Title: Ordinance amending various sections of Chapters 17.216, 17.228 and 17.424 of the Sacramento City Code relating to Cannabis Production Uses and Cannabis Dispensary Permits (M19-005)

File ID: 2020-00387

Location: Quadrant C of Natomas Crossing Planned Unit Development, Area 3, APN: 225-2300-012-0000, -013 (District 1)

Recommendation: Conduct a public hearing and upon conclusion recommend approval and forward to the City Council: Item A. Environmental Exemption (Per CEQA Guidelines Section 15601(b)(1), California Business and Professions Code section 26055(h), and Section 15061 (b)(3)-Common Sense Exemption); and Item B. an ordinance amending requirements for cannabis uses in the Shopping Center (SC) zone and the Del Paso Boulevard/Arden Way Special Planning District in sections 17.216.510, 17.228.920, 17.424.060, and 17.424.070 of the Sacramento City Code.

Contact: Joy Patterson, Principal Planner, (916) 808-5607, jpatterson@cityofsacramento.org

Presenter: Joy Patterson, Principal Planner, (916) 808-5607, jpatterson@cityofsacramento.org

Attachments:
1-Description/Analysis
2-Ordinance Amending 17.216.510, 17.228.920, 17.424.060, and 17.424.070 (Clean)
3-Ordinance Amending 17.216.510, 17.228.920, 17.424.060, and 17.424.070 (Redline)
Description/Analysis

Issue Detail: The City of Sacramento (City) currently has 30 permitted storefront cannabis dispensaries, the maximum number allowed under Sacramento City Code (SCC) section 5.150.350. The 30 permit holders are a self-selected group that navigated a two-phased process that spanned nearly six years as land use entitlements and business operating regulations for cannabis businesses were being developed. The 30 storefront dispensary permits were issued as medical dispensary permits to collectives or cooperatives as part of Proposition 215 and were expanded to add adult use cannabis on January 1, 2018, through a modification of their Conditional Use Permit (CUP) and Business Operating Permit (BOP).

On August 9, 2018, the City Council established the Cannabis Opportunity Reinvestment and Equity (CORE) Program to remove the barriers to entry into the cannabis industry for individuals and communities that were disproportionately impacted by the criminalization of cannabis. One of the benefits of being admitted into the CORE Program is priority for storefront dispensary permits if they become available.

At the November 12, 2019 City Council meeting, the Mayor proposed the addition of storefront permits exclusive for the CORE participants and directed staff to bring an item to Council for consideration. A City Council workshop was held on January 14, 2020, during which Council provided direction to have staff return to the Council with ordinances that would add 10 new dispensary permits over the next two years for CORE participants (Title 5 amendments) and amend Title 17 to restrict cannabis uses on parcels fronting the Arden Way and Del Paso Boulevard in the Del Paso Blvd./Arden Way Special Planning District (SPD). The amendments to the Shopping Center zone and Planned Unit Developments relating to cannabis dispensaries were to continue to move forward.

Title 17 Amendments

The Del Paso Boulevard/Arden Way Special Planning District (SPD) was established in 1994 to assist in the preservation of an economic climate in this mixed-use neighborhood of residential, commercial and light industrial uses by retaining existing businesses while accommodating new development. One of the goals for properties in the area is to promote an active retail district along the two major thoroughfares of Del Paso Boulevard and Arden Way. A storefront cannabis dispensary, with an approved CUP, is a compatible land use with this goal. Cannabis production businesses and delivery-only dispensaries, however, are not. In May of 2018, the Council amended the SPD to prohibit cannabis cultivation on parcels fronting Del Paso Boulevard and Arden Way (Ordinance 2018-0018). Staff recommends that the SPD be further amended to limit cannabis manufacturing, distribution and delivery-only businesses to the rear of the buildings that front on these two streets. These uses are not compatible with the goals of the SPD in that they are low intensity, non-retail uses that are not pedestrian.
The amendments to Title 17.424 requires that cannabis manufacturing, distribution and delivery-only dispensary uses be limited to the rear one-third of any building located on a parcel fronting Del Paso Boulevard or Arden Way in the SPD area and be accessible and visible from the rear only of the building.

Amendments to Titles 17.216 and 17.228 would: 1) Permit storefront dispensaries in the Shopping Center (SC) zone subject to CUP review and approval; and, 2) Require, if a cannabis dispensary was proposed in a Planned Unit Development (PUD), that the PUD be amended to allow cannabis dispensaries to insure that the use is compatible with the goals and objectives of the PUD. These amendments to Title 17 were reviewed by the Planning and Design Commission on September 26, 2019, and the Law and Legislation Committee on February 18, 2020. Both bodies recommended that the City Council approve the code amendments. The proposed amendments are included in the ordinance so they can be reviewed by the City Council with other SCC amendments related to storefront dispensaries all at the same time.

The ordinance amending sections 17.424.060 and 17.424.070 of the City Code and the previously reviewed amendments to sections 17.216 and 17.228 is currently being finalized by the City Attorney’s Office. The proposed ordinance will be sent to the Planning and Design Commissioners and posted on the internet when final review is complete.

Policy Considerations: The addition of 10 new storefront dispensaries in the City requires amendments to Title 5 Business Licenses and Regulations and Title 17 Planning and Development sections of the City Code. All cannabis businesses, with the exception of testing laboratories and small manufacturers, require a CUP and proposed amendments to Title 17 will further specify locations where storefront dispensaries can locate.

Environmental Considerations: This action is exempt from the California Environmental Quality Act (CEQA) because it is the adoption of an ordinance, rule, or regulation that requires discretionary review, including environmental review, and approval of permits, licenses, or other authorizations to engage in commercial cannabis activity (CEQA Guidelines sections 15061(b)(1), California Business and Professions Code section 26055(h)) and because it does not have the potential for causing a significant effect on the environment (CEQA Guidelines section15061(b)(3)).

Commission/Committee Action: On September 26, 2019, the Planning and Design Commission approved the proposed amendments to Chapters 17.216.510 and 17.228.920 regarding dispensaries in the SC zone and PUDs with a vote of 7-5. Those proposed
amendments were also approved by the Law and Legislation Committee on February 18, 2020 with a vote of 4-0.

**Rationale for Recommendation:** The last of the 30 storefront dispensary permits was issued in May 2015 and the number of permits have remained the same number for nearly five years due to the cap under the City Code. With the legalization of commercial cannabis retail on January 1, 2018, the same 30, who were permitted as medical dispensaries were afforded the opportunity to expand their operations to add adult use retail. As a result, no new businesses have had the opportunity to have a share in the robust cannabis storefront retail marketplace.

The CORE Program was established to assist individuals and communities impacted by the disproportionate enforcement of cannabis related crimes by helping eligible applicants prepare to start a cannabis business. A storefront dispensary is the most sought-after business model among CORE participants. However, with a cap in place, there is no opportunity for CORE participants to open storefront dispensary, even after completing business training and mentorship through the CORE Program. The addition of 10 new storefront dispensary permits will provide CORE participants exclusive opportunity to be a storefront dispensary owner and is a major step towards achieving the City’s goal of achieving 50% ownership of all cannabis business permits.

**Public/Neighborhood Outreach and Comments:** The proposed amendments were discussed at the City Council workshop of January 14, 2020 and have been a topic of monthly cannabis outreach meetings coordinated by the City Office of Cannabis Management.