

# City of Sacramento

## Legislation Details (With Text)

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**Title:** Establish an Approved List of Non-Profit Organizations Interested in Real Estate Assets Obtained through Illegal Cannabis Grow House Enforcement  
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**Title:**  
**Establish an Approved List of Non-Profit Organizations Interested in Real Estate Assets Obtained through Illegal Cannabis Grow House Enforcement**

File ID: 2019-00839

**Location:** Citywide

**Recommendation:**

Pass a Motion establishing an approved list of non-profit housing providers to participate in the Cannabis Homes pilot program.

**Contact:** Leslie Fritzsche, Economic Development Investment Manager, (916) 808-5450, Office of Innovation and Economic Development; Gustavo Martinez, Supervising Deputy City Attorney, (916) 808-5346, Office of the City Attorney

**Presenter:** None

**Attachments:**

- 1-Description/Analysis
- 2-Background on Responding Non-Profit Organizations

**Description/Analysis**

**Issue Detail:** Illegal cannabis cultivation in residential neighborhoods is a public safety concern and a major public nuisance. In 2017, it was estimated that over 1,000 homes in Sacramento have been converted or modified for illegal cannabis cultivation. These homes have been structurally and electrically modified without the appropriate permits and contain substandard modifications that do not meet residential or commercial electrical requirements, creating a fire hazard among other safety concerns.

The City has aggressively pursued enforcement efforts against illegal cultivation. Collection of administrative penalties range from direct payments, litigation, liens, assessments to settlements, depending on each circumstance. In November 2017, Council passed a resolution (Resolution 2017-0445) directing all fines and fees collected pursuant to the enforcement of Sacramento City Code chapter 8.132 relating to the illegal residential cultivation of cannabis be dedicated to the Cannabis Policy and Enforcement Multi-Year Operating Project (MYOP).

On November 13, 2018, the Law and Legislation Committee directed staff to bring back policy options that could include broadening the type of negotiated settlements to include the option of allowing property owners to transfer their residential properties to non-profits for reconversion to housing in exchange for settlement of public nuisance lawsuits. On June 4, 2019 staff returned to the Law and Legislation Committee and received direction to initiate a pilot program in which staff would do a Request for Interest for experienced non-profit housing providers who might be interested in obtaining a home to further their mission delivery and return the house to residential use.

On August 27, 2019, a Request for Interest was released and by the due date of September 24, 2019, nine (9) proposals were received. Proposals were submitted by the following entities: Freedom through Education, Goodwill Industries along with WIND Youth Services and Next Move, Habitat for Humanity, LSS of Northern California, NeighborWorks, Saint John's/Pacific Housing, Sacramento LGBT Community Center, TLCS and Waking the Village. Background on each of these organizations is included herein as Attachment 1.

A selection committee was convened to evaluate the organizational capacity and experience of the organizations. Staff is recommending a list of seven (7) organizations with two (2) of the organizations, Freedom through Education and St. John's/Pacific Housing not recommended for the initial pilot due to their experience level and approach to the opportunity. Staff will keep these organizations involved for future opportunities.

The organizations selected have a track record in providing affordable and transitional housing in Sacramento. Two of the organizations, Habitat for Humanity and NeighborWorks, will utilize the homes for affordable homeownership opportunities while the other organizations will focus on transitional housing, primarily for homeless youth.

### **Process**

Staff would review the properties subject to an illegal cannabis cultivation enforcement action for

potential suitability for the pilot program. The homes would need to be in sound physical condition and require little rehabilitation. Any individual who is interested in including a residential property as part of their settlement will have to bring the property up to code compliance as determined by City departments.

Following the identification of a home that could be available as part of a settlement, staff would work through the approved list on a rotational basis and provide the next organization on the list the opportunity to receive the home at no cost. Factors to be considered would be the location of the homes, the home's suitability for the needs of the non-profit provider and their clients, and the building's condition. Prior to offering the home to a non-profit, staff would review the opportunity with the Councilmember whose district the home is in and ensure the match meets with their approval. The organization would have a designated period of time to evaluate the home and determine their interest, and their organizational and financial capacity to take on the home as part of their housing mission at that time. Staff is proposing the organization would have 30 days from the time of being notified, to respond to the City. If they were not interested, the home would be presented to the next organization on the list.

As part of the process, staff would review the organization's financial and operational capacity to take on the home and ensure that the home is completed and occupied within a reasonable period of time. Because the homes may vary in condition, setting a specific timeframe for completion and occupation of the homes is difficult at present but the non-profit's ability to perform in a timely manner will be a key consideration in their receiving a home. Through this process the City would never take ownership of these homes. The home would transfer directly to the selected non-profit provider as part of the negotiated settlement. Prior to its transfer the selected non-profit organization would be required to do community outreach for their project. The City would not have any ongoing liability for the home or place a deed restriction on the property. Settlements would not require Council approval and no City funds would be used for the program.

This pilot program has been tested with two homes provided to Habitat for Humanity. These homes have been transferred to the organization, completed for residential living and transferred to two lower-income families.

**Policy Considerations:** This pilot program would vary from other approaches to cannabis enforcement by allowing negotiated settlements to include the transfer of real property to non-profit organizations directly rather than the payment of penalties to the City.

**Economic Impacts:** None

**Environmental Considerations:** None

**Sustainability:** None

**Rationale for Recommendation:** This potential pilot program would benefit the City and the neighborhoods by returning homes currently being used for illegal cannabis cultivation to productive housing stock. Accomplished through negotiated settlement agreements, the program would not cost the City any funds so would be a low-cost option to add additional housing options through the City's range of non-profit housing providers.

**Financial Considerations:** The proposed program would not cost the City any funds directly. Because the homes would be transferred as a negotiated settlement, the City would be forgoing the penalties that would normally be imposed as part of the enforcement action and, once collected, deposited into the Office of Cannabis Policy and Enforcement Operating Budget.

**Local Business Enterprise (LBE):** None