

May 22, 2017 Stakeholder Meeting No. 1

6-8 p.m.

Updates:

- Planning Division has received 65 applications for a Conditional Use Permit, 63 of which are for cultivation, and two for manufacturing.
- There are a number of illegal delivery services operating in Sacramento. Staff is expected to bring before the Law and Legislation Committee in July. There is no solid framework yet, but looking at delivery only dispensary that would require a physical, brick-and-mortar, non-storefront without public interface.
- Council is working with a core group representing small/women/minority business to possibly add an equity provision in the City's cannabis ordinance. The goal is to create avenues and opportunities for women and minorities who are starting to populate the space.
- The State's regulations are out and we are in the 45-day public comment period. The proposed regulations are available online.

Questions and Answers:

Q: Will that model for women-and-minority-owned businesses apply to getting a break on the cost of the CUP?

A: The equity provision will work on the business operating side. The CUP stays with the property and not the business operator.

Q: Will the State impose additional regulations to the industry?

A: The State sets the minimum standards. Local governments have the option of imposing stricter regulations. We hope that the State law will be sufficient and that we won't voluminous regulations on top of it.

Q: If you are going to manufacture and cultivate on the same location, do you need separate CUPs?

A: Yes, you need separate CUPs for cultivation and manufacturing.

Q: Where can one purchase a permit and where can all the City regulations be found?

A: Business permits are issued by the Office of Cannabis Policy and Enforcement. All the City regulations can be found on the City's marijuana website.

Q: Is the City planning to identify areas where cannabis businesses can locate other than where they are now which are not good locations?

A: Dispensaries were already in those locations before the policy was created. They were grandfathered in. For new cannabis businesses, there are zoning laws and distance requirements that cannabis businesses have to abide by. Cannabis businesses are not all located in industrial and manufacturing zones, there are provisions that will allow them to locate in C2 zones.

Q: If we are raided by the Feds, are we all going to get arrested and would the businesses have to shut down?

A: There's an amount of uncertainty and we're all operating under the Cole Memo. The City cannot provide legal advice.

Q: When will the City start accepting applications for delivery?

A: Staff will be going to Law and Legislation Committee in July, then to the Planning Commission then to the City Council. Ideally, around September.

Q: If a mobile dispensary found a brick and mortar location, will they still be required to apply for a CUP?

A: Yes, they will need a CUP for delivery, unless the location already has one.

Q: How are funds from the Neighborhood Responsibility Plan going to interact with neighborhood associations and how are they going to be distributed?

A: The funds will be going towards neighborhood improvements and will depend on results of the nexus study. The purpose of the study is to determine whether there are secondary negative impacts to neighborhoods resulting from the cannabis businesses. The limitations of those funds will be shaped by the nexus study, which could take up to a year to complete. The 1% could be low or it could be high.

Q: How are neighbors notified when there is a cannabis business coming to their neighborhood and how are they notified?

A: The City sends out a notification to all neighboring property owners within a 300-ft radius of the proposed cannabis business.

Q: Why is the 1% from the Neighborhood Responsibility Plan attached to the building owner? Is it the building owner's responsibility to audit their tenant's books to make sure that they remit their 1%?

A: The NRP an agreement is between the City and the property owner because of the way Council set up the policy in which the NRP was a requirement for a CUP. And because the CUP runs with the property, the agreement therefore is between the City and whoever owns that property. As far as how to collect the 1% from the tenant is a business arrangement between the property owner and the landlord, but it is the landlord's responsibility to ensure compliance of their tenant.

Q: Are you going to allow multiple mobile dispensaries in one building?

A: Staff does not have an answer until the City Council makes a policy decision on the matter. The current dispensary ordinance requires 1000 ft distance between dispensaries, but we don't know if that will apply to non-storefront dispensaries.

Q: Are there distance requirements between cultivation sites?

A: No. You can have multiple cultivators in the same parcel.

Q: What are the documentation requirements for non-profits transitioning to for-profit?

A: We will have more information when the State has worked out its requirements.

Q: Does one need a home growing permit?

A: The City currently allows residential cultivation in 400 sq. ft. of indoor property for medical purposes and not commercial. Prop 64 only allows up to six plants. Illegal residential grows is the biggest problem in the City and it staff is looking at different ways to eradicate them from neighborhoods.

Q: Does a current dispensary permit allow it to make deliveries?

A: No.

Q: For the CUP, are we required to notify the 500 homeless people around the property?

A: No. The City takes care of notifying the neighbors. We have a mailing list of all the residents around those properties.

Q: Is the State going to issue a literature for testing?

A: The State just released its proposed regulations, and most of the language is technical and scientific. But hopefully the State will sort it out and come up with a clear around the legal requirements.

Q: What is the State's timeline for its regulations?

A: We are currently in the 45-day comment period.

Q: Is the 6 plant limit per patient or per house?

A: The 6-plant limit is per house.

Q: Does the City allow mixed light such as a greenhouse?

A: Yes, as long as it is fully enclosed, not visible, and has an odor control plan.

Q: Will the City deny a CUP application if it doesn't have a secured shipping and receiving area?

A: It will depend on what your security plan looks like. Talk to your planner with regard to specific requirements.

Q: Will the City allow testing to be co-located with other businesses?

A: Testing requires a separate, independent license. But if the State does not prohibit co-location, the City will allow it.

Q: Is the 1% going to continue even after the study?

A: It depends on the result of the study.

Q: Who is going to set the boundaries for delivery, the State or the City?

A: The State sets the minimum requirements and it is up to the City Council whether to align with State law or make it more restrictive than State law.

Q: What is the space limitation for cultivation, manufacturing and testing?

A: Cultivation has a maximum grow space of 22,000 square feet. There are no square footage limitations for manufacturing and testing.

Q: If June 30th is the deadline for registered cultivators, what is the deadline for others?

A: There is no deadlines for non-registered applicants.

Q: For BOP applications, there is no box to check, so how does the City know if the applicant is minority or a small business?

A: The City does not have a policy yet, but is working on it and we are waiting for Council direction.

Q: What other cities have you looked at in your research for delivery practices?

A: We looked at San Jose, Portland and Ojai. There's not one city that has all the answers. Our goal is to be that city, that others can look up as they are trying to write their regulations.

Q: Is the City still looking at issuing 200 cultivation permits?

A: There is no cap on the number of permits to be issued. 200 was only an estimate of how many were operating at the time we created the registry.

Q: Does the City allow the use of volatile solvents for manufacturing?

A: No, the City does not allow the use of volatile compounds for extraction. But we are learning about the need for the use of certain solvents for cleaning and not part of the extraction.

Q: Does the city allow the use of ethanol?

A: Currently, we don't allow the use of ethanol in extraction. But certain alcohols like ethanol, which is grain alcohol, may be used for post extraction and cleaning.

Q: Has the City approved any of the CUP applications?

A: CUP is a lengthy process and it can take up to six months.

Q: Does the City allow a manufacturing where cannabis sits in alcohol for six months?

A: The City is concerned about potential hazards and explosions involved in manufacturing. However, it still learning about other available manufacturing methods and would like to hear more from the industry.

Q: Will the City allow a business to own multiple cannabis businesses?

A: The City does not have a limit on the number of businesses one can own, but when it comes to obtaining a State license, the State has a restriction on testing labs, which should be its own, independent operation.

Q: For manufacturing, if somebody is using alcohol and pours in in a jar and allows it to sit for six months, which is extracting naturally, is that considered volatile?

A: We are still learning about the manufacturing process, lots of pieces that we still don't understand. We welcome the idea of having a conversation with the industry around the manufacturing process.

Q: Are objections from a neighborhood association enough grounds for a denial of a CUP application?

A: Community input is an important component of the process and doesn't go unnoticed.

Q: Is there a penalty for not remitting the 1%?

A: The City can put a condition on the BOP, revoke it, or at the very worse, even revoke the CUP.

Q: Is there another option other than the 1%?

A: Yes, applicants have the option to pay the fee established by the nexus study.

Q: How will the City collect the 1%?

A: The 1% will be collected monthly along with the Business Operating Tax.