

City of Sacramento

Legislation Text

File #: 2020-01261, Version: 1

Title:

An Ordinance Deleting and Adding Section 5.150.055 of the Sacramento City Code, Relating to Storefront Cannabis Dispensaries and declaring the Ordinance to be an Emergency Measure to Take Effect Immediately Upon Adoption [Two-Thirds Vote Required] {To be published in its entirety upon adoption}

File ID: 2020-01261

Location: Citywide

Recommendation:

Adopt an Ordinance deleting and adding section 5.150.055 to the Sacramento City Code, relating to ownership interests in storefront cannabis dispensaries by two-thirds vote, and declaring the Ordinance to be an emergency measure to take effect immediately upon adoption to be published in its entirety within ten days of adoption.

Contact: Davina Smith, Cannabis Manager, (916) 808-4772; Zarah Cruz, Program Specialist, (916) 808-8925, Office of Cannabis Management, Office of the City Manager.

Presenter: None

Attachments:

- 1-Description/Analysis
- 2-Ordinance (Clean)
- 3-Ordinance (Redline)

Description/Analysis

Issue Detail: On November 12, 2019, Council adopted an ordinance that: a) prohibited any individual from obtaining an ownership interest in more than one storefront cannabis dispensary (“storefront dispensary”), (one-person-one-dispensary) and b) established a 120-day moratorium on ownership interest (‘ownership interest’ as defined by the ordinance) changes for storefront dispensaries (Ordinance No. 2019-0041). On that same date, Council requested that the City Auditor research and report on the consolidation of storefront dispensary ownership that had occurred prior to the adoption of the ordinance.

Specifically, the moratorium was put in place to allow staff to conduct research into storefront dispensary ownership changes and determine what, if any, regulations are needed and report back to Council. On January 14, 2020, staff reported to Council on ways in which other cities and regulatory agencies, like the California Department of Alcohol Beverage Control, dealt with ownership changes. Staff acknowledged that business models were evolving in the cannabis industry and potentially the City Code would also need to be updated to address this evolution. However, staff refrained from recommending major changes at that time as the Auditor was still working on the storefront dispensary ownership review. The moratorium expired in March of 2020, although the “one-person-one-dispensary” City Code change remains in effect, preventing any person who has an ownership interest in one storefront dispensary from acquiring an ownership interest in another storefront dispensary.

Now that the Audit has concluded, the Office of Cannabis Management (“OCM”) believes it is appropriate to and recommends that Council adopt the proposed Ordinance, placing a moratorium of up to a year on storefront dispensary ownership interest changes to allow OCM time to work on the Audit recommendations, receive direction from Council, research potential regulatory schemes that reflect Council's direction and industry best practices, and to return with those items for Council consideration.

Policy Considerations: The proposed Ordinance will provide time for staff to continue evaluating regulatory schemes of ownership interests in storefront dispensaries without ownership changes that would be inconsistent with future regulations. Any proposed future amendments to the City Code will take into consideration the recommendations from the Audit and any potential impacts to Cannabis Opportunity Reinvestment and Equity Program participants. While the proposed Ordinance is in effect, staff will continue to weigh different models and bring forward recommendations to Council no later than the sunset date.

Economic Impacts: None.

Environmental Considerations: This action is exempt from the California Environmental Quality Act (“CEQA”) because it is the adoption of an ordinance, rule, or regulation that requires discretionary review, including environmental review, and approval of permits, licenses, or other authorizations to engage in commercial cannabis activity (California Business and Professions Code section 26055(h), CEQA Guidelines section 15061(B)(1)) and because it does not have the potential for causing a significant effect on the environment (CEQA Guidelines section 15061(b)(3)).

Sustainability: Not applicable.

Commission/Committee Action: Not applicable.

Rationale for Recommendation: In light of the recently concluded Audit on changes in ownership of

storefront dispensaries, and staff's ongoing evaluation of the evolution of cannabis business development and ownership, it is recommended that the Council impose a one-year moratorium on storefront dispensary ownership changes to preserve the status quo. During this time, staff will review and consider the Audit recommendations, receive direction from Council, research and develop regulatory schemes that reflect Council's directions and industry best practices, and return with those items for Council consideration.

Financial Considerations: None.

Local Business Enterprise (LBE): Not applicable.