



Prepared by the Office of Cannabis Management  
Law and Legislation Committee  
May 21, 2024

A dark blue silhouette of the Sacramento skyline, including various buildings and the two towers of the Sacramento-San Joaquin River Delta Bridge, set against a light blue background.

# Cannabis Consumption Lounges

## Updates and Progress

- On September 19, 2023, the Law and Legislation Committee (Committee) directed the Office of Cannabis Management to develop a **pilot** framework for cannabis social consumption lounges.
- On May 31, 2022, the City Council directed the Planning and Design Commission to work on Title 17 cannabis updates and the first hearing was on August 25, 2022. With this direction from Council and the consumption lounge direction from the Committee, Planning staff has been looking at incorporating how consumption lounges could fit into the zoning and land use requirements of Title 17.

- OCM organized a workshop before the Committee with a panel of regulators from the Cities of West Hollywood, Palm Springs, and the City and County of San Francisco to discuss the consumption lounges in their jurisdictions and to answer questions around community concerns and how they were addressed, revenues and the cost of regulatory oversight, enforcement challenges, and lessons learned.
- OCM hosted two community engagement meetings to elicit community feedback and concerns on cannabis consumption
- OCM presented on consumption lounges and events and took questions at the City's Property and Improvement Districts Quarterly Meeting.

- State law allows for local jurisdictions to license consumption lounges as an add-on to an existing licensed retailer premises
  - A stand-alone structure used solely for cannabis consumption would not qualify for a state license retailer add-on
- The Department of Cannabis Control (DCC) regulations define both storefront AND non-storefront delivery licenses as a “cannabis retailer”
- DCC regulations make it unworkable for a non-storefront delivery retailer to offer consumption facilities on their licensed premises
  - Delivery retail premises to be closed to the public
  - Cannabis delivery may only occur in an enclosed motor vehicle where cannabis is not visible to the public

- Two permit add-ons to a storefront dispensary
  - **Permit 1 – Ingestible Products Only**
    - Cannabis-infused drinks: mocktails, canned/bottled drinks
    - Cannabis-infused edibles: cookies, popcorn, chips, chocolate, gummies
  - **Permit 2 – Inhalable and Ingestible Products**
    - Cannabis smoking – pipe, pre-rolls, vapes, dabs
    - Cannabis-infused drinks and edibles

- Add-on permit can be available to **ALL** storefront dispensary permit holders that meet OCM permitting, Planning land use and zoning requirements
  - Available to both CORE and Non-CORE storefronts
- Since no smoke or vapor would be emitted – no additional ventilation requirements
- Allows consumption at storefronts that may not have the financial ability or building owner approval to retrofit their building for smoking, or may want to have a secure outdoor consumption patio

# Permit 1

## *Ingestible Products Only*



- Add-on permit made available only to majority CORE-owned storefronts for the first 5 years of the pilot program
  - After 5 years and if Council votes to allow it, non-CORE storefronts could apply for this add-on
- Comply with all OCM permitting, Planning land use and zoning, and Building mechanical ventilation and air exchange requirements



## Permit 2

### *Inhalable & Ingestible Products*



## Lounges would be required to:

- Provide information to patrons on how cannabis affects the body, how long impairment can last, and how this is different from alcohol in the body
- Post information for patrons on signs of over-consumption and what to do in those situations
- Have approved protocol for limiting over-consumption and what to do if over-consumption occurs
- Train all staff to recognize signs of over-consumption and require them to check-in regularly with patrons to look for any signs of over-consumption



## **Lounges would be required to offer incentives to not drive:**

- Discount for proof of public transit/ride-share/designated drivers?
- Offer comped ride on RT or ride-share or taxi?
- Required to advertise how to get to lounge via public transit?
- Solicit additional ideas from community

**OCM and PD to work on accessing Proposition 64 CHP grants for more trained Drug Recognition Expert officers in Sacramento**

## **Permit Type 2 – Inhalable & Ingestible Product Lounges:**

- Area where smoking/vaping is allowed shall be a separate room from the cannabis sales area, officers, restrooms, employee break and locker rooms, secured lobby, and other places where employees spend work time
- Employee time in the inhalable products area shall be limited to minimize employee contact with cannabis smoke
- See-through partitions and cameras shall be the primary means to monitor patron activity in the inhalable products area
- Employees pass through inhalable products area every 10-30 minutes to make in-person contact with patrons to monitor impairment

## **Lounges would be required to:**

- Have all employees take yearly training on how to avoid selling to and serving minors
- If the consumption area is outside, the perimeter must be observable by live-monitored cameras to monitor unauthorized access or product being thrown over the perimeter

**OCM to engage in advertising campaign on harm reduction education and strategies for legal cannabis consumers between 21 and 25**

- The Building Division has reviewed San Francisco's ventilation requirements for consumption lounges and determined that it meets the characteristics requested by the Committee (negative pressure room with ventilation system that is vented outside, etc.) and compiles with the California Mechanical Code (CMC) and other Building Codes
- OCM will work with the Building Division to institute and codify these requirements for Permit Type 2 consumption facilities

Permit Type 1 and Permit Type 2 facilities will be required to comply with all land use, zoning, and California Environmental Quality Act (CEQA) requirements, as determined by the Planning Division

- OCM's permit fees have not changed since they were first implemented for the different permit types between 2015 and 2018
- OCM retained a consultant to conduct a comprehensive assessment of the fees for all cannabis business operating permits with the goal of supporting programmatic operational costs
- This fee study will guide the setting of the permit fee associated with Consumption Lounge Permit Type 1 and 2 add-ons



- SCC Title 5 – Cannabis Permitting
- SCC Title 8 – Smoking Restrictions
- SCC Title 9 – Public Consumption of Cannabis
- SCC Title 17 – Land Use and Zoning
- Fee Resolution to implement consumption lounge permit fees

# Summary

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- OCM, Building, and Planning working together to bring forward a legal cannabis consumption lounge pilot framework to the Committee
- Two types of permit add-ons to storefront retailers: Type 1 (ingestibles-only) and open to all permitted storefronts and Type 2 (inhalable- and ingestibles-only) open to majority CORE-owned permitted storefronts for five years and if Council approves, then open to all storefronts after that
- Transportation, education, youth access, employee safety and other concerns will be addressed
- OCM has the current direction to bring forward a proposal for additional storefront dispensaries, which will be impacted by Planning and PDC's work