Title: Ordinance Amending Chapter 5.150 of the Sacramento City Code Relating to Storefront and Delivery-Only Cannabis Dispensaries

Location: Citywide

Recommendation: 1) Review an ordinance amending Chapter 5.150 of the Sacramento City Code relating to storefront and delivery-only cannabis dispensaries; and 2) pass a Motion forwarding the ordinance to City Council for consideration.

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Presenter: Joe Devlin, Chief of Cannabis Policy and Enforcement, (916) 808-4772, Department of Finance

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

Issue Detail: In November 2016, the City Council voted to regulate cannabis businesses in the City, in the wake of two major developments in cannabis law in California. The first was the signing by Gov. Brown in October 2015 of a package of bills, which later became known as the Medical Cannabis Regulations Safety Act (MCRSA). MCRSA created the regulatory framework for commercial cannabis in California. The second development was the passing of Proposition 64, or the Control, Regulate and Tax Adult Use of Marijuana Act (AUMA) on November 8, 2016. Last June, the Governor signed the SB 94, or Budget Trailer Bill of 2017, combining MRCSA and AUMA into a new set of regulations now known as the Medicinal and Adult-Use Cannabis Regulation and Safety Act (MAUCRSA).

Beginning January 1, 2018, the State will begin issuing licenses for cannabis businesses, which include dispensaries, cultivation, manufacturing, laboratory testing and distribution. Any person over 21 will also be able to purchase cannabis from a State licensed retailer. A local permit is a pre-requisite to obtain a State license.

In light of the rollout of State licensing, staff is proposing a set of amendments to Chapter 5.150 of the Sacramento City Code, the City’s cannabis business regulations, to include the following:

A. Create two types of dispensaries; storefront and, delivery-only dispensaries.
B. Allow permitted storefront dispensaries to add delivery as an option by modifying their Business Operating Permit (BOP).
C. Allow qualified existing dispensaries to sell adult-use cannabis by modifying their BOP.
D. Eliminate references to “registered dispensaries” and establish a cap of 30 storefront dispensary permits.
E. Establish a lottery process for re-issuing a storefront dispensary permit if that permit is revoked because of an enforcement action, or the number of storefront dispensaries falls below the Council authorized level.

The BOP modification process, which will allow permitted dispensaries to add adult use retail to their existing permit, will require the full compliance with the City Code consistent with the findings from the City Auditor’s Audit of Medical Marijuana Dispensaries (Audit) presented to the City Council on October 31, 2017, and a business operations plan that will demonstrate sound methods to handle a separate point of sale for medical and adult use cannabis, establish a separate inventory process and bar coding for medical and adult use cannabis and
cannabis products, and a system in place for age/patient verification. The Sacramento Police Department also may apply additional security requirements.

**Policy Considerations:** It is estimated that over 100 delivery companies are currently operating in the Sacramento area outside any regulatory framework. Additionally, outdated language referencing “registered dispensaries” in Title 5 does not allow for a process of re-issuing a revoked permit. Lastly, voter-approved Prop 64 allows for the sale of adult-use cannabis. While the Audit revealed that not every dispensary should be allowed to provide retail sales to the adult-use market, staff is recommending that permitted dispensaries that meet all of the City Code requirements be authorized to participate in the adult-use market.

The proposed changes included in this report provide a mechanism for the City to address the market pressure associated with the legalization of adult use cannabis in January thereby minimizing the pressure on the illicit market. Staff anticipates returning to Council in 2018 for the consideration of policy decisions on the expansion of adult use and consideration of additional opportunities for adult use dispensaries.

The proposed amendments to the dispensary ordinance will be presented to City Council at the November 28, 2017 meeting along with the following cannabis related policy decisions: the creation of an equity program and amending background check requirements, allowing ethanol in nonvolatile manufacturing, tiered manufacturing, distribution, waiving Conditional Use Permit (CUP) requirements for testing laboratories and for small manufacturers. Fees to add an optional delivery service to an existing dispensary permit, as well as all other fees associated with the cannabis business mentioned above will also be presented to the City Council for adoption on November 28, 2018.

**Environmental Considerations:** This action is not a project that is subject to CEQA 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 August 22, 2017, the Law and Legislation Committee approved a proposal for a two-step (short-term and long-term) approach to adult use, and directed staff to draft an ordinance allowing permitted dispensaries to sell cannabis and cannabis products. The long-term approach includes future potential amendments to the City Code to related to opportunities for adult use dispensaries, onsite consumption and temporary event permits.
Rationale for Recommendation: The proposed amendments will establish a legal framework from which to regulate the delivery and adult use markets. State licenses for commercial cannabis will become available beginning January 1, 2018. The 30 dispensaries that operate in Sacramento are only permitted to dispense cannabis products for medical purposes. As such, when the adult use retail component of Proposition 64 takes effect also on January 1, 2018, existing dispensaries cannot sell cannabis for adult use without a State and a local permit. According to the State’s Bureau of Cannabis Control (BCC), the agency will begin accepting applications in December 2017, and issue temporary retail licenses on January 1, 2018.

Staff is recommending that the city’s permitted dispensaries be given the option to sell adult use cannabis and cannabis products through a modification of their BOP. The modified permit will allow them to apply for a State license and legally dispense adult use, in addition to medical cannabis.

This incremental approach to allow existing dispensaries to sell adult use cannabis is a prudent option for meeting public demand with the rollout of adult use authorized in Proposition 64. In addition, this approach will reduce the possibility of cannabis being purchased through unlicensed and/or uninspected vendors, or transactions taking place in unsecured locations. This approach was adopted by other jurisdictions that have later added adult use to their medical dispensaries. These jurisdictions include the cities of Denver and Aurora in Colorado, Seattle and Spokane in Washington, and most recently the State of Nevada.

Under State law, dispensaries may offer delivery service or operate as a delivery-only dispensary, subject to local laws. Over the recent years, delivery service has increasingly become the preferred option for patients in obtaining cannabis and cannabis products, not only because of its convenience but the privacy that one does not get when visiting a storefront dispensary. In some cases where patients are unable to drive, delivery is also the only available option.

According to industry statistics, delivery service represents 57 percent of the cannabis market share. There are approximately 180 unpermitted cannabis delivery services operating in Sacramento, out of locations with uses that are not compatible with cannabis, or even without a physical location. Without a path for legalization, these illegal delivery services are expected to continue as an illicit market and potentially resulting in health and safety issues for consumers, and unsafe conditions for delivery drivers who operate without proper regulations.

For these reasons, staff is recommending the addition of delivery as an additional and optional service for permitted dispensaries. It is also recommended that the City Council allow new non-storefront, delivery-only dispensaries as a path for legalizing an industry that is flourishing.
in the underground economy, but without government oversight. Delivery-only dispensaries will also be subject to CUP requirements and same distance requirements as their storefront counterparts.

Lastly, the proposed ordinance establishes a temporary cap on the number of storefront dispensaries at 30. The existing dispensaries have provided a stable source of additional General Fund revenues for the city through their payment of a four-percent Business Operations Tax (BOT). It should be noted that some of the dispensaries have been facing financial challenges in the recent past because of the Internal Revenue Service (IRS) §280E audit, which could potentially impact their ability to operate. The proposed ordinance creates a lottery system for the re-issuance of a storefront dispensary permit to take the place of any dispensary who loses or surrenders a license due to §280E audit or otherwise.

Financial Considerations: All cannabis businesses are required to pay a four percent BOT. Over the last two fiscal years, the dispensaries in the city have contributed an average of $4.6 million to the General Fund through their annual BOT. This number is expected to increase with the addition of other types of cannabis permits, including cultivation, manufacturing and testing, which were authorized earlier this year. With the addition of adult use retail and delivery option to permitted dispensaries, and potentially distribution, subject to City Council approval, the annual revenue from cannabis-related BOT is anticipated to increase substantially which will help the City in meeting its cannabis-related enforcement obligations and provide a resource to implement a cannabis equity program within the City.

Local Business Enterprise (LBE): Not applicable
ORDINANCE NO.
Adopted by the Sacramento City Council

Date Adopted

AN ORDINANCE AMENDING VARIOUS PROVISIONS OF CHAPTER 5.150 OF THE SACRAMENTO CITY CODE, RELATING TO STOREFRONT CANNABIS DISPENSARIES AND DELIVERY-ONLY CANNABIS DISPENSARIES

BE IT ENACTED BY THE COUNCIL OF THE CITY OF SACRAMENTO:

SECTION 1.
Section 5.150.020 of the Sacramento City Code is amended to read as follows:

5.150.020 Definitions.

As used in this chapter:

“Cannabis” has the same meaning as in California Business and Professions Code section 26001.

“Cannabis, adult-use” means cannabis or cannabis products intended to be sold for use by adults 21 years of age and over who do not possess a physician’s recommendation for the use of cannabis issued in accordance with the Compassionate Use Act of 1996 (California Health and Safety Code section 11362.5).

“Cannabis, medical” means cannabis or cannabis products intended to be sold for medical use by persons who possess a physician’s recommendation for the use of cannabis issued in accordance with the Compassionate Use Act of 1996 (California Health and Safety Code section 11362.5).

“Cannabis accessories” has the same meaning as in California Health and Safety Code section 11018.2.

“Cannabis business” means a business subject to the permit requirements of this chapter.

“Cannabis business permit” means any permit issued to a cannabis business pursuant to the provisions of this chapter.
“Cannabis cultivation business” means a business involving the cultivation of cannabis, including a nursery which produces clones, immature plants, seeds, or other agricultural products specifically for the planting, propagation, and cultivation of cannabis.

“Cannabis dispensary, delivery-only” means a business selling cannabis or cannabis products only by delivery, not by completing the transfer in a building or structure that is open to customers or elsewhere on the dispensary site.

“Cannabis dispensary, storefront” means a business selling cannabis or cannabis products from a building or structure that is open to customers. A storefront cannabis dispensary does not include the following uses: a clinic licensed pursuant to chapter 1 of division 2 of the California Health and Safety Code; a health care facility licensed pursuant to chapter 2 of division 2 of the California Health and Safety Code; a residential care facility for persons with chronic life-threatening illness licensed pursuant to chapter 3.01 of division 2 of the California Health and Safety Code; a residential care facility for the elderly licensed pursuant to chapter 3.2 of division 2 of the California Health and Safety Code; and a residential hospice or a home health agency licensed pursuant to chapter 8 of division 2 of the California Health and Safety Code, as long as any such use complies with applicable laws including, but not limited to, the Compassionate Use Act of 1996 (California Health and Safety Code section 11362.5), the Medical Marijuana Program Act (California Health and Safety Code section 11362.7 et seq.), the Medicinal and Adult-Use Cannabis Regulation and Safety Act (California Business and Professions Code section 26000 et seq.), and the Sacramento City Code.

“Cannabis identification card” has the same meaning as “identification card” in California Health and Safety Code section 11362.7.

“Cannabis manufacturing business” means a business involving the production, preparation, propagation, producing, preparing, propagating, or compounding of cannabis and cannabis products. Cannabis manufacturing business includes businesses involving the extraction of a substance from a cannabis plant, the infusion or mixture of cannabis into another substance, the preparation of an edible item that contains cannabis, and the packaging and labeling of cannabis or cannabis products. Cannabis manufacturing business does not include a cannabis cultivation business.

“Cannabis product” means an item containing cannabis. Cannabis product includes concentrates, extractions, edibles, and topicals. Cannabis product does not include accessories or paraphernalia that may be used with cannabis but do not contain any cannabis has the same meaning as in California Health and Safety Code section 11018.1.
“Cannabis testing laboratory” means a business involving the performance of performing scientific analysis of cannabis or cannabis products to determine chemical profile, presence of contaminants, or other similar data.

“City manager” means the city manager or designee.

“Conditional use permit” means a conditional use permit issued by the city pursuant to the Planning and Development Code.

“Cultivate” means to plant, grow, harvest, dry, cure, grade, or trim cannabis.

“Cultivation area” means the area on a cultivation site in which cannabis is cultivated.

“Cultivation site” means the portion of the parcel of real property upon which a cannabis cultivation business is operated.

“Deliver” means to transport any item from a cannabis business to a person other than another cannabis business.

“Dispensary” has the same meaning as “medical cannabis dispensary,” as set forth in this section.

“Dispensary area” means the dispensary property and the area within 100 feet of the dispensary property.

“Dispensary building” means the portion of a building within which a dispensary is operated.

“Dispensary permit” means a medical cannabis dispensary permit issued pursuant to this chapter.

“Dispensary property” means the parcel of real property or portion of the parcel of real property that is owned or leased by a dispensary and upon which a dispensary is operated.

“Drug paraphernalia” has the same meaning as in California Health and Safety Code section 11364.5.

“Identification card” has the same meaning as in California Health and Safety Code section 11362.7.

“Juvenile” means any natural person who is under the age of 18 years.
“Manager” means a person 

responsible for the establishment, registration, supervision, or oversight of establishing, registering, supervising, or overseeing the operation of a cannabis business, including but not limited to, a person who performs the functions of a board member, director, officer, owner, operating officer, or manager of the cannabis business.

“Medical cannabis” means cannabis used for medical purposes in accordance with the Compassionate Use Act (California Health and Safety Code section 11362.5) and the Medical Marijuana Program Act (California Health and Safety Code sections 11362.7 et seq.).

“Medical cannabis dispensary” means a business at a particular location or real property involving the distribution of cannabis to qualified patients, primary caregivers, or persons with identification cards, for medical purposes, consistent with the Compassionate Use Act (California Health and Safety Code section 11362.5); the Medical Marijuana Program Act (California Health and Safety Code section 11362.7 et seq.); the Guidelines for the Security and Non-Diversion of Marijuana Grown for Medical Use issued by the California Attorney General in August 2008; and this chapter. A medical cannabis dispensary does not include the following uses: a clinic licensed pursuant to chapter 1 of division 2 of the California Health and Safety Code; a health care facility licensed pursuant to chapter 2 of division 2 of the California Health and Safety Code; a residential care facility for persons with chronic life-threatening illness licensed pursuant to chapter 3.01 of division 2 of the California Health and Safety Code; a residential care facility for the elderly licensed pursuant to chapter 3.2 of division 2 of the California Health and Safety Code; and a residential hospice or a home health agency licensed pursuant to chapter 8 of division 2 of the California Health and Safety Code, as long as any such use complies with applicable laws including, but not limited to, the Compassionate Use Act (California Health and Safety Code section 11362.5), the Medical Marijuana Program Act (California Health and Safety Code section 11362.7 et seq.), and the Sacramento City Code.

“Member” means any qualified patient, primary caregiver, or person with a cannabis identification card who is registered with a cannabis business.

“Operate a dispensary” means to engage in or conduct the business of a dispensary, including, but not limited to, distributing medical cannabis and maintaining the facilities of a dispensary.

“Person with a cannabis identification card” has the same meaning as “person with an identification card” in California Health and Safety Code section 11362.7.
“Physician” has the same meaning as in California Business and Professions Code section 4039.

“Primary caregiver” has the same meaning as in California Health and Safety Code section 11362.7.

“Private medical records” means records related to the medical history of a qualified patient, but does not include the recommendation of a physician for the medical use of medical cannabis, the designation of a primary caregiver by a qualified patient, or an a cannabis identification card.

“Qualified patient” has the same meaning as in California Health and Safety Code section 11362.7.

“Reasonable compensation” means compensation commensurate with wages and benefits paid to officers and employees of other not-for-profit organizations who have similar job descriptions and duties, required level of education and experience, prior individual earnings history, and number of hours worked.

“Sell” means engaging in any transaction, for any consideration, in which title of an item is transferred from one person to another, and includes delivery and soliciting or receiving orders.

“Site” means the portion of a parcel or parcels of real property upon which a cannabis business is operated.

“Staff” means a person other than a manager who works or provides services on the site of a cannabis business, whether as an employee, contractor, or volunteer.

"Volatile solvent" has the same meaning as in California Health and Safety Code section 11362.3.

SECTION 2.

A. Section 5.150.070 (interested parties) of the Sacramento City Code is amended as follows:

1. Subsection A is amended to read as follows:

   A. A cannabis business shall provide the city with names and addresses of all of the following interested parties:

      1. Persons with at least a 10% interest in the cannabis business;

      2. Partners, officers, directors, and stockholders of every corporation, limited liability company, or general or limited partnership that owns at least 10% of the stock,
capital, profits, voting rights, or membership interest of the cannabis business or that is one of the partners in the cannabis business;

3. The managers of the cannabis business;

4. The staff of the cannabis business; and

5. Persons who deliver cannabis or cannabis products from the cannabis business.

2. Subsection F is deleted.

F. Subsections C, D, and E do not apply to medical cannabis dispensaries.

B. Except as amended by subsection A above, all provisions of section 5.150.070 remain unchanged and in full effect.

SECTION 3.

Article III of chapter 5.150 of the Sacramento City Code is amended to read as follows:

Article III. Storefront Medical Cannabis Dispensaries

5.150.330 Storefront Medical cannabis dispensary permit required to operate.

A. No person shall operate a storefront medical cannabis dispensary unless the dispensary has without a valid storefront medical cannabis dispensary permit issued pursuant to this chapter, or operate a storefront cannabis dispensary inconsistently with the permit conditions.

B. Neither the obtaining of a medical cannabis dispensary permit nor compliance with the operating standards provided in this chapter shall excuse any violation of this code or state law.

B. Storefront cannabis dispensary permits issued pursuant to this chapter may include any or all of the following conditions:

1. Type M condition. A business with a valid storefront cannabis dispensary permit with a type M condition issued pursuant to this chapter, and only such business, is authorized to sell medical cannabis, subject to the provisions of this chapter.

2. Type A condition. A business with a valid storefront cannabis dispensary permit with a type A condition issued pursuant to this chapter, and only such business, is authorized to sell adult-use cannabis, subject to the provisions of this chapter.
3. **Type D condition.** A business with a storefront cannabis dispensary permit with a type D condition issued pursuant to this chapter, and only such business, is authorized to deliver cannabis, whether medical or adult-use, subject to the provisions of this chapter.

C. A medical cannabis dispensary permit issued pursuant to this code and valid on the effective date of this ordinance, shall be considered a storefront cannabis dispensary permit with only a type M condition.

D. A storefront cannabis dispensary permittee may seek to add conditions to their permit at any time by submitting an application for renewal of the permit in accordance with article II of this chapter.

**5.150.340 Medical Storefront cannabis dispensary fees.**

A. The following fees are established and imposed pursuant to the provisions of this article:

1. Dispensary permit application fee;
2. Storefront cannabis dispensary permit program fee; and
3. Dispensary relocation fee.
4. Type M condition fee;
5. Type A condition fee; and
6. Type D condition fee.

B. When applying for a renewal of a storefront cannabis dispensary permit pursuant to this chapter, the applicant shall submit the storefront cannabis dispensary permit program fee, plus a condition fee for each condition that the applicant is seeking to obtain.

BC. The city council shall establish by resolution the amounts of the fees specified in subsection A, and any related penalties.

**5.150.350 Registered medical cannabis dispensaries.**

The city may only issue a new medical cannabis dispensary permit to a dispensary if: (1) the dispensary was properly registered with the city manager pursuant to Ordinance No. 2009-033; (2) the dispensary is organized and operates as a cooperative or collective within the meaning of this chapter; (3) the dispensary owner and operator have not been cited or convicted of maintaining a public nuisance or of a
public safety violation of state or local law relating to the operation of a medical
cannabis dispensary by the city or any governmental law enforcement agency; and (4)the dispensary permit application was filed with the city manager’s office no later than
March 31, 2014.

5.150.350 Limit on storefront cannabis dispensary permits.

A. Notwithstanding any contrary provision in this chapter, the city shall not
issue a new storefront cannabis dispensary permit if there are 30 or more valid
storefront cannabis dispensary permits at the time an application is submitted.
Whenever the number of storefront cannabis dispensary permits falls below 30, the city
manager may conduct a lottery, in accordance with this section, to determine eligible
applicants for the available permit or permits.

B. Prior to conducting a lottery, the city manager shall publish a notice in a
newspaper of general circulation in the city pursuant to California Government Code
section 6063. The notice shall announce a date for the lottery, a request that any person
wishing to be considered for a storefront cannabis dispensary permit should file a
lottery application with the city manager, and a date when applications are due. The city
manager may give additional public notice of the lottery as the city manager deems
appropriate.

C. Lottery applications must be on a form approved by the city manager and
may require information or documentation consistent with the provisions of this code
and state law, and other assurances that the applicant will be able to successfully apply
for and operate a storefront cannabis dispensary if they are selected in the lottery.

D. The director shall thereafter conduct a lottery among all those filing a
complete lottery application, and establish a sequence in which potential applicants will
be considered for the available permits. Specific rules and procedures for the lottery
shall be established by the director and approved by resolution of the city council.

E. If the selected applicant fails to qualify for a storefront cannabis
dispensary permit or elects not to proceed with the permit application process,
applicants drawn in sequence in the lottery shall be considered until the permit is
issued.

5.150.360 Storefront cannabis dispensary location – Relocation.

A. No person shall operate a medical storefront cannabis dispensary at any
place other than the specific location for which the dispensary permit is granted. A
dispensary may seek to modify the location for which the dispensary permit is granted
by submitting an application in accordance with section 5.150.210.
5.150.370 Relocation of a dispensary.

AB. A medical storefront cannabis dispensary permittee may modify the location for which its dispensary permit is granted by filing a relocation application with the city manager’s office.

BC. The provisions of Article II of this chapter, relating to cannabis business permit applications, also apply to relocation applications.

5.150.375 Criminal history.

No medical cannabis dispensary permittee or manager of a dispensary shall operate a dispensary if he or she has been convicted of a felony, or is currently on parole or probation for the sale or distribution of a controlled substance. A conviction within the meaning of this section means a plea or verdict of guilty or a conviction following a plea of nolo contendere. Notwithstanding the above, a person may not be denied the ability to obtain a permit or operate a dispensary solely on the basis that the person has been convicted of a felony if the person has obtained a certificate of rehabilitation (expungement of felony record) under California law or similar federal statute or state law under which the expungement was granted.

5.150.370 Indoor operations only.

A storefront cannabis dispensary permittee shall not allow cannabis, cannabis products, or cannabis accessories on the dispensary site to be visible from the public right-of-way, the unsecured areas surrounding the buildings on the site, or the site’s main entrance and lobby.

5.150.380 Juveniles Storefront cannabis dispensary age restrictions.

A. No juvenile person under 21 years of age shall operate a medical storefront cannabis dispensary in any capacity, including but not limited to, as a manager, staff, employee, contractor, or volunteer.

B. No juvenile person under 21 years of age shall be allowed on in the medical storefront cannabis dispensary property building unless they are a qualified patient or a primary caregiver.

C. No person under 18 years of age shall be in the storefront cannabis dispensary building unless they are a qualified patient or a primary caregiver, and they are accompanied by their parent or legal guardian.

CD. No medical storefront cannabis dispensary permittee shall allow any violation of subsections A, B, or C.
5.150.390 Operating hours.

The maximum hours of operation for a medical storefront cannabis dispensary shall be daily from 7:00 a.m. to 9:00 p.m. unless the city manager imposes more restrictive hours as a condition of the permit.

5.150.400 Storefront cannabis dispensary site restricted.

A. All entrances into a medical storefront cannabis dispensary’s building shall be locked from the exterior at all times with entry controlled by dispensary personnel.

B. No medical cannabis dispensary permittee shall allow anyone in the dispensary building, except for qualified patients, primary caregivers, persons with identification cards, managers, staff, and other persons with bona fide purposes for being in the dispensary, such as contractors, inspectors, and cannabis transporters.

CB. A manager must be on the medical storefront cannabis dispensary site at all times that any other person, except for security guards, is on the site.

DC. While on the medical storefront cannabis dispensary site, managers and staff of the medical storefront cannabis dispensary permittee must wear their city-issued cannabis dispensary identification badge at all times.

ED. Any person other than managers or staff shall be escorted by a manager at all times while in the medical storefront cannabis dispensary building.

5.150.410 Medical cannabis dispensing operations.

A. A medical cannabis dispensary cannabis business that is expressly authorized to sell medical cannabis pursuant to this chapter shall only distribute sell medical cannabis only to:

1. Qualified patients with a currently valid physician’s recommendation in compliance with the criteria in the Compassionate Use Act of 1996 (California Health and Safety Code sections 11362.5 et seq.), the Medical Marijuana Program Act (California Health and Safety Code section 11362.7 et seq.), and valid official government-issued identification such as a Department of Motor Vehicles driver’s license or State Identification Card; or

2. Primary caregivers with a verified primary caregiver designation by their qualified patients, a copy of their qualified patient’s valid physician’s recommendation in compliance with the criteria in the Compassionate Use Act of 1996 (California Health and Safety Code sections 11362.5 et seq.), the Medical Marijuana Program Act (California Health and Safety Code section 11362.7 et seq.), and valid official government-issued identification such as a Department of Motor Vehicles driver’s license or State Identification Card; or
Program Act (California Health and Safety Code section 11362.7 et seq.), and valid official identification such as a Department of Motor Vehicles driver’s license or State Identification Card.

B. A dispensary No cannabis business that is expressly authorized to sell medical cannabis pursuant to this chapter shall not have a physician on the dispensary property site to evaluate patients or provide a recommendation for medical marijuana cannabis.

5.150.415 Cannabis accessories.

C. Notwithstanding the provisions of chapter 9.08 to the contrary, A cannabis business that is expressly authorized to sell cannabis pursuant to this chapter, whether medical cannabis or adult-use cannabis, may also sell cannabis accessories and display cannabis accessories on up to 150 square feet of their site the dispensary building may be utilized for display and distribution of drug paraphernalia necessary for administering medical marijuana, including but not limited to, rolling papers and related materials and devices, pipes, water pipes, and vaporizers.

5.150.420 Delivery prohibited.

A. A medical cannabis dispensary shall not provide any form of delivery service. All distribution of medical cannabis must be conducted within the enclosed building areas of the dispensary property.

5.150.420 Adult-use cannabis dispensing operations.

A cannabis business that is expressly authorized to sell adult-use cannabis pursuant to this chapter shall only sell adult-use cannabis to persons who are 21 years of age or older, and who are in possession of a valid government-issued identification card.

5.150.430 Cannabis consumption prohibited.

No storefront cannabis dispensary shall allow any person to smoke, ingest, or otherwise consume cannabis or cannabis products shall not be smoked, ingested, or otherwise consumed in any form on, or within 20 feet of, the medical-cannabis dispensary property site.

5.150.440 Collective or cooperative supply and distribution.

A. A medical cannabis dispensary may only possess an amount of medical cannabis consistent with each member’s reasonable medical needs.
B. A medical cannabis dispensary shall acquire its supply of medical cannabis only from its members.

C. A medical cannabis dispensary shall not purchase or otherwise supply itself with medical cannabis from non-members.

D. A medical cannabis dispensary shall operate on a not-for-profit basis. It may credit its members for medical cannabis they provide to it, which it may then distribute to other members. Members may also reimburse the dispensary for medical cannabis or cannabis paraphernalia that has been distributed to them. Any monetary reimbursement that members provide to the dispensary shall not exceed the dispensary’s overhead costs and expenses for operating the dispensary, including reasonable compensation for services provided to members.

E. A medical cannabis dispensary shall not distribute or sell medical cannabis or cannabis paraphernalia to non-members or for a profit.

F. This section shall not apply to any medical cannabis dispensary that is licensed by the state of California to conduct the commercial retail sales of medical cannabis.

5.150.450 Cannabis cultivation prohibited.

No storefront cannabis dispensary shall grow or cultivate cannabis, except for immature nursery stock cannabis plants, no cannabis shall be grown or cultivated on the medical cannabis dispensary property site.

5.150.460 Medical Storefront cannabis dispensary buildings.

A. The medical storefront cannabis dispensary building shall not exceed 8,000 square feet.

B. Floor Plan. A medical storefront cannabis dispensary shall have a lobby waiting area at the entrance to receive persons to verify that they are members of that dispensary or to determine whether the person meets the criteria of a valid qualified patient or primary caregiver are otherwise allowed to be on the dispensary site. A dispensary shall also have a separate and secure area designated for distributing selling medical cannabis, cannabis products, and cannabis accessories to its members customers. The main entrance shall be located and maintained clear of barriers, landscaping, and similar obstructions so that it is clearly visible from public streets or sidewalks.
C. Storage. A medical storefront cannabis dispensary shall have adequate locked storage on the dispensary property site, identified and approved as a part of the security plan, for after-hours storage of medical cannabis and cannabis products. Medical cannabis and cannabis products shall be stored at the dispensary property site in secured rooms that are completely enclosed or in a safe that is bolted to the floor.

5.150.470 Medical Storefront cannabis dispensary security.

Storefront cannabis dispensaries shall comply with the following security provisions at all times:

A. Licensed Security Personnel. A dispensary shall have adequate state-licensed security personnel to patrol the dispensary site and the area within 100 feet of the site, in order to preserve the safety of persons and to protect the dispensary from theft.

AB. Security Cameras. The dispensary shall have security surveillance cameras and a video recording system shall be installed in the medical cannabis dispensary to monitor the interior, main entrance, and exterior of the dispensary area site to discourage loitering, crime, and illegal or nuisance activities. The camera and recording system must be of adequate quality, color rendition, and resolution to allow the identification of any individual present in on the dispensary area site.

BC. Security Video Retention. Video from the security surveillance cameras shall be maintained by the dispensary for a period of not less than 30 days and shall be made available to the city upon request.

CD. Alarm System. A dispensary shall have professionally and centrally-monitored fire, robbery, and burglar alarm systems shall be installed and that are maintained in good working condition.

D. Concealed. A medical cannabis dispensary shall not allow or permit cannabis to be visible from the building exterior.

5.150.480 Signage.

A. The following signs in measurements of not less than 8 by 10 inches shall be clearly and legibly posted in a conspicuous location inside the medical cannabis dispensary where they will be visible to members and customers in the normal course of a transaction, stating:
A. Each storefront cannabis dispensary shall have a sign stating, "Smoking, ingesting, or consuming cannabis or cannabis products on this property site or within 20 feet of the dispensary in a public place is prohibited."

C. A storefront cannabis dispensary that is only authorized to sell adult-use cannabis shall have a sign stating, “Adult-use cannabis sales only. Persons under 21 years of age are prohibited from entering.”

D. A storefront cannabis dispensary that is authorized to sell both medical and adult-use cannabis shall have a sign stating, “Medical and adult-use cannabis for sale. Juveniles Persons under 21 years of age are prohibited from entering this property unless they are a qualified patient or a primary caregiver. Any qualified patient or primary caregiver under 18 years of age must be in the presence of their parent or legal guardian.” If separate rooms are provided for medical cannabis and adult-use cannabis, the signs described in subsections B and C may be posted next to each room as appropriate.

3. “Neither the City of Sacramento, County of Sacramento, nor any other governmental agency has tested or inspected any cannabis product for pesticides, or other regulated contaminants, distributed at this location.”

4. “The sale of cannabis and the diversion of cannabis for non-medical purposes are violations of state law.”

BE. Signs on the medical cannabis dispensary building shall required by this section must comply with the following:

1. The signs must be clearly legible and not less than 8 inches by 10 inches in size;

2. The signs must be posted inside the dispensary where they will be visible to members and customers in the normal course of a transaction;

3. The signs must not obstruct the entrance or windows of the dispensary.

5.150.490 Maintenance of member or customer medical cannabis records.

A. A medical storefront cannabis dispensary shall maintain records of the following information for each member and customer records on the dispensary property that purchases medical cannabis:

1. The name, date of birth, physical address, and telephone number(s) of each member or customer of the dispensary; the date each member or
customer joined the dispensary; and their status of each member or customer as a qualified patient or primary caregiver.

2. A copy of each member’s and customer’s qualified patient’s written physician recommendation and their designation of a primary caregiver by a qualified patient.

B. These records shall be maintained by the medical storefront cannabis dispensary in printed format for a period of not less than three years and shall be produced to the city within 24 hours after receipt of the city’s request.

C. The medical storefront cannabis dispensary shall report any loss, damage or destruction of these records to the city manager within 24 hours of the loss, damage or destruction.

5.150.500 Display of storefront cannabis dispensary permit.

The medical storefront cannabis dispensary permittee shall display at all times during business hours, its current valid storefront dispensary permit issued pursuant to the provisions of this chapter. The permit shall be displayed in a conspicuous place so that it may be readily seen by all persons entering the dispensary.

5.150.510 Alcoholic beverages.

No medical storefront cannabis dispensary or manager shall cause or permit the sale, distribution, or consumption of alcoholic beverages on the dispensary property site; hold or maintain a license from the State Division of Alcoholic Beverage Control for the sale of alcoholic beverages; or operate a business on or adjacent to the dispensary property site that sells alcoholic beverages. No person shall possess or store alcoholic beverages shall be allowed or stored on the dispensary property site.

5.150.520 Dispensary must be a collective or cooperative.

A. A medical storefront cannabis dispensary shall operate only as a cooperative or collective of four or more members who associate at a particular location or real property to collectively or cooperatively distribute sell medical cannabis to members for medical purposes, and shall operate on a not-for-profit basis. A storefront cannabis dispensary shall not sell medical cannabis or cannabis accessories to non-members.

B. A manager of a medical storefront cannabis dispensary must be a member registered with that medical cannabis dispensary.
C. A storefront cannabis dispensary shall acquire its supply of medical cannabis only from its members and shall not purchase or otherwise supply itself with medical cannabis from non-members.

D. A storefront cannabis dispensary may only possess an amount of medical cannabis consistent with each member’s reasonable medical needs.

E. A storefront cannabis dispensary shall operate on a not-for-profit basis. It may credit its members for medical cannabis they provide to it, which it may then transfer to other members. Members may also reimburse the dispensary for medical cannabis or cannabis accessories that have been transferred to them. Any monetary reimbursement that members provide to the dispensary shall not exceed the dispensary’s overhead costs and expenses for operating the dispensary, including reasonable compensation for services provided to members.

CF. This section shall not apply to any medical storefront cannabis dispensary that is licensed by the state of California to conduct the commercial retail sales of medical cannabis.

5.150.525 Delivery of cannabis.

A cannabis business that is expressly authorized to deliver cannabis pursuant to this chapter may deliver cannabis subject to the following provisions:

A. All cannabis and cannabis products being delivered shall be obtained from the site of the cannabis business that is authorized to deliver cannabis. No cannabis or cannabis products may be delivered from any other facility, such as a separate storage facility or a cannabis product manufacturing facility.

B. No person delivering cannabis or cannabis products shall possess more than $3,000 worth of cannabis and cannabis products at any time.

C. No person shall deliver cannabis or cannabis products in a vehicle that has any markings identifying it as a vehicle in which cannabis may be contained, or that is more than 10 years old. The age of the vehicle shall be measured by using January 1st of the model year of the vehicle as the starting date.

D. The cannabis business shall use and maintain computer software to record the following information relating to each delivery:

1. A delivery request that includes the date of the request, the full name of the person requesting the delivery, a specific description of the items
requested, whether each item is a medical cannabis or adult-use cannabis product, and the address to which the items are to be delivered;

2. The name of the person who delivered the items; and

3. The date and time of the delivery.

E. A person delivering cannabis or cannabis products on behalf of a dispensary shall carry the following items:

1. A copy of the dispensary’s current dispensary permit;

2. The person’s government-issued identification;

3. The person’s city-issued cannabis dispensary badge; and

4. A copy of the delivery request as described in subsection C.1.

F. Upon demand of a peace officer or city employee authorized to enforce this chapter, a person delivering cannabis or cannabis products pursuant to this section shall present the items listed in subsection E for examination.

G. No person shall deliver cannabis to anyone except the person who requested the delivery. The person delivering the cannabis shall confirm compliance with sections 5.150.410 (medical cannabis dispensing operations) and 5.150.420 (adult-use cannabis dispensing operations), as applicable, by inspecting the relevant identification and documentation before handing the cannabis or cannabis product to the customer.

SECTION 4.

Article V is added to chapter 5.150 of the Sacramento City Code to read as follows:

**Article V. Delivery-Only Cannabis Dispensary**

**5.150.930 Delivery-only cannabis dispensary permit required.**

No person shall operate a delivery-only cannabis dispensary without a valid delivery-only cannabis dispensary permit issued pursuant to this article.

**5.150.940 Delivery-only cannabis dispensary permit program fee.**

The delivery-only cannabis dispensary permit program fee is hereby established and imposed. The city council shall establish by resolution the amount of the delivery-only cannabis dispensary permit program fee, and any related penalties.
5.150.950 Collective or cooperative dispensary.

A. A delivery-only cannabis dispensary must operate as a cooperative or collective of four or more members who associate at a particular location to collectively or cooperatively sell cannabis, and operate on a not-for-profit basis.

B. Each manager and staff of a delivery-only cannabis dispensary must be a member who is registered with that dispensary.

C. This section shall not apply to any delivery-only cannabis dispensary that is licensed by the state of California to conduct the commercial sale or transfer of cannabis or cannabis products.

5.150.960 Indoor operations only.

A delivery-only cannabis dispensary permittee shall not allow cannabis, cannabis products, or cannabis accessories on the dispensary site to be visible from the public right-of-way, the unsecured areas surrounding the buildings on the site, or the site’s main entrance and lobby.

5.150.970 Delivery-only cannabis dispensary site buildings.

A delivery-only cannabis dispensary site shall comply with the following requirements:

A. Entrances. All entrances into the buildings on the dispensary site shall be locked at all times with entry controlled by the delivery-only cannabis dispensary permittee’s managers and staff.

B. Main entrance and lobby. The dispensary site shall have a building with a main entrance that is clearly visible from the public street or sidewalk. The main entrance shall be maintained clear of barriers, landscaping, and other obstructions. Inside of the main entrance, there shall be a lobby to receive persons into the site and to verify whether they are allowed in the restricted areas.

C. Restricted area. All areas in which cannabis or cannabis products are located in any building on the dispensary site shall be separated from the main entrance and lobby, and shall be secured by a lock accessible only to managers and staff of the delivery-only cannabis dispensary permittee.

D. Transport area. Each building with a restricted area shall have an area designed for the secure transfer of cannabis or cannabis products between a vehicle and the restricted area.
E. Storage area. Each building with a restricted area shall have adequate storage space for cannabis or cannabis products. The storage areas shall be separated from the main entrance and lobby, and shall be secured by a lock accessible only to managers and staff of the delivery-only cannabis dispensary permittee.

5.150.980 Delivery-only cannabis dispensary site security.

Each delivery-only cannabis dispensary site security plan approved by the city manager must include the following:

A. Security surveillance cameras. Security surveillance cameras and a video recording system must be installed to monitor all doors into the buildings on the dispensary site, the parking lot, loading areas, and all exterior sides of the property adjacent to the public rights of way. The cameras and recording system must be of adequate quality, color rendition, and resolution to allow the identification of any individual present on the dispensary site. The recording system must be capable of exporting the recorded video in standard MPEG formats to another common medium, such as a DVD or USB drive.

B. Security video recording and retention. Video from the security surveillance cameras must be recording at all times (24 hours a day, seven days a week) and the recording shall be maintained for at least 30 days. The video recordings shall be made available to the city upon request.

C. Alarm system. Professionally and centrally-monitored fire, robbery, and burglar alarm systems must be installed and maintained in good working condition. The alarm system must include a private security company that is required to respond to every alarm.

5.150.990 Display of delivery-only cannabis dispensary permit.

The delivery-only cannabis dispensary permittee shall display its current valid delivery-only cannabis dispensary permit issued in accordance with this article inside the lobby or waiting area of the main entrance to the dispensary site. The permit shall be displayed at all times in a conspicuous place so that it may be readily seen by all persons entering the dispensary site.

5.150.1000 Signs.

A. A delivery-only cannabis dispensary permittee shall post in the lobby of the dispensary site signs that state the following:

1. “This site is not open to the public.”
2. “Retail sales of any goods and services is prohibited.”

3. “Persons under 21 years of age are prohibited from entering this site.”

4. “Smoking, ingesting, or consuming cannabis on this site or in a public place is prohibited.”

B. Each sign described in subsection A must be at least 8 inches by 10 inches in size and must be displayed at all times in a conspicuous place so that it may be readily seen by all persons entering the dispensary site.

5.150.1010 Delivery-only dispensary site restricted.

A. No delivery-only cannabis dispensary permittee shall open their dispensary site to the public.

B. No delivery-only cannabis dispensary permittee shall allow anyone on the dispensary site, except for managers, staff, and other persons with a bona fide business or regulatory purpose for being there, such as contractors, inspectors, and cannabis transporters.

C. A manager must be on the dispensary site at all times that any other person, except for security guards, is on the site.

D. While on the dispensary site, managers and staff of the delivery-only cannabis dispensary permittee must wear their delivery-only cannabis dispensary identification badge, issued by the city, at all times.

E. Any person other than managers or staff who are on the dispensary site must sign in, wear a visitor badge, and be escorted on the site by a manager at all times.

5.150.1020 Persons under 21 years of age prohibited.

A. No person under 21 years of age shall be on the delivery-only cannabis dispensary site or operate the dispensary in any capacity, including, but not limited to, as a manager, staff, employee, contractor, or volunteer.

B. No delivery-only cannabis dispensary permittee shall allow any violation of subsection A.

5.150.1030 Cannabis consumption prohibited.
No delivery-only cannabis dispensary shall allow any person to smoke, ingest, or otherwise consume cannabis or cannabis products in any form on, or within 20 feet of, the dispensary site.

5.150.1040 Alcohol prohibited.

No person shall possess, consume, or store any alcoholic beverage on the dispensary site.

5.150.1050 Retail sales prohibited on site.

No person shall conduct any retail sales of any goods or services to any person on a permitted delivery-only cannabis dispensary site.

5.150.1060 Medical cannabis dispensing operations.

A delivery-only cannabis dispensary may sell medical cannabis, subject to the provisions of section 5.150.410.

5.150.1070 Cannabis accessories.

A delivery-only cannabis dispensary may sell cannabis accessories.

5.150.1080 Adult-use cannabis dispensing operations.

A delivery-only cannabis dispensary may sell adult-use cannabis, subject to the provisions of section 5.150.420.

5.150.1090 Delivery of cannabis.

A delivery-only cannabis dispensary may deliver cannabis, cannabis products, and cannabis accessories, subject to the provisions of section 5.150.525.
ORDINANCE NO.
Adopted by the Sacramento City Council

Date Adopted

AN ORDINANCE AMENDING VARIOUS PROVISIONS OF CHAPTER 5.150 OF THE SACRAMENTO CITY CODE, RELATING TO STOREFRONT CANNABIS DISPENSARIES AND DELIVERY-ONLY CANNABIS DISPENSARIES

BE IT ENACTED BY THE COUNCIL OF THE CITY OF SACRAMENTO:

SECTION 1.
Section 5.150.020 of the Sacramento City Code is amended to read as follows:

5.150.020 Definitions.

As used in this chapter:

“Cannabis” has the same meaning as in California Business and Professions Code section 26001.

“Cannabis, adult-use” means cannabis or cannabis products intended to be sold for use by adults 21 years of age and over who do not possess a physician’s recommendation for the use of cannabis issued in accordance with the Compassionate Use Act of 1996 (California Health and Safety Code section 11362.5).

“Cannabis, medical” means cannabis or cannabis products intended to be sold for medical use by persons who possess a physician’s recommendation for the use of cannabis issued in accordance with the Compassionate Use Act of 1996 (California Health and Safety Code section 11362.5).

“Cannabis accessories” has the same meaning as in California Health and Safety Code section 11018.2.

“Cannabis business” means a business subject to the permit requirements of this chapter.

“Cannabis business permit” means any permit issued to a cannabis business pursuant to the provisions of this chapter.
“Cannabis cultivation business” means a business cultivating cannabis, including a nursery which produces clones, immature plants, seeds, or other agricultural products specifically for the planting, propagation, and cultivation of cannabis.

“Cannabis dispensary, delivery-only” means a business selling cannabis or cannabis products only by delivery, not by completing the transfer in a building or structure that is open to customers or elsewhere on the dispensary site.

“Cannabis dispensary, storefront” means a business selling cannabis or cannabis products from a building or structure that is open to customers. A storefront cannabis dispensary does not include the following uses: a clinic licensed pursuant to chapter 1 of division 2 of the California Health and Safety Code; a health care facility licensed pursuant to chapter 2 of division 2 of the California Health and Safety Code; a residential care facility for persons with chronic life-threatening illness licensed pursuant to chapter 3.01 of division 2 of the California Health and Safety Code; a residential care facility for the elderly licensed pursuant to chapter 3.2 of division 2 of the California Health and Safety Code; and a residential hospice or a home health agency licensed pursuant to chapter 8 of division 2 of the California Health and Safety Code, as long as any such use complies with applicable laws including, but not limited to, the Compassionate Use Act of 1996 (California Health and Safety Code section 11362.5), the Medical Marijuana Program Act (California Health and Safety Code section 11362.7 et seq.), the Medicinal and Adult-Use Cannabis Regulation and Safety Act (California Business and Professions Code section 26000 et seq.), and the Sacramento City Code. "Cannabis identification card” has the same meaning as “identification card” in California Health and Safety Code section 11362.7.

“Cannabis manufacturing business” means a business producing, preparing, propagating, or compounding cannabis and cannabis products. Cannabis manufacturing business includes businesses involving the extraction of a substance from a cannabis plant, the infusion or mixture of cannabis into another substance, the preparation of an edible item that contains cannabis, and the packaging and labeling of cannabis or cannabis products. Cannabis manufacturing business does not include a cannabis cultivation business.

“Cannabis product” has the same meaning as in California Health and Safety Code section 11018.1.

“Cannabis testing laboratory” means a business performing scientific analysis of cannabis or cannabis products to determine chemical profile, presence of contaminants, or other similar data.

“City manager” means the city manager or designee.
“Conditional use permit” means a conditional use permit issued by the city pursuant to the Planning and Development Code.

“Cultivate” means to plant, grow, harvest, dry, cure, grade, or trim cannabis.

“Cultivation area” means the area on a cultivation site in which cannabis is cultivated.

“Deliver” means to transport any item from a cannabis business to a person other than another cannabis business.

“Juvenile” means any natural person who is under the age of 18 years.

“Manager” means a person responsible for establishing, registering, supervising, or overseeing the operation of a cannabis business, including but not limited to, a person who performs the functions of a board member, director, officer, owner, operating officer, or manager of the cannabis business.

“Member” means any qualified patient, primary caregiver, or person with a cannabis identification card who is registered with a cannabis business.

“Person with a cannabis identification card” has the same meaning as “person with an identification card” in California Health and Safety Code section 11362.7.

“Physician” has the same meaning as in California Business and Professions Code section 4039.

“Primary caregiver” has the same meaning as in California Health and Safety Code section 11362.7.

“Private medical records” means records related to the medical history of a qualified patient, but does not include the recommendation of a physician for the medical use of cannabis, the designation of a primary caregiver by a qualified patient, or a cannabis identification card.

“Qualified patient” has the same meaning as in California Health and Safety Code section 11362.7.

“Reasonable compensation” means compensation commensurate with wages and benefits paid to officers and employees of other not-for-profit organizations who have similar job descriptions and duties, required level of education and experience, prior individual earnings history, and number of hours worked.
“Sell” means engaging in any transaction, for any consideration, in which title of an item is transferred from one person to another, and includes delivery and soliciting or receiving orders.

“Site” means the portion of a parcel or parcels of real property upon which a cannabis business is operated.

“Staff” means a person other than a manager who works or provides services on the site of a cannabis business, whether as an employee, contractor, or volunteer.

“Volatile solvent” has the same meaning as in California Health and Safety Code section 11362.3.

SECTION 2.

A. Section 5.150.070 (interested parties) of the Sacramento City Code is amended as follows:

1. Subsection A is amended to read as follows:

   A. A cannabis business shall provide the city with names and addresses of all of the following interested parties:

      1. Persons with at least a 10% interest in the cannabis business;

      2. Partners, officers, directors, and stockholders of every corporation, limited liability company, or general or limited partnership that owns at least 10% of the stock, capital, profits, voting rights, or membership interest of the cannabis business or that is one of the partners in the cannabis business;

      3. The managers of the cannabis business;

      4. The staff of the cannabis business; and

      5. Persons who deliver cannabis or cannabis products from the cannabis business.

2. Subsection F is deleted.

B. Except as amended by subsection A above, all provisions of section 5.150.070 remain unchanged and in full effect.

SECTION 3.

Article III of chapter 5.150 of the Sacramento City Code is amended to read as follows:

Article III. Storefront Cannabis Dispensaries
5.150.330 Storefront cannabis dispensary permit required to operate.

A. No person shall operate a storefront cannabis dispensary without a valid storefront cannabis dispensary permit issued pursuant to this chapter, or operate a storefront cannabis dispensary inconsistently with the permit conditions.

B. Storefront cannabis dispensary permits issued pursuant to this chapter may include any or all of the following conditions:

1. Type M condition. A business with a valid storefront cannabis dispensary permit with a type M condition issued pursuant to this chapter, and only such business, is authorized to sell medical cannabis, subject to the provisions of this chapter.

2. Type A condition. A business with a valid storefront cannabis dispensary permit with a type A condition issued pursuant to this chapter, and only such business, is authorized to sell adult-use cannabis, subject to the provisions of this chapter.

3. Type D condition. A business with a storefront cannabis dispensary permit with a type D condition issued pursuant to this chapter, and only such business, is authorized to deliver cannabis, whether medical or adult-use, subject to the provisions of this chapter.

C. A medical cannabis dispensary permit issued pursuant to this code and valid on the effective date of this ordinance, shall be considered a storefront cannabis dispensary permit with only a type M condition.

D. A storefront cannabis dispensary permittee may seek to add conditions to their permit at any time by submitting an application for renewal of the permit in accordance with article II of this chapter.

5.150.340 Storefront cannabis dispensary fees.

A. The following fees are established and imposed pursuant to the provisions of this article:

1. Storefront cannabis dispensary permit program fee;

2. Type M condition fee;

3. Type A condition fee; and

4. Type D condition fee.
B. When applying for a renewal of a storefront cannabis dispensary permit pursuant to this chapter, the applicant shall submit the storefront cannabis dispensary permit program fee, plus a condition fee for each condition that the applicant is seeking to obtain.

C. The city council shall establish by resolution the amounts of the fees specified in subsection A, and any related penalties.

5.150.350 Limit on storefront cannabis dispensary permits.

A. Notwithstanding any contrary provision in this chapter, the city shall not issue a new storefront cannabis dispensary permit if there are 30 or more valid storefront cannabis dispensary permits at the time an application is submitted. Whenever the number of storefront cannabis dispensary permits falls below 30, the city manager may conduct a lottery, in accordance with this section, to determine eligible applicants for the available permit or permits.

B. Prior to conducting a lottery, the city manager shall publish a notice in a newspaper of general circulation in the city pursuant to California Government Code section 6063. The notice shall announce a date for the lottery, a request that any person wishing to be considered for a storefront cannabis dispensary permit should file a lottery application with the city manager, and a date when applications are due. The city manager may give additional public notice of the lottery as the city manager deems appropriate.

C. Lottery applications must be on a form approved by the city manager and may require information or documentation consistent with the provisions of this code and state law, and other assurances that the applicant will be able to successfully apply for and operate a storefront cannabis dispensary if they are selected in the lottery.

D. The director shall thereafter conduct a lottery among all those filing a complete lottery application, and establish a sequence in which potential applicants will be considered for the available permits. Specific rules and procedures for the lottery shall be established by the director and approved by resolution of the city council.

E. If the selected applicant fails to qualify for a storefront cannabis dispensary permit or elects not to proceed with the permit application process, applicants drawn in sequence in the lottery shall be considered until the permit is issued.

5.150.360 Storefront cannabis dispensary location – Relocation.
A. No person shall operate a storefront cannabis dispensary at any place other than the specific location for which the dispensary permit is granted.

B. A storefront cannabis dispensary permittee may modify the location for which its dispensary permit is granted by filing a relocation application with the city manager’s office.

C. Article II of this chapter, relating to cannabis business permit applications, applies to relocation applications.

**5.150.370 Indoor operations only.**

A storefront cannabis dispensary permittee shall not allow cannabis, cannabis products, or cannabis accessories on the dispensary site to be visible from the public right-of-way, the unsecured areas surrounding the buildings on the site, or the site’s main entrance and lobby.

**5.150.380 Storefront cannabis dispensary age restrictions.**

A. No person under 21 years of age shall operate a storefront cannabis dispensary in any capacity, including but not limited to, as a manager, staff, employee, contractor, or volunteer.

B. No person under 21 years of age shall be in the storefront cannabis dispensary building unless they are a qualified patient or a primary caregiver.

C. No person under 18 years of age shall be in the storefront cannabis dispensary building unless they are a qualified patient or a primary caregiver, and they are accompanied by their parent or legal guardian.

D. No storefront cannabis dispensary permittee shall allow any violation of subsections A, B, or C.

**5.150.390 Operating hours.**

The maximum hours of operation for a storefront cannabis dispensary shall be daily from 7:00 a.m. to 9:00 p.m. unless the city manager imposes more restrictive hours as a condition of the permit.

**5.150.400 Storefront cannabis dispensary site restricted.**

A. All entrances into a storefront cannabis dispensary’s building shall be locked from the exterior at all times with entry controlled by dispensary personnel.
B. A manager must be on the storefront cannabis dispensary site at all times that any other person, except for security guards, is on the site.

C. While on the storefront cannabis dispensary site, managers and staff of the storefront cannabis dispensary permittee must wear their city-issued cannabis dispensary identification badge at all times.

D. Any person other than managers or staff shall be escorted by a manager at all times while in the storefront cannabis dispensary building.

5.150.410 Medical cannabis dispensing operations.

A. A cannabis business that is expressly authorized to sell medical cannabis pursuant to this chapter shall sell medical cannabis only to:

1. Qualified patients with a currently valid physician’s recommendation in compliance with the Compassionate Use Act of 1996 (California Health and Safety Code section 11362.5), the Medical Marijuana Program Act (California Health and Safety Code section 11362.7 et seq.), and valid government-issued identification such as a Department of Motor Vehicles driver’s license or State Identification Card; or

2. Primary caregivers with a verified primary caregiver designation by their qualified patients, a copy of their qualified patient’s valid physician’s recommendation in compliance with the Compassionate Use Act of 1996 (California Health and Safety Code section 11362.5), the Medical Marijuana Program Act (California Health and Safety Code section 11362.7 et seq.), and valid official identification such as a Department of Motor Vehicles driver’s license or State Identification Card.

B. No cannabis business that is expressly authorized to sell medical cannabis pursuant to this chapter shall have a physician on the dispensary site to evaluate patients or provide a recommendation for medical cannabis.

5.150.415 Cannabis accessories.

A cannabis business that is expressly authorized to sell cannabis pursuant to this chapter, whether medical cannabis or adult-use cannabis, may also sell cannabis accessories and display cannabis accessories on up to 150 square feet of their site.

5.150.420 Adult-use cannabis dispensing operations.

A cannabis business that is expressly authorized to sell adult-use cannabis pursuant to this chapter shall only sell adult-use cannabis to persons who are 21 years
of age or older, and who are in possession of a valid government-issued identification card.

5.150.430 Cannabis consumption prohibited.

No storefront cannabis dispensary shall allow any person to smoke, ingest, or otherwise consume cannabis or cannabis products in any form on, or within 20 feet of, the dispensary site. 5.150.450 Cannabis cultivation prohibited.

No storefront cannabis dispensary shall grow or cultivate cannabis, except for immature nursery stock cannabis plants, on the dispensary site.

5.150.460 Storefront cannabis dispensary buildings.

A. The storefront cannabis dispensary building shall not exceed 8,000 square feet.

B. Floor Plan. A storefront cannabis dispensary shall have a lobby waiting area at the entrance to receive persons to verify that they are members of that dispensary or are otherwise allowed to be on the dispensary site. A dispensary shall also have a separate and secure area designated for selling cannabis, cannabis products, and cannabis accessories to its customers. The main entrance shall be located and maintained clear of barriers, landscaping, and similar obstructions so that it is clearly visible from public streets or sidewalks.

C. Storage. A storefront cannabis dispensary shall have adequate locked storage on the dispensary site, identified and approved as a part of the security plan, for after-hours storage of cannabis and cannabis products. Cannabis and cannabis products shall be stored at the dispensary site in secured rooms that are completely enclosed or in a safe that is bolted to the floor.

5.150.470 Storefront cannabis dispensary security.

Storefront cannabis dispensaries shall comply with the following security provisions at all times:

A. Licensed Security Personnel. A dispensary shall have adequate state-licensed security personnel to patrol the dispensary site and the area within 100 feet of the site, in order to preserve the safety of persons and to protect the dispensary from theft.

B. Security Cameras. The dispensary shall have security surveillance cameras and a video recording system that monitor the interior, main entrance, and exterior of the dispensary site to discourage loitering, crime, and illegal or nuisance activities. The
camera and recording system must be of adequate quality, color rendition, and resolution to allow the identification of any individual present on the dispensary site.

C. Security Video Retention. Video from the security surveillance cameras shall be maintained by the dispensary for a period of not less than 30 days and shall be made available to the city upon request.

D. Alarm System. A dispensary shall have professionally and centrally-monitored fire, robbery, and burglar alarm systems that are maintained in good working condition.

5.150.480 Signage.

A. Each storefront cannabis dispensary shall have a sign stating, “Smoking, ingesting, or consuming cannabis or cannabis products on this site or in a public place is prohibited.”

C. A storefront cannabis dispensary that is only authorized to sell adult-use cannabis shall have a sign stating, “Adult-use cannabis sales only. Persons under 21 years of age are prohibited from entering.”

D. A storefront cannabis dispensary that is authorized to sell both medical and adult-use cannabis shall have a sign stating, “Medical and adult-use cannabis for sale. Persons under 21 years of age are prohibited from entering this property unless they are a qualified patient or a primary caregiver. Any qualified patient or primary caregiver under 18 years of age must be in the presence of their parent or legal guardian.” If separate rooms are provided for medical cannabis and adult-use cannabis, the signs described in subsections B and C may be posted next to each room as appropriate.

E. Signs required by this section must comply with the following:

1. The signs must be clearly legible and not less than 8 inches by 10 inches in size;

2. The signs must be posted inside the dispensary where they will be visible to members and customers in the normal course of a transaction;

3. The signs must not obstruct the entrance or windows of the dispensary.

5.150.490 Maintenance of medical cannabis records.

A. A storefront cannabis dispensary shall maintain records of the following information for each member and customer of the dispensary that purchases medical cannabis:
1. The name, date of birth, physical address, and telephone number; and their status as a qualified patient or primary caregiver.

2. A copy of each qualified patient’s written physician recommendation and their designation of a primary caregiver.

B. These records shall be maintained by the storefront cannabis dispensary for a period of not less than three years and shall be produced to the city within 24 hours after receipt of the city’s request.

C. The storefront cannabis dispensary shall report any loss, damage or destruction of these records to the city manager within 24 hours of the loss, damage or destruction.

5.150.500 Display of storefront cannabis dispensary permit.

The storefront cannabis dispensary permitee shall display at all times during business hours, its current valid storefront dispensary permit issued pursuant to this chapter. The permit shall be displayed in a conspicuous place so that it may be readily seen by all persons entering the dispensary.

5.150.510 Alcoholic beverages.

No storefront cannabis dispensary or manager shall cause or allow the sale, distribution, or consumption of alcoholic beverages on the dispensary site; hold or maintain a license from the State Division of Alcoholic Beverage Control for the sale of alcoholic beverages; or operate a business on or adjacent to the dispensary site that sells alcoholic beverages. No person shall possess or store alcoholic beverages on the dispensary site.

5.150.520 Dispensary must be a collective or cooperative.

A. A storefront cannabis dispensary shall operate only as a cooperative or collective of four or more members who associate at a particular location or real property to collectively or cooperatively sell medical cannabis to members. A storefront cannabis dispensary shall not sell medical cannabis or cannabis accessories to non-members.

B. A manager of a storefront cannabis dispensary must be a member registered with that dispensary.

C. A storefront cannabis dispensary shall acquire its supply of medical cannabis only from its members and shall not purchase or otherwise supply itself with medical cannabis from non-members.
D. A storefront cannabis dispensary may only possess an amount of medical cannabis consistent with each member's reasonable medical needs.

E. A storefront cannabis dispensary shall operate on a not-for-profit basis. It may credit its members for medical cannabis they provide to it, which it may then transfer to other members. Members may also reimburse the dispensary for medical cannabis or cannabis accessories that have been transferred to them. Any monetary reimbursement that members provide to the dispensary shall not exceed the dispensary's overhead costs and expenses for operating the dispensary, including reasonable compensation for services provided to members. F. This section shall not apply to any storefront cannabis dispensary that is licensed by the state of California to conduct the commercial retail sales of cannabis.

5.150.525 Delivery of cannabis.

A cannabis business that is expressly authorized to deliver cannabis pursuant to this chapter may deliver cannabis subject to the following provisions:

A. All cannabis and cannabis products being delivered shall be obtained from the site of the cannabis business that is authorized to deliver cannabis. No cannabis or cannabis products may be delivered from any other facility, such as a separate storage facility or a cannabis product manufacturing facility.

B. No person delivering cannabis or cannabis products shall possess more than $3,000 worth of cannabis and cannabis products at any time.

C. No person shall deliver cannabis or cannabis products in a vehicle that has any markings identifying it as a vehicle in which cannabis may be contained, or that is more than 10 years old. The age of the vehicle shall be measured by using January 1st of the model year of the vehicle as the starting date.

D. The cannabis business shall use and maintain computer software to record the following information relating to each delivery:

1. A delivery request that includes the date of the request, the full name of the person requesting the delivery, a specific description of the items requested, whether each item is a medical cannabis or adult-use cannabis product, and the address to which the items are to be delivered;

2. The name of the person who delivered the items; and

3. The date and time of the delivery.
E. A person delivering cannabis or cannabis products on behalf of a dispensary shall carry the following items:

1. A copy of the dispensary’s current dispensary permit;
2. The person’s government-issued identification;
3. The person’s city-issued cannabis dispensary badge; and
4. A copy of the delivery request as described in subsection C.1.

F. Upon demand of a peace officer or city employee authorized to enforce this chapter, a person delivering cannabis or cannabis products pursuant to this section shall present the items listed in subsection E for examination.

G. No person shall deliver cannabis to anyone except the person who requested the delivery. The person delivering the cannabis shall confirm compliance with sections 5.150.410 (medical cannabis dispensing operations) and 5.150.420 (adult-use cannabis dispensing operations), as applicable, by inspecting the relevant identification and documentation before handing the cannabis or cannabis product to the customer.

SECTION 4.

Article V is added to chapter 5.150 of the Sacramento City Code to read as follows:

**Article V. Delivery-Only Cannabis Dispensary**

**5.150.930 Delivery-only cannabis dispensary permit required.**

No person shall operate a delivery-only cannabis dispensary without a valid delivery-only cannabis dispensary permit issued pursuant to this article.

**5.150.940 Delivery-only cannabis dispensary permit program fee.**

The delivery-only cannabis dispensary permit program fee is hereby established and imposed. The city council shall establish by resolution the amount of the delivery-only cannabis dispensary permit program fee, and any related penalties.

**5.150.950 Collective or cooperative dispensary.**

A. A delivery-only cannabis dispensary must operate as a cooperative or collective of four or more members who associate at a particular location to collectively or cooperatively sell cannabis, and operate on a not-for-profit basis.
B. Each manager and staff of a delivery-only cannabis dispensary must be a member who is registered with that dispensary.

C. This section shall not apply to any delivery-only cannabis dispensary that is licensed by the state of California to conduct the commercial sale or transfer of cannabis or cannabis products.

5.150.960 Indoor operations only.

A delivery-only cannabis dispensary permittee shall not allow cannabis, cannabis products, or cannabis accessories on the dispensary site to be visible from the public right-of-way, the unsecured areas surrounding the buildings on the site, or the site’s main entrance and lobby.

5.150.970 Delivery-only cannabis dispensary site buildings.

A delivery-only cannabis dispensary site shall comply with the following requirements:

A. Entrances. All entrances into the buildings on the dispensary site shall be locked at all times with entry controlled by the delivery-only cannabis dispensary permittee’s managers and staff.

B. Main entrance and lobby. The dispensary site shall have a building with a main entrance that is clearly visible from the public street or sidewalk. The main entrance shall be maintained clear of barriers, landscaping, and other obstructions. Inside of the main entrance, there shall be a lobby to receive persons into the site and to verify whether they are allowed in the restricted areas.

C. Restricted area. All areas in which cannabis or cannabis products are located in any building on the dispensary site shall be separated from the main entrance and lobby, and shall be secured by a lock accessible only to managers and staff of the delivery-only cannabis dispensary permittee.

D. Transport area. Each building with a restricted area shall have an area designed for the secure transfer of cannabis or cannabis products between a vehicle and the restricted area.

E. Storage area. Each building with a restricted area shall have adequate storage space for cannabis or cannabis products. The storage areas shall be separated from the main entrance and lobby, and shall be secured by a lock accessible only to managers and staff of the delivery-only cannabis dispensary permittee.

5.150.980 Delivery-only cannabis dispensary site security.
Each delivery-only cannabis dispensary site security plan approved by the city manager must include the following:

A. Security surveillance cameras. Security surveillance cameras and a video recording system must be installed to monitor all doors into the buildings on the dispensary site, the parking lot, loading areas, and all exterior sides of the property adjacent to the public rights of way. The cameras and recording system must be of adequate quality, color rendition, and resolution to allow the identification of any individual present on the dispensary site. The recording system must be capable of exporting the recorded video in standard MPEG formats to another common medium, such as a DVD or USB drive.

B. Security video recording and retention. Video from the security surveillance cameras must be recording at all times (24 hours a day, seven days a week) and the recording shall be maintained for at least 30 days. The video recordings shall be made available to the city upon request.

C. Alarm system. Professionally and centrally-monitored fire, robbery, and burglar alarm systems must be installed and maintained in good working condition. The alarm system must include a private security company that is required to respond to every alarm.

5.150.990 Display of delivery-only cannabis dispensary permit.

The delivery-only cannabis dispensary permittee shall display its current valid delivery-only cannabis dispensary permit issued in accordance with this article inside the lobby or waiting area of the main entrance to the dispensary site. The permit shall be displayed at all times in a conspicuous place so that it may be readily seen by all persons entering the dispensary site.

5.150.1000 Signs.

A. A delivery-only cannabis dispensary permittee shall post in the lobby of the dispensary site signs that state the following:

1. “This site is not open to the public.”
2. “Retail sales of any goods and services is prohibited.”
3. “Persons under 21 years of age are prohibited from entering this site.”
4. “Smoking, ingesting, or consuming cannabis on this site or in a public place is prohibited.”
B. Each sign described in subsection A must be at least 8 inches by 10 inches in size and must be displayed at all times in a conspicuous place so that it may be readily seen by all persons entering the dispensary site.

5.150.1010 Delivery-only dispensary site restricted.

A. No delivery-only cannabis dispensary permittee shall open their dispensary site to the public.

B. No delivery-only cannabis dispensary permittee shall allow anyone on the dispensary site, except for managers, staff, and other persons with a bona fide business or regulatory purpose for being there, such as contractors, inspectors, and cannabis transporters.

C. A manager must be on the dispensary site at all times that any other person, except for security guards, is on the site.

D. While on the dispensary site, managers and staff of the delivery-only cannabis dispensary permittee must wear their delivery-only cannabis dispensary identification badge, issued by the city, at all times.

E. Any person other than managers or staff who are on the dispensary site must sign in, wear a visitor badge, and be escorted on the site by a manager at all times.

5.150.1020 Persons under 21 years of age prohibited.

A. No person under 21 years of age shall be on the delivery-only cannabis dispensary site or operate the dispensary in any capacity, including, but not limited to, as a manager, staff, employee, contractor, or volunteer.

B. No delivery-only cannabis dispensary permittee shall allow any violation of subsection A.

5.150.1030 Cannabis consumption prohibited.

No delivery-only cannabis dispensary shall allow any person to smoke, ingest, or otherwise consume cannabis or cannabis products in any form on, or within 20 feet of, the dispensary site.

5.150.1040 Alcohol prohibited.

No person shall possess, consume, or store any alcoholic beverage on the dispensary site.

5.150.1050 Retail sales prohibited on site.
No person shall conduct any retail sales of any goods or services to any person on a permitted delivery-only cannabis dispensary site.

5.150.1060 Medical cannabis dispensing operations.

A delivery-only cannabis dispensary may sell medical cannabis, subject to the provisions of section 5.150.410.

5.150.1070 Cannabis accessories.

A delivery-only cannabis dispensary may sell cannabis accessories.

5.150.1080 Adult-use cannabis dispensing operations.

A delivery-only cannabis dispensary may sell adult-use cannabis, subject to the provisions of section 5.150.420.

5.150.1090 Delivery of cannabis.

A delivery-only cannabis dispensary may deliver cannabis, cannabis products, and cannabis accessories, subject to the provisions of section 5.150.525.