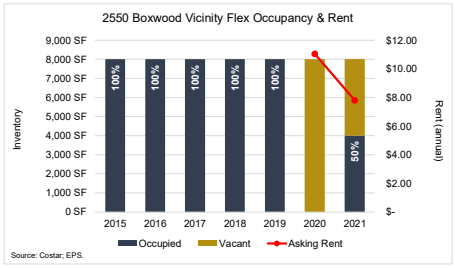


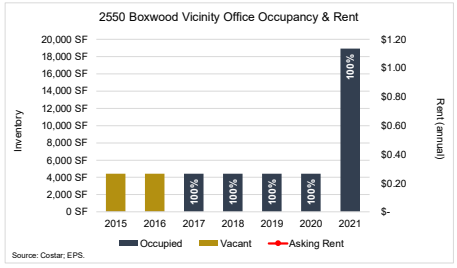


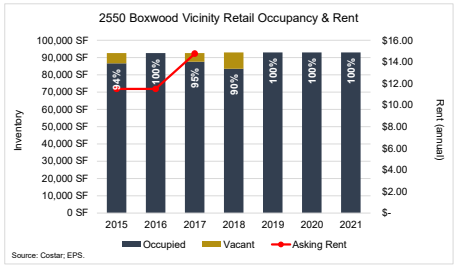




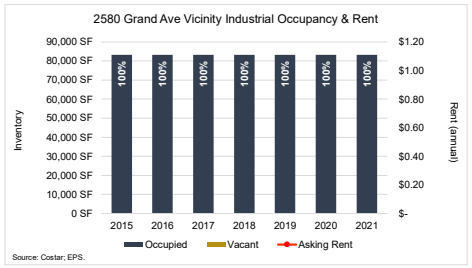


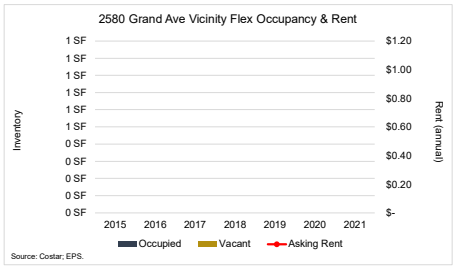


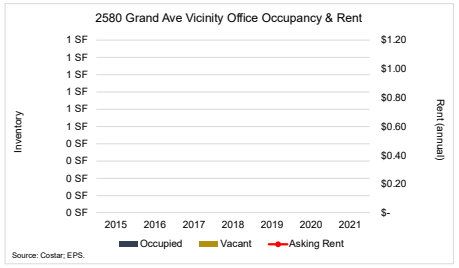


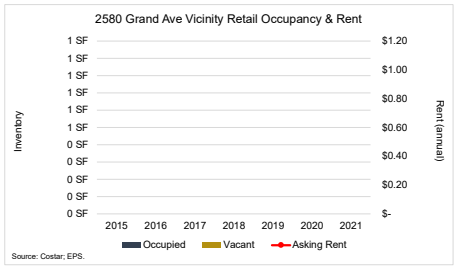


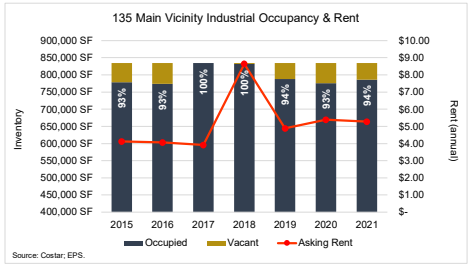
Appendix E-1
Cannabis Zones Commercial Real Estate Market Performance

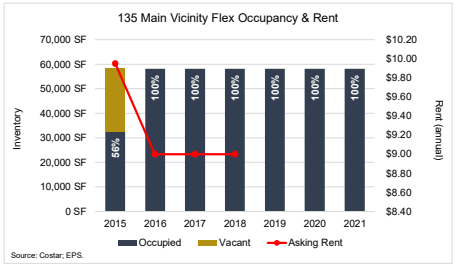


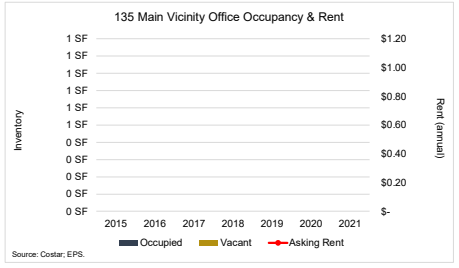




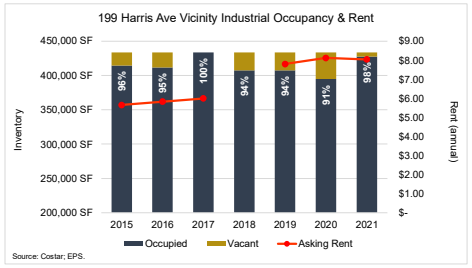


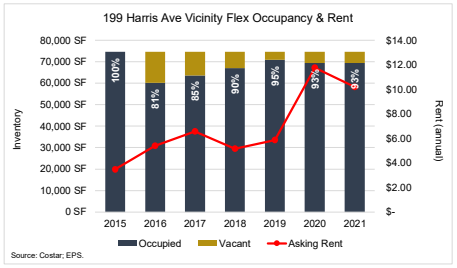


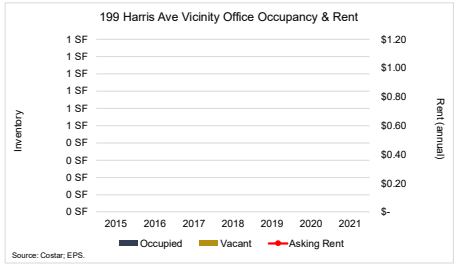


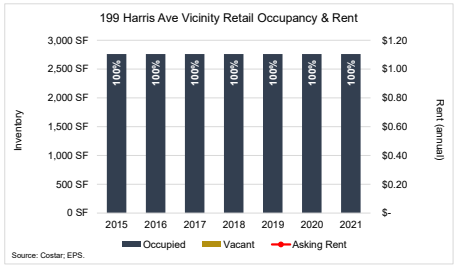




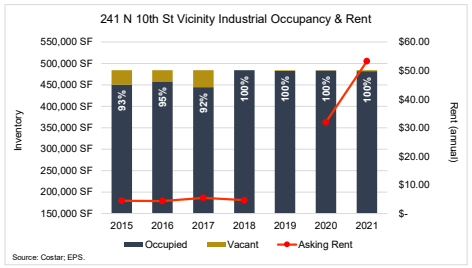


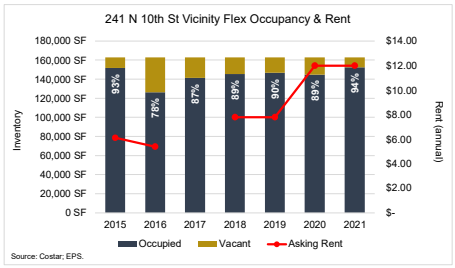


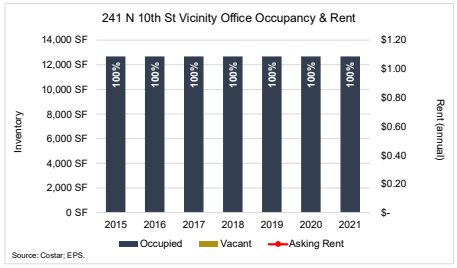


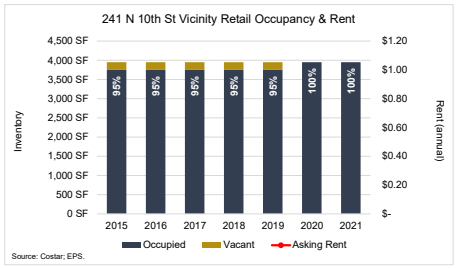


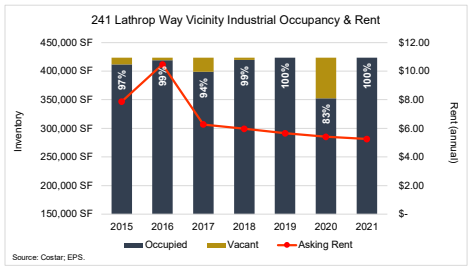
Appendix E-1
Cannabis Zones Commercial Real Estate Market Performance

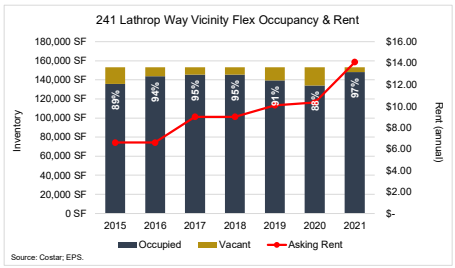


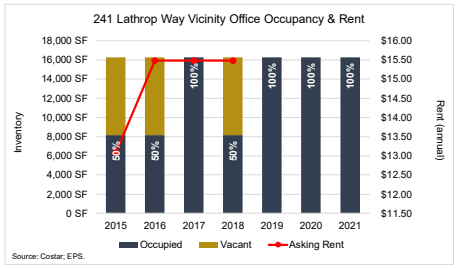


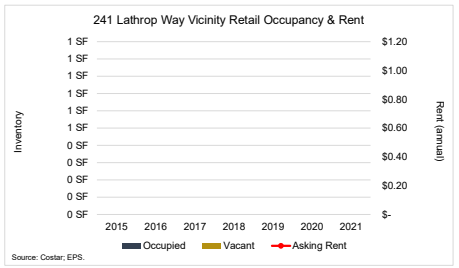


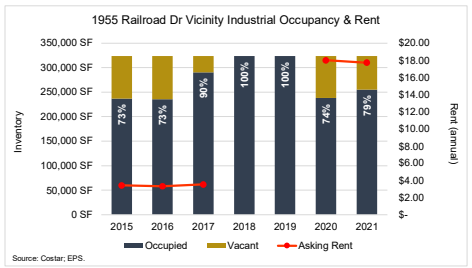


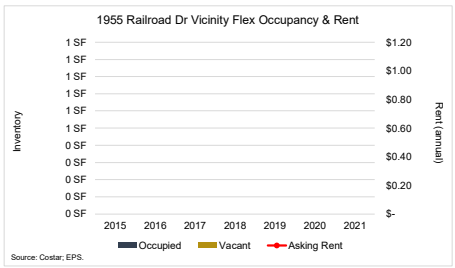


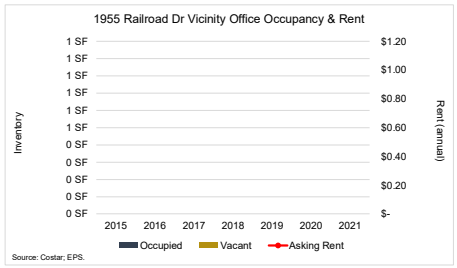


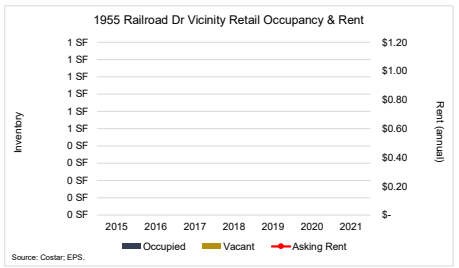




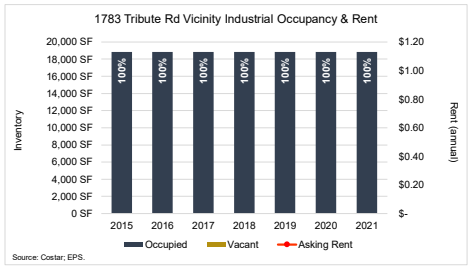


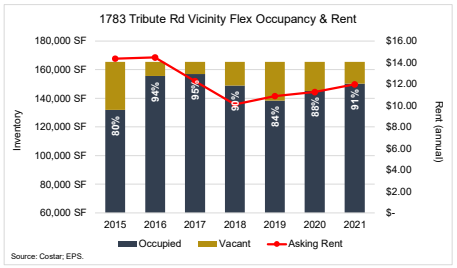


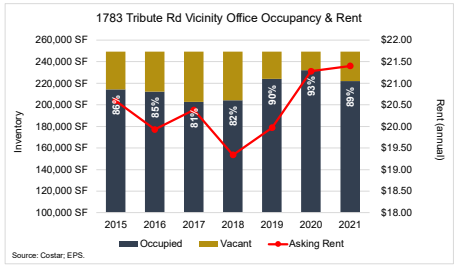


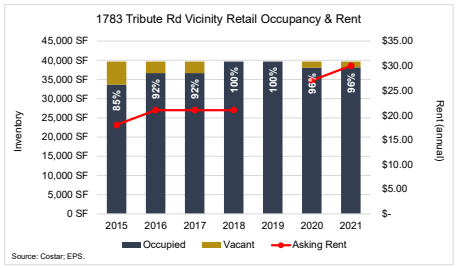


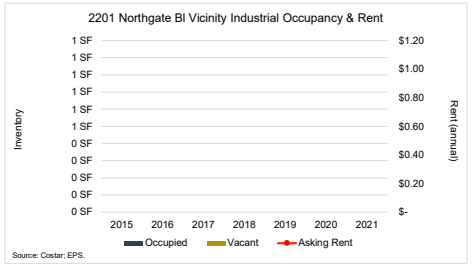
Appendix E-1
Cannabis Zones Commercial Real Estate Market Performance

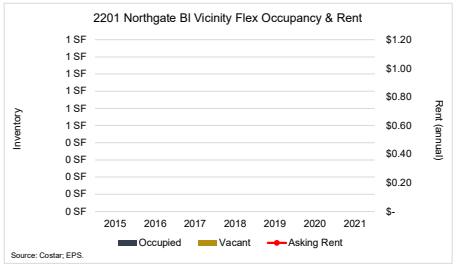


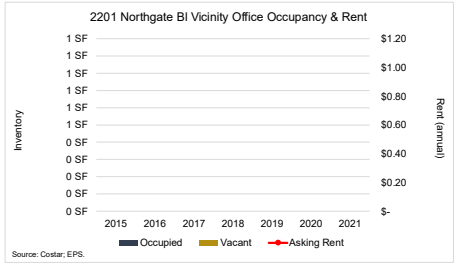


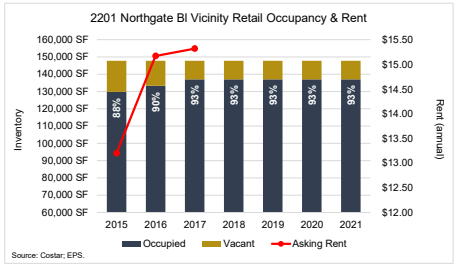


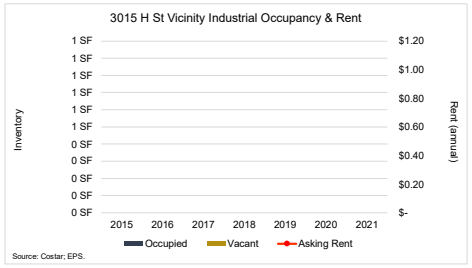


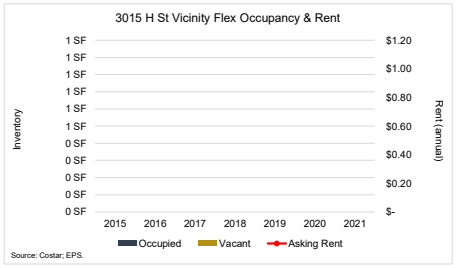


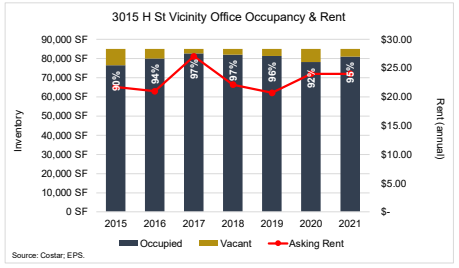


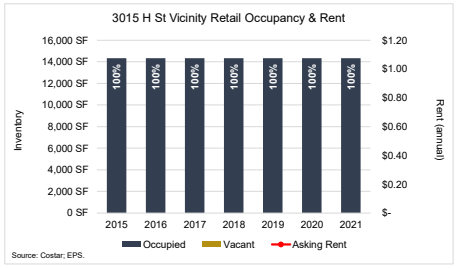




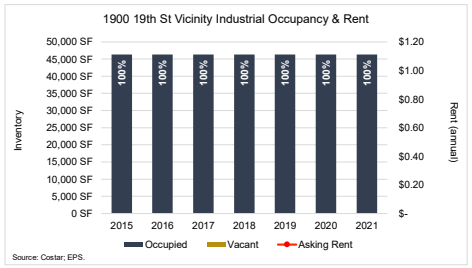


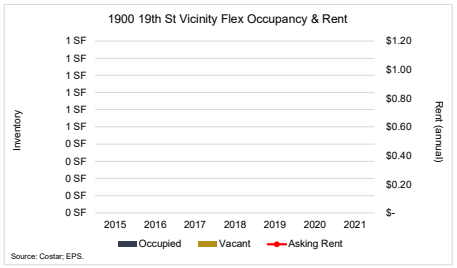


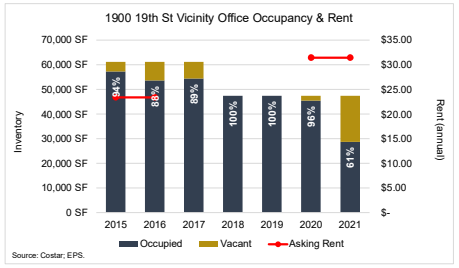


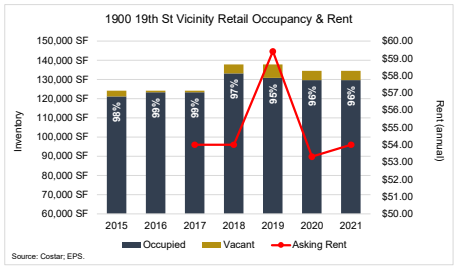


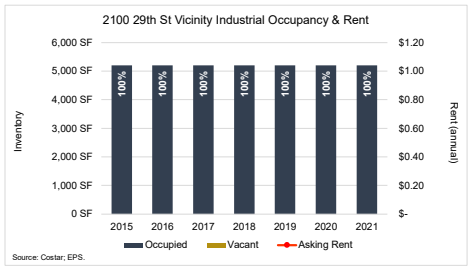
Appendix E-1
Cannabis Zones Commercial Real Estate Market Performance

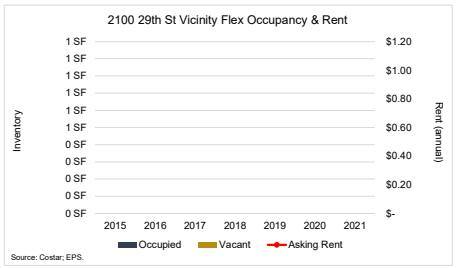


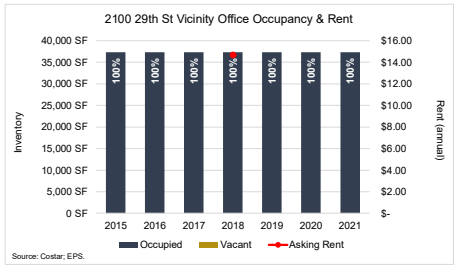


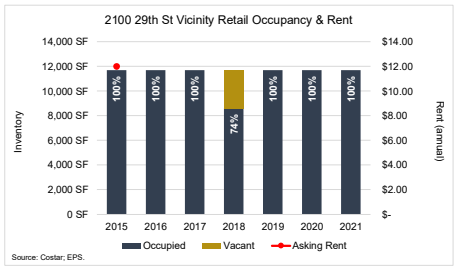


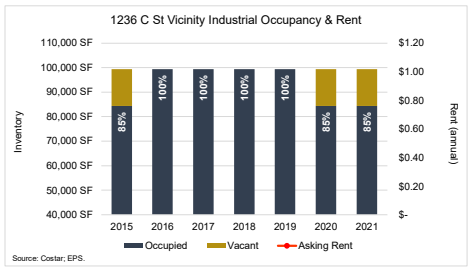


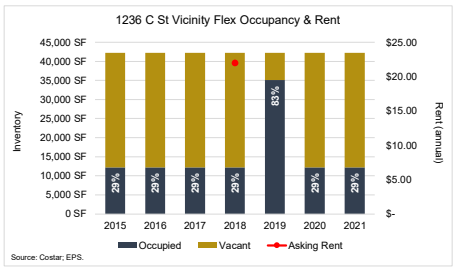


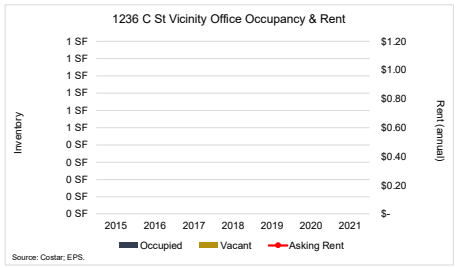


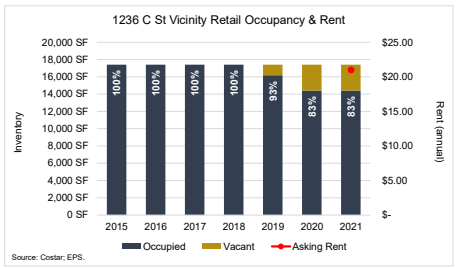




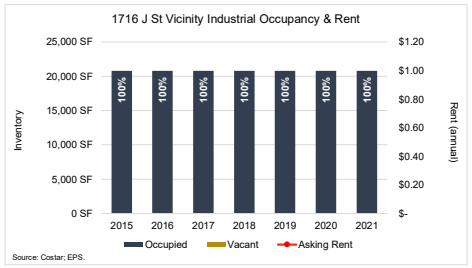


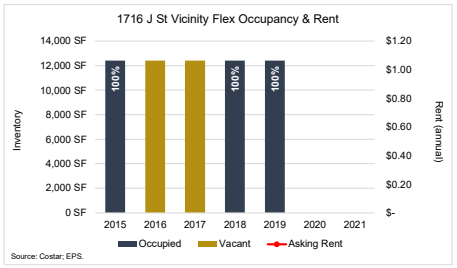


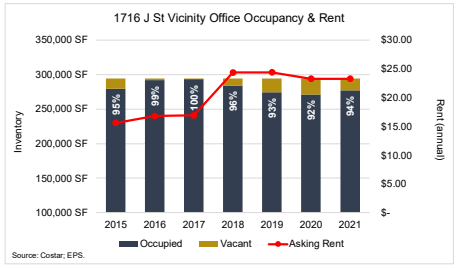


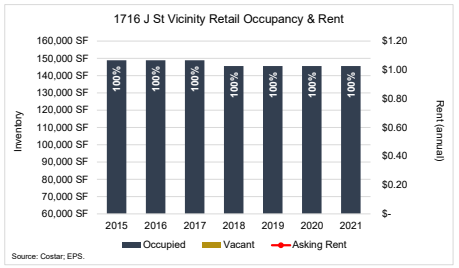


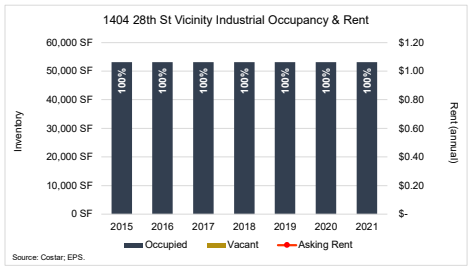
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Cannabis Zones Commercial Real Estate Market Performance

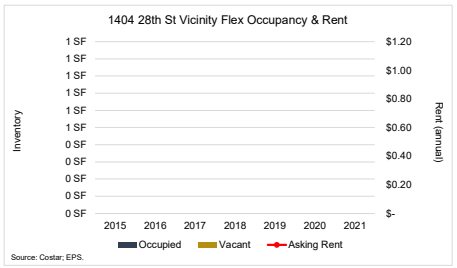


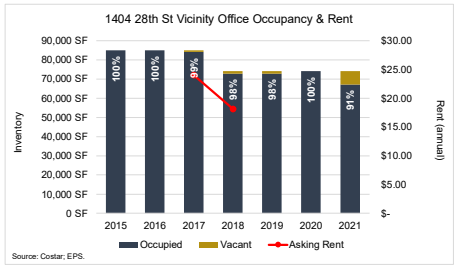


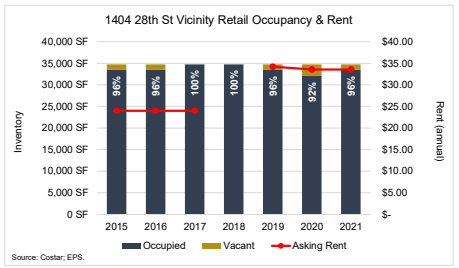


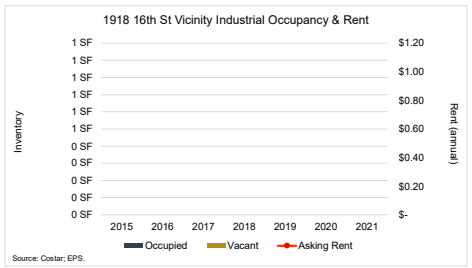


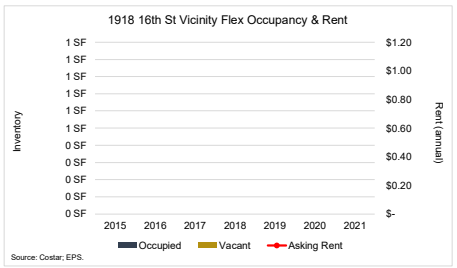


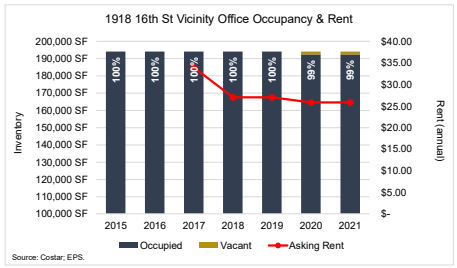


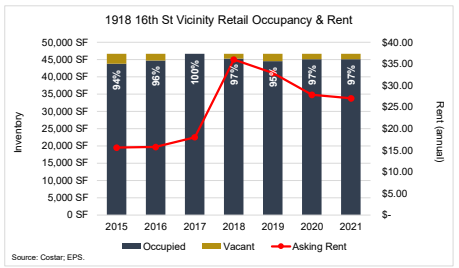




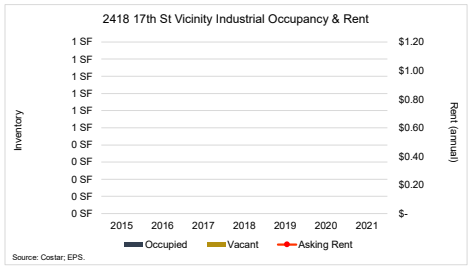


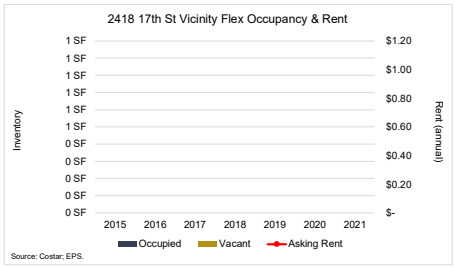


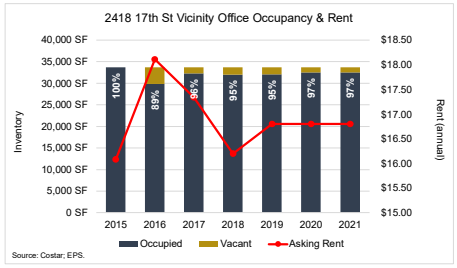


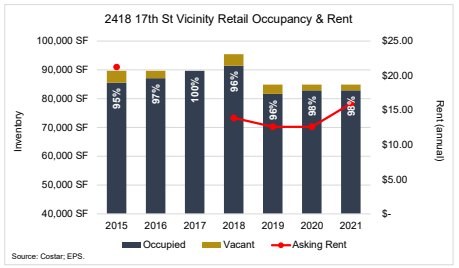


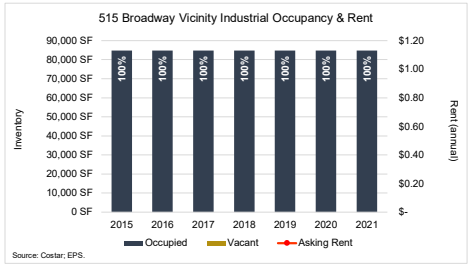
Appendix E-1
Cannabis Zones Commercial Real Estate Market Performance

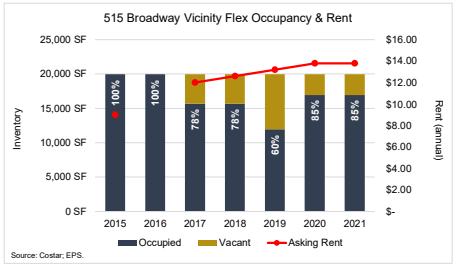


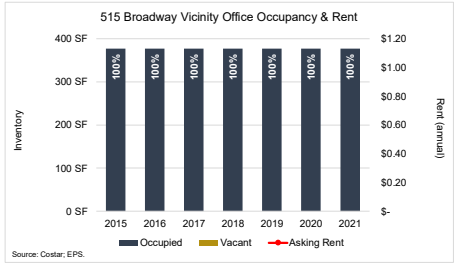


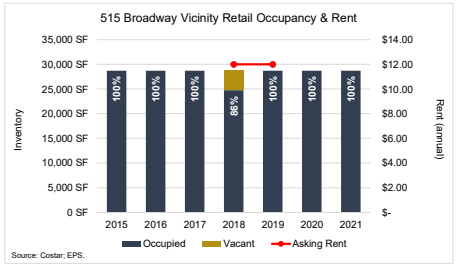


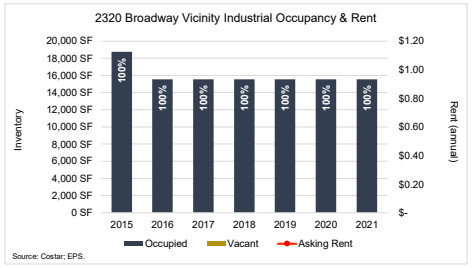


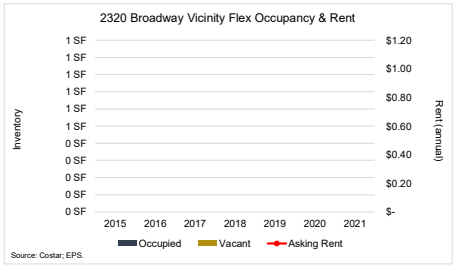


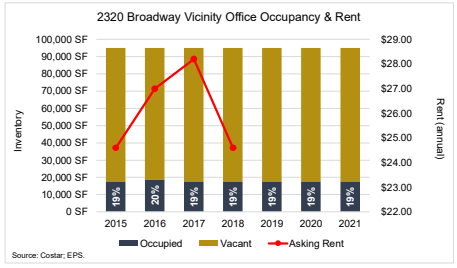


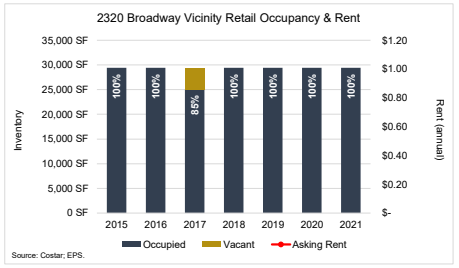




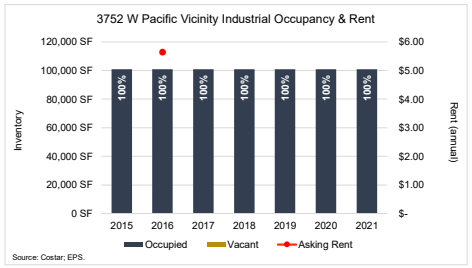


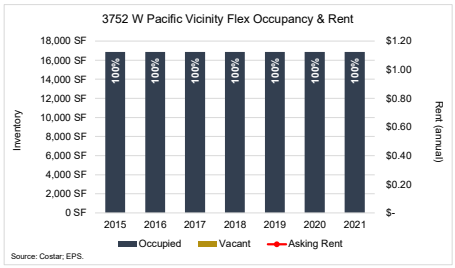


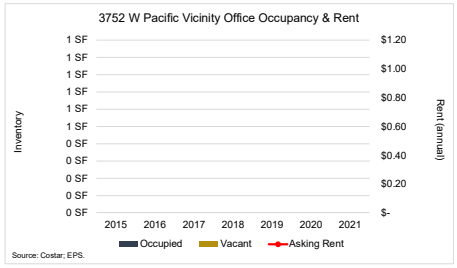


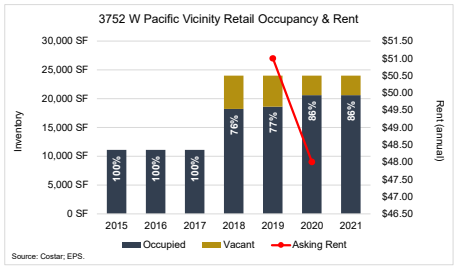


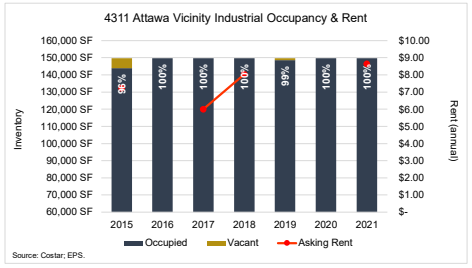
Appendix E-1
Cannabis Zones Commercial Real Estate Market Performance

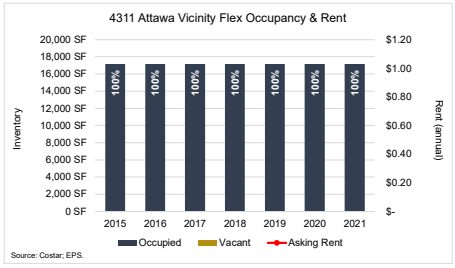




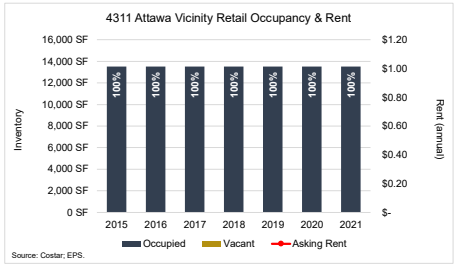


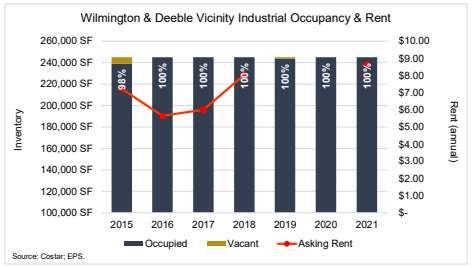


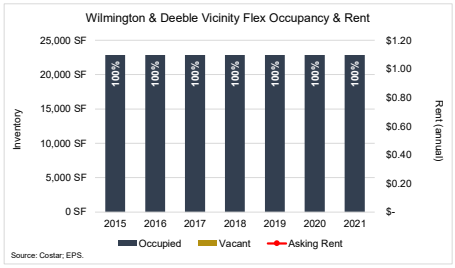


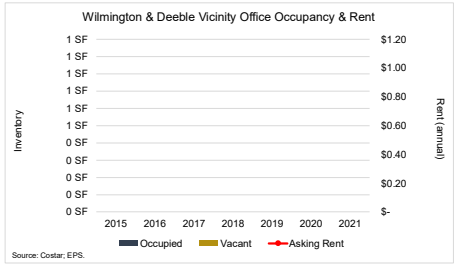


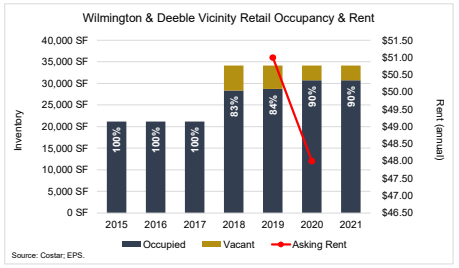




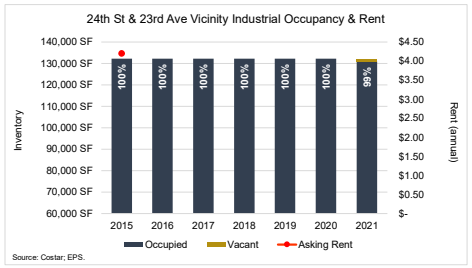


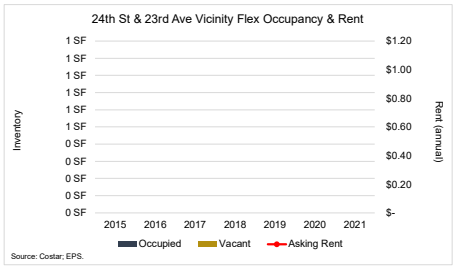


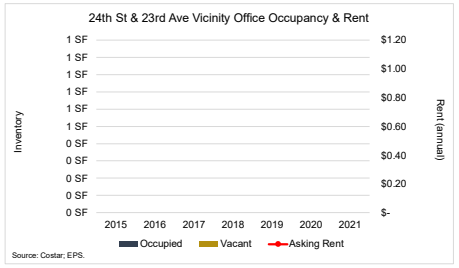


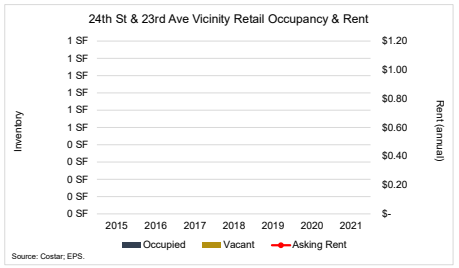


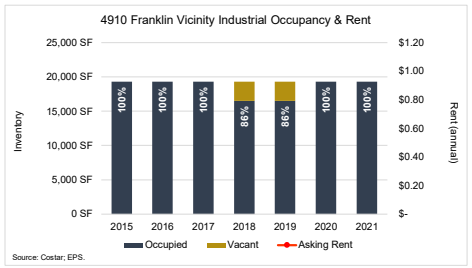
Appendix E-1
Cannabis Zones Commercial Real Estate Market Performance

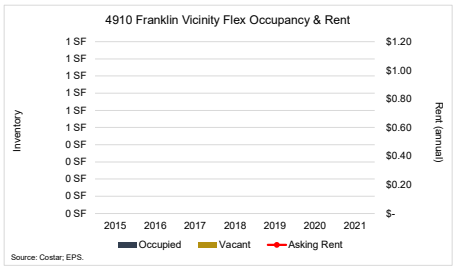


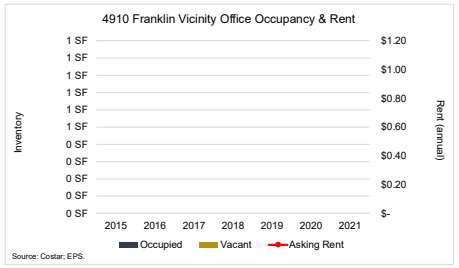


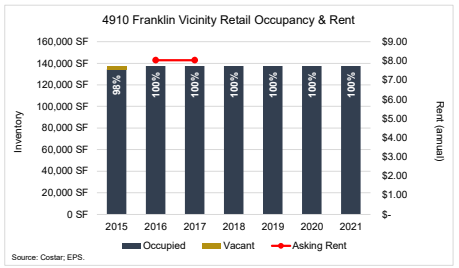


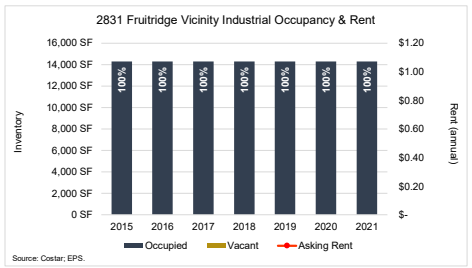


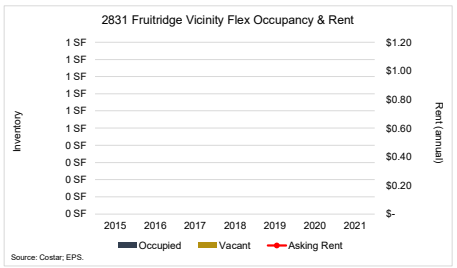


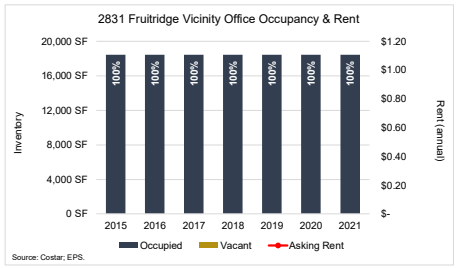


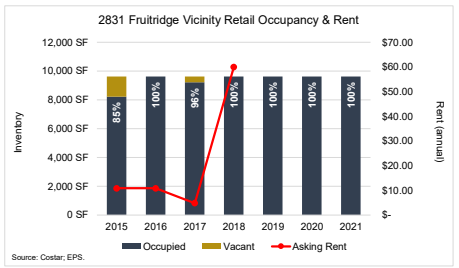




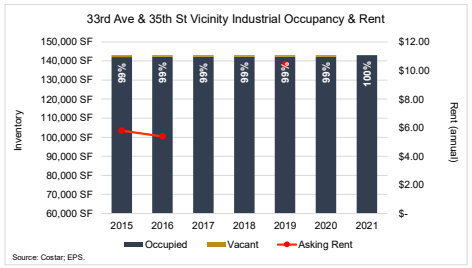


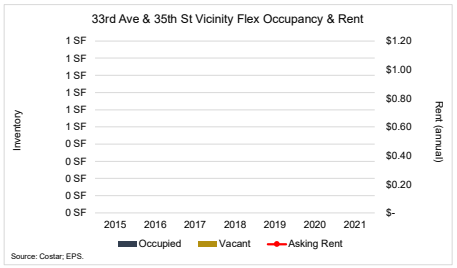


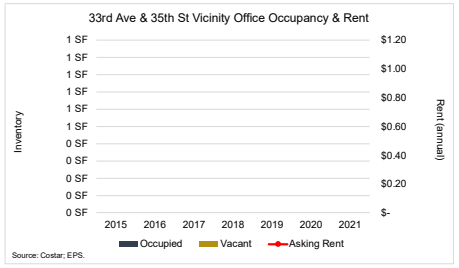


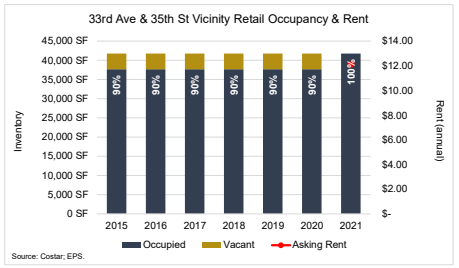


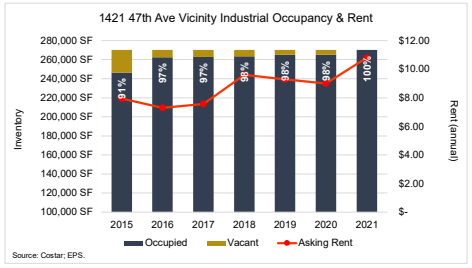
Appendix E-1
Cannabis Zones Commercial Real Estate Market Performance

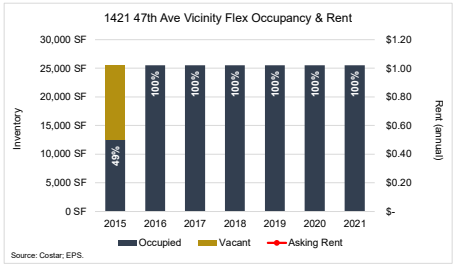


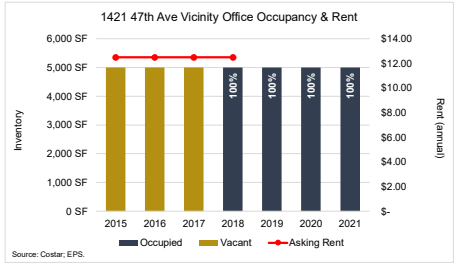




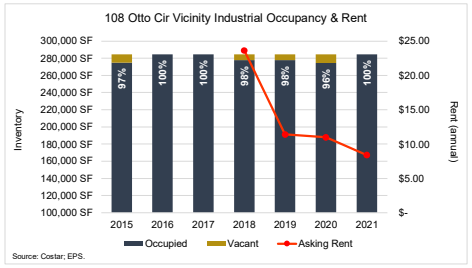


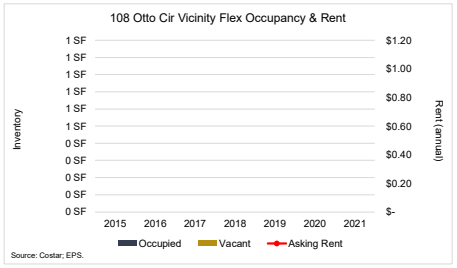


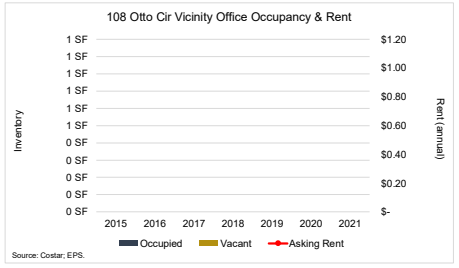






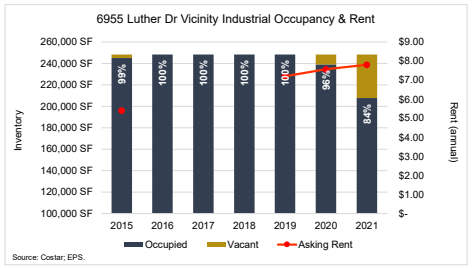


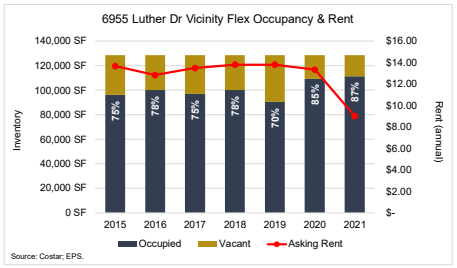


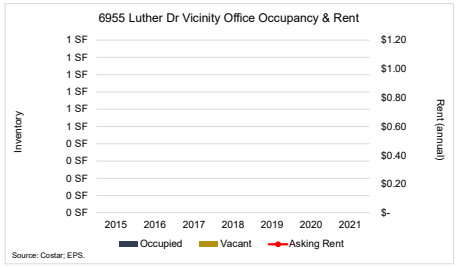


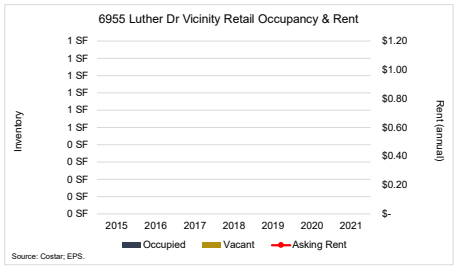


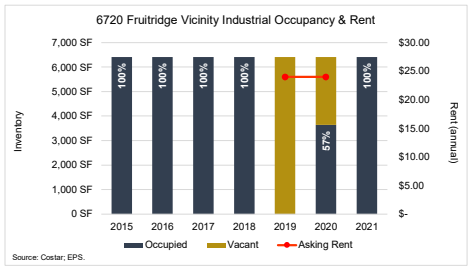
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Cannabis Zones Commercial Real Estate Market Performance

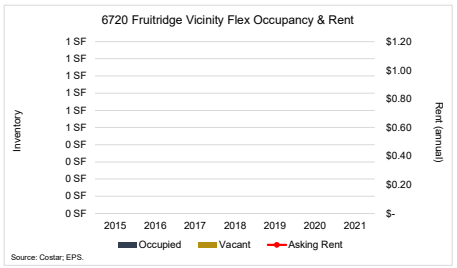


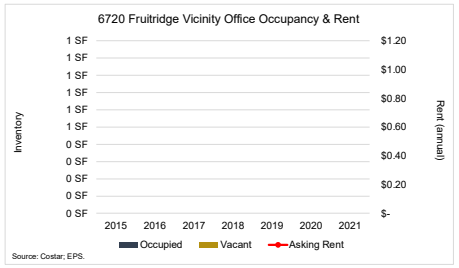


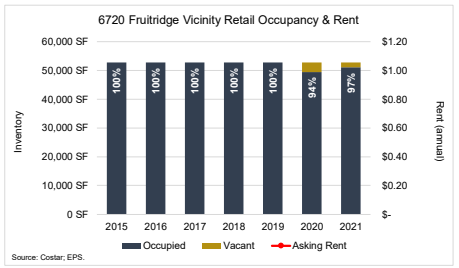


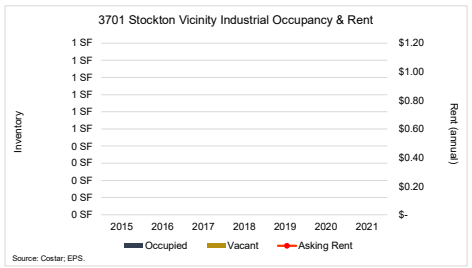


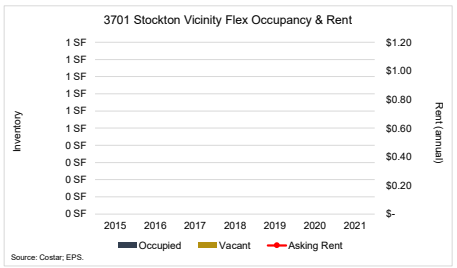


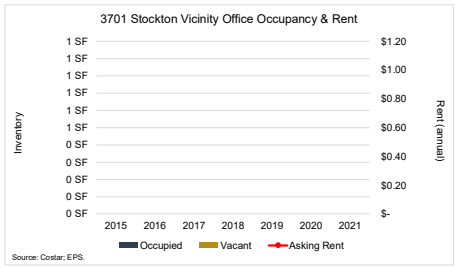


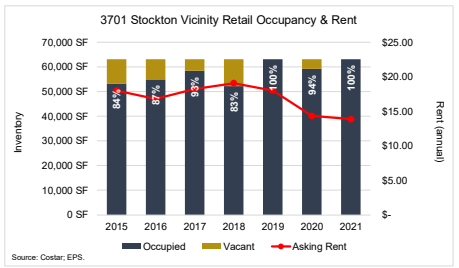




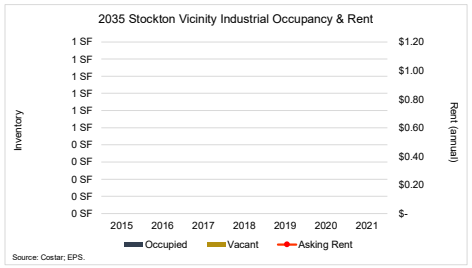


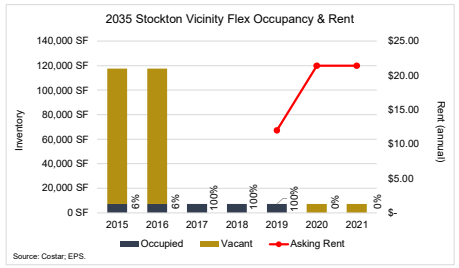


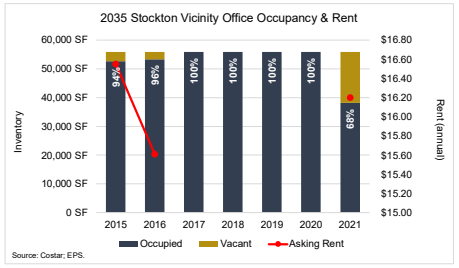


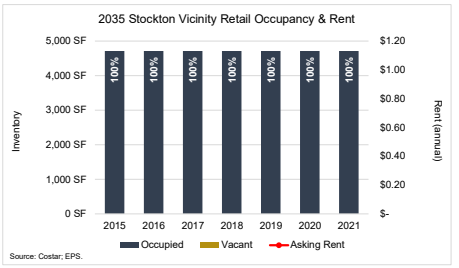


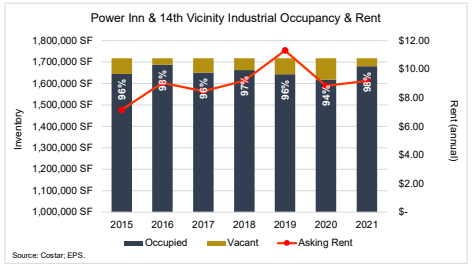
Appendix E-1
Cannabis Zones Commercial Real Estate Market Performance

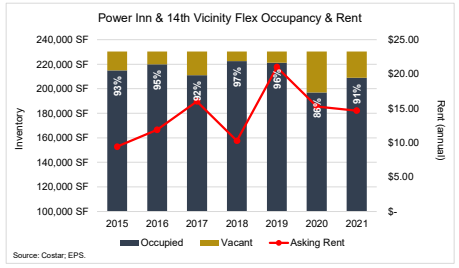


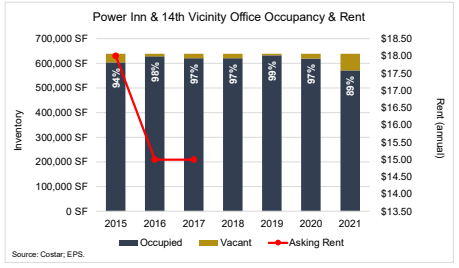


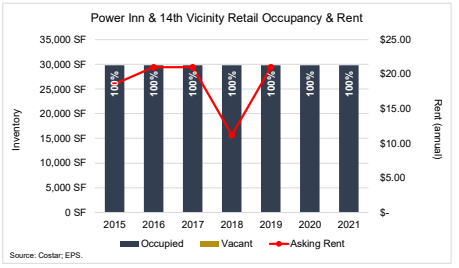


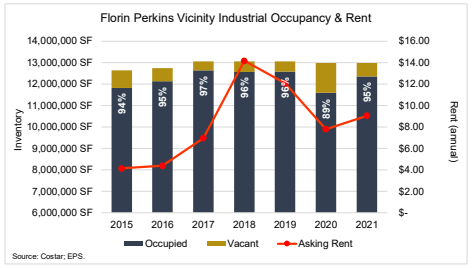


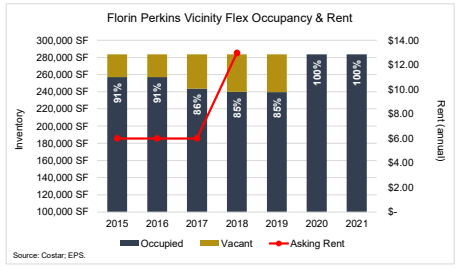


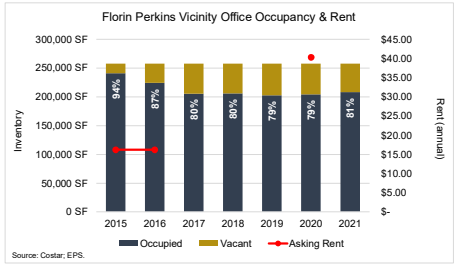


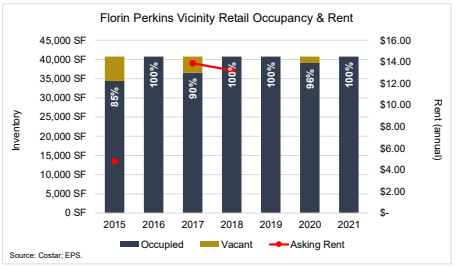




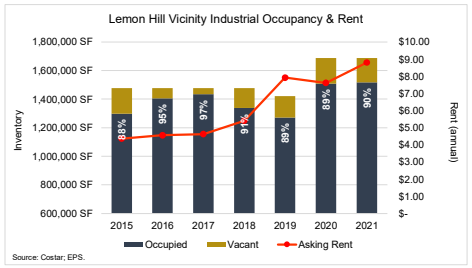


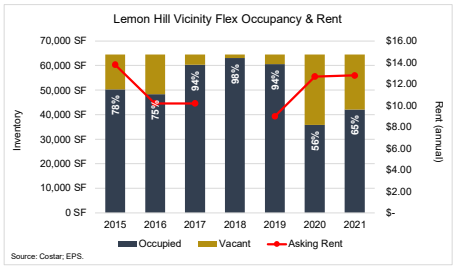


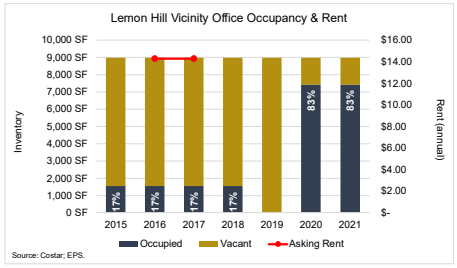


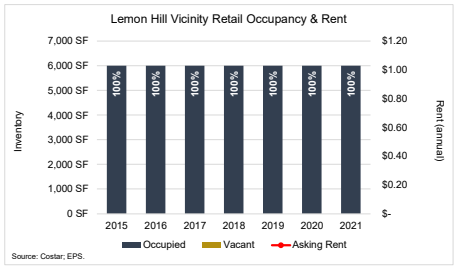


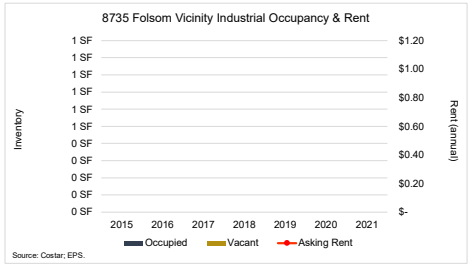
Appendix E-1
Cannabis Zones Commercial Real Estate Market Performance

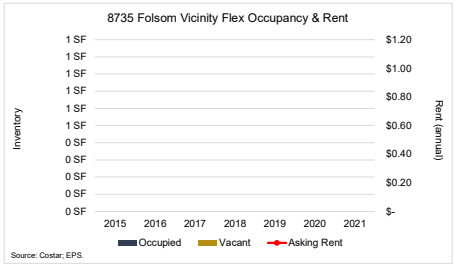


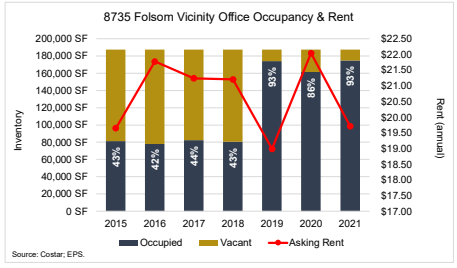


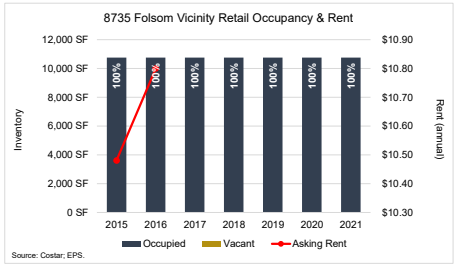












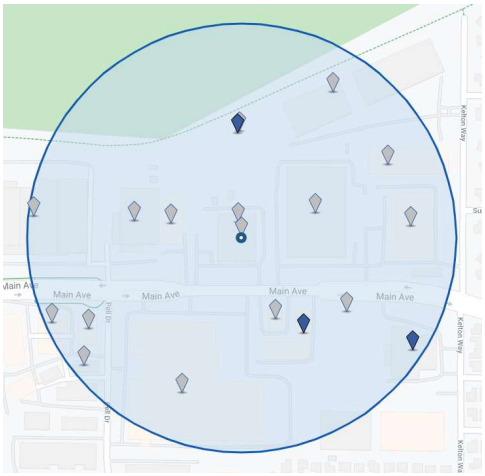
Appendix E-2

Maps of Cannabis Zones Identified for Costar Commercial Real Estate Market Data Extraction

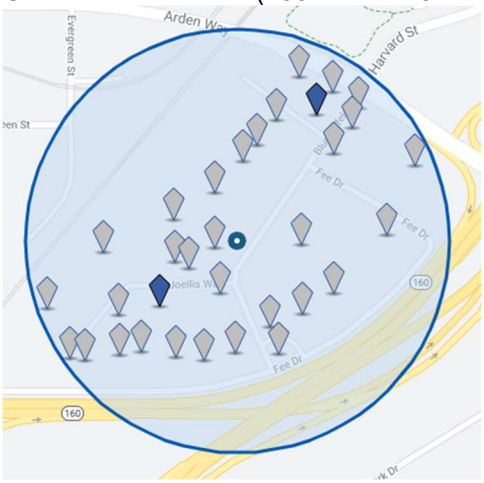
Maps from August 2021 (Council Districts updated January 2022)

Council District 1

CD1 - 135 Main Ave 1000’

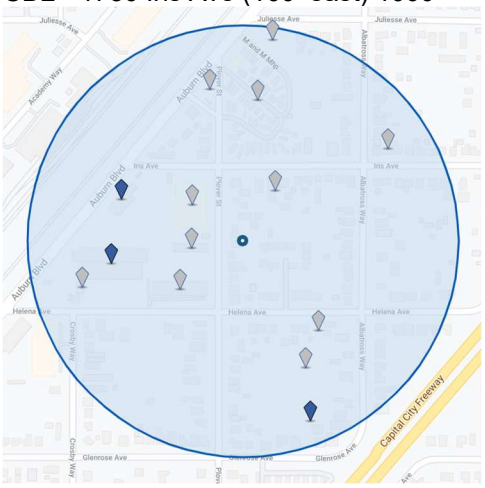


CD2 - Blumenfeld Dr (200’ north of Joellis) 1200’

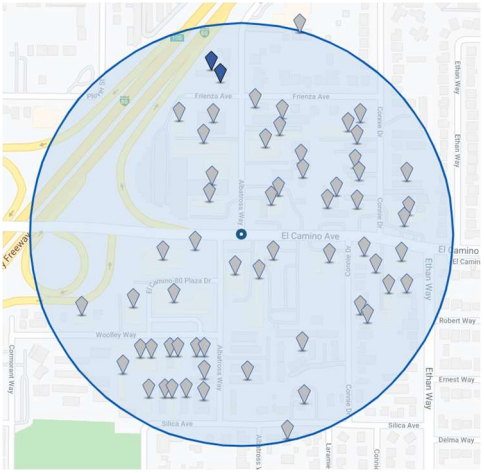


Council District 2

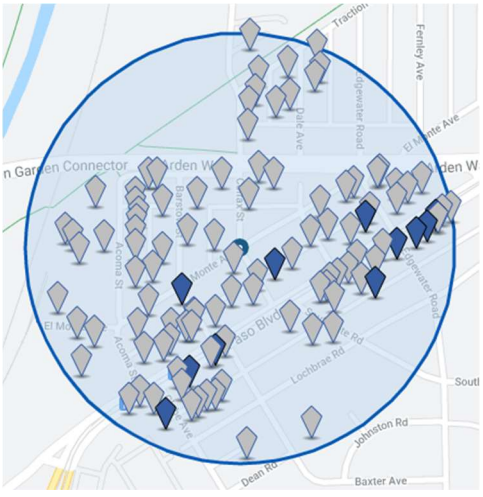
CD2 - 1750 Iris Ave (100’ east) 1000’



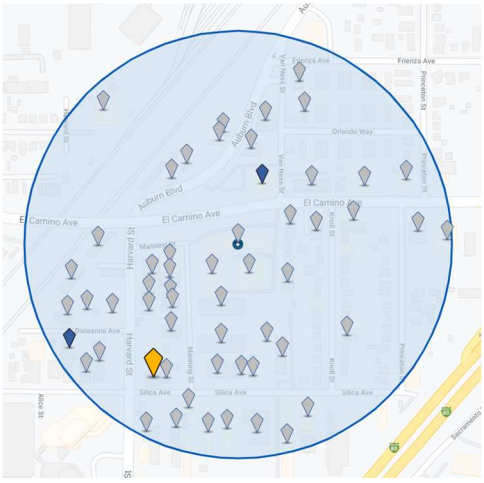
CD2 - El Camino & Albatross 1000’



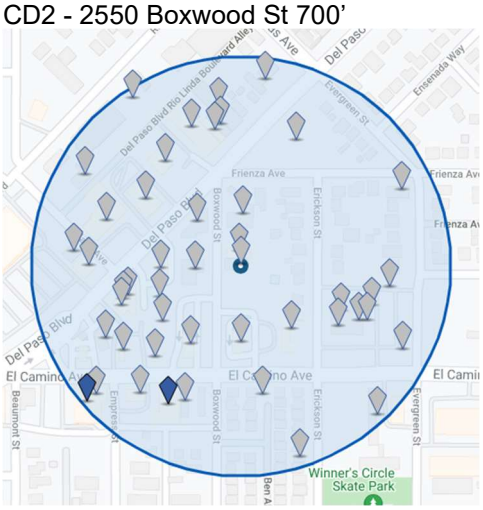
CD2 - El Monte & Colfax 1200’



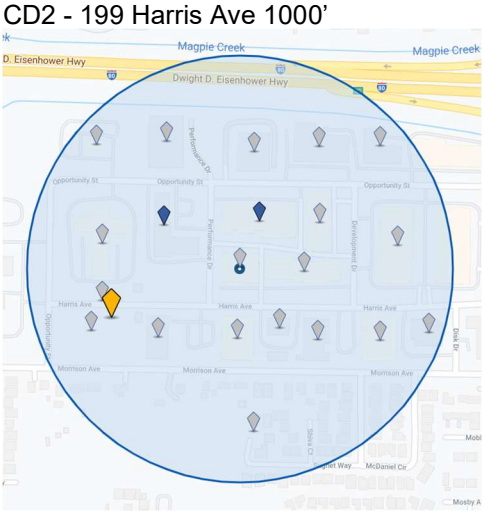
CD2 - 1500 El Camino Ave 1000’



CD2 - 2550 Boxwood St 700’



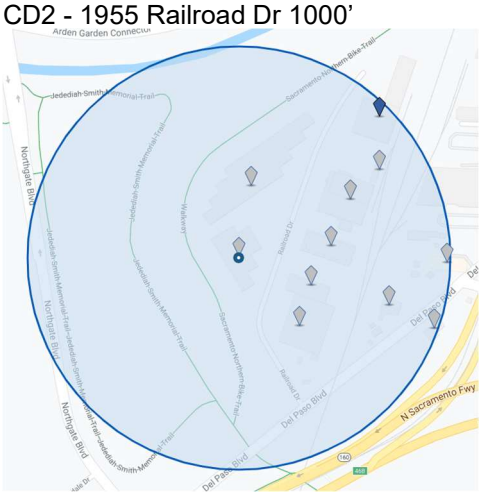
CD2 - 199 Harris Ave 1000’



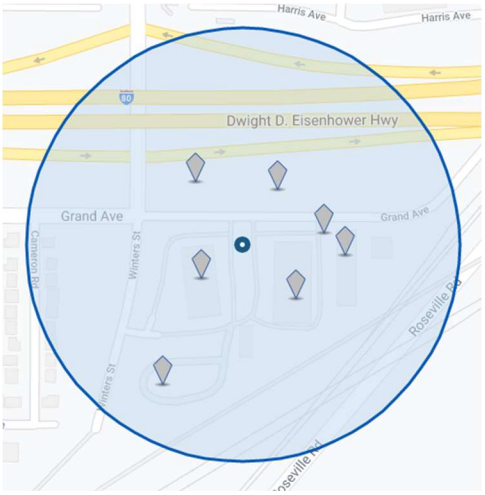
CD2 - 2550 Boxwood St 1000’



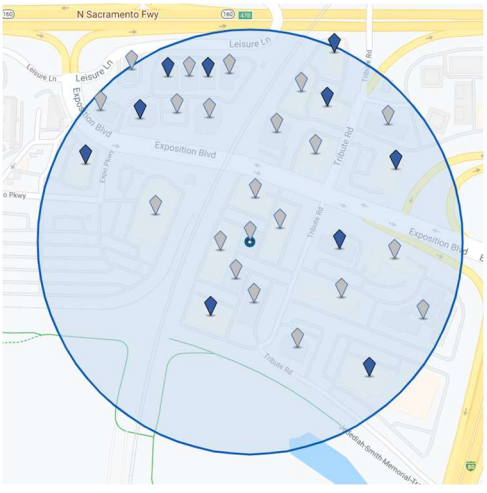
CD2 - 1955 Railroad Dr 1000’



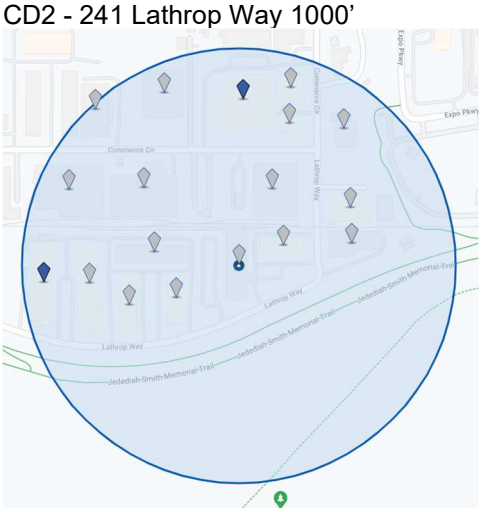
CD2 - 2480 Grand Ave 700’



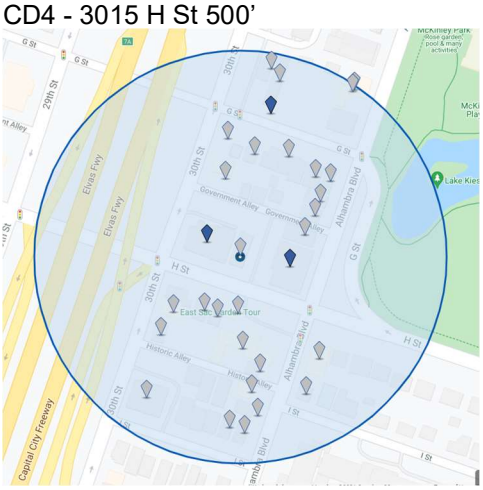
CD2 - 1783 Tribute Rd 1000’



CD2 - 241 Lathrop Way 1000’

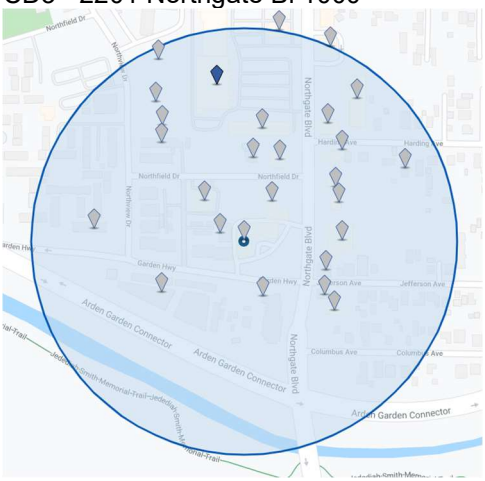


CD4 - 3015 H St 500’



Council District 3

CD3 - 2201 Northgate Bl 1000’



CD4 - 1900 19th St 500’

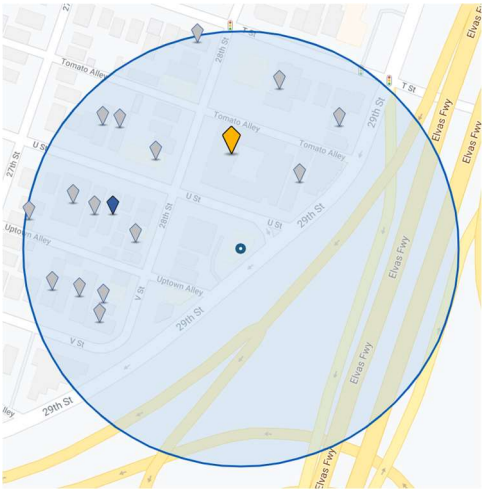


Council District 4

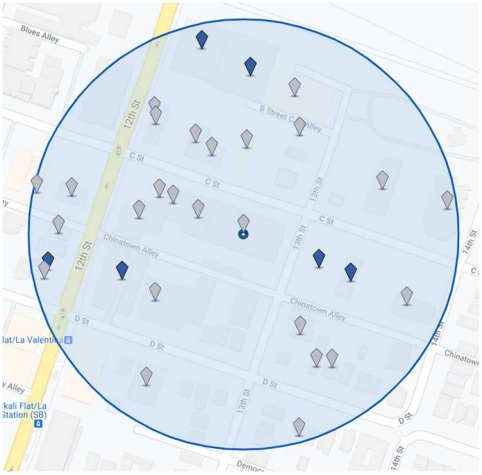
CD4 - 241 N 10th St 1000’



CD4 - 2100 29th St 500’



CD4 - 1236 C St 500’



CD4 - 1918 16th St 500’



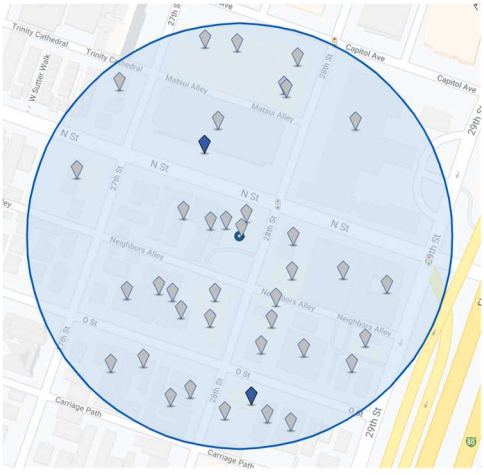
CD4 - 1716 J St 500’



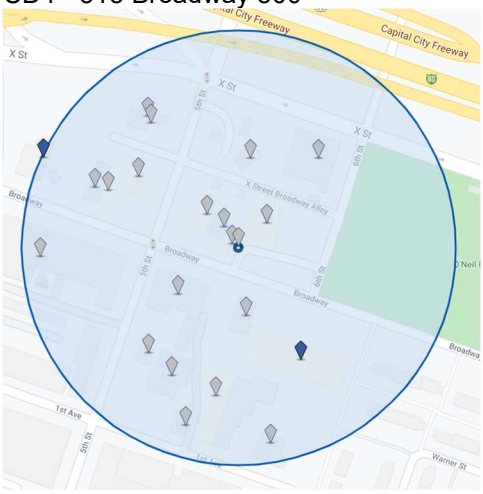
CD4 - 2418 17th St 500’



CD4 - 1404 28th St 500’

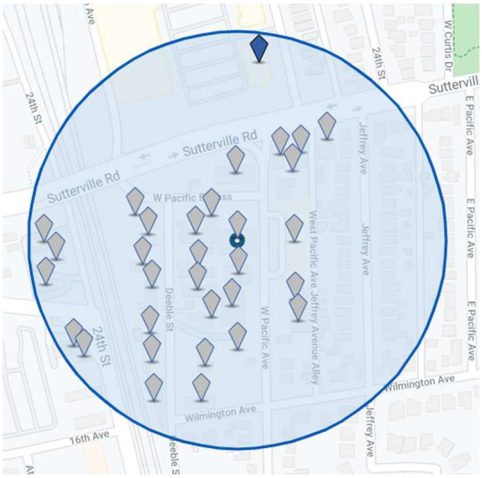


CD4 - 515 Broadway 500’



Council District 5

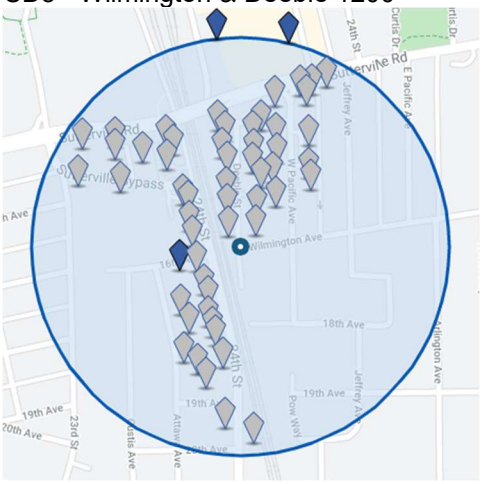
CD5 - 3752 W Pacific 700’



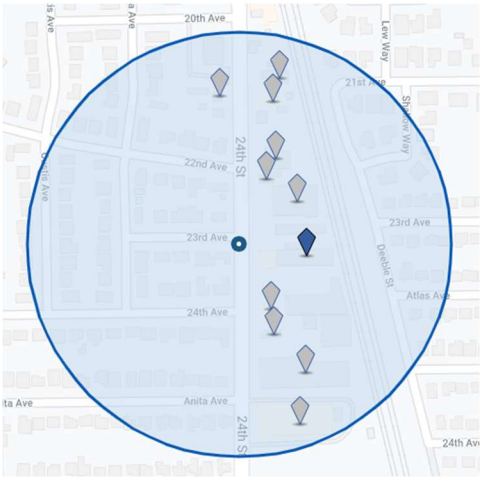
CD5 - 4311 Attawa Ave 1000’



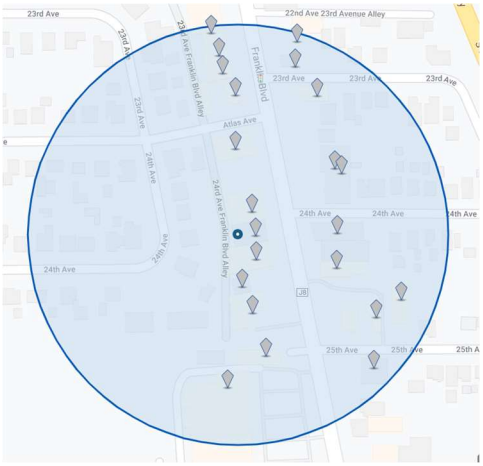
CD5 - Wilmington & Deeble 1200’



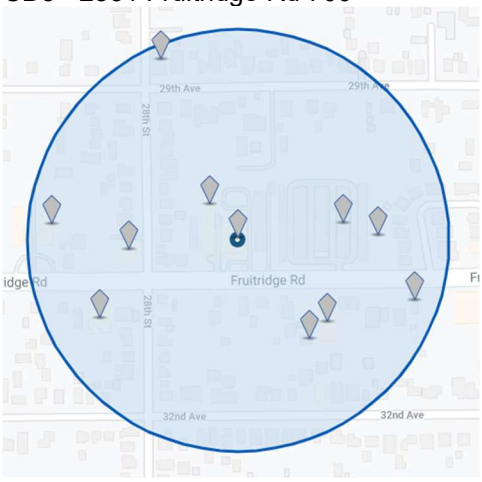
CD5 - 24th St & 23rd Ave 700’



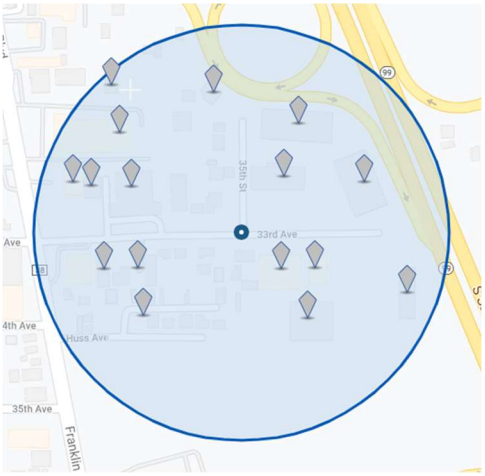
CD5 - 4910 Franklin Bl 700’



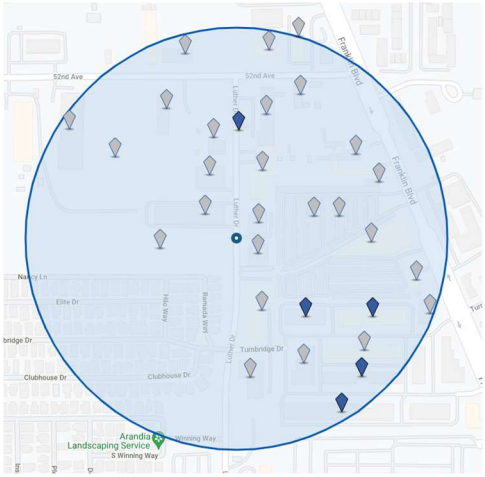
CD5 - 2831 Fruitridge Rd 700’



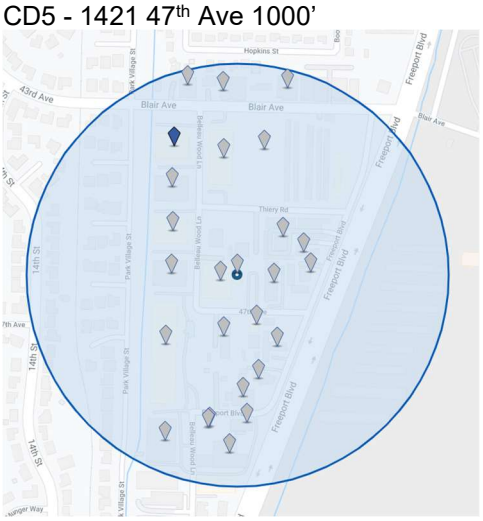
CD5 - 33rd Ave & 35th St 700’



CD5 - 6955 Luther Dr 1000’



CD5 - 1421 47th Ave 1000’

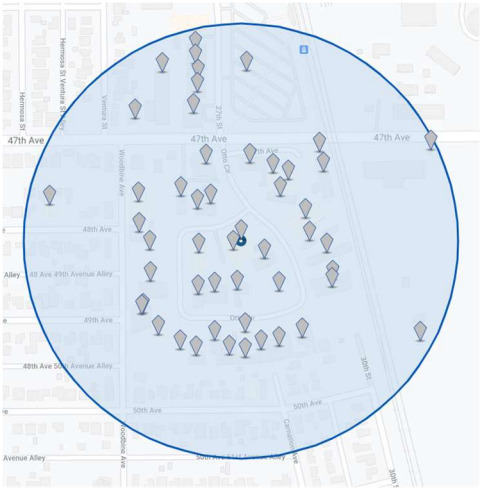


Council District 6

CD6 - 6720 Fruitridge Rd 1000’



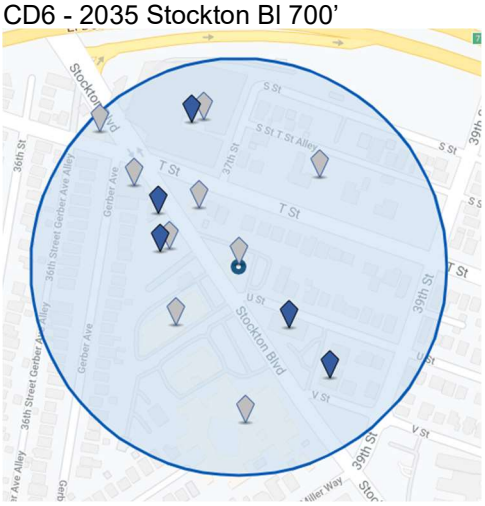
CD5 - 108 Otto Circle 1000’



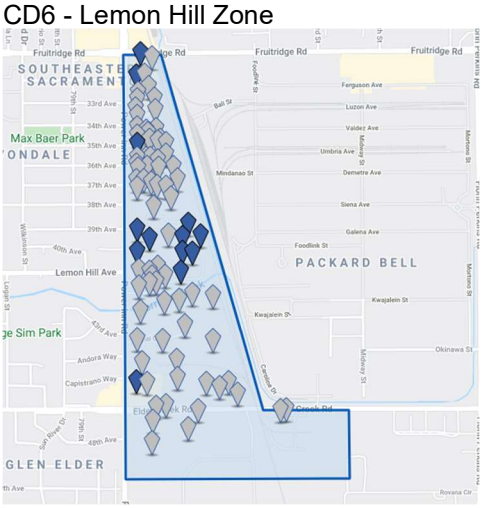
CD6 - 3701 Stockton Bl 700’



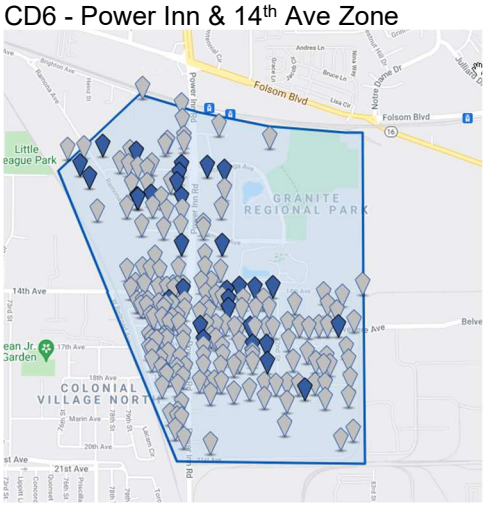
CD6 - 2035 Stockton Bl 700’



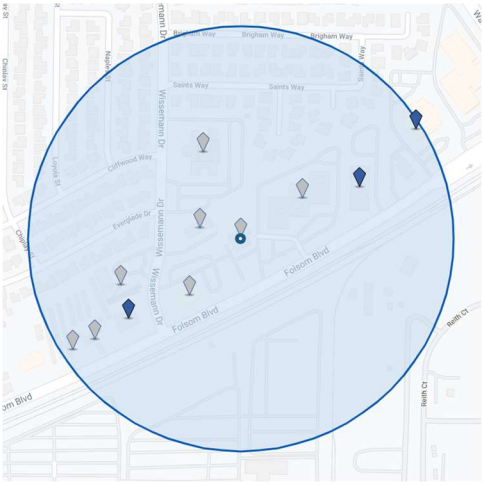
CD6 - Lemon Hill Zone



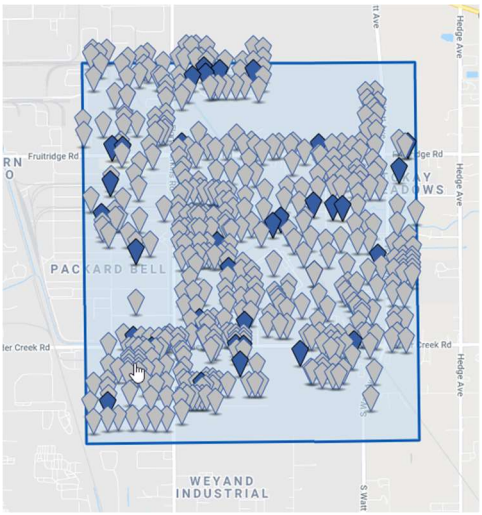
CD6 - Power Inn & 14th Ave Zone



CD6 - 8735 Folsom 1000’

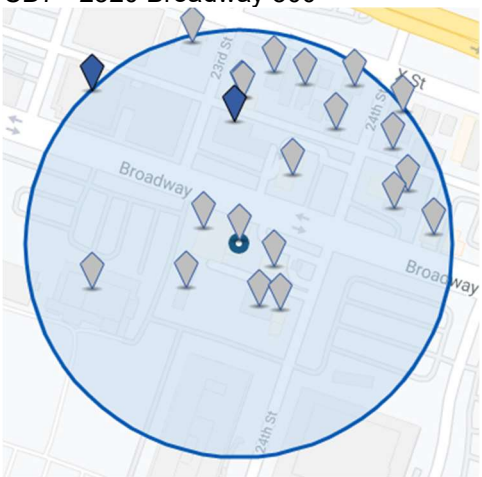


CD6 - Florin Perkins Zone

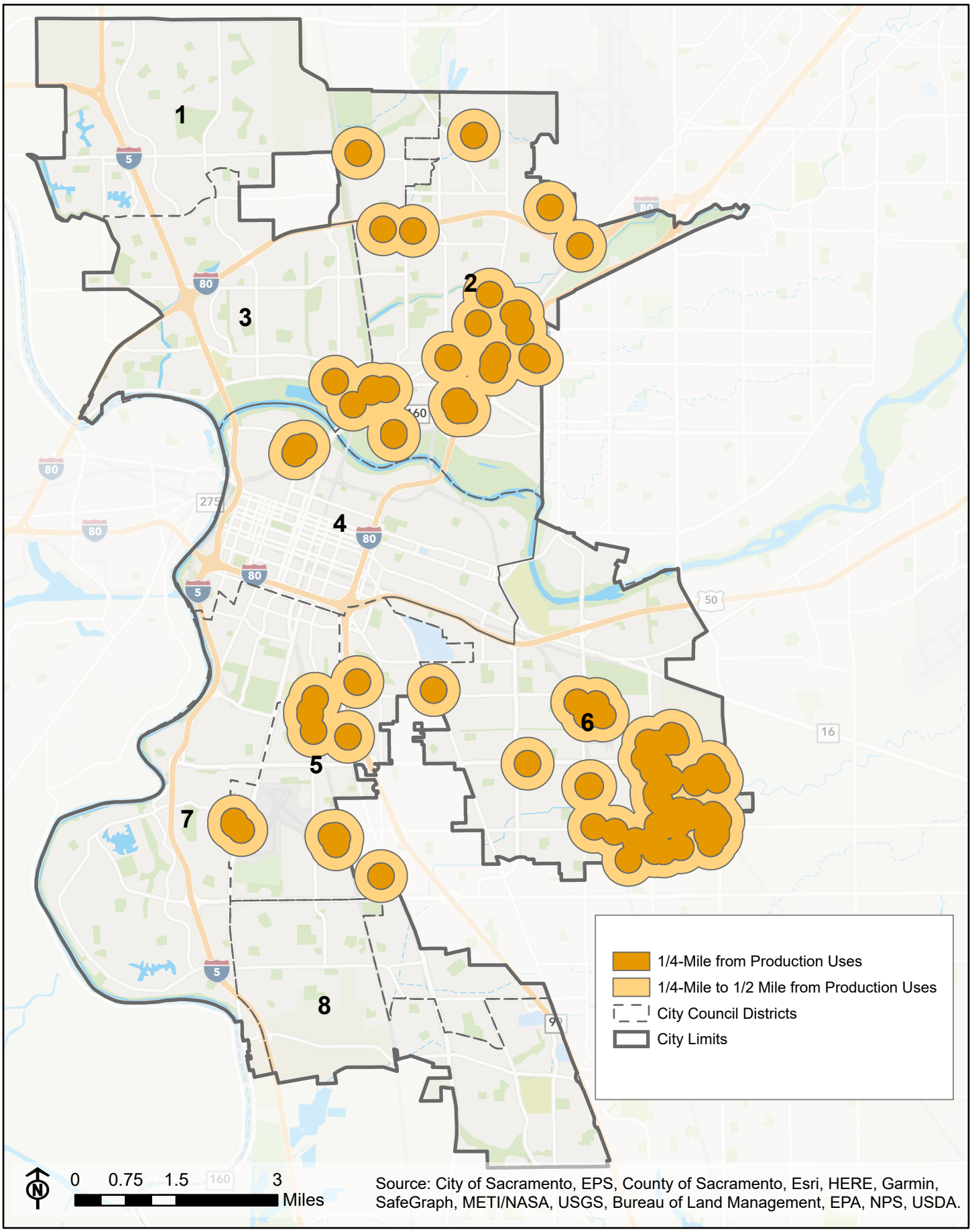


Council District 7

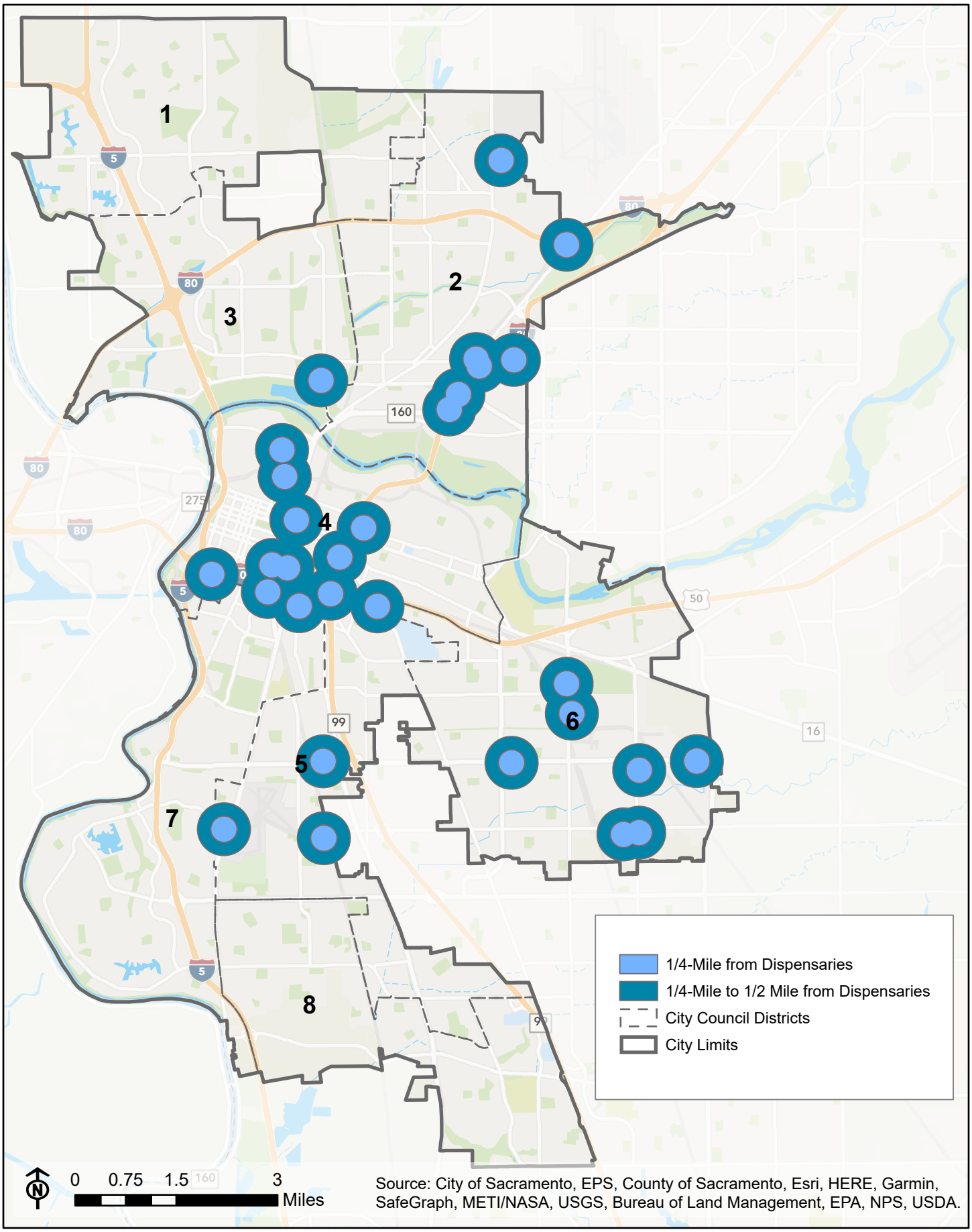
CD7 - 2320 Broadway 500’



Map E-3 - Areas Within 1/4-mile and 1/4-mile to 1/2-mile from Cannabis Production Uses



Map E-4 - Areas Within 1/4-mile and 1/4-mile to 1/2-mile from Cannabis Dispensaries



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APPENDIX F:

Cannabis Business Crime Data

Table F-1
City of Sacramento Comprehensive Cannabis Study
List of Crimes At Cannabis Businesses Reported to City of Sacramento Police Department (2018 - 2021)

Date [1]	Year	Crime [2]	Crime Category	Business ID [3]	Cannabis Business Type
1/14/2018	2021	211 PC ROBBERY-UNSPECIFIED	Robbery	58	Delivery
1/14/2018	2019	459 PC BURG BUSINESS-FORCE	Burglary	75	Cultivation
2/8/2018	2018	459 PC BURG BUSINESS-NO FORCE	Burglary	40	Storefront
4/15/2018	2018	459 PC BURG BUSINESS-FORCE	Burglary	111	Storefront
5/22/2018	2019	459 PC BURG BUSINESS-FORCE	Burglary	81	Distribution
5/30/2018	2020	459 PC BURG BUSINESS-NO FORCE	Burglary	49	Distribution
6/3/2018	2019	459 PC BURG BUSINESS-FORCE	Burglary	48	Storefront
7/4/2018	2020	459 PC BURG BUSINESS-FORCE	Burglary	10	Cultivation
7/7/2018	2018	459 PC BURG BUSINESS-FORCE	Burglary	23	Storefront
7/29/2018	2018	459 PC	Burglary	105	Unlicensed
8/2/2018	2018	459 PC BURG BUSINESS-FORCE	Burglary	109	Delivery
8/17/2018	2021	459 PC BURG BUSINESS-FORCE	Burglary	79	Cultivation
8/19/2018	2021	459 PC BURG BUSINESS-FORCE	Burglary	88	Cultivation
8/23/2018	2019	459 PC BURG BUSINESS-NO FORCE	Burglary	91	Delivery
9/9/2018	2020	211 PC ROBBERY-UNSPECIFIED	Burglary	40	Storefront
9/25/2018	2021	459 PC	Burglary	42	Manufacturer
10/11/2018	2019	459 PC BURG BUSINESS-FORCE	Robbery	106	Delivery
10/16/2018	2019	459 PC BURG BUSINESS-FORCE	Burglary	23	Storefront
10/25/2018	2018	459 PC BURG BUSINESS-FORCE	Burglary	103	Manufacturer
11/5/2018	2018	211 PC ROBBERY-BUSINESS	Burglary	100	Delivery
11/7/2018	2021	459 PC BURG BUSINESS-FORCE	Burglary	63	Manufacturer
11/14/2018	2020	459 PC BURG BUSINESS-FORCE	Burglary	90	Cultivation
11/16/2018	2018	459 PC BURG BUSINESS-FORCE	Burglary	77	Delivery
11/22/2018	2019	459 PC BURG BUSINESS-FORCE	Burglary	33	Delivery
11/30/2018	2019	459 PC BURG BUSINESS-FORCE	Burglary	41	Delivery
12/4/2018	2019	459 PC BURG BUSINESS-FORCE	Burglary	30	Delivery
12/4/2018	2020	459 PC BURG BUSINESS-FORCE	Burglary	48	Storefront
12/5/2018	2018	459 PC BURG BUSINESS-FORCE	Burglary	87	Cultivation
12/6/2018	2019	459 PC BURG BUSINESS-FORCE	Burglary	91	Delivery
12/13/2018	2021	459 PC BURG BUSINESS-FORCE	Burglary	27	Cultivation
12/14/2018	2019	459 PC BURG BUSINESS-FORCE	Burglary	98	Storefront
1/8/2019	2018	459 PC BURG BUSINESS-FORCE	Burglary	70	Storefront
1/8/2019	2019	459 PC BURG BUSINESS-FORCE	Burglary	106	Cultivation
1/9/2019	2021	459 PC BURG BUSINESS-FORCE	Burglary	67	Cultivation
1/10/2019	2018	459 PC BURG BUSINESS-FORCE	Burglary	88	Cultivation
1/14/2019	2021	459 PC BURG BUSINESS-FORCE	Burglary	51	Cultivation
1/31/2019	2019	459 PC BURG BUSINESS-FORCE	Burglary	101	Storefront

Table F-1
City of Sacramento Comprehensive Cannabis Study
List of Crimes At Cannabis Businesses Reported to City of Sacramento Police Department (2018 - 2021)

Date [1]	Year	Crime [2]	Crime Category	Business ID [3]	Cannabis Business Type
2/9/2019	2018	459 PC BURG BUSINESS-FORCE	Robbery	95	Storefront
2/16/2019	2021	459 PC BURG BUSINESS-FORCE	Burglary	37	Manufacturer
2/18/2019	2020	459 PC BURG BUSINESS-FORCE	Burglary	13	Delivery
2/20/2019	2018	459 PC BURG BUSINESS-FORCE	Burglary	36	Cultivation
2/24/2019	2019	211 PC ROBBERY-UNSPECIFIED	Robbery	62	Delivery
2/27/2019	2019	459 PC BURG BUSINESS-FORCE	Burglary	96	Manufacturer
3/12/2019	2019	459 PC BURG BUSINESS-FORCE	Burglary	104	Storefront
3/18/2019	2021	459 PC BURG BUSINESS-FORCE	Burglary	83	Cultivation
3/22/2019	2019	211 PC ROBBERY-UNSPECIFIED	Burglary	106	Delivery
3/25/2019	2019	459 PC BURG BUSINESS-FORCE	Burglary	9	Storefront
3/30/2019	2019	459 PC (ATTEMPT)	Burglary	39	Delivery
4/1/2019	2019	211 PC ROBBERY-UNSPECIFIED	Robbery	62	Delivery
4/1/2019	2019	459 PC BURG BUSINESS-FORCE	Burglary	11	Storefront
4/2/2019	2020	211 PC ROBBERY-UNSPECIFIED	Burglary	91	Delivery
4/17/2019	2019	211 PC ROBBERY-UNSPECIFIED	Burglary	2	Storefront
4/23/2019	2019	211 PC ROBBERY-UNSPECIFIED	Burglary	3	Storefront
4/29/2019	2021	211 PC ROBBERY-UNSPECIFIED	Burglary	53	Cultivation
5/20/2019	2019	211 PC ROBBERY-UNSPECIFIED	Robbery	69	Delivery
5/20/2019	2018	211 PC ROBBERY-UNSPECIFIED	Burglary	4	Cultivation
5/25/2019	2019	211 PC ROBBERY-UNSPECIFIED	Robbery	77	Delivery
5/28/2019	2021	211 PC ROBBERY-UNSPECIFIED	Robbery	58	Delivery
5/28/2019	2020	459 PC BURG BUSINESS-FORCE	Burglary	30	Delivery
5/29/2019	2020	211 PC ROBBERY-UNSPECIFIED	Robbery	47	Delivery
5/29/2019	2020	459 PC BURG BUSINESS-FORCE	Burglary	26	Storefront
6/1/2019	2019	211 PC ROBBERY-UNSPECIFIED	Burglary	1	Lab
6/16/2019	2019	459 PC BURG BUSINESS-FORCE	Burglary	8	Storefront
6/21/2019	2021	459 PC BURG BUSINESS-FORCE	Burglary	102	Cultivation
6/27/2019	2020	459 PC BURG BUSINESS-FORCE	Burglary	25	Cultivation
6/27/2019	2021	459 PC BURG BUSINESS-FORCE	Burglary	43	Cultivation
7/2/2019	2020	459 PC BURG BUSINESS-FORCE	Robbery	30	Delivery
7/4/2019	2018	459 PC BURG BUSINESS-FORCE	Burglary	95	Lab
7/6/2019	2019	459 PC BURG BUSINESS-FORCE	Burglary	7	Cultivation
7/16/2019	2020	459 PC BURG BUSINESS-FORCE	Burglary	96	Distribution
7/17/2019	2020	459 PC BURG BUSINESS-FORCE	Robbery	25	Cultivation
7/22/2019	2021	459 PC BURG BUSINESS-FORCE	Burglary	12	Manufacturer
7/27/2019	2018	459 PC BURG BUSINESS-FORCE	Burglary	17	Distribution
7/29/2019	2019	459 PC BURG BUSINESS-FORCE	Robbery	88	Cultivation

Table F-1
City of Sacramento Comprehensive Cannabis Study
List of Crimes At Cannabis Businesses Reported to City of Sacramento Police Department (2018 - 2021)

Date [1]	Year	Crime [2]	Crime Category	Business ID [3]	Cannabis Business Type
7/30/2019	2020	459 PC BURG BUSINESS-FORCE	Burglary	35	Storefront
7/30/2019	2021	459 PC BURG BUSINESS-FORCE	Burglary	98	Storefront
8/2/2019	2021	211 PC ROBBERY-UNSPECIFIED	Robbery	107	Delivery
8/2/2019	2021	459 PC BURG BUSINESS-FORCE	Burglary	88	Cultivation
8/4/2019	2019	459 PC BURG BUSINESS-FORCE	Burglary	22	Cultivation
8/5/2019	2021	459 PC BURG BUSINESS-FORCE	Burglary	68	Cultivation
8/6/2019	2019	459 PC BURG BUSINESS-FORCE	Burglary	9	Delivery
8/6/2019	2021	459 PC BURG BUSINESS-FORCE	Burglary	91	Microbusiness
8/7/2019	2019	459 PC BURG BUSINESS-FORCE	Burglary	66	Storefront
8/10/2019	2021	459 PC BURG BUSINESS-FORCE	Burglary	89	Distribution
8/13/2019	2021	459 PC BURG BUSINESS-FORCE	Burglary	98	Storefront
8/18/2019	2018	459 PC BURG BUSINESS-FORCE	Burglary	38	Cultivation
8/18/2019	2019	459 PC BURG BUSINESS-FORCE	Burglary	96	Manufacturer
8/21/2019	2019	459 PC BURG BUSINESS-FORCE	Burglary	19	Delivery
8/23/2019	2018	459 PC BURG BUSINESS-FORCE	Burglary	17	Distribution
8/24/2019	2019	459 PC BURG BUSINESS-FORCE	Burglary	63	Lab
8/24/2019	2019	459 PC BURG BUSINESS-FORCE	Burglary	96	Manufacturer
8/25/2019	2019	459 PC BURG BUSINESS-FORCE	Burglary	23	Storefront
8/25/2019	2018	459 PC BURG BUSINESS-FORCE	Burglary	73	Delivery
8/25/2019	2018	459 PC BURG BUSINESS-FORCE	Burglary	105	Unlicensed
8/26/2019	2021	459 PC BURG BUSINESS-FORCE	Burglary	60	Cultivation
8/27/2019	2021	459 PC BURG BUSINESS-FORCE	Burglary	11	Storefront
8/27/2019	2019	459 PC BURG BUSINESS-FORCE	Burglary	68	Cultivation
8/28/2019	2019	459 PC BURG BUSINESS-FORCE	Burglary	49	Delivery
8/28/2019	2021	459 PC (ATTEMPT)	Burglary	68	Cultivation
8/30/2019	2021	459 PC BURG BUSINESS-FORCE	Burglary	108	Cultivation
9/1/2019	2021	459 PC BURG BUSINESS-FORCE	Burglary	27	Cultivation
9/4/2019	2018	459 PC BURG BUSINESS-FORCE	Burglary	73	Delivery
9/5/2019	2020	459 PC BURG BUSINESS-FORCE	Burglary	52	Storefront
9/5/2019	2021	459 PC BURG BUSINESS-FORCE	Burglary	53	Cultivation
9/5/2019	2019	459 (ATTEMPT)	Burglary	70	Storefront
9/18/2019	2020	459 PC (ATTEMPT)	Burglary	66	Cultivation
10/8/2019	2019	459 PC BURG BUSINESS-FORCE	Robbery	10	Cultivation
10/11/2019	2021	211 PC ROBBERY-UNSPECIFIED	Robbery	110	Delivery
10/27/2019	2020	459 PC (ATTEMPT)	Burglary	40	Storefront
12/1/2019	2021	211 PC ROBBERY-UNSPECIFIED	Robbery	80	Delivery
12/3/2019	2018	459 PC (ATTEMPT)	Burglary	40	Storefront

Table F-1
City of Sacramento Comprehensive Cannabis Study
List of Crimes At Cannabis Businesses Reported to City of Sacramento Police Department (2018 - 2021)

Date [1]	Year	Crime [2]	Crime Category	Business ID [3]	Cannabis Business Type
12/14/2019	2018	459 PC BURG BUSINESS-FORCE	Burglary	72	Cultivation
12/18/2019	2019	459 PC BURG BUSINESS-FORCE	Burglary	16	Manufacturer
12/18/2019	2021	459 PC BURG BUSINESS-FORCE	Robbery	74	Cultivation
12/25/2019	2021	211 PC ROBBERY-UNSPECIFIED	Burglary	15	Distribution
1/31/2020	2019	211 PC ROBBERY-UNSPECIFIED	Burglary	30	Delivery
2/3/2020	2021	459 PC BURG BUSINESS-FORCE	Burglary	46	Cultivation
2/23/2020	2020	459 PC (ATTEMPT)	Burglary	45	Storefront
2/24/2020	2019	459 PC BURG BUSINESS-FORCE	Burglary	30	Delivery
3/21/2020	2019	459 PC BURG BUSINESS-FORCE	Burglary	79	Cultivation
4/10/2020	2019	459 PC BURG BUSINESS-FORCE	Burglary	11	Storefront
4/24/2020	2018	459 PC BURG BUSINESS-FORCE	Burglary	78	Manufacturer
5/2/2020	2019	459 PC BURG BUSINESS-FORCE	Burglary	34	Distribution
5/13/2020	2019	459 PC BURG BUSINESS-FORCE	Burglary	93	Storefront
5/13/2020	2019	459 PC BURG BUSINESS-FORCE	Burglary	93	Storefront
5/14/2020	2019	459 PC BURG BUSINESS-FORCE	Burglary	51	Storefront
5/14/2020	2019	459 PC BURG BUSINESS-FORCE	Burglary	93	Storefront
5/17/2020	2018	459 PC BURG BUSINESS-FORCE	Burglary	21	Distribution
5/27/2020	2019	211 PC ROBBERY-UNSPECIFIED	Robbery	84	Delivery
5/30/2020	2019	459 PC BURG BUSINESS-FORCE	Burglary	68	Cultivation
5/31/2020	2021	459 PC BURG BUSINESS-FORCE	Burglary	31	Cultivation
5/31/2020	2021	459 PC BURG BUSINESS-FORCE	Burglary	43	Cultivation
6/2/2020	2020	459 PC BURG BUSINESS-FORCE	Burglary	40	Storefront
6/2/2020	2021	459 PC BURG BUSINESS-FORCE	Burglary	51	Cultivation
6/2/2020	2020	459 PC BURG BUSINESS-FORCE	Burglary	94	Cultivation
6/4/2020	2019	459 PC BURG BUSINESS-FORCE	Burglary	104	Storefront
7/12/2020	2020	459 PC BURG BUSINESS-FORCE	Burglary	98	Storefront
7/19/2020	2019	459 PC BURG BUSINESS-FORCE	Burglary	14	Cultivation
7/19/2020	2021	459 PC BURG BUSINESS-FORCE	Burglary	60	Cultivation
9/10/2020	2019	459 PC BURG BUSINESS-FORCE	Burglary	106	Cultivation
9/19/2020	2019	459 PC BURG BUSINESS-FORCE	Burglary	65	Cultivation
11/15/2020	2020	211 PC ROBBERY-UNSPECIFIED	Burglary	104	Storefront
11/18/2020	2018	211 PC ROBBERY-UNSPECIFIED	Robbery	33	Storefront
12/7/2020	2021	459 PC BURG BUSINESS-FORCE	Burglary	61	Manufacturer
12/29/2020	2021	459 PC BURG BUSINESS-FORCE	Burglary	51	Cultivation
1/9/2021	2020	459 PC BURG BUSINESS-FORCE	Robbery	104	Storefront
1/13/2021	2018	459 PC BURG BUSINESS-FORCE	Burglary	103	Manufacturer
1/31/2021	2019	459 (ATTEMPT)	Burglary	10	Cultivation

Table F-1
City of Sacramento Comprehensive Cannabis Study
List of Crimes At Cannabis Businesses Reported to City of Sacramento Police Department (2018 - 2021)

Date [1]	Year	Crime [2]	Crime Category	Business ID [3]	Cannabis Business Type
2/10/2021	2021	211 PC ROBBERY-UNSPECIFIED	Burglary	7	Cultivation
3/11/2021	2019	459 PC BURG BUSINESS-FORCE	Burglary	10	Cultivation
4/27/2021	2021	459 (ATTEMPT)	Burglary	91	Microbusiness
5/20/2021	2020	459 (ATTEMPT)	Burglary	90	Cultivation
5/21/2021	2020	211 PC ROBBERY-UNSPECIFIED	Burglary	7	Cultivation
5/31/2021	2021	211 PC ROBBERY-UNSPECIFIED	Burglary	6	Storefront
6/1/2021	2019	211 PC ROBBERY-UNSPECIFIED	Burglary	4	Cultivation
6/2/2021	2021	211 PC ROBBERY-UNSPECIFIED	Robbery	99	Delivery
6/6/2021	2019	211 PC ROBBERY-UNSPECIFIED	Robbery	59	Delivery
6/6/2021	2019	211 PC ROBBERY-UNSPECIFIED	Burglary	5	Cultivation
6/21/2021	2019	211 PC ROBBERY-UNSPECIFIED	Burglary	82	Delivery
7/23/2021	2019	459 PC BURG BUSINESS-FORCE	Burglary	60	Cultivation
7/29/2021	2021	459 PC BURG BUSINESS-FORCE	Burglary	51	Cultivation
8/1/2021	2019	459 PC BURG BUSINESS-FORCE	Burglary	50	Delivery
8/1/2021	2018	459 PC BURG BUSINESS-FORCE	Burglary	109	Delivery
8/2/2021	2020	459 PC BURG BUSINESS-FORCE	Burglary	90	Cultivation
8/3/2021	2019	459 PC BURG BUSINESS-FORCE	Burglary	92	Storefront
8/4/2021	2021	459 PC BURG BUSINESS-FORCE	Burglary	51	Cultivation
8/12/2021	2019	459 PC BURG BUSINESS-FORCE	Burglary	20	Delivery
8/13/2021	2020	459 PC BURG BUSINESS-FORCE	Burglary	57	Cultivation
8/15/2021	2021	459 PC BURG BUSINESS-FORCE	Burglary	103	Manufacturer
8/18/2021	2019	459 PC BURG BUSINESS-FORCE	Burglary	38	Cultivation
8/24/2021	2019	459 PC BURG BUSINESS-FORCE	Burglary	66	Cultivation
8/25/2021	2021	459 PC BURG BUSINESS-FORCE	Burglary	56	Cultivation
8/29/2021	2018	459 PC BURG BUSINESS-FORCE	Burglary	55	Cultivation
9/4/2021	2018	459 PC BURG BUSINESS-FORCE	Burglary	111	Storefront
9/5/2021	2019	459 PC BURG BUSINESS-FORCE	Robbery	49	Delivery
9/5/2021	2019	459 PC BURG BUSINESS-FORCE	Burglary	66	Cultivation
9/6/2021	2018	459 PC BURG BUSINESS-FORCE	Burglary	38	Cultivation
9/6/2021	2019	459 PC BURG BUSINESS-FORCE	Burglary	67	Cultivation
9/9/2021	2021	459 PC BURG BUSINESS-FORCE	Burglary	71	Manufacturer
9/9/2021	2021	459 PC BURG BUSINESS-FORCE	Burglary	108	Cultivation
9/10/2021	2020	459 PC BURG BUSINESS-FORCE	Burglary	72	Cultivation
9/16/2021	2021	459 (ATTEMPT)	Burglary	94	Cultivation
9/17/2021	2019	459 PC BURG BUSINESS-FORCE	Burglary	20	Delivery
9/17/2021	2021	459 PC BURG BUSINESS-FORCE	Burglary	86	Delivery
9/21/2021	2019	459 PC BURG BUSINESS-FORCE	Burglary	54	Storefront

Table F-1
City of Sacramento Comprehensive Cannabis Study
List of Crimes At Cannabis Businesses Reported to City of Sacramento Police Department (2018 - 2021)

Date [1]	Year	Crime [2]	Crime Category	Business ID [3]	Cannabis Business Type
10/2/2021	2021	459 PC BURG BUSINESS-FORCE	Burglary	71	Manufacturer
10/3/2021	2019	459 PC BURG BUSINESS-FORCE	Burglary	85	Cultivation
10/7/2021	2018	459 PC BURG BUSINESS-FORCE	Burglary	40	Storefront
10/7/2021	2020	459 PC BURG BUSINESS-FORCE	Burglary	53	Cultivation
10/7/2021	2020	459 PC BURG BUSINESS-FORCE	Burglary	72	Cultivation
10/7/2021	2021	459 PC BURG BUSINESS-FORCE	Burglary	76	Delivery
10/9/2021	2019	459 PC BURG BUSINESS-FORCE	Burglary	33	Distribution
10/10/2021	2021	459 PC BURG BUSINESS-FORCE	Burglary	22	Cultivation
10/10/2021	2018	459 PC BURG BUSINESS-FORCE	Burglary	28	Storefront
10/10/2021	2021	459 PC BURG BUSINESS-FORCE	Burglary	32	Microbusiness
10/10/2021	2021	459 PC BURG BUSINESS-FORCE	Burglary	98	Storefront
10/13/2021	2021	459 PC BURG BUSINESS-FORCE	Burglary	64	Cultivation
10/14/2021	2021	211 PC ROBBERY-UNSPECIFIED	Robbery	97	Delivery
10/18/2021	2021	459 PC BURG BUSINESS-FORCE	Burglary	76	Delivery
10/30/2021	2019	459 PC BURG BUSINESS-FORCE	Burglary	66	Storefront
10/31/2021	2019	459 PC BURG BUSINESS-FORCE	Burglary	88	Cultivation
10/31/2021	2018	459 PC BURG BUSINESS-FORCE	Burglary	88	Cultivation
11/1/2021	2021	459 PC BURG BUSINESS-FORCE	Burglary	67	Cultivation
11/5/2021	2019	459 PC BURG BUSINESS-FORCE	Burglary	60	Cultivation
11/5/2021	2019	459 PC BURG BUSINESS-FORCE	Burglary	93	Storefront

Source: City of Sacramento Police Department, EPS.

[1] Data is current through November 7, 2021.
[2] Burgalry is defined in Section 459 of the California Penal Code. Robbery is defined in Section 211 of the California Penal Code.
[3] Each business was assigned an anonymous identifier in order to prevent the publication of confidential or privileged information.

Attachment 3

March 13, 2025 Planning & Design Commission Meeting Summary

At the Planning & Design Commission meeting, there were twenty-one (21) public comments. Discussion and debate generally focused on two main topics. Both are summarized below. The meeting can be viewed at the following website:

https://sacramento.granicus.com/player/clip/6336?view_id=34&redirect=true

Permitting Process

- Community members (excluding existing cannabis dispensary owners) preferred maintaining the Conditional Use Permit process for cannabis cultivation and cannabis dispensary uses for community participation reasons.
    - Although the proposed Administrative Permit would provide notice at multiple points in time, concern was expressed that a public hearing was important to allowing the voicing of opinions.
    - Although the proposed Administrative Permit includes a reconsideration process, concerns were voiced that limiting that review to an examination of facts and binary standards was too restrictive.
    - Since 2019, forty-four (44) dispensary conditional use permit applications have been processed. Three (3) of those applications were appealed and ultimately approved.
- Cannabis business stakeholders preferred maintaining the Conditional Use Permit process for cannabis dispensary uses for its effect of reducing business competition (e.g., higher permit fees limit applicant number).
- Community members (including existing dispensary owners) expressed support for cannabis industry but stated that Conditional Use Permit process ensures a business operator is responsible to neighborhood concerns.

Sensitive Uses

Based on public speaker comments, there was a significant amount of misunderstanding and/or misinformation on this topic. Many speakers assumed (incorrectly) that staff was recommending cannabis dispensaries to be able to locate near sensitive uses. The staff recommendation was the opposite – mandatory buffers.

Like prior meetings, public speakers presented contrasting viewpoints on the cannabis industry. Many speakers were opposed and ranged from a sentiment of outright ban to

exclusion from certain neighborhoods. Other speakers, including cannabis business owners, spoke to the benefits of the industry to neighbors and the City.

Planning and Design Commission Motion

After hearing all public speakers and debating the issue, the Planning and Design Commission passed a motion recommending the City Council approve staff's recommendations with the following modifications:

- Maintain Conditional Use Permit review for cannabis cultivation, cannabis dispensary, and cannabis consumption;
- Add childcare center, church and faith congregation, and other dispensary as sensitive uses; and
- Allow the ability to locate within a sensitive use buffer with a Conditional Use Permit reviewed by the Planning and Design Commission.

City of SACRAMENTO



Cannabis Zoning Amendments

Sep. 16, 2025 City Council - Review, Comment & Provide Direction

Presentation Overview

1. Background
2. City Council Direction
    a) Sensitive Uses
    b) Permit Type
    c) Consumption Lounges at Existing Dispensaries
3. Next Steps

Cannabis Study: Why & the Findings

- Reflect on 5 years of operating adult use cannabis
- Cannabis businesses have not:
  - Increased crime
  - Negatively impacted other businesses
  - Negatively impacted home values
- Cannabis businesses are significant economic driver
- Cannabis businesses are important to the City General Fund

Cannabis Study & Zoning: Outreach

Cannabis Stakeholder Group (2,500+ persons)

- August 4, 2021
- September 22, 2021
- October 14, 2021
- January 13, 2022
- February 17, 2022
- April 14, 2022
- May 19, 2022

Law & Legislation Committee

- March 15, 2022
- April 5, 2022
- April 19, 2022
- May 10, 2022

City Council

- May 31, 2022

Community Engagement Meetings

- August 25, 2022 (PDC)
- May 21, 2024 (L&L)
- August 20, 2024 (L&L)
- September 12, 2024 (PDC)
- July 2024 (Stakeholder Groups)
- September 5 & 19, 2024 (Webinars()

Public Hearings

- March 13, 2025 (PDC)
- April 8, 2025 (L&L)

Cannabis Zoning Project

City of SACRAMENTO

- Research & Analysis
- Preliminary Recommendations
- Community Engagement
- Final Recommendations
- **Public Hearings**

Cannabis: Local Regulatory Framework

City of Sacramento – City Code

Title 5 (Business)		**Title 17 (Zoning)**
Who	How	Where
When	Which	
Whether	How many	

Request for Council Direction #1

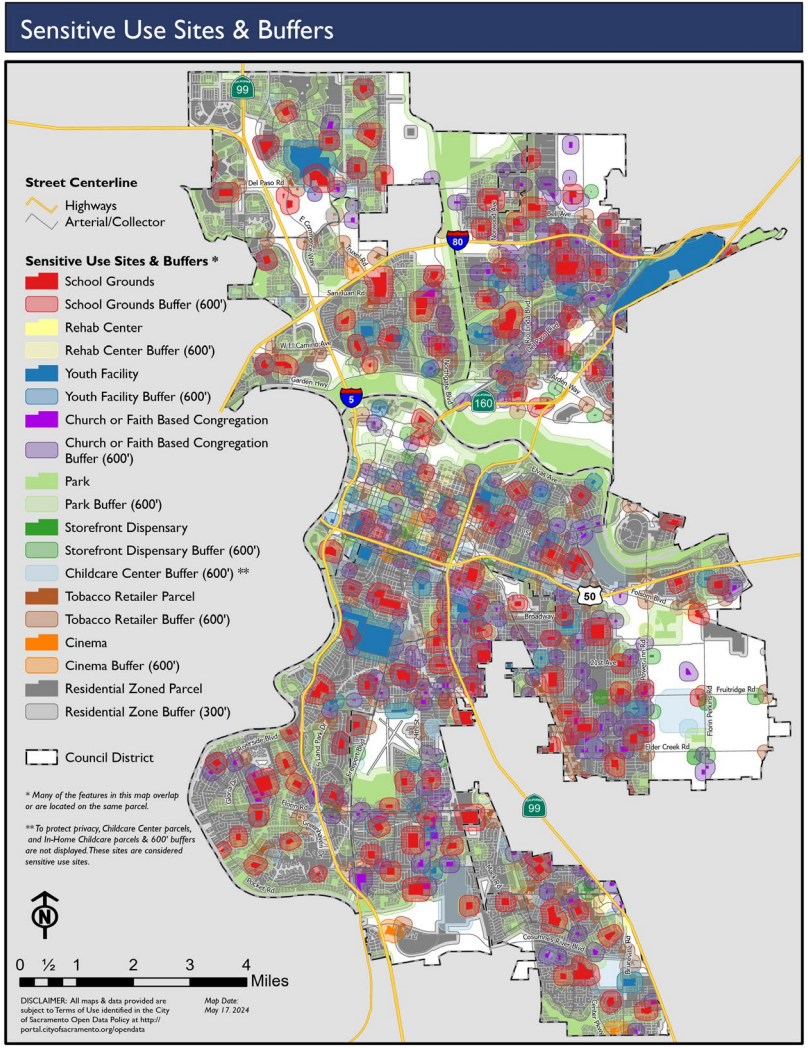
Should an ordinance include sensitive use buffers consistent with:

- Staff (Prohibited);
- Planning & Design Commission (Conditional); or
- Another alternative?



Sensitive Uses

Today



92%

Of land zoned for cannabis within buffer

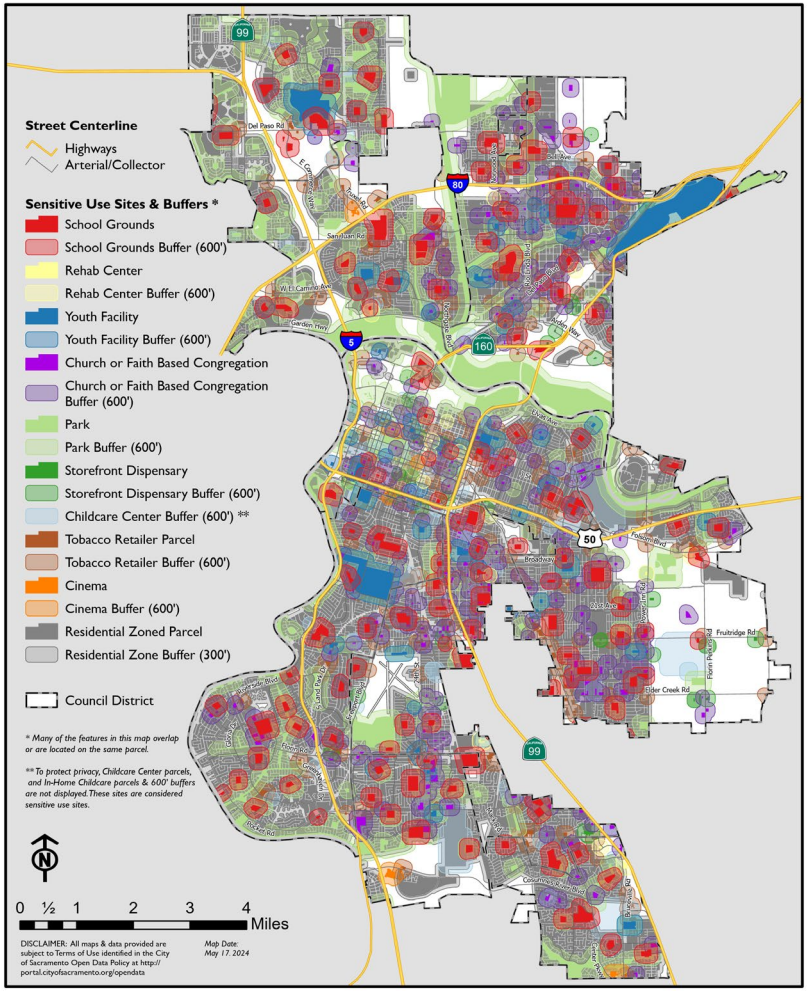
-

Except K-12 School, All Buffers Conditional

Dispensaries

Today

Sensitive Use Sites & Buffers



82%

Of dispensaries within buffer

Staff
Sensitive Uses

K-12 schools

Parks

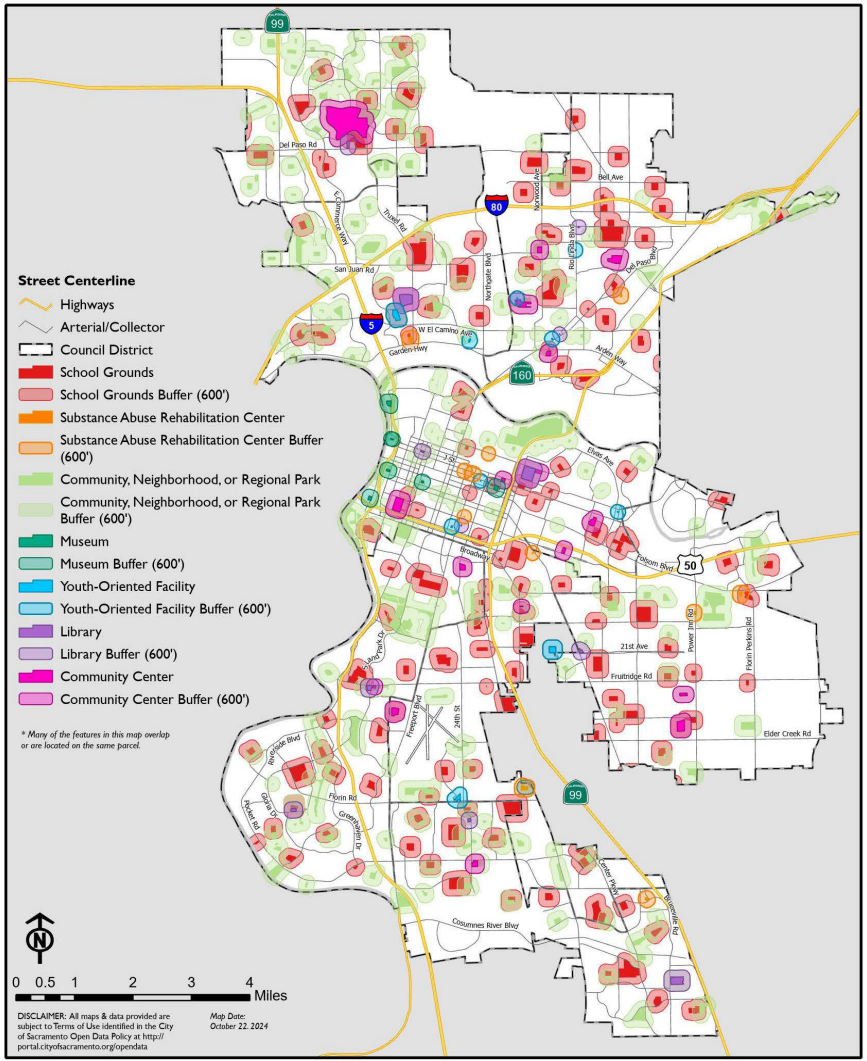
Community centers

Libraries

Museums

Rehabilitation centers

Youth-oriented facilities

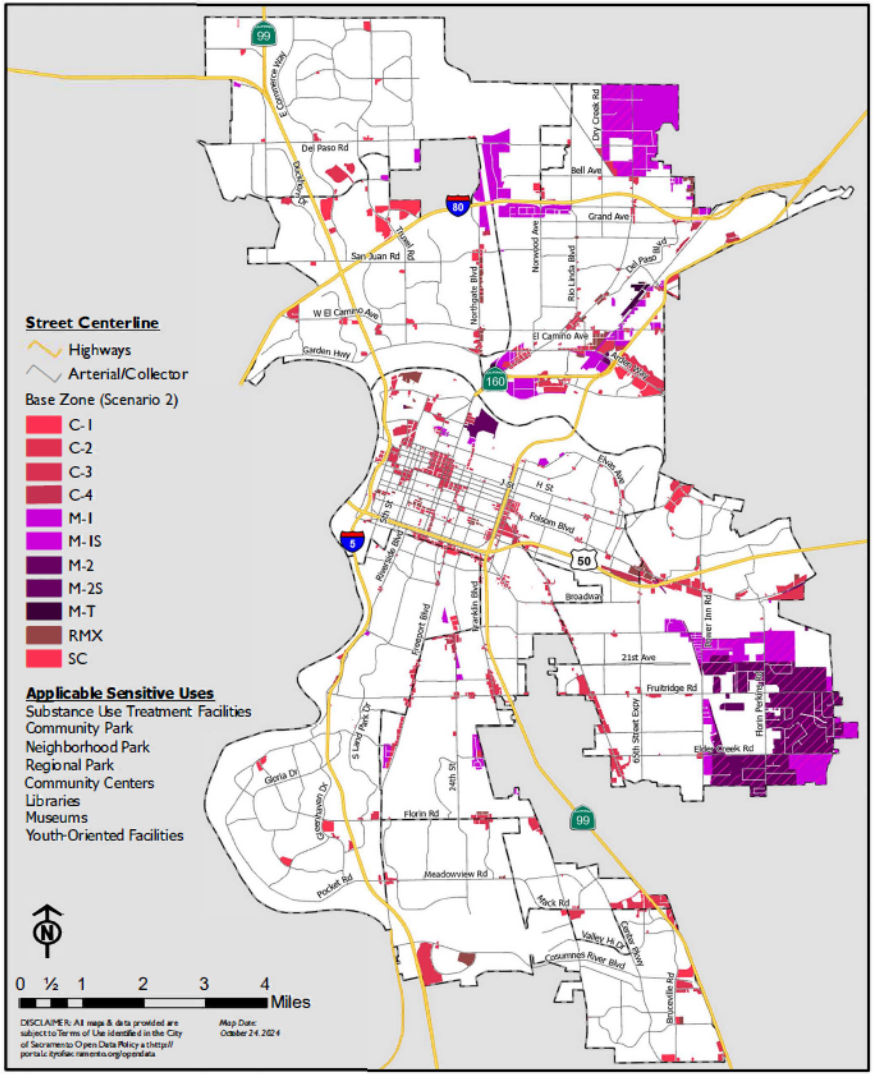


Staff
Sensitive Uses

Parcels Located

OUTSIDE

Prohibited Buffer



PDC
Sensitive Uses

K-12 schools

Parks

Community centers

Libraries

Museums

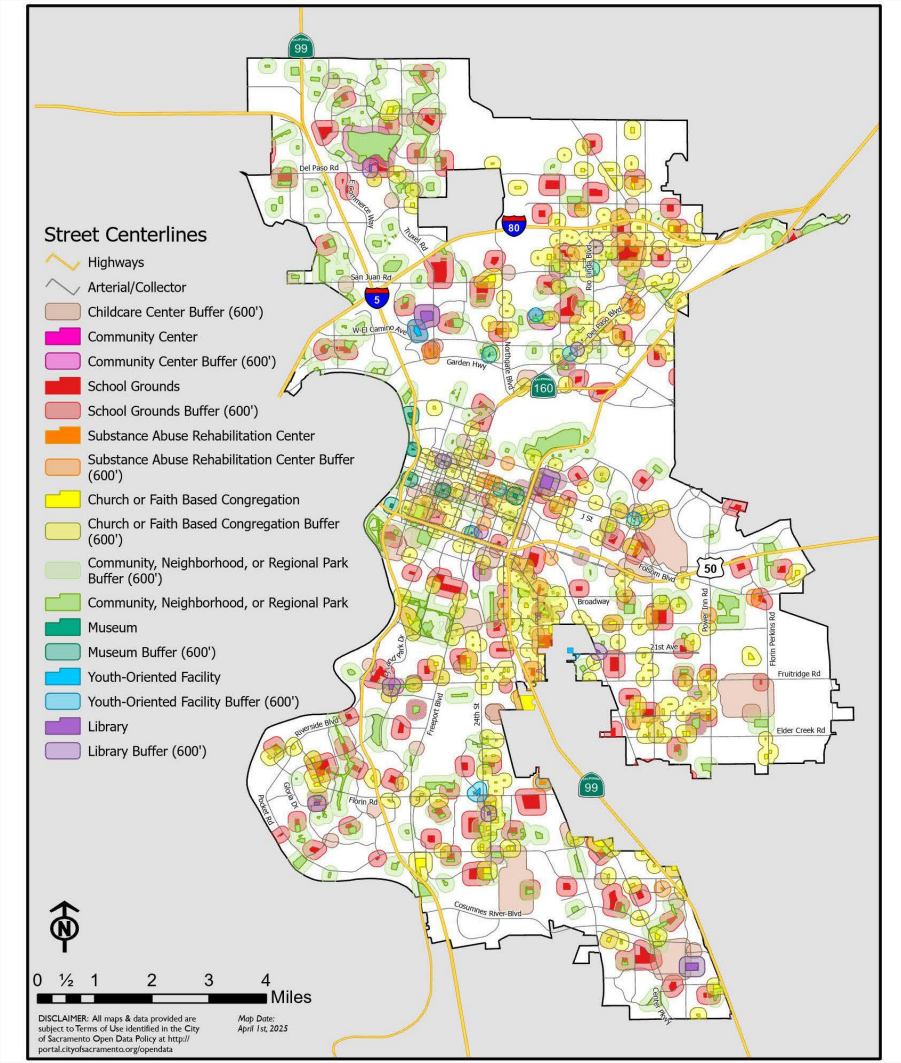
Rehabilitation centers

Youth-oriented facilities

Faith-based institutions

Childcare centers

Other dispensary



PDC
Sensitive Uses

All Parcels

Conditional Buffer

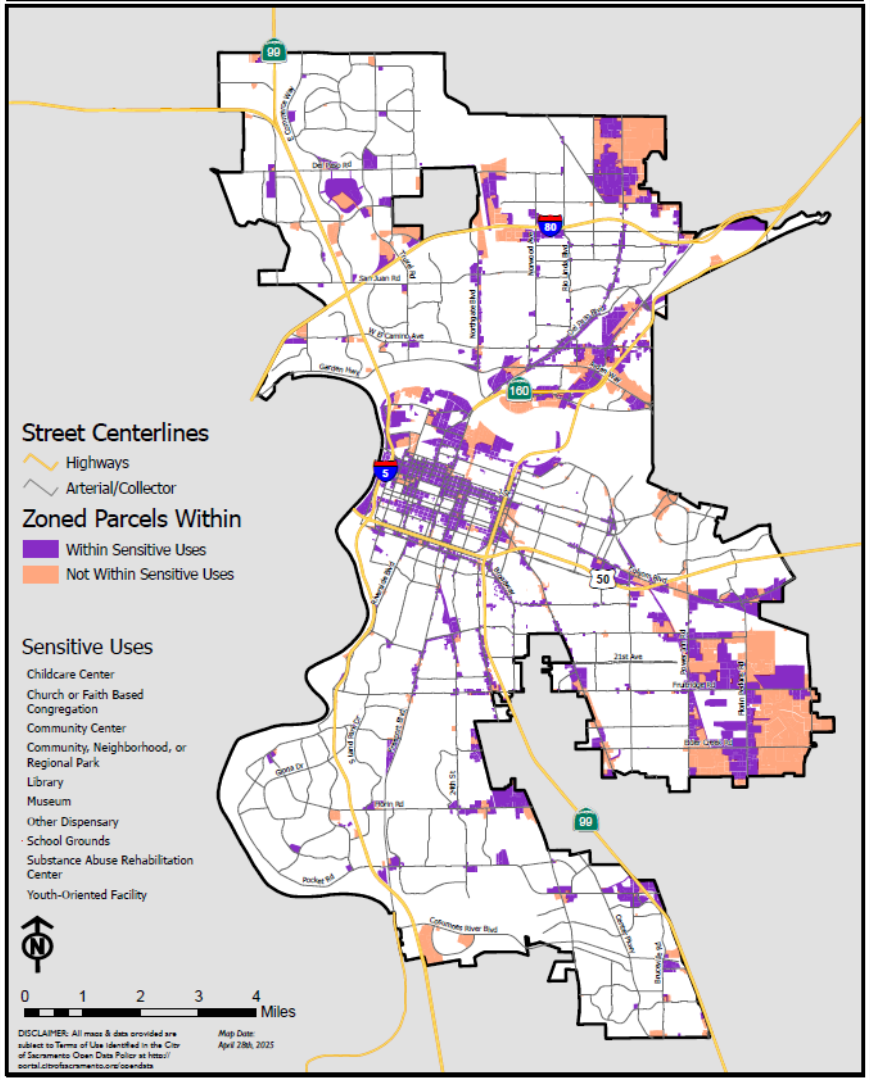
Purple = PDC

Salmon = Zoning Admin

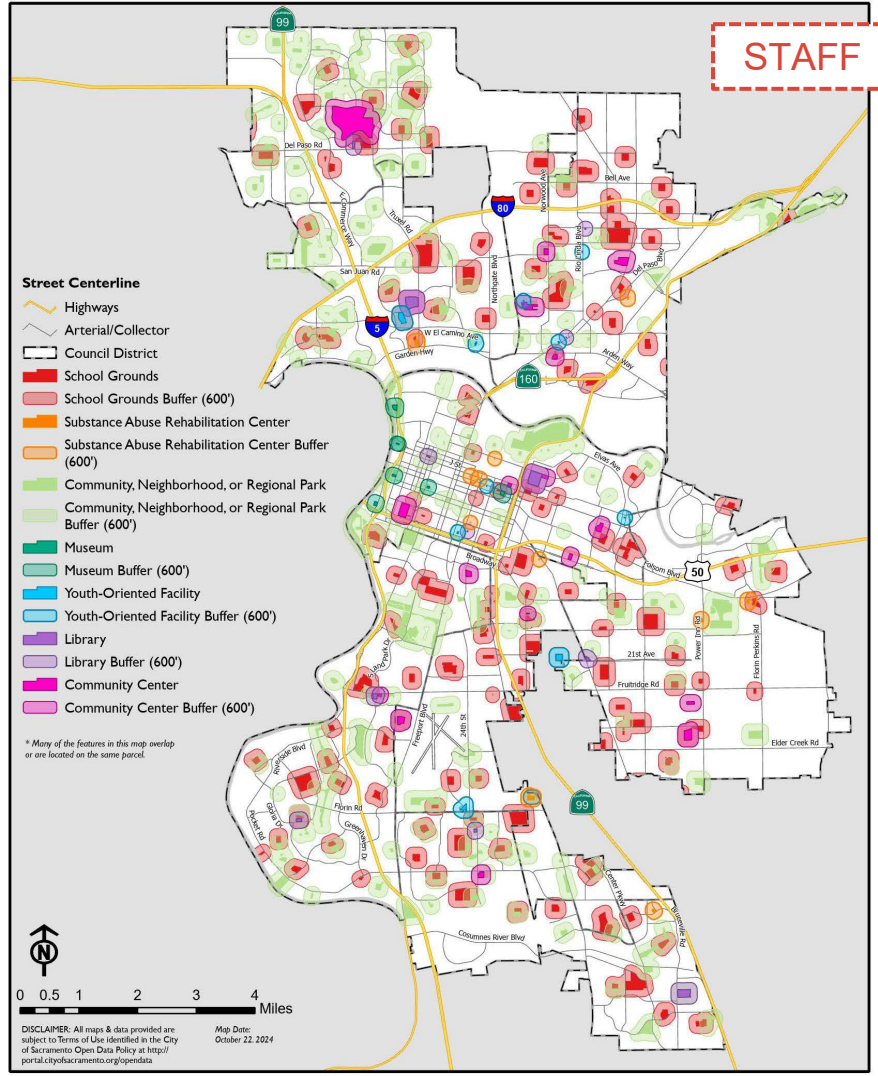
Dispensaries

Consumption Lounges

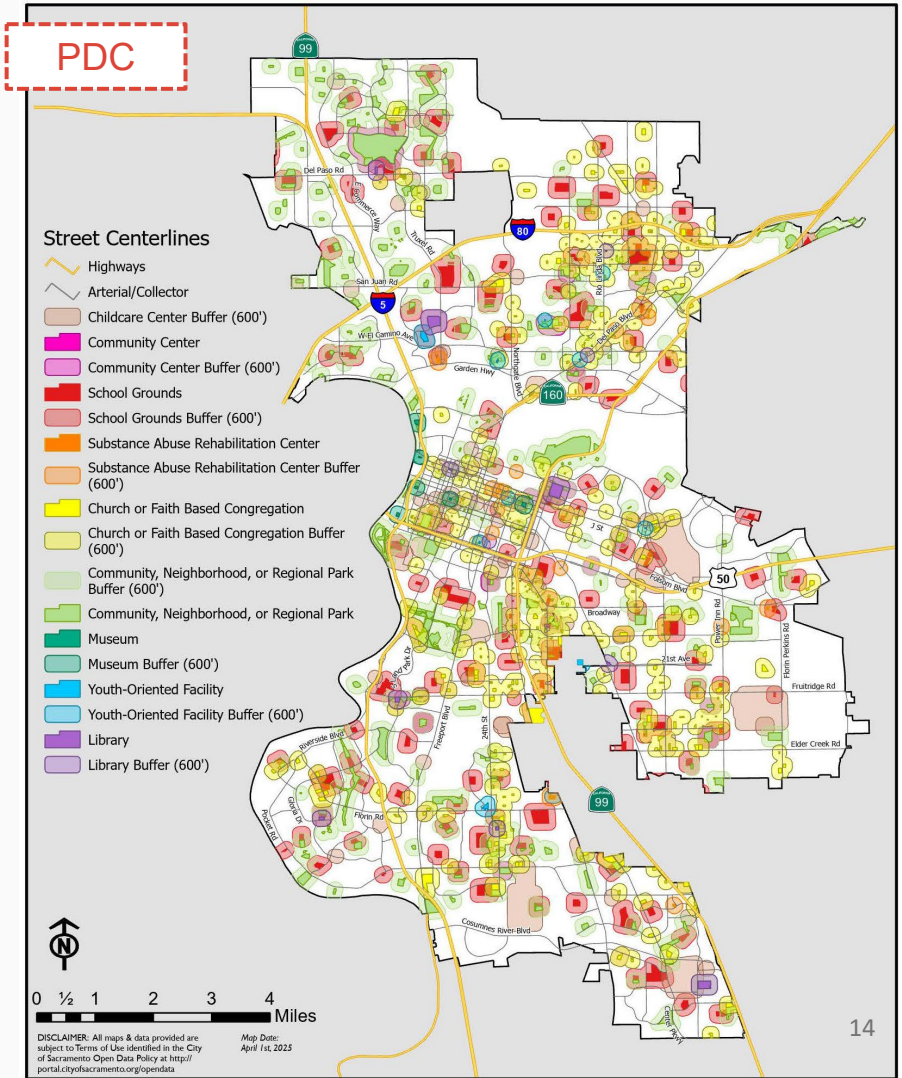
Cultivation



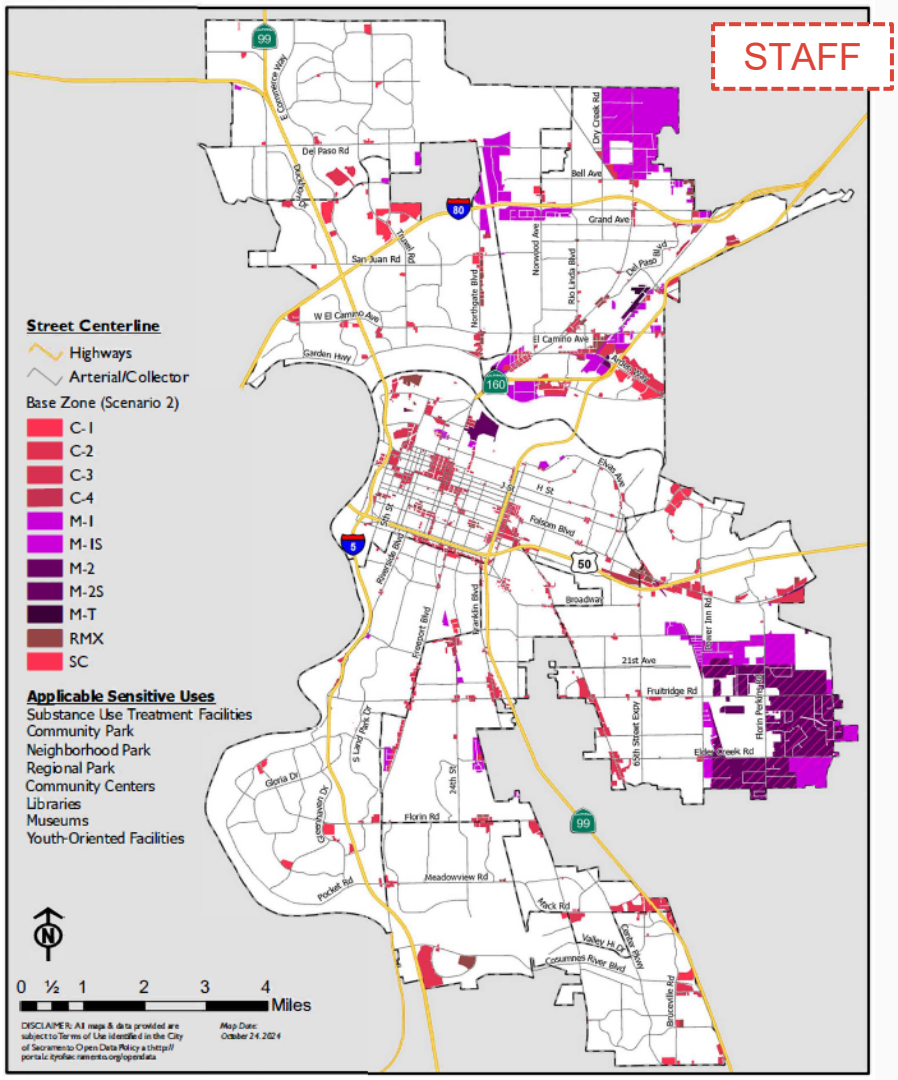
STAFF


Street Centerline
Highways
Arterial/Collector
Council District
School Grounds
School Grounds Buffer (600')
Substance Abuse Rehabilitation Center
Substance Abuse Rehabilitation Center Buffer (600')
Community, Neighborhood, or Regional Park
Community, Neighborhood, or Regional Park Buffer (600')
Museum
Museum Buffer (600')
Youth-Oriented Facility
Youth-Oriented Facility Buffer (600')
Library
Library Buffer (600')
Community Center
Community Center Buffer (600')
* Many of the features in this map overlap or are located on the same parcel.
0 0.5 1 2 3 4 Miles
DISCLAIMER: All maps & data provided are subject to Terms of Use identified in the City of Sacramento Open Data Policy at http://portal.cityofsacramento.org/opendata
Map Date: October 22, 2024

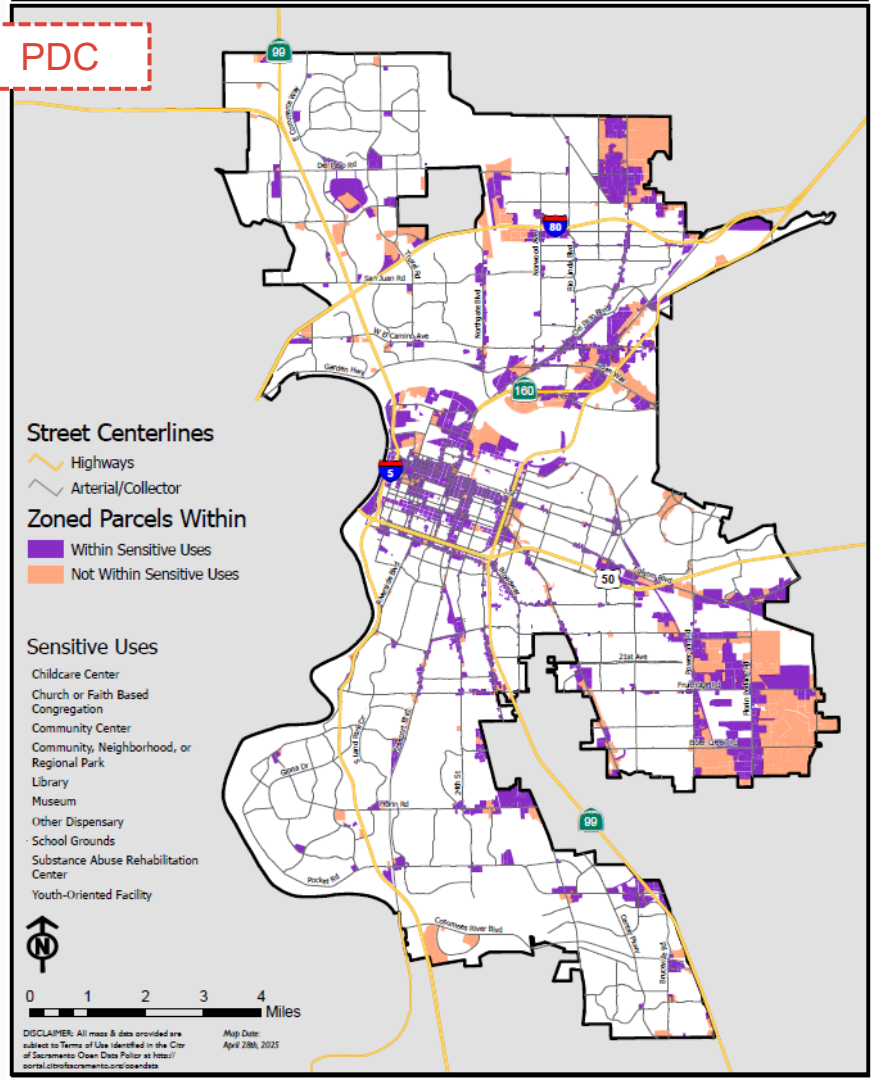
PDC


Street Centerlines
Highways
Arterial/Collector
Childcare Center Buffer (600')
Community Center
Community Center Buffer (600')
School Grounds
School Grounds Buffer (600')
Substance Abuse Rehabilitation Center
Substance Abuse Rehabilitation Center Buffer (600')
Church or Faith Based Congregation
Church or Faith Based Congregation Buffer (600')
Community, Neighborhood, or Regional Park Buffer (600')
Community, Neighborhood, or Regional Park
Museum
Museum Buffer (600')
Youth-Oriented Facility
Youth-Oriented Facility Buffer (600')
Library
Library Buffer (600')
0 ½ 1 2 3 4 Miles
DISCLAIMER: All maps & data provided are subject to Terms of Use identified in the City of Sacramento Open Data Policy at http://portal.cityofsacramento.org/opendata
Map Date: April 1st, 2025

STAFF


Street Centerline
Highways
Arterial/Collector
Base Zone (Scenario 2)
C-1
C-2
C-3
C-4
M-1
M-1S
M-2
M-2S
M-T
RMX
SC
Applicable Sensitive Uses
Substance Use Treatment Facilities
Community Park
Neighborhood Park
Regional Park
Community Centers
Libraries
Museums
Youth-Oriented Facilities
0 ½ 1 2 3 4
Miles
DISCLAIMER: All maps & data provided are subject to Terms of Use identified in the City of Sacramento Open Data Policy at http://portal.cityofsacramento.org/opendata
Map Date: October 24, 2024

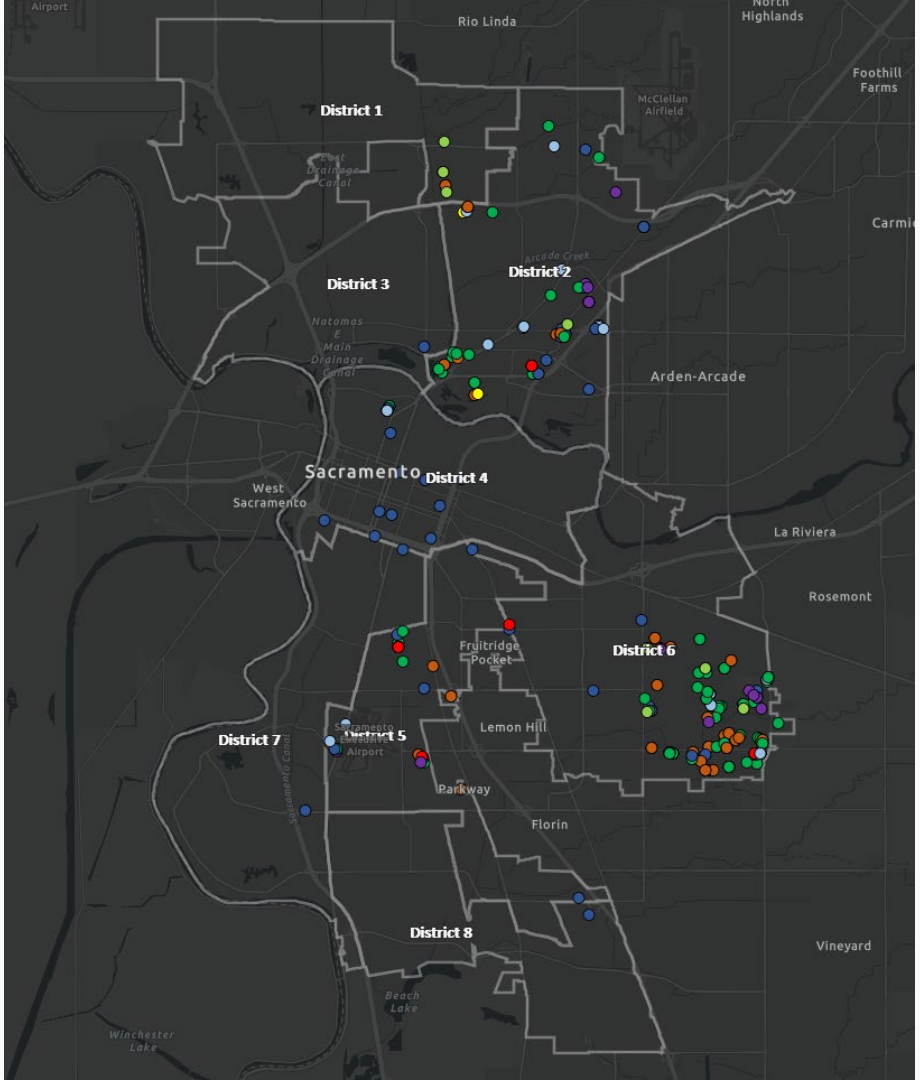
PDC


Street Centerlines
Highways
Arterial/Collector
Zoned Parcels Within
Within Sensitive Uses
Not Within Sensitive Uses
Sensitive Uses
Childcare Center
Church or Faith Based Congregation
Community Center
Community, Neighborhood, or Regional Park
Library
Museum
Other Dispensary
School Grounds
Substance Abuse Rehabilitation Center
Youth-Oriented Facility
0 1 2 3 4
Miles
DISCLAIMER: All maps & data provided are subject to Terms of Use identified in the City of Sacramento Open Data Policy at https://portal.cityofsacramento.org/opendata
Map Date: April 28th, 2025

Request for Council Direction #2

Should the ordinance include permit type(s) consistent with the:

- Staff (Admin Permit);
- Commission (CUP); or
- Another alternative?



Permit Process: Staff Recommendation

	Dispensary	Cultivation	Distribution	Manufacturing	Testing	Consumption Lounge
By-Right/No Permit						
Ministerial Permit	✓	✓	✓	✓	✓	
Discretionary Permit						✓

Permit Process: Commission Recommendation

	Dispensary	Cultivation	Distribution	Manufacturing	Testing	Consumption Lounge
By-Right/No Permit						
Ministerial Permit			✓	✓	✓	
Discretionary Permit	✓	✓				✓

Permit Process: Dispensary & Cultivation

Admin Permit (Staff)	CUP (Commission)
Consistent, predictable standard	Inconsistent, unpredictable standard
Align permit with regulatory purpose	Maintains status quo
No risk, low cost applications	Continued risk, high permit cost
Recourse = Reconsideration	Recourse = Appeal

Request for Council Direction #3

Should existing dispensaries within sensitive use buffers, including K-12 schools, have consumption lounges?



Thanks!

Contact:

Kevin Colin, Zoning Administrator
(916) 808-5260
kcolin@cityorsacramento.org

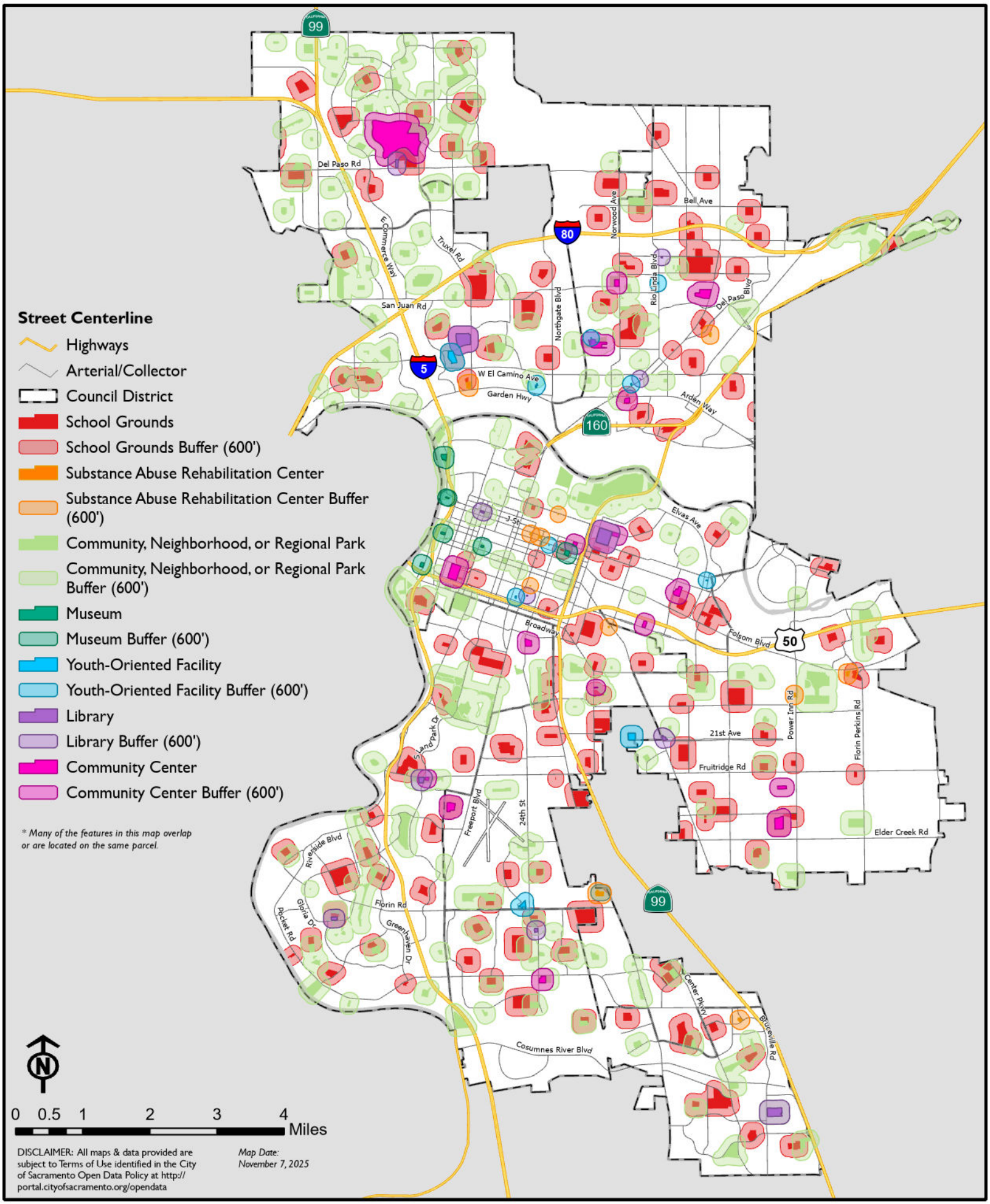
Kirk Skierski, Senior Planner
(916) 808-7933
ktskierski@cityofsacramento.org

City of SACRAMENTO



Staff Recommendations – Sensitive Use Sites & Buffers

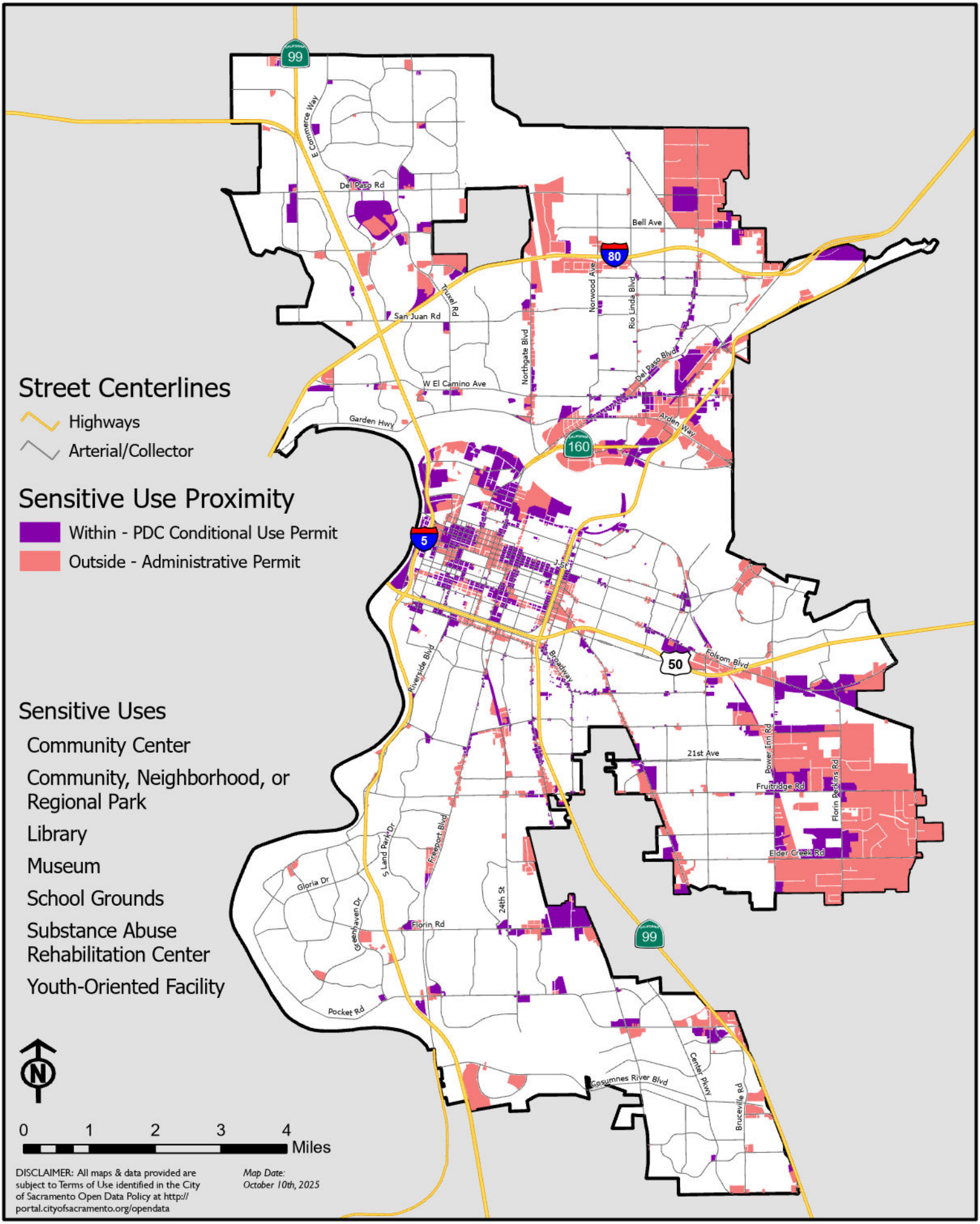
Schools, Parks, Community Center, Library, Substance Abuse Rehabilitation Center, Museum, and Youth-Oriented Facility



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Map Date:
November 7, 2025

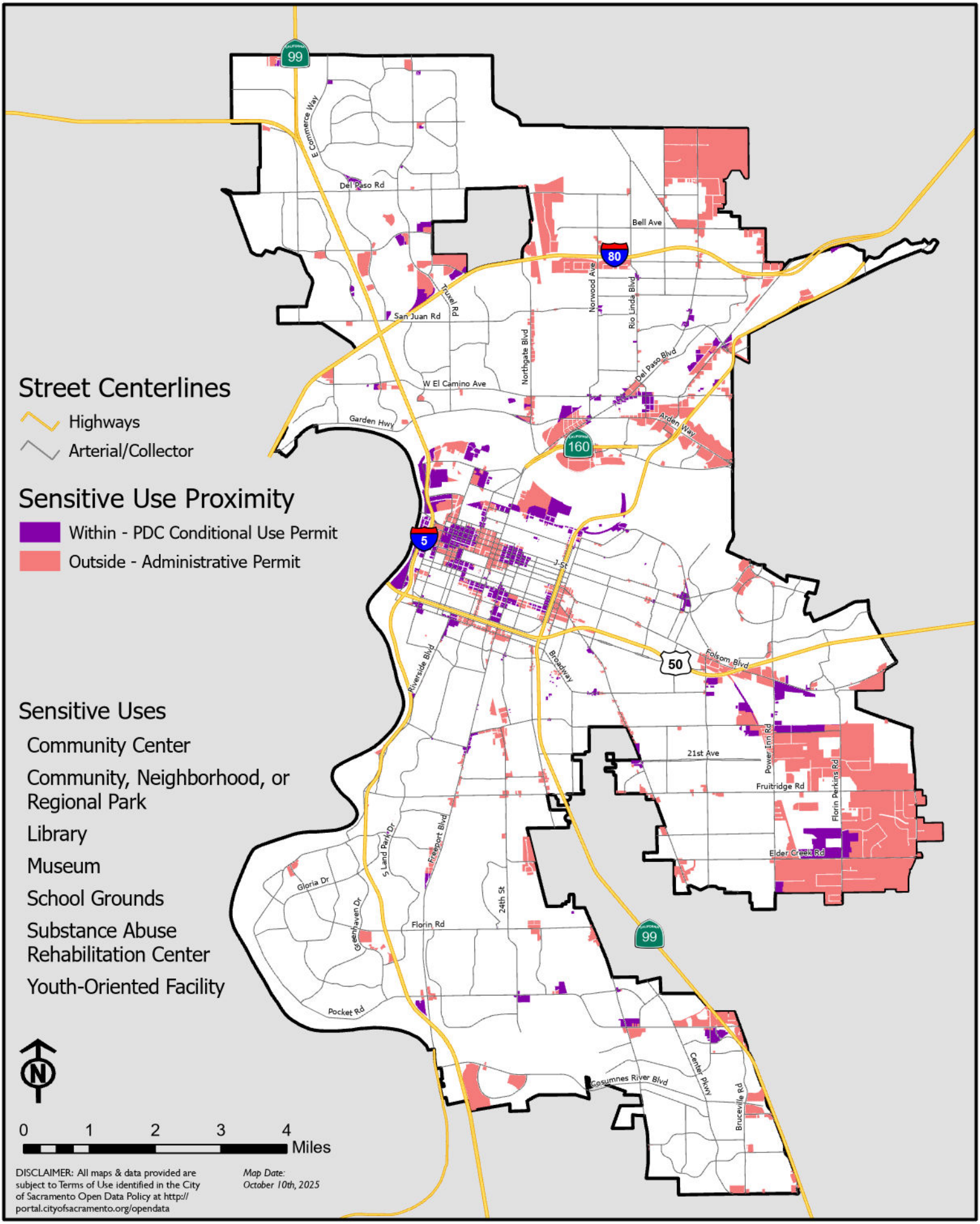
Cannabis Dispensaries – Review Authority



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Map Date:
October 10th, 2025

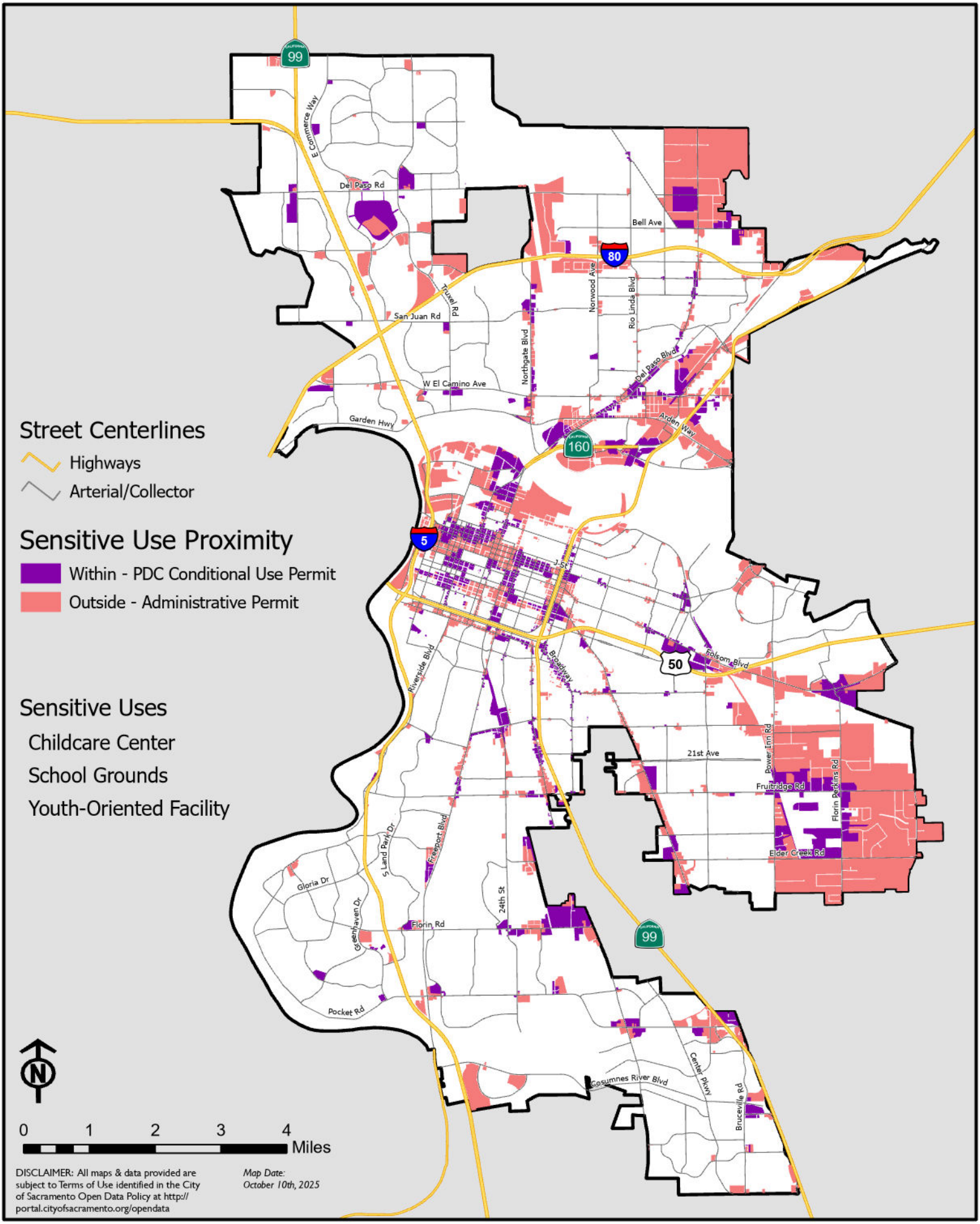
Cannabis Dispensaries – Review Authority – 1,000 School Buffer



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Map Date:
October 10th, 2025

Cannabis Dispensaries – State Sensitive Uses – Review Authority



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Map Date:
October 10th, 2025

City of SACRAMENTO



Cannabis Zoning Amendments

November 18, 2025 City Council

Sept. 16, 2025 Council Direction

Recommendations

Planning & Design Commission vs Staff

Comprehensive Cannabis Study — Why We're Here

- **Does not:** Increase Crime - Reduce Property Values - Unique Impacts
- **Is:** Top 10 Employer - General Fund Surplus - $2.3 Bil/Year
- **Youth Exposure** Veiled Retail - 43 Storefronts Max - Children's Fund

? What Business Where: Dispensaries

Where = Type ⊕ Zone ⊕ Sensitive Use

Types: Consumption Lounge, Cultivation, Dispensary, Distribution, Manufacturing, Testing

Zones: SC, C-1, C-2, C-3, C-4, M-1, M-1(s), M-2, M-2(s), M-T, & RMX

Sensitive Uses - Staff	Sensitive Uses - PDC	City Council Direction
K-12 School Youth Facility Rehab Center Community Center Park Library, Museum	Staff Recommendation ⊕ Church Childcare Center Other Dispensary	☐ Staff Uses *or* ☐ PDC Uses *or pick from below* ☐ K-12 School ☐ Library ☐ Youth Facility ☐ Museum ☐ Rehab Center ☐ Church ☐ Community Center ☐ Childcare Center ☐ Other Dispensary ☐ Park
Uses + Buffer Map **Outside Buffer Map**	**Uses + Buffer Map** **ZA vs PDC Map**	

? What Permit Type

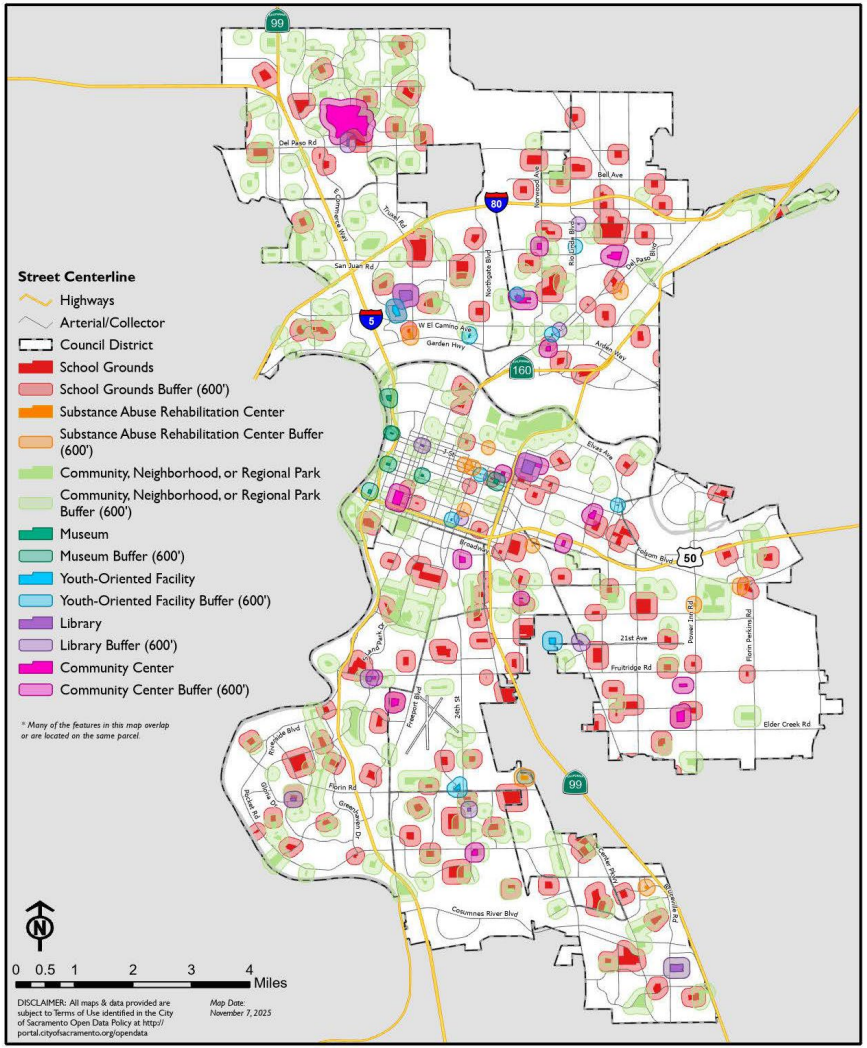
Staff Recommendation	PDC Recommendation		City Council Direction
Admin Permit	Conditional Use Permit	Admin Permit	☐ Admin Permit *or*
All Types But Lounges Mandatory 600' Buffer Public Notice Ministerial Review Reconsideration	Dispens, Cultiv, Lounge 0 - 600 ft PDC Decision > 600 ft ZA Decision Public Notice Discretionary Review Appeal	All Other Types Mandatory Buffer 600 ft Public Notice Ministerial Review Reconsideration	☐ CUP *or* ☐ Combination Of

Sensitive Uses

Sensitive Uses

Ordinance includes:

- K-12 schools
- Parks
- Community centers
- Libraries
- Museums
- Rehabilitation centers
- Youth-oriented facilities



Sensitive Uses

Ordinance includes:

K-12 schools

Parks

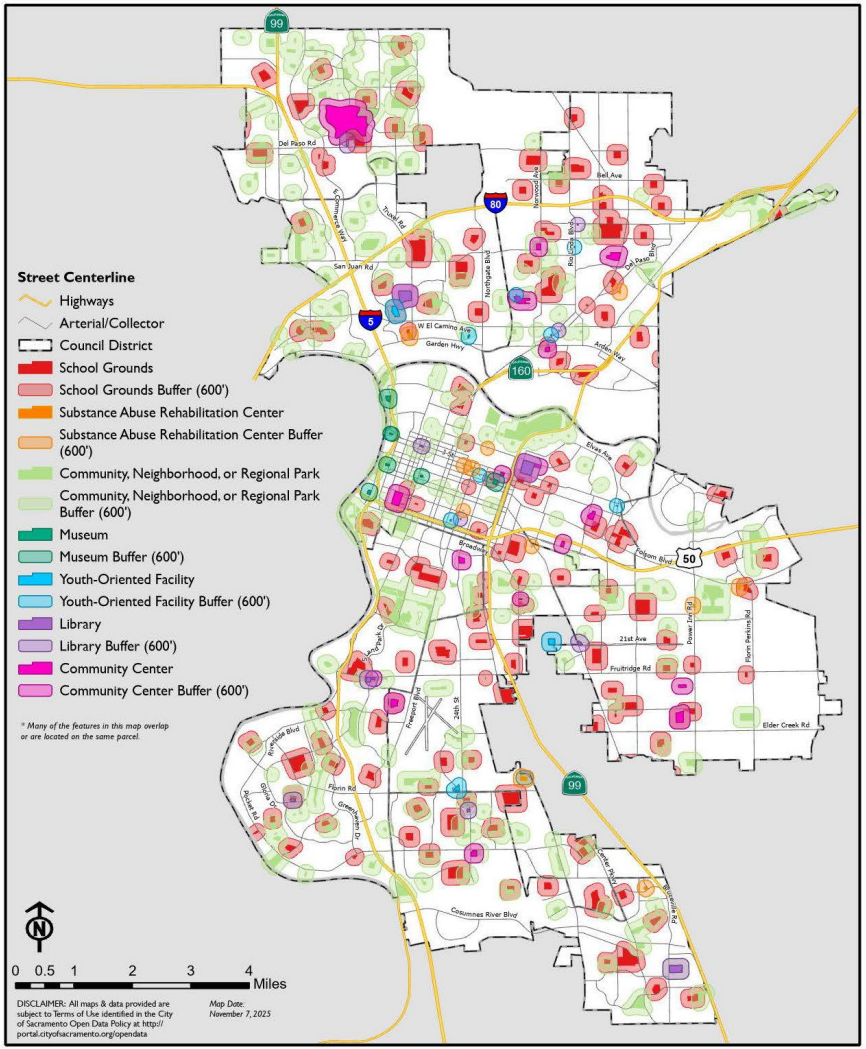
Community centers

Libraries

Museums

Rehabilitation centers

Youth-oriented facilities

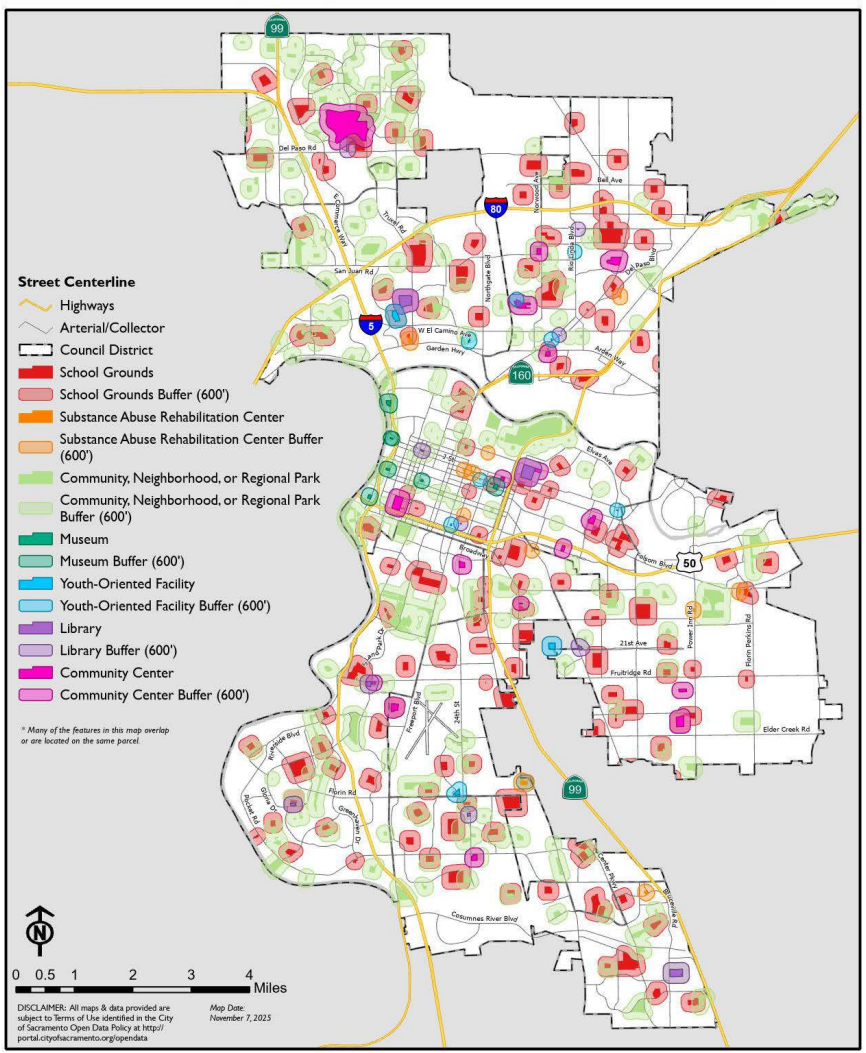


Sensitive Uses

Ordinance includes:

All Sensitive Uses Apply to Dispensaries (Lounges)

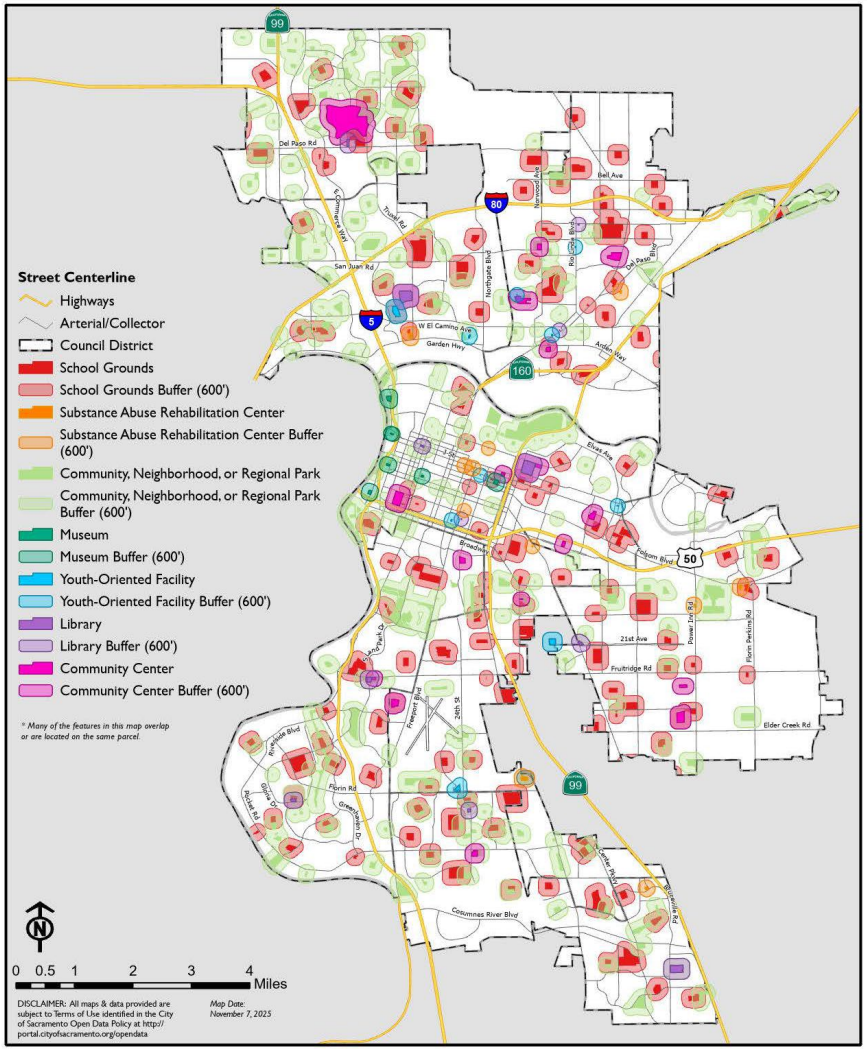
K-12 schools Apply to Production & Testing



Sensitive Uses

Ordinance includes:

600-foot Buffer



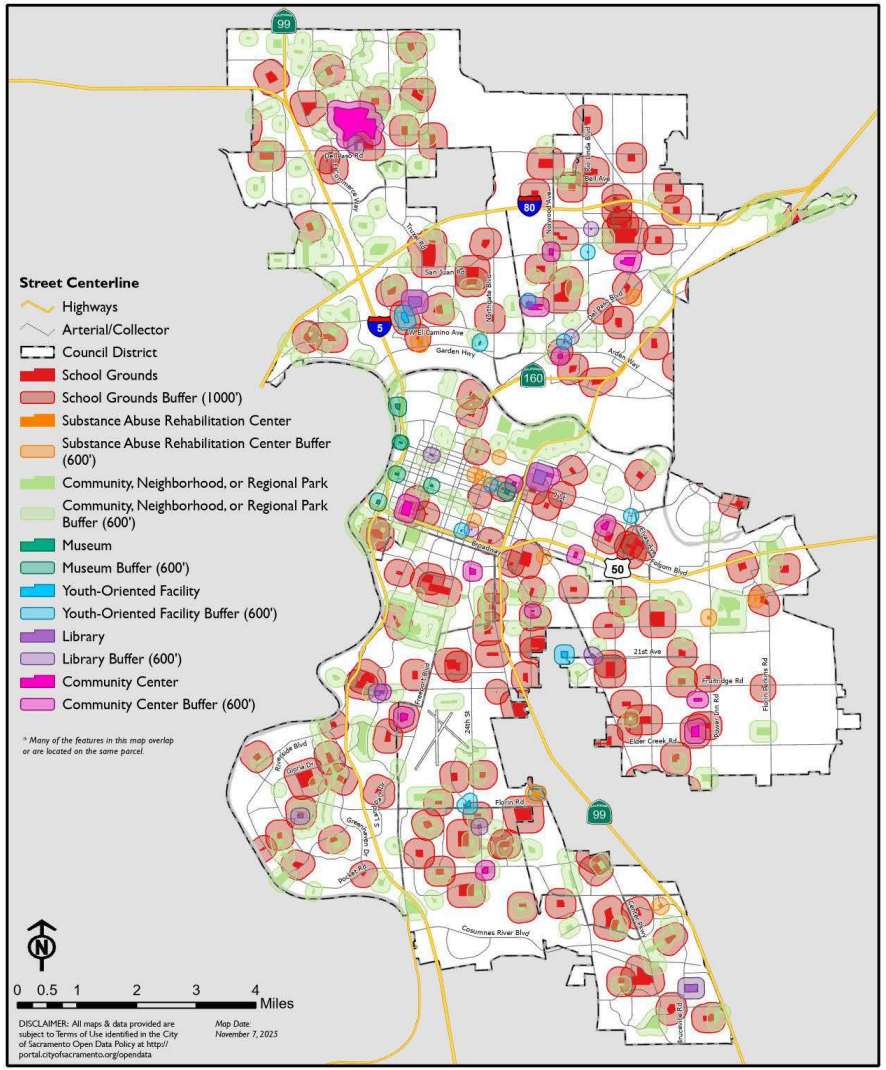
Sensitive Uses

Alternative Proposal:

1,000-foot School Buffer

2,2835-acre Reduction Citywide (~28%)

Most Reduced: D1, D5, D7



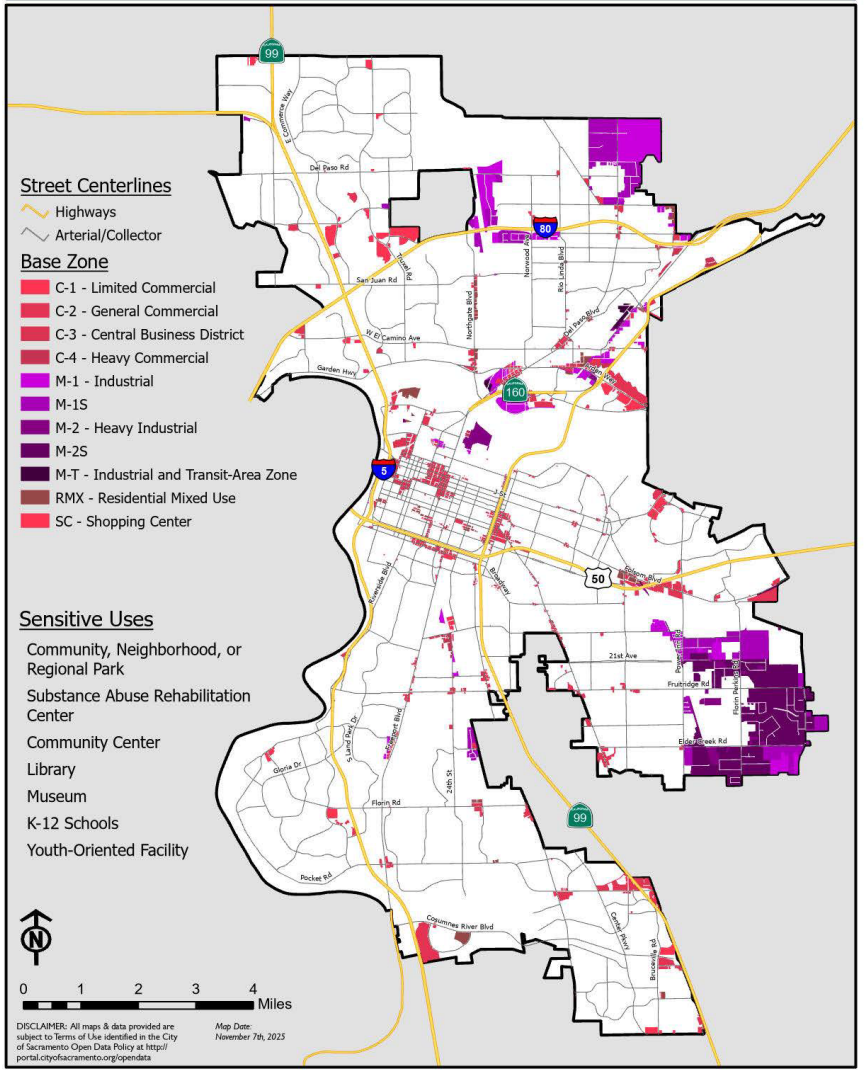
Sensitive Uses

Alternative Proposal:

1,000-foot School Buffer

2,2835-acre Reduction Citywide (~28%)

Most Reduced: D1, D5, D7



Sensitive Uses

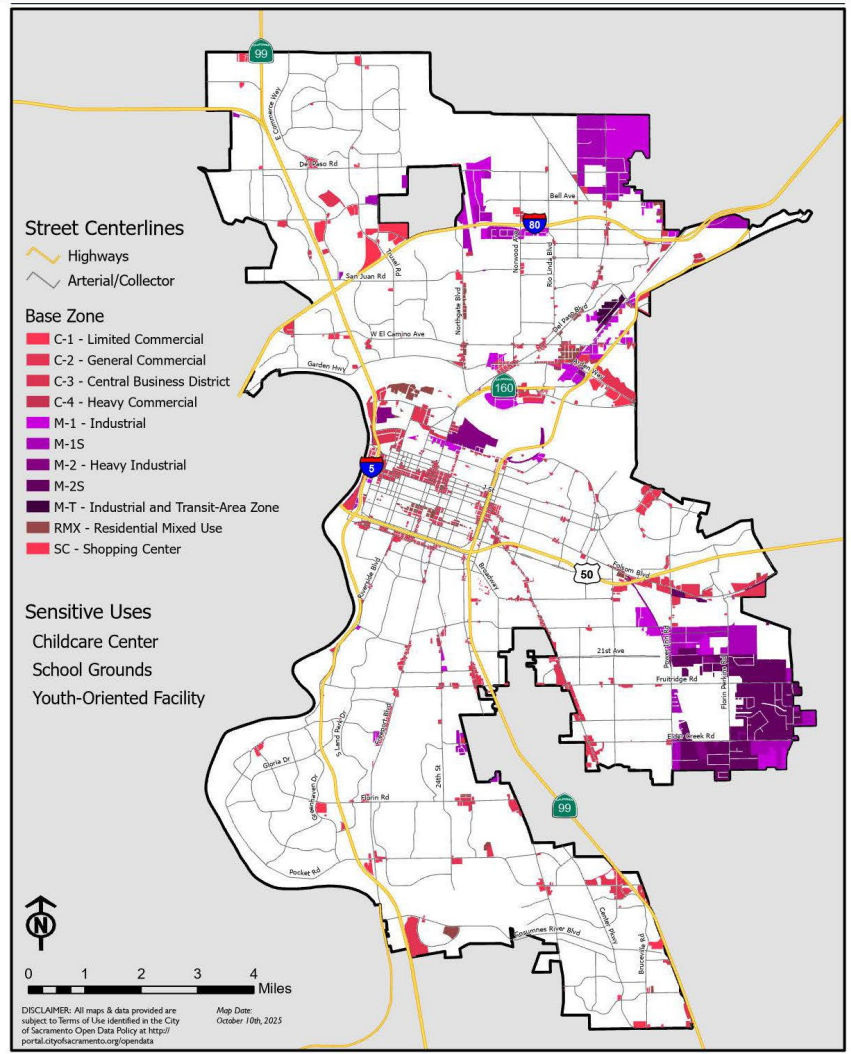
Alternative Proposal:

State Uses

K-12 Schools

Daycare Centers

Youth-oriented Facilities



Sensitive Uses

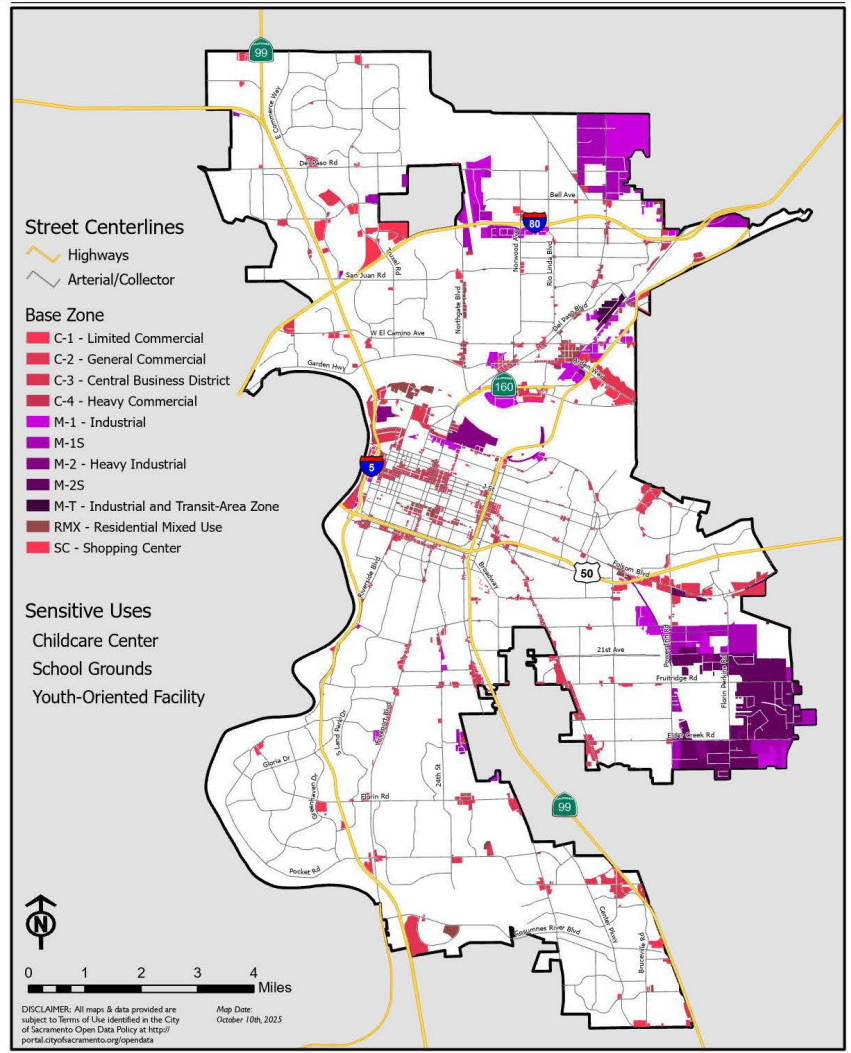
Alternative Proposal:

State Uses

K-12 Schools

Daycare Centers

Youth-oriented Facilities



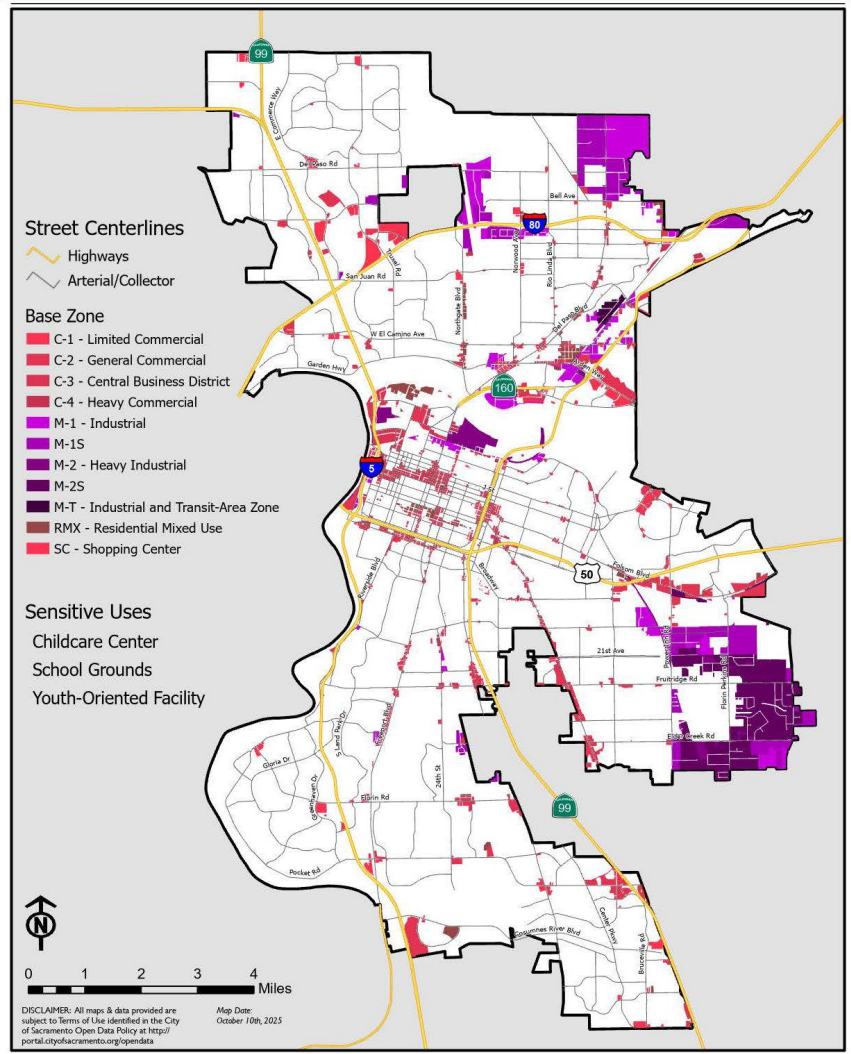
Sensitive Uses

Alternative Proposal:

State Uses

758-acre Increase Citywide (~8%)

Decrease in D5 & D7



Permit Type

Proposed Ordinance: Permit Type

	Land Uses			
Type	Dispensary	Production	Testing	Lounge
Admin	> 600’	✓	✓	
CUP @ PDC	< 600’			✓

Proposed Ordinance: Permit Type

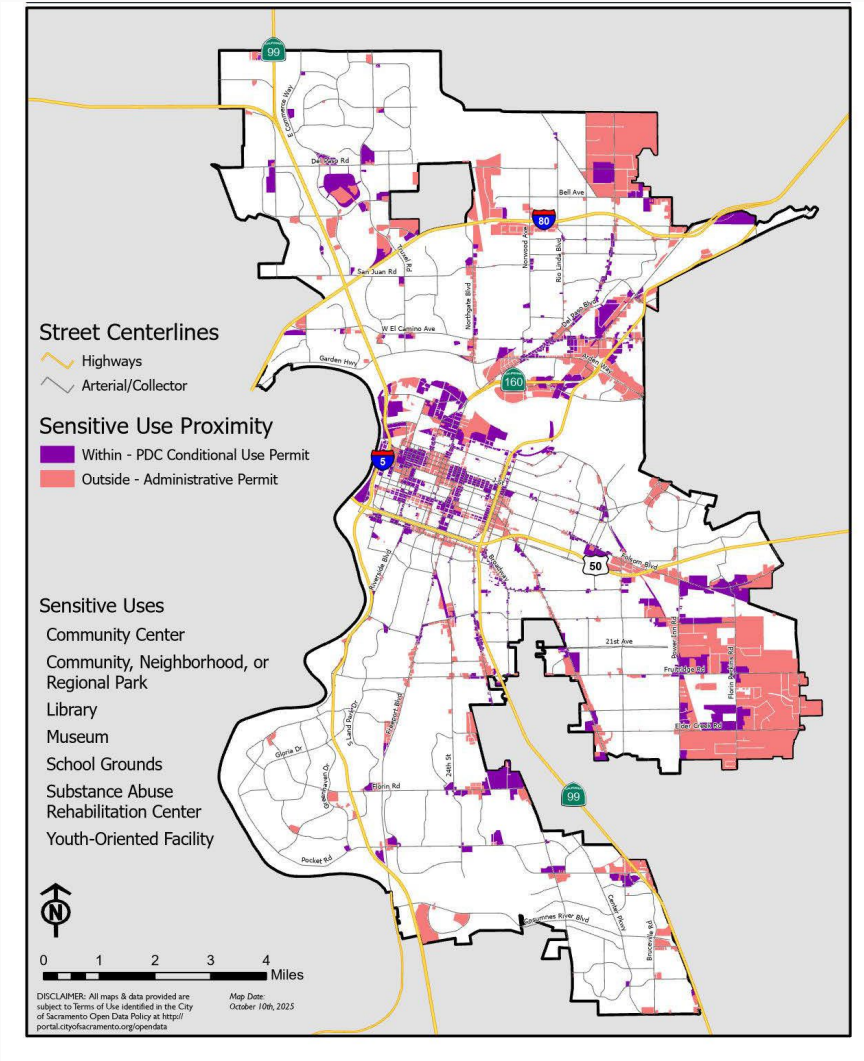
Type	Public Notice	Recourse	Call-Up
Admin	✓	✓	
CUP @ PDC	✓	✓	✓

Cannabis Dispensaries

Review Authority:

Purple = PDC

Salmon = Admin Permit



Alternative Proposal: CUP for All

	Land Uses			
Type	Dispensary	Production	Testing	Lounge
CUP @ ZA	> 600’			
CUP @ PDC	< 600’	✓	✓	✓

Consumption Lounges

Cannabis Consumption Lounges

Location(s)

- Lounges **must** be in storefront dispensary
- Dispensary = potential lounge location
- CUP approval by PDC required

Other Amendments

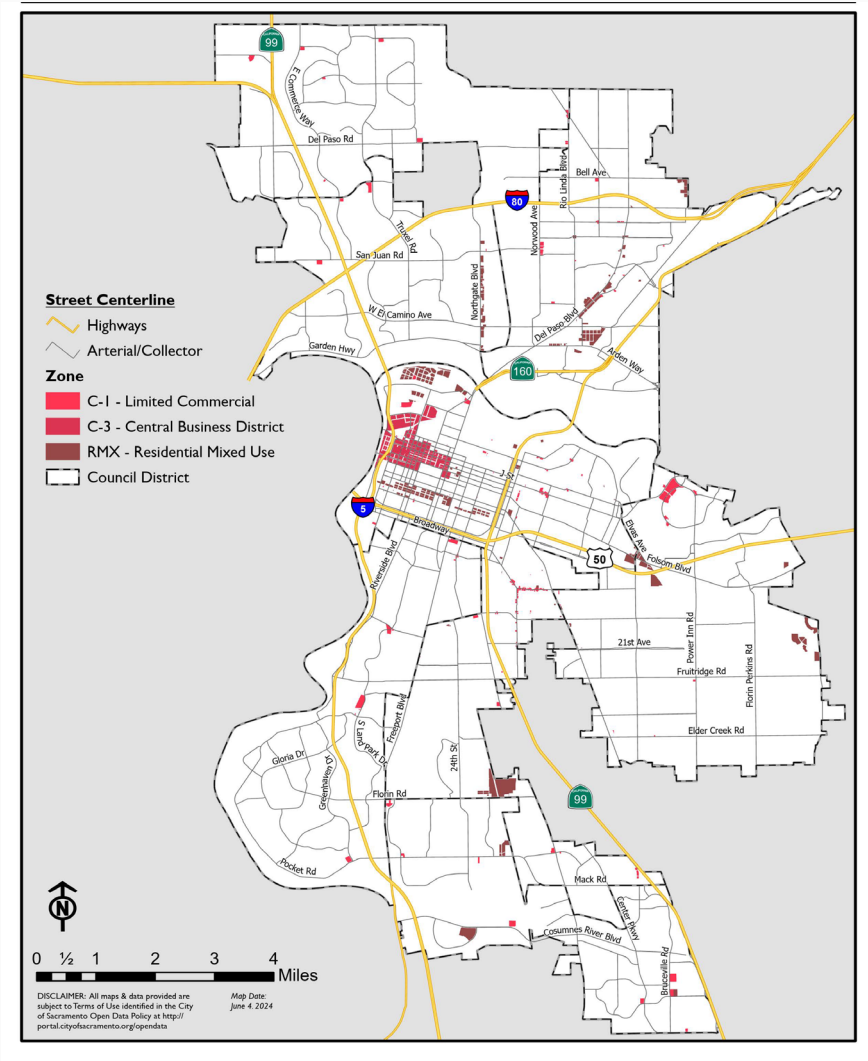
New Zones

Storefront Dispensary

C-1

C-3

RMX



Cannabis Production

Subcategories

Distribution & Processing

Cannabis Distribution

- Remove from 2.5 million square feet district cap
- Cultivation still subject to cap

Cannabis Processing

- Add to cannabis production definition
- Consistent with State law

First in Time: Lawful Cannabis Uses

Year	Event	Permit
1	Dispensary Established	Admin Permit
2	New Sensitive Use < 600’	-
3	Dispensary Modified	Admin Permit

Recommendation

Pass motion:

- Determining the Ordinance exempt from the California Environmental Quality Environmental Act (CEQA)
- Adopting Ordinance amending various provisions of Title 17 of the Sacramento City Code relating to cannabis land uses.

Proposed Ordinance: Staff Rationale

- Responsive to Cannabis Study findings that cannabis has not:
  - ✓ Had a negative impact on other nearby retail or industrial uses
  - ✓ Created increases in crime beyond the levels generated by other businesses
  - ✓ Had a negative impact on nearby home values
  - ✓ Produced negative economic effects on commercial and residential districts

Proposed Ordinance: Staff Rationale

- Regulations that are equitable, fair, and balance competing viewpoints
- Provide practicable standards that are clear and verifiable
- Reduce existing barriers (e.g., permit type and cost)
- Provide predictable outcomes for cannabis uses that comply with prescribed standards

Thanks!

Contact:

Kevin Colin, Zoning Administrator
(916) 808-5260
kcolin@cityorsacramento.org

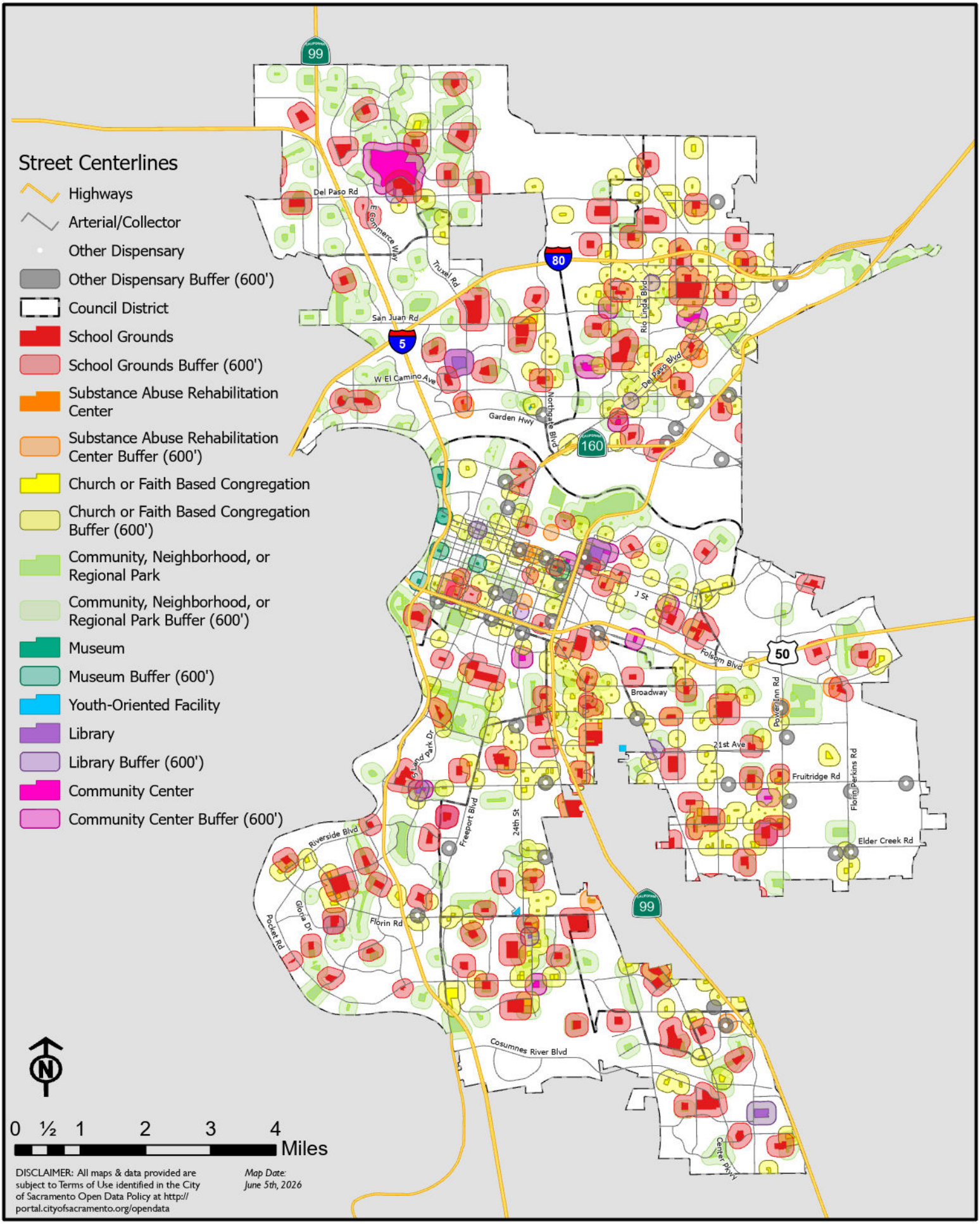
Kirk Skierski, Senior Planner
(916) 808-7933
ktskierski@cityofsacramento.org

City of SACRAMENTO



Sensitive Use Sites & Buffers

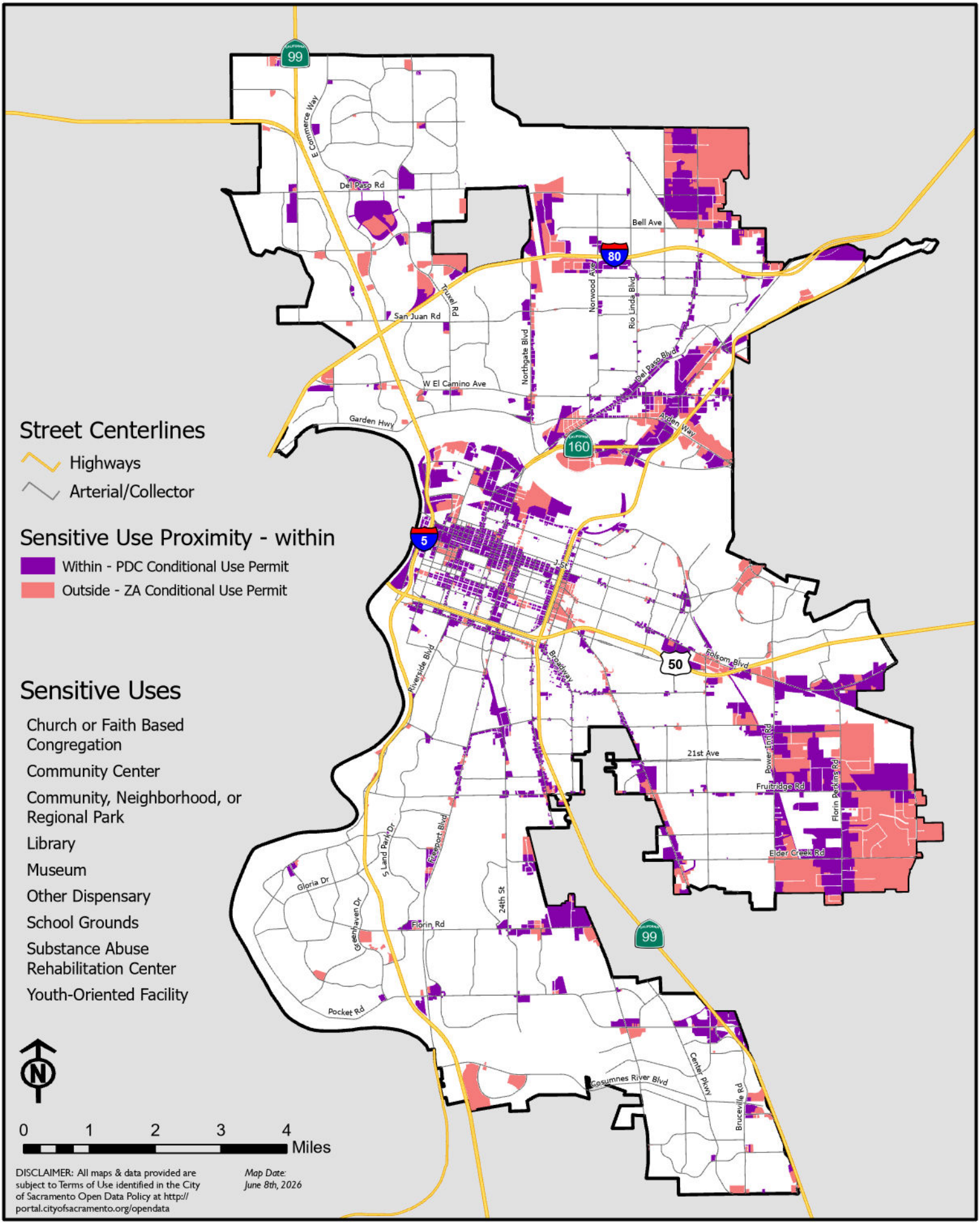
Schools, Parks, Community Center, Library, Substance Abuse Rehabilitation Center, Museum, Youth-Oriented Facility, Other Dispensary, Church, and faith congregation



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Map Date:
June 5th, 2026

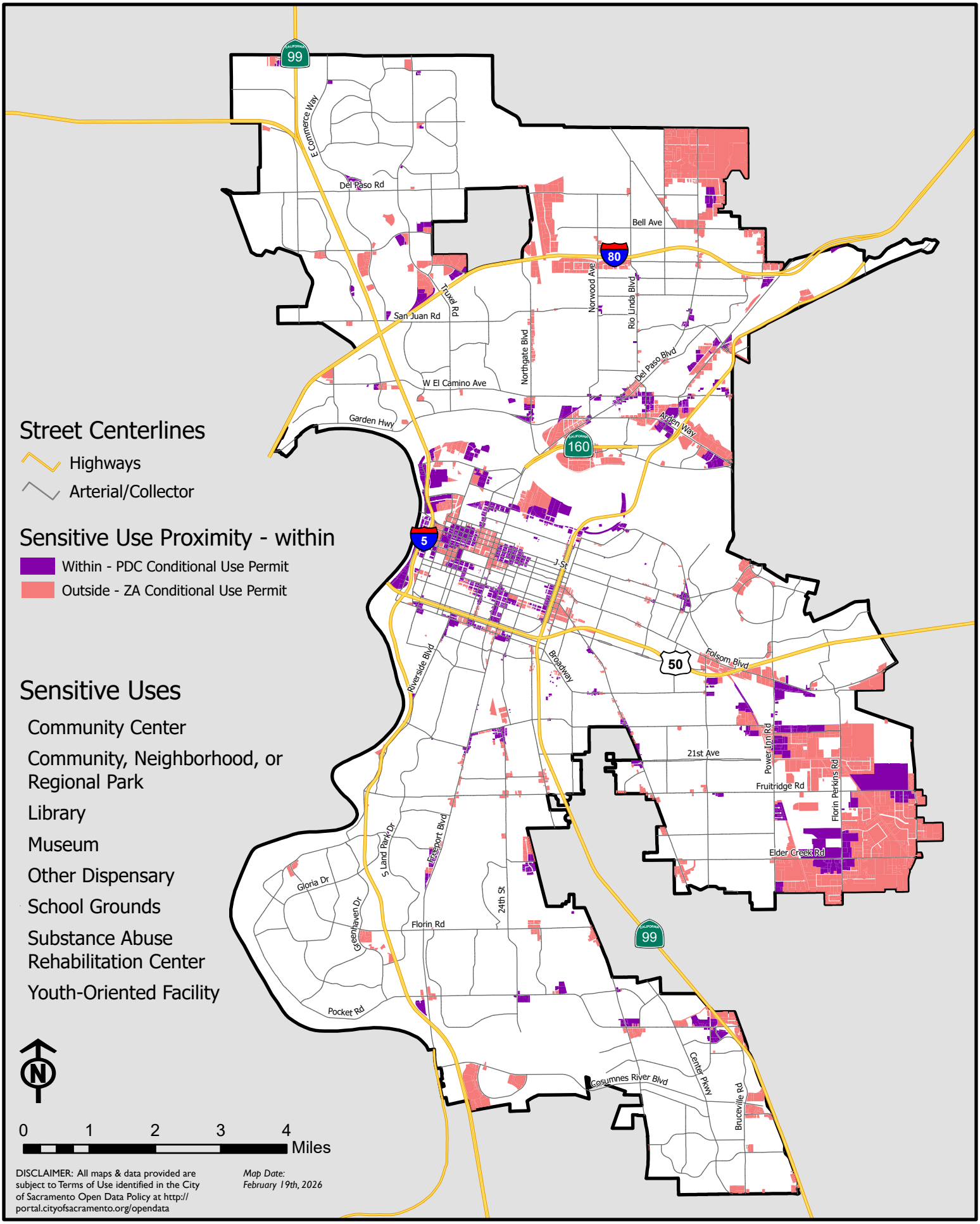
Cannabis Dispensaries - Review Authority



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Map Date:
June 8th, 2026

Cannabis Dispensaries - Review Authority - 1,000' High School Buffer



Street Centerlines

- Highways
- Arterial/Collector

Sensitive Use Proximity - within

- Within - PDC Conditional Use Permit
- Outside - ZA Conditional Use Permit

Sensitive Uses

- Community Center
- Community, Neighborhood, or Regional Park
- Library
- Museum
- Other Dispensary
- School Grounds
- Substance Abuse Rehabilitation Center
- Youth-Oriented Facility

N

0 1 2 3 4 Miles

DISCLAIMER: All maps & data provided are subject to Terms of Use identified in the City of Sacramento Open Data Policy at http://portal.cityofsacramento.org/opendata

Map Date: February 19th, 2026

City of SACRAMENTO



Cannabis Zoning Amendments

June 16, 2026 City Council

City of SACRAMENTO

OVERVIEW

- *Background*
- *Ordinance Overview*
- *Recommendation*

Public Meetings

Cannabis Study @ Stakeholder Meetings

- 7 meetings

Cannabis Study @ Committee/Council

- 5 meetings

Community Meetings – Zoning Changes

- 7+ meetings

Ordinance Public Hearings

- March 13, 2025 (PDC)
- April 8, 2025 (L&L)
- September 16, 2025 (Council)
- November 18, 2025 (Council)

Public Meetings

November 18, 2025

City Council

- Sensitive Uses & Buffers
- Permit Type

Sensitive Uses

K-12 schools

Parks

Community centers

Libraries

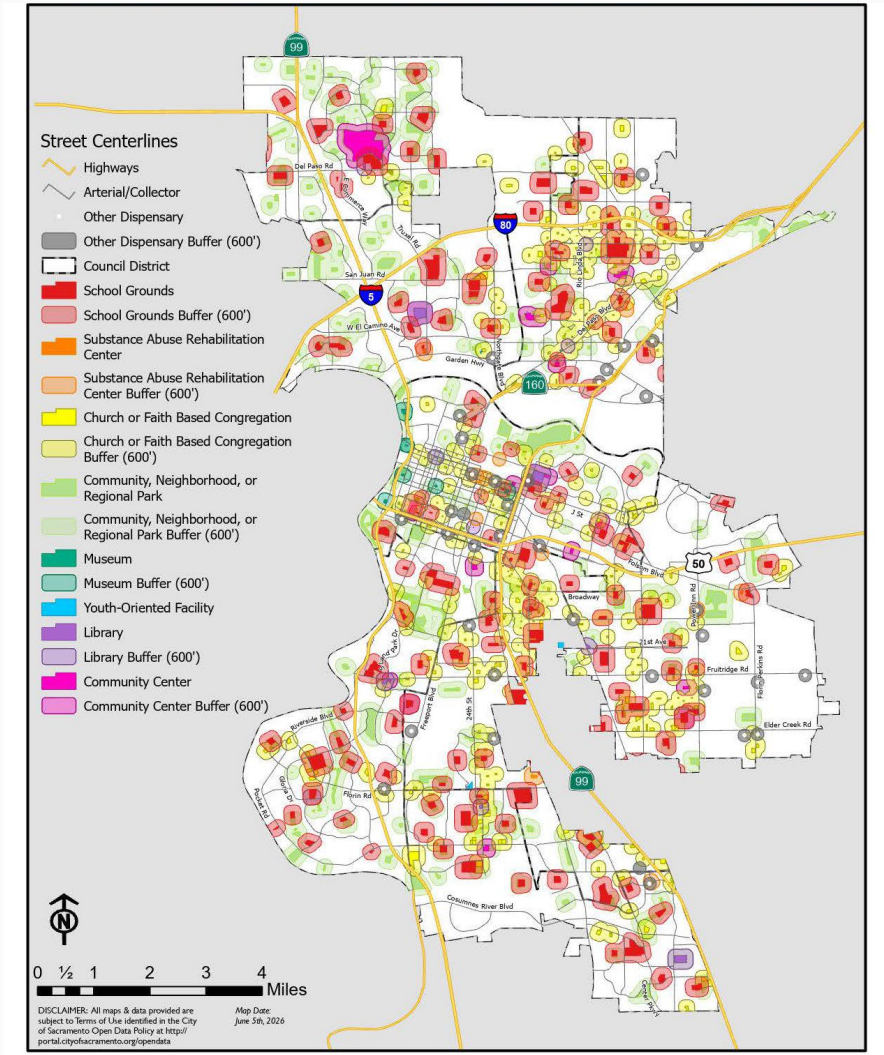
Museums

Rehabilitation centers

Youth-oriented facilities

Other dispensary

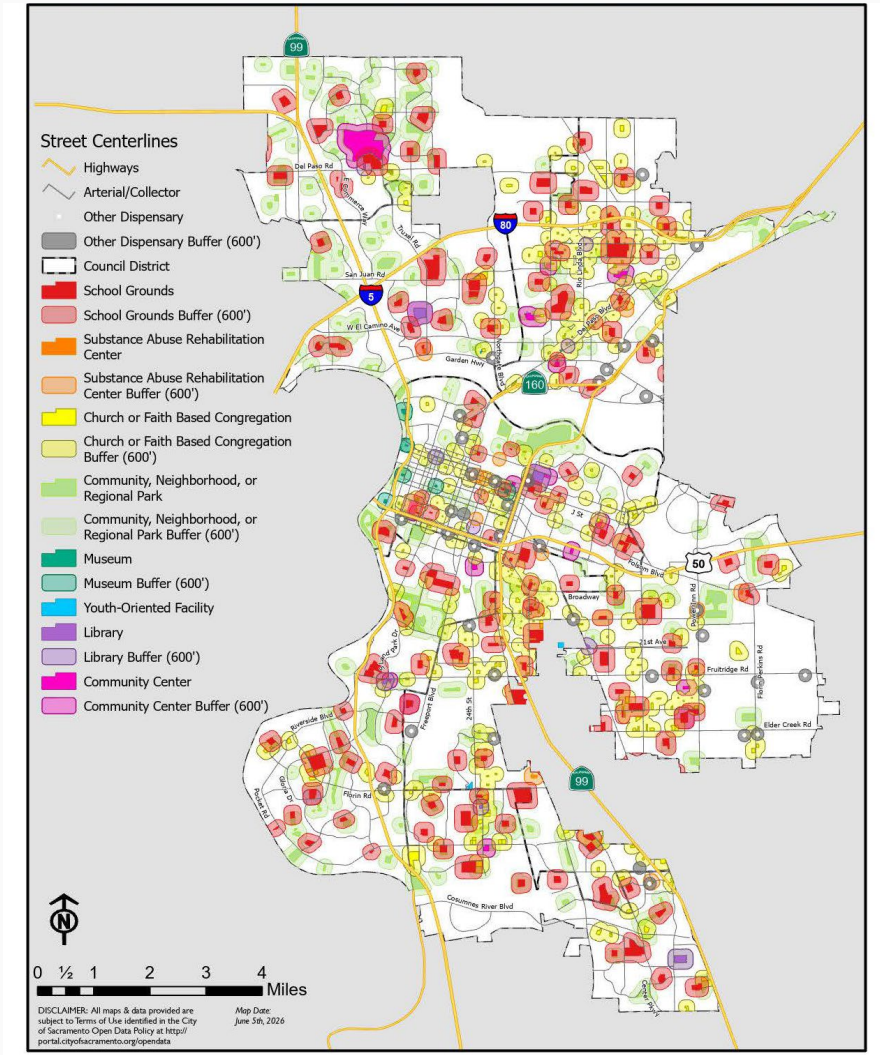
Church/faith congregation



Sensitive Uses

All Sensitive Uses
Apply to
Dispensaries

K-12 schools
Apply to
Production & Testing



Sensitive Uses

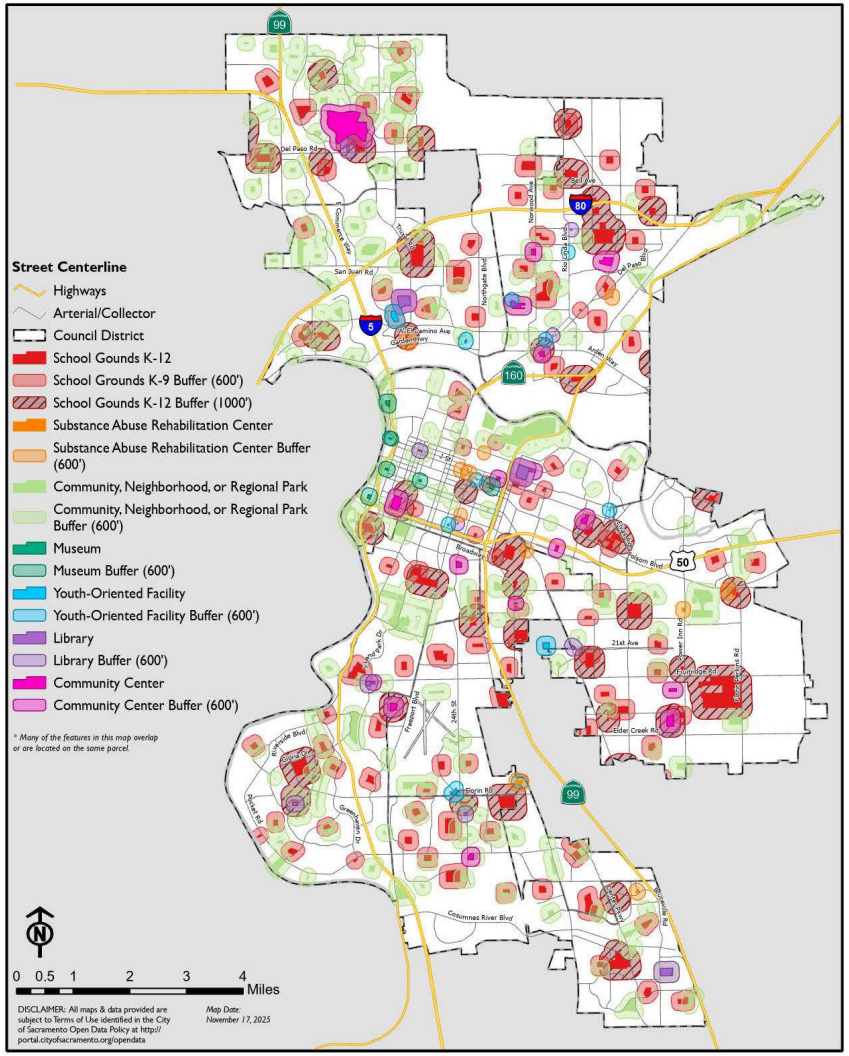
Schools

Ordinance

600 foot / K-12 schools

Discussed

1,000 foot / High Schools (shown on map)



City of SACRAMENTO

Ordinance: CUP for All

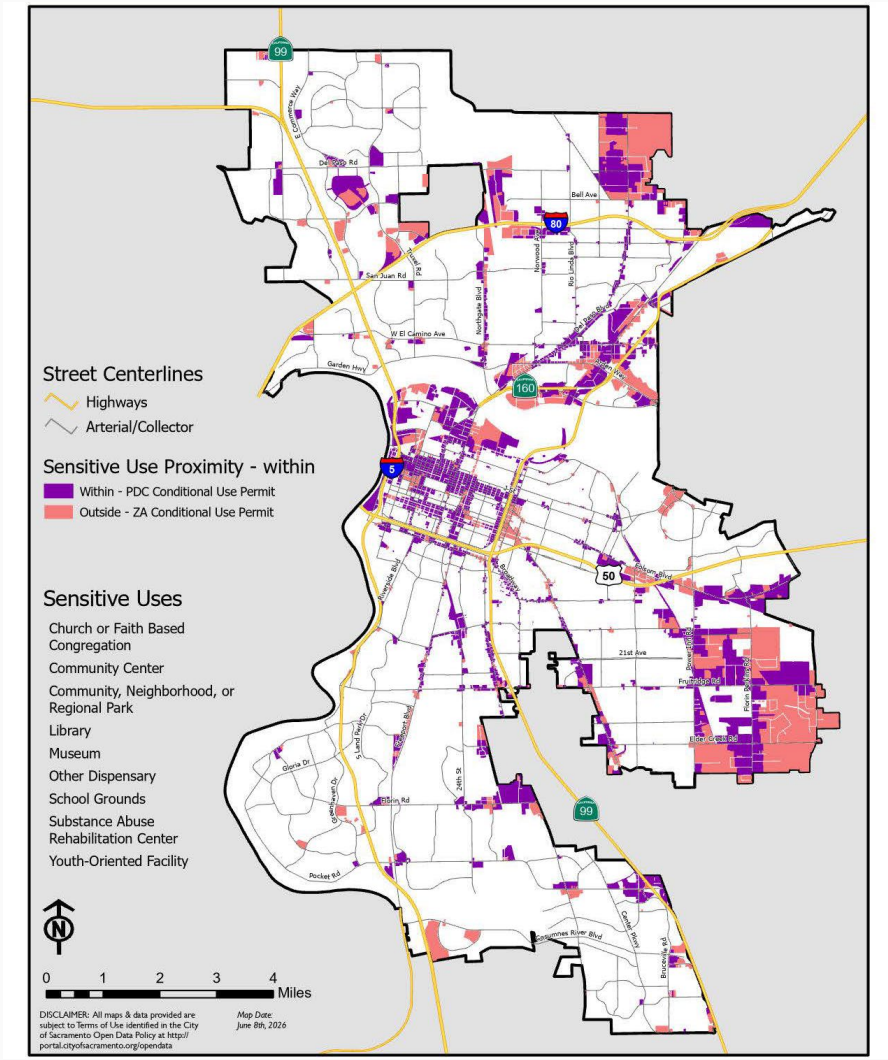
	Land Uses		
Type	Dispensary	Production	Testing
CUP @ ZA	> 600’	✓	✓
CUP @PDC	< 600’		

Sensitive Uses

Dispensaries

Purple = PDC

Salmon = ZA



Recommendation

Pass motion:

- Determining the Ordinance exempt from the California Environmental Quality Environmental Act (CEQA)
- Adopting Ordinance amending various provisions of Title 17 of the Sacramento City Code relating to cannabis land uses.

Thanks!

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City of SACRAMENTO

