

Meeting Date: 11/25/2014

Report Type: Staff/Discussion

Report ID: 2014-00846

Title: Medical Marijuana Dispensary Permit Processing Time Extension [in lieu of Pass for Publication the Ordinance will be published in its entirety within 10 days after adoption as required by Sacramento City Charter section 32(d)]

Location: Citywide

Recommendation: Pass an Ordinance extending the permit processing time to May 31, 2015, for dispensaries that have filed complete applications for a Conditional Use Permit no later than December 1, 2014.

Contact: Brad Wasson, Revenue Manager, (916) 808-5844, Department of Finance

Presenter: Brad Wasson, Revenue Manager, (916) 808-5844, Department of Finance

Department: Finance

Division: Revenue Administration

Dept ID: 06001211

Attachments:

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

City Attorney Review

Approved as to Form
Steve Itagaki
11/20/2014 9:52:15 AM

Approvals/Acknowledgements

Department Director or Designee: Brad Wasson - 11/20/2014 9:11:11 AM

Description/Analysis

Issue Detail: The deadline for all medical marijuana dispensaries to receive a medical marijuana dispensary permit is December 31, 2014. Some dispensaries are experiencing difficulties meeting all of the requirements for the permit and may not complete the process by the deadline. Thirty-one dispensaries applied for a Phase 2 dispensary permit with the Revenue Division by the March 31, 2014, deadline. Of the 31, 25 dispensaries have completed the conditional use permit process. There are five dispensaries currently in the conditional use permit process and scheduled to be heard by December 11, 2014. One dispensary has not applied for a conditional use permit.

Policy Considerations: The City has supported the 1996 Compassionate Use Act (Proposition 215) and the State medical marijuana program (Senate Bill 420) by establishing a permitting process for medical marijuana dispensaries. The City permitting process is in alignment with the State Attorney General's guidelines for medical marijuana distribution. Deadlines for the City's permitting process have been extended three times due to uncertainty with federal enforcement activities and marijuana dispensing cases before the California Supreme Court. The uncertainty has been cleared up and the City's medical marijuana dispensary code is in good standing.

The rationale for having dispensaries go through conditional use permit process was to allow for public feedback on the location of medical marijuana facilities. The rationale for a deadline is to make sure all the dispensaries are in compliance by a date certain.

In 2010, the City limited the number of dispensaries to receive a permit to 39. There are 31 in the permitting process. Title 5 of the City Code does not allow new dispensaries to open or closed dispensaries to be replaced. Under the current law, if a dispensary is not permitted by December 31, 2014 it must close and cannot re-apply. This will reduce the total number of dispensaries the City allows.

Economic Impacts: None

Environmental Considerations: CEQA does not apply to the adoption of the ordinance because it does not have the potential for causing a significant effect on the environment. (CEQA Guidelines section 15061(b)(3).)

Sustainability: Not applicable

Commission/Committee Action: Law and Legislation Committee passed this item on to City Council for discussion and approval.

Please note, however, that the proposed ordinance has been modified slightly from the version provided to the Law and Legislation Committee. The proposed ordinance still extends the deadline for a dispensary permit to May 31, 2015 for dispensaries that have submitted a complete application for a conditional use permit by December 1, 2014. But in order to protect the rights of parties in the existing process, the ordinance was modified to maintain the December 31, 2014 deadline for dispensaries that have not

submitted an application by that date. This change is not anticipated to have any practical effect on the number of permits that will be approved.

Rationale for Recommendation: The current December 31, 2014, deadline was established on October 1, 2013. This seemed like plenty of time for the dispensaries to get through both the conditional use permit and Medical Marijuana Dispensary permit process. At this point in time, it appears all dispensaries except one will get to a conditional use permit hearing before the deadline. Moving the permit issuance deadline out five months to May 31, 2015, will allow additional time for the dispensaries to meet all necessary requirements and conditions and complete the public permitting process.

Financial Considerations: The City of Sacramento's dispensaries collect a four percent Business Operations Tax on their sales. In Fiscal Year 2013/14 the dispensaries collected a combined \$1,850,000 of this General Fund tax revenue. The average annual amount collected per dispensary is around \$75,000. In addition, the dispensaries pay an annual permitting fee of \$12,600 to cover the cost of permitting and enforcing the ordinance.

Emerging Small Business Development (ESBD): Not applicable

ORDINANCE NO.

Adopted by the Sacramento City Council

Date Adopted

**AN ORDINANCE AMENDING SECTIONS 5.150.040
AND 5.150.110 OF THE SACRAMENTO CITY CODE
RELATING TO THE ISSUANCE OF MEDICAL
MARIJUANA DISPENSARY PERMITS**

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

SECTION 1.

A. Subsection D of section 5.150.040 of the Sacramento City Code is amended to read as follows:

D. Notwithstanding the provisions of Section 5.150.030, a person may continue to operate a registered medical marijuana dispensary without a dispensary permit until February 7, 2011. If a phase one or phase two application for a dispensary permit is or has been properly filed and has not been denied, a person may continue to operate that dispensary without a dispensary permit until ~~December 31, 2014~~ May 31, 2015, and while the application approval or denial is pending.

B. Except as amended by subsection A above, all provisions of section 5.150.040 remain unchanged and in full effect.

SECTION 2.

A. Subsection A of section 5.150.110 of the Sacramento City Code is amended to read as follows:

A. After the phase two application is complete, as specified in Section 5.150.070(B)(5), the city manager shall either grant or deny a dispensary permit on or before December 31, 2014; provided that, if the applicant files a complete application for the conditional use permit, including full payment of all application fees, on or before December 1, 2014, the city manager shall either grant or deny a dispensary permit on or before May 31, 2015.

B. Except as amended by subsection A above, all provisions of section 5.150.110 remain unchanged and in full effect.

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B. Except as amended by subsection A above, all provisions of section 5.150.040 remain unchanged and in full effect.

SECTION 2.

A. Subsection A of section 5.150.110 of the Sacramento City Code is amended to read as follows:

A. After the phase two application is complete, as specified in Section 5.150.070(B)(5), the city manager shall either grant or deny a dispensary permit on or before December 31, 2014; provided that, if the applicant files a complete application for the conditional use permit, including full payment of all application fees, on or before December 1, 2014, the city manager shall either grant or deny a dispensary permit on or before May 31, 2015.

B. Except as amended by subsection A above, all provisions of section 5.150.110 remain unchanged and in full effect.