

# City of Sacramento

## Legislation Details (With Text)

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**Type:** Discussion Item    **Status:** Agenda Ready  
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**Title:** Proposed Business Operating Permit Fees for Cannabis Microbusinesses and Cannabis Business Application Modification Fees  
**Sponsors:** Finance  
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Date	Ver.	Action By	Action	Result
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**Title:**  
**Proposed Business Operating Permit Fees for Cannabis Microbusinesses and Cannabis Business Application Modification Fees**

File ID: 2018-01625

**Location:** Citywide

**Recommendation:**

1) Review the proposed business operating permit fees for cannabis microbusinesses and the proposed fees to modify cannabis business applications; and 2) pass a Motion forwarding the fees to the City Council for adoption.

**Contact:** Joe Devlin, Chief, (916) 808-4772; Zarah Cruz, Program Specialist, (916) 808-8925, Office of Cannabis Policy and Enforcement, Office of the City Manager.

**Presenter:** Joe Devlin, Chief, (916) 808-4772, Office of Cannabis Policy and Enforcement, Office of the City Manager.

**Attachments:**

- 1-Description/Analysis
- 2-Proposition 26

**Description/Analysis**

**Issue Detail:** On November 27, 2018, the City Council approved the establishment of a microbusiness permit type. A cannabis business can obtain a microbusiness permit if they operate at least three of the following cannabis-related activities on the same premises or site: non-volatile manufacturing, retail, distribution and cultivation with up to 10,000 square feet of canopy, subject to the applicable cannabis business permit limits.

The proposed fees for a microbusiness permit are as follows:

Permit Type	Initial Fee	Renewal
Microbusinesses	\$36,800	\$35,100

Also, proposed under this item is a fee for processing requests to modify and modifying pending Business Operating Permit (BOP) applications. Currently, a modification fee only applies to permitted businesses. However, the volume of modifications to pending applications, which include changes in ownership and management, business structures and relocation of proposed locations, have created a burden on staff. More modifications are anticipated as the state requirement for cannabis businesses to be collectives or cooperatives and a not-for-profit entity will be eliminated on January 9, 2019.

The proposed fees for application modifications are: \$250 for Level 1 modification for minor changes such as changes in ownership, management and business structures; and \$500 for a Level 2 modification, such as a relocation which requires the review of new application documents including new security plans, site plans and floor plans.

Modification	Fee
Level 1 (changes in business structure, ownership, management)	\$250
Level 2 (relocations)	\$500

**Policy Considerations:** The proposed fees are consistent with Council’s adopted Fees and Charges Policy and support the City’s goals of budget sustainability and fiscal responsibility.

**Economic Impacts:** None.

**Environmental Considerations:** Not applicable.

**California Environmental Quality Act (“CEQA”):** This action is not a project subject to CEQA because it involves the establishment, modification, structuring, restructuring, or approval of rates, tolls, fares, or other charges by public agencies which the public agency finds are for the purpose of meeting operating expenses; and the creation of government funding mechanisms or other government fiscal activities that do not involve any commitment

to any specific project that may result in a potentially significant physical impact on the environment (Pub. Res. Code section 21080; CEQA Guidelines section 15378.)

**Sustainability:** Not applicable.

**Commission/Committee Action:** Not applicable.

**Rationale for Recommendation:** Cannabis BOP fees are calculated based on the administrative effort required to effectively implement the City's cannabis enforcement program. The proposed fees for a microbusiness permit are expected to meet the anticipated workload required to effectively administer the microbusiness permitting process, to enforce regulations upon that permitted industry, and to maintain a healthy regulated industry. The proposed fees for an application modification will cover the staff time required to process changes to an existing application, including the re-routing of application to inter-department reviewers.

If adopted, the fees will be submitted for City Council adoption on December 11, 2018 and will take effect immediately.

**Financial Considerations:** The proposed fees will create additional revenue sources that will help cover the financial costs associated with the administrative and regulatory components of the cannabis program. The proposed fees comply with Proposition 26 as it is imposed to address the reasonable costs to the City to regulate the cannabis businesses within the city. (See California Constitution Article XIII C, section 1(e)(1)-(7).) Specifically, the proposed fees are established to cover both the administration and enforcement of the cannabis program particularly for microbusinesses and modifying pending cannabis business operation permit applications, which includes the permitting process, providing regulatory and compliance inspections to permitted businesses, and taking enforcement actions against unpermitted cannabis businesses throughout the city. (Attachment 2)

**Local Business Enterprise (LBE):** Not applicable.