

City of Sacramento

Legislation Text

File #: 2018-01656, **Version:** 1

Title:

**Proposed Fees for Microbusiness Business Operating Permit and Application Modification
(Noticed on 11/30/2018 & 12/05/2018)**

File ID: 2018-01656

Location: Citywide

Recommendation:

Conduct a public hearing and upon conclusion, pass a Resolution approving the proposed business operating permit fees for cannabis microbusinesses and business operating permit application modification fees.

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-Fee Resolution
- 3-Exhibit A

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.

Also proposed under this item is a fee to modify 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.

The proposed fees for a microbusiness permit and to modify a BOP application are outlined in the attached fee resolution. (Attachment 2)

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: 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 (Cal. Pub. Res. Code section 21080; CEQA Guidelines section 15378.)

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: On December 4, 2018, the Budget and Audit Committee considered the proposed fees and recommended that a resolution be forwarded to the City Council for approval.

Rationale for Recommendation: Cannabis business operating permit fees are calculated based on

the administrative effort required to effectively implement the City's cannabis enforcement program. Council has adopted an ordinance establishing the microbusiness permit type and the proposed fees are expected to meet the anticipated workload required to effectively administer the amended cannabis microbusiness permitting process, to enforce regulations upon that permitted industry, and to maintain a healthy regulated industry by eliminating the underground cannabis industry.

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 BOP 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 3).

Local Business Enterprise (LBE): Not applicable.