



City Council Report

915 I Street, 1st Floor

Sacramento, CA 95814

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File ID: 2018-01656

December 11, 2018

Public Hearing Item 23

Title: Proposed Fees for Microbusiness Business Operating Permit and Application Modification (Noticed on 11/30/2018 & 12/05/2018)

Location: Citywide

Recommendation: Conduct a public hearing and upon conclusion, pass a Resolution approving the proposed business operating permit fees for cannabis microbusinesses and business operating permit application modification fees.

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, (916) 808-4772, Office of Cannabis Policy and Enforcement, Office of the City Manager.

Attachments:

- 1-Description/Analysis
- 2-Fee Resolution
- 3-Exhibit A

Description/Analysis

Issue Detail: On November 27, 2018, the City Council approved the establishment of a microbusiness permit type. A cannabis business can obtain a microbusiness permit if they operate at least three of the following cannabis-related activities on the same premises or site: non-volatile manufacturing, retail, distribution and cultivation with up to 10,000 square feet of canopy.

Also proposed under this item is a fee to modify pending Business Operating Permit (BOP) applications. Currently, a modification fee only applies to permitted businesses. However, the volume of modifications to pending applications, which include changes in ownership and management, business structures and relocation of proposed locations, have created a burden on staff. More modifications are anticipated as the State requirement for cannabis businesses to be collectives or cooperatives and a not-for-profit entity will be eliminated on January 9, 2019.

The proposed fees for application modifications are: \$250 for Level 1 modification for minor changes such as changes in ownership, management and business structures; and \$500 for a Level 2 modification, such as a relocation which requires the review of new application documents including new security plans, site plans and floor plans.

The proposed fees for a microbusiness permit and to modify a BOP application are outlined in the attached fee resolution. (Attachment 2)

Policy Considerations: The proposed fees are consistent with Council's adopted Fees and Charges Policy and support the City's goals of budget sustainability and fiscal responsibility.

Economic Impacts: None

Environmental Considerations:

California Environmental Quality Act ("CEQA"): This action is not a project subject to CEQA because it involves the establishment, modification, structuring, restructuring, or approval of rates, tolls, fares, or other charges by public agencies which the public agency finds are for the purpose of meeting operating expenses; and the creation of government funding mechanisms or other government fiscal activities that do not involve any commitment to any specific project that may result in a potentially significant physical impact on the environment (Pub. Res. Code section 21080; CEQA Guidelines section 15378.)

Sustainability: Not applicable

Commission/Committee Action: On December 4, 2018, the Budget and Audit Committee considered the proposed fees and recommended that a resolution be forwarded to the City Council for approval.

Rationale for Recommendation: Cannabis business operating permit fees are calculated based on the administrative effort required to effectively implement the City's cannabis enforcement program. Council has adopted an ordinance establishing the microbusiness permit type and the proposed fees are expected to meet the anticipated workload required to effectively administer the amended cannabis microbusiness permitting process, to enforce regulations upon that permitted industry, and to maintain a healthy regulated industry by eliminating the underground cannabis industry.

Financial Considerations: The proposed fees will create additional revenue sources that will help cover the financial costs associated with the administrative and regulatory components of the cannabis program. The proposed fees comply with Proposition 26 as it is imposed to address the reasonable costs to the City to regulate the cannabis businesses within the city. (See California Constitution Article XIII C, section 1(e)(1)-(7).) Specifically, the proposed fees are established to cover both the administration and enforcement of the cannabis program particularly for microbusinesses and modifying pending cannabis BOP applications, which includes the permitting process, providing regulatory and compliance inspections to permitted businesses, and taking enforcement actions against unpermitted cannabis businesses throughout the city (Attachment 3).

Local Business Enterprise (LBE): Not applicable.

RESOLUTION NO.

Adopted by the Sacramento City Council

APPROVING BUSINESS OPERATING PERMIT FEES FOR CANNABIS MICROBUSINESSES AND APPLICATION MODIFICATION FEES

BACKGROUND

- A. On November 27, 2018, the City Council adopted regulations for a cannabis microbusiness permit type. A microbusiness permit type allows the operation of at least three of the following cannabis-related activities on one site: cultivation with under 10,000 sq. ft., non-volatile manufacturing, dispensary, and distribution.
- B. On November 28, 2017, the City Council adopted Resolution 2018-0457, which included a fee for modification and relocation of permitted businesses.
- C. On December 4, 2018, the Budget and Audit Committee approved the proposed business operating permit (BOP) fees for a cannabis microbusiness. It also approved a fee to modify BOP applications.
- D. Permit fees are calculated based on the cost required to administer and enforce each of the permit types.
- E. Modification fees will cover the cost involved in processing revisions to applications and re-routing it for inter-departmental review.
- F. Pursuant to California Constitution, article XIII, §1(e)(3) (Proposition 26), these business operating permit fees are not taxes because they are for the reasonable regulatory costs to a local government for issuing permits; performing investigations, inspections, and audits; and the administrative enforcement and adjudication thereof.

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:

Section 1. The background statements A through F are true.

Section 2. The amount of the microbusiness BOP initial fee is established as follows:

Microbusiness Permit Type	\$36,800
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Section 3. The amount of the microbusiness BOP renewal fee is established as follows:

Microbusiness Permit Type	\$35,100
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Section 4. The amounts of BOP application modification fees are established as follows:

Level 1 modification	\$250
Level 2 modification	\$500

Section 5. Exhibit A is part of this resolution.

Exhibit A. Proposed Microbusiness BOP fees and application modification fees.

PROPOSED FEES

I. MICROBUSINESSES

Permit Type	Initial Fee	Renewal
Microbusinesses	\$36,800	\$35,100

II. BUSINESS OPERATING PERMIT APPLICATION MODIFICATIONS

Modification	Fee
Level 1 (changes in business structure, ownership, management)	\$250
Level 2 (relocations)	\$500