

## Law and Legislation Committee Report

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**File ID:** 2019-00214

February 26, 2019

**Discussion Item 04**

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**Title:** Volatile Manufacturing of Cannabis

**Location:** Citywide

**Recommendation:** 1) Review and discuss the process of volatile manufacturing of cannabis and whether to allow it as a type of manufacturing by permitted businesses; and 2) provide policy direction.

**Contact:** Joe Devlin, Chief, (916) 808-4772; Zarah Cruz, Program Specialist, (916) 808-8925, Office of Cannabis Policy and Enforcement, Office of the City Manager

**Presenter:** Joe Devlin, Chief of Cannabis Policy and Enforcement, (916) 808-4772, Office of the City Manager.

**Attachments:**

1-Description/Analysis

## Description/Analysis

**Issue Detail:** On April 4, 2017, the City Council amended Chapters 5 and 17 of the Sacramento City Code to allow nonvolatile manufacturing of cannabis. Nonvolatile manufacturing does not use volatile solvents or volatile organic compounds in the extraction process. The California Department of Public Health (CDPH) issues two types of manufacturing licenses for the extraction process, nonvolatile manufacturing (Type 6) and volatile manufacturing (Type 7).

On November 28, 2017, Council amended the City Code to allow the use of ethanol in the post-extraction process by adding a definition for 'volatile solvents' and providing an exemption for "ethanol when used in a manner that will not create explosive or ignitable mixtures." (Sacramento City Code section 5.150.020.) CDPH, which had previously classified ethanol in its emergency regulations as a volatile solvent, also reclassified ethanol and CO2 as nonvolatile solvents.

To date, the City has received 82 applications for nonvolatile manufacturing. Industry research and initial discussions with other cities that allow volatile manufacturing show that the use of volatile solvents can be safe when performed in a closed-loop extraction system using equipment approved by the Fire Department, operated in an environment with proper ventilation, and with approved building permits and necessary inspections. This finding is supported by the Sacramento Fire Marshal. Over the past year, the stakeholders have expressed an interest in the City's consideration of expanding the manufacturing regulations to allow volatile manufacturing as other cities have done.

Over a dozen cities in California currently issue local licenses or permits for volatile manufacturing including the cities of Oakland, Los Angeles, Long Beach, Davis, West Sacramento, Santa Rosa and Santa Cruz. As of December 31, 2018, CDPH has issued over a hundred temporary Type 7 manufacturing licenses throughout the State.

Accordingly, staff recommends that the Committee consider allowing volatile solvents or volatile organic compounds in the cannabis manufacturing process by permitted businesses and provide staff with policy direction.

**Policy Considerations:** If the Committee decides to move forward with expanding the City Code to allow volatile manufacturing, staff will return to the Committee with the necessary ordinances and resolutions to effect such policy for the Committee's consideration.

**Economic Impacts:** None.

**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 section 15061(b)(3)).

**Sustainability:** Not applicable.

**Commission/Committee Action:** Not applicable.

**Rationale for Recommendation:** The City of Sacramento was one of the first cities in California to adopt regulations for nonvolatile manufacturing in April 2017. At the time, there was still widespread concern about the safety of the use of volatile solvents in manufacturing in what was then a brand-new industry. Since that time, the cannabis industry has evolved significantly, and technology has improved immensely addressing many of the prior concerns with volatile manufacturing. Similarly, state regulations have also evolved to ensure safety standards are in place in the manufacturing process. Additionally, the experience and lessons learned from other cities that have allowed volatile extraction, offer a reasonable expectation of safety and compliance.

The Committee is asked to discuss the issue of volatile manufacturing and provide policy direction as to whether to allow volatile manufacturing in Sacramento.

**Financial Considerations:** All cannabis businesses pay a four percent Business Operating Tax (BOT) to the City. Allowing volatile manufacturing could add a new pool of applicants which would increase revenues to the City's General Fund.

**Local Business Enterprise (LBE):** Not applicable.