

Law and Legislation Committee Report

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File ID: 2019-00839

June 4, 2019

Discussion Item 04

Title: Transfer of Real Estate Assets through Illegal Cannabis Grow House Enforcement Activities

Location: Citywide

Recommendation: Explore establishing a pilot program to allow property owners to transfer their residential illegal grow houses to non-profits for housing opportunities.

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Attachments:

1-Description/Analysis

Description/Analysis

Issue Detail: Illegal cannabis cultivation in residential neighborhoods is a public safety concern and a major public nuisance. In 2017, it was estimated that over 1,000 homes in Sacramento have been converted or modified for illegal cannabis cultivation. These homes have been structurally and electrically modified without the appropriate permits and contain substandard modifications that do not meet residential or commercial electrical requirements, creating a fire hazard among other safety concerns.

The City has aggressively pursued enforcement efforts against illegal cultivation. Collection of administrative penalties range from direct payments, litigation, liens, assessments to settlements, depending on each circumstance. In November 2017, Council passed a resolution (Resolution 2017-0445) directing all fines and fees collected pursuant to the enforcement of Sacramento City Code chapter 8.132 relating to the illegal residential cultivation of cannabis be dedicated to the Cannabis Policy and Enforcement Multi-Year Operating Project (MYOP).

On November 13, 2018, the Law and Legislation Committee directed staff to bring back policy options that could include broadening the type of negotiated settlements to include the option of allowing property owners to transfer their residential properties to non-profits for reconversion to housing in exchange for settlement of public nuisance lawsuits.

To date, and through a negotiated settlement, there has been one home transferred to Habitat for Humanity to provide a housing opportunity for a family. A second transfer is pending. This approach can be used as the basis for a pilot program in which the City (or affiliated agency like the Sacramento Housing and Redevelopment Agency - SHRA) would issue a request for qualifications (RFQ) for experienced non-profit housing providers who might be interested in obtaining a home to further their mission delivery and repurpose the house back for a residential use. Examples of non-profits that might be interested include Habitat for Humanity and WIND Youth Services. It is currently envisioned that the pilot would involve two to three houses annually and run for a minimum of two years.

While the RFQ process is underway, staff would review the properties subject to an illegal cannabis cultivation enforcement action for potential suitability for the pilot program. The homes would need to be in sound physical condition and require little rehabilitation. Any individual who is interested in including a residential property as part of their settlement will have to bring the property up to code compliance as determined by the City.

Following these steps, staff would work with the City Manager's Office and Council to formulate recommendations for matching homes with non-profits. Factors to be considered

would be the location of the homes, the home's suitability for the needs of the non-profit provider and their clients, and the building's condition.

Through this process the City would never take ownership of these homes and would not make any repairs. As in the Habitat for Humanity example, the home would be transferred directly to the selected non-profit provider as part of the negotiated settlement. The City would not have any ongoing liability for the home or place a deed restriction on the property. Settlements would not require Council approval and no City funds would be used for the program.

Following feedback and direction from Council, staff will develop a specific work plan and determine responsibilities among the involved City departments and, potentially SHRA.

Policy Considerations: This pilot program would vary from other approaches to cannabis enforcement by allowing negotiated settlements to include the transfer of real property to non-profit organizations directly rather than the payment of penalties to the City.

Economic Impacts: None

Environmental Considerations: None

Sustainability: None

Rationale for Recommendation: This potential pilot program would benefit the City and the neighborhoods by returning homes currently being used for illegal cannabis cultivation to productive housing stock. Accomplished through negotiated settlement agreements, the program would not cost the City any funds so would be a low-cost option to add additional housing options through the City's range of non-profit housing providers.

Financial Considerations: The proposed program would not cost the City any funds directly. Since the homes would be transferred as a negotiated settlement the City would be forgoing the penalties that would normally be imposed as part of the enforcement action and, once collected, deposited into the Cannabis Policy and Enforcement MYOP.

Local Business Enterprise (LBE): None