

# City of Sacramento

## Legislation Text

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**File #:** 2018-01518, **Version:** 1

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**Title:**

**(Pass for Publication) Proposed Ordinance Amending Chapter 5.150 of the Sacramento City Code, Relating to Cannabis Microbusinesses**

**File ID:** 2018-01518

**Location:** Citywide

**Recommendation:**

1) Review an ordinance amending section 5.150.020 of, and adding Article X to, Chapter 5.150 of the Sacramento City Code, relating to cannabis microbusinesses; and 2) pass for publication the ordinance title as required by the Sacramento City Code section 32(c) to be adopted on November 27, 2018.

**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:** None

**Attachments:**

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

**Description/Analysis**

**Issue Detail:** Under the Medicinal and Adult Use Cannabis Regulations Safety Act (“MAUCRSA”), a cannabis business can be licensed as a microbusiness if they operate at least three of the following cannabis-related activities (“activities”) on the same licensed premises or site: non-volatile manufacturing, retail, and distribution, or cultivation (provided that the cultivation area is less than 10,000 square feet). Additionally, the state allows onsite consumption in retail facilities that are part of a microbusiness operation. Onsite consumption is not part of this proposal.

The City of Sacramento (“City”) currently permits the above cannabis business types under separate Business Operating Permits (“BOPs”). Staff is proposing the addition of a Microbusiness BOP to the

City's cannabis business permitting program. Cannabis retail or dispensary sale activities for microbusinesses would be subject to the City's current limits for dispensaries. (See Sacramento City Code section 5.150.350 and Article IX.)

Last April, the Law and Legislation Committee ("Committee") approved the concept of a Microbusiness BOP and directed staff to draft an ordinance establishing a microbusiness permit type. (Attachments 2 and 3). The Committee has reviewed the proposed ordinance and forwarded it to Council for consideration.

**Policy Considerations:** The attached draft ordinance will amend Title 5 by adding Article X related to microbusiness permits. If adopted, cannabis businesses will be permitted to operate multiple business types on a single premise by applying for a single BOP for microbusinesses. The retail component of a microbusiness will be limited by Sacramento City Code section 5.150.350, storefront dispensary limits, and Article IX, Southeast Industrial Area dispensaries.

There is no amendment proposed for Title 17 of the City Code, which already allows cultivation, manufacturing and distribution uses to take place within one location as part of the Production Conditional Use Permit (CUP) approved by the City Council in November 2018. A second CUP for retail would still be required if the third or fourth activity identified as a component of a microbusiness is a non-storefront dispensary.

A final ordinance will be submitted to Council for adoption on November 27, 2018. The proposed fees for a microbusiness permit will be submitted to the Budget and Audit Committee for review.

**Economic Impacts:** None.

**Environmental Considerations:** This action is exempt from 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 (CEQA Guidelines § 15061(B)(1), Bus. and Prof. Code § 26055(h)) and because it does not have the potential for causing a significant effect on the environment (CEQA Guidelines §15061(b)(3)).

**Sustainability:** Not applicable.

**Commission/Committee Action:** On November 13, 2018, the Committee approved the proposed ordinance and forwarded it to Council for consideration.

**Rationale for Recommendation:** The purpose of a microbusiness permit is to encourage vertical integration, which will allow businesses to be involved in different aspects of the cannabis business with a consolidated application process and combined fees. Without a microbusiness permit in place, a cannabis business in Sacramento desiring a vertically-integrated operation that includes at

least three activities would need to apply for three separate BOPs.

With a microbusiness permit, a cannabis operator can consolidate its activities and streamline its business operations under a single permit type. It will also promote economic and administrative efficiencies both from the applicants' and the City's perspective. A microbusiness can also consolidate the required reporting of gross receipts, and therefore pay a consolidated Business Operations Tax ("BOT"), instead of on each of the businesses.

**Financial Considerations:** There are no direct financial impacts with creating a new microbusiness permit type, as all permit types under a microbusiness operation already exists, therefore making the proposal revenue neutral. However, a microbusiness permit category can encourage a cannabis business owner to expand its operations by becoming vertically integrated. All cannabis businesses are subject to a four percent BOT, which goes into the City's General Fund. Therefore, a larger, fully integrated business operation could translate to increased gross receipts and therefore higher BOT receipt.

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