

Stakeholder Meeting #1

2-4 p.m.

UPDATES:

- Staff going to Law and Legislation Committee in July with a proposed framework for delivery, which include:
 - Ability for existing dispensaries to deliver by modifying their existing CUPs and BOPs
 - Delivery-only dispensaries need to have a physical, brick-and-mortar location with no public interface. Need CUP. Zones: C2, C4, M1, M1S, M2, M2S, MIP, MRD. Co-location possible.
 - Background checks for anyone with 20% interest to align with State requirements, and all drivers.
 - City ID cards for all delivery drivers
 - Vehicles not more than 10 years old; has GPS capacity
 - Drivers may not be armed
 - Comply with State regulations on inventory requirements: may carry only \$3,000 worth of goods per delivery; no markings on vehicles
 - Currently one permit available. Staff will propose the creation of a smaller manufacturing permit. Research still underway
 - Small - General Manufacturing – similar to currently available but lower gross receipts and smaller number of employees. CUP still required.
 - Small – Production Only, for those who are involved in production of edibles and topicals only. Does not include extraction. Requires commercial kitchen. Considering requiring BOP only.
 - Deadline to comment on proposed State regs on dispensaries, delivery and distribution is June 13, 2017.
 - Registered cultivation applicants must submit applications for CUP and BOP by June 30, 2017.

QUESTIONS AND ANSWERS:

Q: Can delivery services deliver outside the City of Sacramento?

A: Yes. We suggest you read the language Prop 64 and the Trailer Bill for more guidance.

Q: For the commercial kitchen proposed in the smaller manufacturing permit, does the kitchen have to be specific to cannabis or other food production also?

A: The commercial kitchen is not specific to cannabis, as long as it meets health and safety standards. The goal is to try to open up some innovation and additional entry points into the food space.

Q: Is the City just going to allow CO2 extraction? There are companies that use other methods like hexane. Is the city willing to expand?

A: Currently, the City only permits non-volatile extraction. That is what Council is comfortable with. There has been some discussion around the use of some volatile organic compounds that are part of a non-volatile extraction, such as Ethanol. We are looking into our policy to see if we can allow certain types of production that may involve the use of certain volatile compounds to a degree.

Q: What should we do with the refuse from extraction, such as extra plant matter that's been extracted? If it's coming out as hemp which can be used other industries such as hemp paper, waxes for other things, is the City open to licensing such companies?

A: Yes, but it would depend on what the State says about the destruction of cannabis materials.

Q: Explain the process of ID card for delivery drivers? Where can that be obtained?

A: We haven't adopted the regulations yet, but these IDs should be specific to drivers after they've completed a background check.

Q: Can you elaborate on the requirement for drivers regarding having the ability to meet the State inventory requirements digitally?

A: Drivers should be able to carry a manifest in digital version on their smart phones, which can demonstrate what has been delivered at what time and their location.

Q: For multiple delivery drivers to locate in one location, would they have to be individually licensed?

A: For co-location, we envision one building with multiple warehouses for multiple delivery operations. Our goal is not to have a distance requirement from each other.

Q: For delivery-only dispensaries, what is the definition of a physical location?

A: It should have a physical address and an APN number. It's not a space that's open to the public, and no storefront activity taking place. It should still meet the distance requirements of a dispensary.

Q: Is there a planned cap on dispensaries?

A: That would be a Council decision. Our goal is to set a high bar and let the market sort it out.

Q: What are potential disqualifiers for the background check for delivery-only dispensaries?

A: Current disqualifiers include being charged or convicted of a felony involving or affiliation with a street gang, being on parole or probation related to sale or distribution of a controlled substance. Convictions that are cannabis-related, non-violent, and non-gang-related are entitled to an administrative hearing or an appeal.

Q: How was the fee for delivery calculated and is the City going to be able to take cash?

A: Fee was calculated based on administrative and enforcement strategies around regulating the entire cannabis space. Yes, we will be able to take cash.

Q: What types of permit do you need to start a cannabis business?

A: You need two permits from the City -- the first is a Conditional Use Permit which is a land use entitlement permit, and the second is a Business Operating Permit.

Q: What is the fee for existing dispensaries who want to do delivery?

A: We don't have one yet. We are still looking into it.

Q: Is there a limit on number of cars per business?

A: No. It would just depend on the size of your operation.

Q: Is there a required type of building? Can you operate out of a normal office building?

A: Location has to meet certain zoning requirements. If it's in an office space, it has to be repurposed for that specific use.

Q: Is the address for a delivery service open to the public?

A: Yes. We are government and anybody can request that information.

Q: Is there anything being done about mitigating the real estate portion of the business?

All available properties are being allocated towards cannabis, and some businesses cannot compete with cannabis businesses.

A: We believe that there's going to be a boom and a bust. There's no government role because it is an economic challenge that will eventually resolve itself.

Q: Is the City doing anything to mitigating energy use?

A: We are working with SMUD and we are confident in their ability to meet the power demands of cannabis businesses.

Q: For companies that will hire a security personnel while transporting cannabis, would that guns be permitted?

A: Transport is a different license than delivery. But if delivery is going to require an armed personnel, maybe we need different controls or maybe not permit it at all.

Q: For misdemeanors like DUI, how does expungements factor into that?

A: We are more concerned with convictions such selling to minors. Our goal with background checks is to align with State requirements.

Q: For smaller manufacturers doing custom production, can we sell directly to end users or do we have to go through a dispensary.

A: The State will require you to go through a retail facility.

Q: For a cultivation with pending application, will delivery be allowed to deliver based on a current application?

A: You need separate CUPs for cultivation and delivery.

Q: When are you going to permit distribution centers?

A: Our goal is to have regulations in place before the end of the year.

Q: Are there requirements for getting information from a potential patient?

A: There are State requirements which we are going to follow. There are patient verification requirements at the State level, and we may even require double verifications.

Q: What are the patient verification requirements for recreational use?

A: The verification will be around age of the consumer.

Q: Is there going to be a paper trail showing that how much consumers are ordering or just age the age of the customer?

A: We would look to the State for direction on that.

Q: If I'm the business of delivery, is there a limit on how much product I can purchase?

A: The City will not have a limit on how much you can purchase, but State law will only allow you to carry \$3000 worth of products per delivery.

Q: When can we start applying for a Conditional Use Permit for non-storefront delivery?

A: Our goal is to start accepting applications in September, on a best case scenario.

Q: What is plan for current dispensaries as far as being able to sell adult use products? Do they have to choose between selling medical only or choose between the two?

A: We don't have regulations yet. We are looking at other cities and one option is to follow Denver's model to temporarily allow existing dispensaries to sell adult use for a period of time before adding new adult use storefront locations. This would potentially apply to delivery-only dispensaries too. We will look at specific State direction, but ultimately be pragmatic about accomplishing what we need to accomplish, which is to record what was sold and to whom.

Q: Are you willing to incentivize testing laboratories to come in by lowering permit costs?

A: There's going to be a market place for testing. Testing requires specific skills set and people in that field know that there's not a lot of money in it. Economic incentive may not be necessary, but eventually what is needed is for government to step in, because of the amount of product that is being produced that needs to be tested.

Q: Is there going to be a scenario where projects are held up because there are no City experts on food, health department, fire department?

A: Projects are routed to multiple departments. We are familiar with all aspects of an application, including food manufacturing, electric load calculations and hazardous materials. The only thing new is their application to cannabis, but we are not expecting undue delays.

Q: If I already have a CUP, can I move operations down the road?

A: Yes, but you have to move to a building with a CUP or get a new CUP. CUP is a land entitlement process that is attached to the land.

Q: Is the City willing to allow alcohol, butane and hexane, if it's determined that it's not hazardous?

A: Council not currently permitting volatile manufacturing. There will potentially be a new conversation when there is some new information, but it will be purely speculation to say what the Council will and will not do in terms of allowing volatile manufacturing.

Q: Will there be a distance requirement for schools for commercial kitchens?

A: We will check state laws if there is a distance requirement for schools for this type of business.

Q: Will there be a cap on the number of delivery-only dispensaries? If so, how do you decide which ones you are going to license?

A: The process has not been created yet, but we are not going to recommend a cap.

Q: When track and trace becomes a State requirement after the first of year, how is the City going to implement it?

A: We've been approached by different companies, but we are waiting to see what the specific State requirements will be.