



## City Council Report

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Sacramento, CA 95814

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**File ID:** 2019-01283

September 10, 2019

**Consent Item 02**

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**Title: (Pass for Publication) Ordinance Amending Chapters 17.228 and 5.150 of the Sacramento City Code Relating to Cannabis Manufacturing**

**Location:** Citywide

**Recommendation:** 1) Review an ordinance deleting sections 5.150.830 and 5.150.1320 and amending section 5.150.1100 and various sections of chapter 17.228 of the Sacramento City Code relating to cannabis manufacturing to allow volatile manufacturing in the City; and 2) pass for publication the ordinance title as required by the Sacramento City Code section 32(c) for consideration of adoption on September 24, 2019.

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**Presenter:** None

**Attachments:**

- 1-Description/Analysis
- 2-Ordinance (Clean)
- 3-Ordinance (Redline)

## Description/Analysis

**Issue Detail:** On February 26, 2019, the Law and Legislation Committee (Committee) approved a policy proposal to expand the City's manufacturing regulations to allow volatile manufacturing facilities in the city. The proposal was a result of the growing interest by the cannabis industry to expand into volatile manufacturing to diversify its product lines.

In approving the proposals, the Committee directed the City Manager to draft an ordinance amending the City Code and also to conduct a survey of manufacturing applicants to ensure that allowing volatile manufacturing will not create an unfair disadvantage against applicants who are already permitted or have an application for non-volatile manufacturing.

Industry research and discussions with other cities show that the use of volatile solvents can be safe when performed in a professional closed-loop extraction system using approved equipment 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 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. To date, the California Department of Public Health, the state agency that regulates cannabis manufacturing, has issued 38 annual and 206 provisional Type 7 licenses statewide.

Results of the survey conducted among the City's manufacturing permit holders and applicants show that most respondents welcome the idea of allowing volatile manufacturing and will consider either converting their extraction operations from nonvolatile to volatile or adding volatile manufacturing to their existing operations. Most of the respondents also do not perceive an unfair disadvantage to existing manufacturers, but on the contrary, see it as an opportunity to increase the variety of products they are able to manufacture.

To date, the City has issued 16 Business Operating Permits (BOPs) for manufacturing, four of which are for Type A, or nonvolatile extraction. There are 65 pending manufacturing applications, 44 of which are for Type A. The rest are for Type N and P or infusion, packaging and/or labeling. With the appropriate approval from the Fire Department, permitted manufacturers or applicants in the review process may either transition into or add volatile manufacturing into their operations, giving them the opportunity to expand their product lines and become more competitive in the manufactured cannabis marketplace.

The proposed ordinance would also amend chapter 17.228 of the City Code to delete the "Cannabis manufacturing, nonvolatile" definition and replace it with the following definition:

“Cannabis manufacturing” means the production, preparation, propagation and compounding of cannabis and cannabis products. Cannabis manufacturing includes the extraction process, the infusion for mixture of cannabis into another substance, the preparation of an edible item that contains cannabis, and the packaging and labeling of cannabis or cannabis products.

The ordinance would also add a definition for extraction:

“Extraction” means a process by which cannabinoids are separated from cannabis plant material through chemical or physical means.

The proposed amendments to chapter 17.228 would allow volatile manufacturing to take place in the same heavy commercial and industrial zones (C-4, M-2, M2-S, M-4, M-4S, MRD, MIP), where manufacturing without the use of a volatile solvent (formerly known as “nonvolatile manufacturing”) is allowed, but excludes the General Commercial (C-2) zone. Because of the proximity of C2 zones to residential and retail commercial uses, manufacturing in this zone will be limited to manufacturing with a nonvolatile solvent only and will remain limited to 6,400 square feet in area.

The proposed ordinance will also delete sections 5.150.830 and 5.150.1320 from the Sacramento City Code to remove the current restriction on cannabis extraction to nonvolatile extraction processes only for cannabis businesses.

**Policy Considerations:** As Sacramento’s cannabis industry continues to grow and mature, amendments to the City Code are necessary in order to keep the City’s cannabis regulations equitable, the licensing process efficient, and the industry sustainable.

**Economic Impacts:** None.

**Environmental Considerations:** This action is exempt from 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 § 15061(B)(1), Bus. and Prof. Code § 26055(h)) and because it does not have the potential for causing a significant effect on the environment (CEQA Guidelines §15061(b)(3)).

**Sustainability:** Not applicable

**Commission/Committee Action:** On August 8, 2019, the Planning and Design Commission conducted a public hearing and passed a motion with a vote of 11-0-1 to forward to the City

Council a recommendation to approve the amendments to Title 17. On September 3, 2019, the Law and Legislation Committee approved with a vote of 4-0 to forward to the City Council a recommendation to approve amendments to Title 17 and 5 to allow volatile manufacturing.

**Rationale for Recommendation:** The proposed amendment to the City Code related to cannabis manufacturing can potentially bring more manufacturers to the City and/or provide those already in the City an opportunity to expand their operations. When the City first adopted its manufacturing ordinance in April 2017, manufacturing was limited only to the nonvolatile process. This was in part due to safety concerns arising from limited information and lack of regulatory history with what was then a brand-new industry. Since then, the state has released its regulations on cannabis manufacturing with specific safety requirements and procedures; and technology, equipment, and the industry's track record for safety have also improved tremendously. With proper safety standards in place, cannabis manufacturing with volatile solvents can be just as safe as manufacturing with nonvolatile solvents.

The proposed amendment presents a win-win situation for the City and the industry, as it can strengthen the position of local manufacturers to compete with other brands that are manufactured elsewhere, and also increase the cannabis business operating tax ("BOT") revenues remitted to the City.

**Financial Considerations:** All cannabis businesses pay a four percent BOT. The proposed amendments allowing manufacturing with volatile will add a new pool of applicants and/or increase the potential revenues of manufacturers already in the City, which would in turn, increase tax revenues to the City's General Fund.

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

ORDINANCE NO.

Adopted by the Sacramento City Council

[Date Adopted]

AN ORDINANCE DELETING SECTION 5.150.830, AMENDING SECTION 5.150.1100, DELETING SECTION 5.150.1320, AND AMENDING VARIOUS SECTIONS OF CHAPTER 17.228 OF THE SACRAMENTO CITY CODE, RELATING TO CANNABIS MANUFACTURING

BE IT ENACTED BY THE COUNCIL OF THE CITY OF SACRAMENTO:

SECTION 1.

Section 5.150.830 is deleted from the Sacramento City Code.

SECTION 2.

A. Subsection B.2 of section 5.150.1100 of the Sacramento City Code is amended to read as follows:

2. Type S (self-distribution), for a business that also holds a valid permit for a cannabis manufacturing business and is operating within the limitations of the cannabis manufacturing use described in section 17.228.900.C. A type-S permittee may store only cannabis and cannabis products that have been manufactured by the permittee on the distribution site; and transport only cannabis and cannabis products that have been manufactured by the permittee, between any cannabis business permittee, including storefront and delivery-only cannabis dispensaries.

B. Except as amended by subsection A above, all provisions of section 5.150.1100 remain unchanged and in full effect.

SECTION 3.

Section 5.150.1320 is deleted from the Sacramento City Code.

SECTION 4.

A. Section 17.108.040 of the Sacramento City Code is amended to read as follows:

“Cannabis manufacturing” means the production, preparation, propagation, and compounding of cannabis and cannabis products. Cannabis manufacturing includes the extraction process, the infusion or mixture of cannabis into another substance, the

preparation of an edible item that contains cannabis, and the packaging and labeling of cannabis or cannabis products.

B. Except as amended by subsection A above, all provisions of section 17.108.040 remain unchanged and in full effect.

SECTION 5.

A. Section 17.108.150 of the Sacramento City Code is amended to add the following definition:

“Extraction process” means a process by which cannabinoids are separated from cannabis plant material through chemical or physical means.

B. Except as amended by subsection A above, all provisions of section 17.108.150 remain unchanged and in full effect.

SECTION 6.

A. Section 17.216.710 (C-2 zone) of the Sacramento City Code is amended as follows:

1. “Cannabis manufacturing” is added to subsection A.3 (Permitted uses; industrial and agricultural uses) to read as follows:

Cannabis manufacturing	Allowed if extraction processes are not conducted with a volatile solvent and the use is exempt from the conditional use permit requirement pursuant to section 17.228.900.C.
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2. The “cannabis manufacturing, nonvolatile” row in subsection B.3 (Conditional uses; industrial and agricultural uses) is amended to read as follows:

Cannabis manufacturing	Permitted with a conditional use permit if extraction processes are not conducted with a volatile solvent and—	ZA/PDC
	1. Use is located within ½ mile from the center of an existing or proposed light rail station platform, subject to special use regulations in section 17.228.127; or	

	<p>2. Use is located greater than ½ mile from the center of an existing or proposed light rail station platform.</p> <p>Subject to special use regulations in section 17.228.900</p>	
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B. Except as amended by subsection A above, all provisions of section 17.216.710 remain unchanged and in full effect.

SECTION 7.

A. Section 17.216.910 (C-4 zone) of the Sacramento City Code is amended as follows:

1. “Cannabis manufacturing” is added to subsection A.3 (Permitted uses; industrial and agricultural uses) to read as follows:

Cannabis manufacturing	Allowed if exempt from the conditional use permit requirement pursuant to section 17.228.900.C.
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2. The “cannabis manufacturing, nonvolatile” row in subsection B.3 (Conditional uses; industrial and agricultural uses) is amended to read as follows:

Cannabis manufacturing	Permitted with a conditional use permit if—	ZA/PDC
	<p>1. Use is located within ½ mile from the center of an existing or proposed light rail station platform, subject to special use regulations in section 17.228.127; or</p> <p>2. Use is located greater than ½ mile from the center of an existing or proposed light rail station platform.</p> <p>Subject to special use regulations in section 17.228.900</p>	

B. Except as amended by subsection A above, all provisions of section 17.216.910 remain unchanged and in full effect.

SECTION 8.

A. Section 17.220.110 (M-1 zone) of the Sacramento City Code is amended as follows:

1. "Cannabis manufacturing" is added to subsection A.3 (Permitted uses; industrial and agricultural uses) to read as follows:

Cannabis manufacturing	Allowed if exempt from the conditional use permit requirement pursuant to section 17.228.900.C.
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2. The "cannabis manufacturing, nonvolatile" row in subsection B.3 (Conditional uses; industrial and agricultural uses) is amended to read as follows:

Cannabis manufacturing	Permitted with a conditional use permit if—	ZA/PDC
	1. Use is located within ½ mile from the center of an existing or proposed light rail station platform, subject to special use regulations in section 17.228.127; or	
	2. Use is located greater than ½ mile from the center of an existing or proposed light rail station platform.	
	Subject to special use regulations in section 17.228.900	

B. Except as amended by subsection A above, all provisions of section 17.220.110 remain unchanged and in full effect.

SECTION 9.

A. Section 17.220.210 (M-1(S) zone) of the Sacramento City Code is amended as follows:

1. "Cannabis manufacturing" is added to subsection A.3 (Permitted uses; industrial and agricultural uses) to read as follows:

Cannabis manufacturing	Allowed if exempt from the conditional use permit requirement pursuant to section 17.228.900.C.
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2. The "cannabis manufacturing, nonvolatile" row in subsection B.3 (Conditional uses; industrial and agricultural uses) is amended to read as follows:



Cannabis manufacturing	Permitted with a conditional use permit if—  1. Use is located within ½ mile from the center of an existing or proposed light rail station platform, subject to special use regulations in section 17.228.127; or	ZA/PDC
	2. Use is located greater than ½ mile from the center of an existing or proposed light rail station platform.  Subject to special use regulations in section 17.228.900	

B. Except as amended by subsection A above, all provisions of section 17.220.210 remain unchanged and in full effect.

SECTION 10.

A. Section 17.220.310 (M-2 zone) of the Sacramento City Code is amended as follows:

1. “Cannabis manufacturing” is added to subsection A.3 (Permitted uses; industrial and agricultural uses) to read as follows:

Cannabis manufacturing	Allowed if exempt from the conditional use permit requirement pursuant to section 17.228.900.C.
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2. The “cannabis manufacturing, nonvolatile” row in subsection B.3 (Conditional uses; industrial and agricultural uses) is amended to read as follows:

Cannabis manufacturing	Permitted with a conditional use permit if—  1. Use is located within ½ mile from the center of an existing or proposed light rail station platform, subject to special use regulations in section 17.228.127; or	ZA/PDC
	2. Use is located greater than ½ mile from the center of an existing	

	<p>or proposed light rail station platform.</p> <p>Subject to special use regulations in section 17.228.900</p>	
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B. Except as amended by subsection A above, all provisions of section 17.220.310 remain unchanged and in full effect.

SECTION 11.

A. Section 17.220.410 (M-2(S) zone) of the Sacramento City Code is amended as follows:

1. "Cannabis manufacturing" is added to subsection A.3 (Permitted uses; industrial and agricultural uses) to read as follows:

Cannabis manufacturing	Allowed if exempt from the conditional use permit requirement pursuant to section 17.228.900.C.
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2. The "cannabis manufacturing, nonvolatile" row in subsection B.3 (Conditional uses; industrial and agricultural uses) is amended to read as follows:

Cannabis manufacturing	Permitted with a conditional use permit if—	ZA/PDC
	1. Use is located within ½ mile from the center of an existing or proposed light rail station platform, subject to special use regulations in section 17.228.127; or	
	2. Use is located greater than ½ mile from the center of an existing or proposed light rail station platform.  Subject to special use regulations in section 17.228.900	

B. Except as amended by subsection A above, all provisions of section 17.220.410 remain unchanged and in full effect.

SECTION 12.

A. Section 17.220.510 (MIP zone) of the Sacramento City Code is amended as follows:

1. “Cannabis manufacturing” is added to subsection A.3 (Permitted uses; industrial and agricultural uses) to read as follows:

Cannabis manufacturing	Allowed if exempt from the conditional use permit requirement pursuant to section 17.228.900.C.
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2. The “cannabis manufacturing, nonvolatile” row in subsection B.3 (Conditional uses; industrial and agricultural uses) is amended to read as follows:

Cannabis manufacturing	Permitted with a conditional use permit if—	ZA/PDC
	1. Use is located within ½ mile from the center of an existing or proposed light rail station platform, subject to special use regulations in section 17.228.127; or	
	2. Use is located greater than ½ mile from the center of an existing or proposed light rail station platform.  Subject to special use regulations in section 17.228.900	

B. Except as amended by subsection A above, all provisions of section 17.220.510 remain unchanged and in full effect.

SECTION 13.

A. Section 17.220.610 (MRD zone) of the Sacramento City Code is amended as follows:

1. “Cannabis manufacturing” is added to subsection A.3 (Permitted uses; industrial and agricultural uses) to read as follows:

Cannabis manufacturing	Allowed if exempt from the conditional use permit requirement pursuant to section 17.228.900.C.
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2. The “cannabis manufacturing, nonvolatile” row in subsection B.3 (Conditional uses; industrial and agricultural uses) is amended to read as follows:

Cannabis manufacturing	Permitted with a conditional use permit if—	ZA/PDC
	1. Use is located within ½ mile from the center of an existing or proposed light rail station platform, subject to special use regulations in section 17.228.127; or	
	2. Use is located greater than ½ mile from the center of an existing or proposed light rail station platform.  Subject to special use regulations in section 17.228.900	

B. Except as amended by subsection A above, all provisions of section 17.220.610 remain unchanged and in full effect.

SECTION 14.

A. Section 17.228.900 of the Sacramento City Code is amended as follows:

1. Subsection A of section 17.228.900 of the Sacramento City Code is amended as follows:

A. For purposes of this section, “cannabis production” includes cannabis cultivation, cannabis distribution, and cannabis manufacturing.

2. Subsection B of section 17.228.900 of the Sacramento City Code is deleted:

3. Subsection C of section 17.228.900 of the Sacramento City Code is amended as follows:

B. A conditional use permit is required for cannabis production, except for the following:

1. Cannabis manufacturing that complies with the following:

- a. The use is limited to only packaging and labeling of cannabis or cannabis products, or producing edible or topical cannabis products using an infusion process;
  - b. Extraction processes are not being conducted; and
  - c. The gross receipts of the use are under \$100,000 annually.
2. Cannabis distribution in accordance with a type-S cannabis distribution permit, as described in article VIII of chapter 5.150.
3. Cannabis distribution in accordance with a type-T cannabis distribution permit, as described in article VIII of chapter 5.150.
4. For the purposes of this section, "gross receipts" shall have the same meaning as provided in section 3.08.020.

B. Except as amended by subsection A above, all provisions of section 17.228.900 remain unchanged and in full effect.

**ORDINANCE NO.**

Adopted by the Sacramento City Council

[Date Adopted]

**AN ORDINANCE DELETING SECTIONS 5.150.830 AND 5.150.1320 AND AMENDING SECTION 5.150.1100 AND VARIOUS SECTIONS OF CHAPTER 17.228 OF THE SACRAMENTO CITY CODE, RELATING TO CANNABIS MANUFACTURING**

BE IT ENACTED BY THE COUNCIL OF THE CITY OF SACRAMENTO:

**SECTION 1.**

Section 5.150.830 is deleted from the Sacramento City Code.

~~5.150.830 Nonvolatile extraction only.~~

~~No cannabis manufacturing business shall use a volatile solvent to extract the resin or other substance from any part of a cannabis plant.~~

**SECTION 2.**

A. Subsection B.2 of section 5.150.1100 of the Sacramento City Code is amended to read as follows:

2. Type S (self-distribution), for a business that also holds a valid permit for a cannabis manufacturing business and is operating within the limitations of the ~~nonvolatile~~ cannabis manufacturing use described in section 17.228.900. ~~CB~~. A type-S permittee may store only cannabis and cannabis products that have been manufactured by the permittee on the distribution site; and transport only cannabis and cannabis products that have been manufactured by the permittee, between any cannabis business permittee, including storefront and delivery-only cannabis dispensaries.

B. Except as amended by subsection A above, all provisions of section 5.150.1100 remain unchanged and in full effect.

**SECTION 3.**

Section 5.150.1320 is deleted from the Sacramento City Code.

~~5.150.1320 Nonvolatile extraction only.~~

~~No cannabis microbusiness permittee shall use a volatile solvent to extract the resin or other substance from any part of a cannabis plant.~~

#### **SECTION 4.**

A. Section 17.108.040 of the Sacramento City Code is amended to read as follows:

1. The definition of “cannabis manufacturing, nonvolatile” is deleted.

~~“Cannabis manufacturing, nonvolatile” means the production, preparation, propagation, and compounding of cannabis and cannabis products, either directly or indirectly by extraction or chemical synthesis methods that are conducted without the use of a volatile solvent. Nonvolatile cannabis manufacturing includes but is not limited to the extraction of resin from a cannabis plant with nonvolatile solvents, the infusion or mixture of cannabis into another substance, the preparation of an edible item that includes cannabis, and the packaging and labeling of cannabis or cannabis products. Nonvolatile cannabis manufacturing does not include cannabis cultivation.~~

2. The definition of “cannabis manufacturing” is added to read as follows:

“Cannabis manufacturing” means the production, preparation, propagation, and compounding of cannabis and cannabis products. Cannabis manufacturing includes the extraction process, the infusion or mixture of cannabis into another substance, the preparation of an edible item that contains cannabis, and the packaging and labeling of cannabis or cannabis products.

B. Except as amended by subsection A above, all provisions of section 17.108.040 remain unchanged and in full effect.

#### **SECTION 5.**

A. The definition of “extraction” is added to section 17.108.150 of the Sacramento City Code to read as follows:

“Extraction” means a process by which cannabinoids are separated from cannabis plant material through chemical or physical means.

B. Except as amended by subsection A above, all provisions of section 17.108.150 remain unchanged and in full effect.

#### **SECTION 6.**

A. Section 17.216.710 (C-2 zone) of the Sacramento City Code is amended as follows:

1. “Cannabis manufacturing” is added to subsection A.3 (Permitted uses; industrial and agricultural uses) to read as follows:

<u>Cannabis manufacturing</u>	<u>Allowed if extraction is not conducted with a volatile solvent and the use is excepted from the conditional use permit requirement pursuant to section 17.228.900.B.</u>
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2. The “cannabis manufacturing, nonvolatile” row in subsection B.3 (Conditional uses; industrial and agricultural uses) is amended to read as follows:

<u>Cannabis manufacturing</u> <u>nonvolatile</u>	<p>Permitted with a conditional use permit if <u>extraction is not conducted with a volatile solvent and</u>—</p> <p>1. Use is located within ½ mile from the center of an existing or proposed light rail station platform, subject to special use regulations in section 17.228.127; or</p> <p>2. Use is located greater than ½ mile from the center of an existing or proposed light rail station platform.</p> <p>Subject to special use regulations in section 17.228.900</p>	ZA/PDC
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B. Except as amended by subsection A above, all provisions of section 17.216.710 remain unchanged and in full effect.

**SECTION 7.**

A. Section 17.216.910 (C-4 zone) of the Sacramento City Code is amended as follows:

1. “Cannabis manufacturing” is added to subsection A.3 (Permitted uses; industrial and agricultural uses) to read as follows:

<u>Cannabis manufacturing</u>	<u>Allowed if exempt from the conditional use permit requirement pursuant to section 17.228.900.B.</u>
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2. The “cannabis manufacturing, nonvolatile” row in subsection B.3 (Conditional uses; industrial and agricultural uses) is amended to read as follows:

<p>Cannabis manufacturing; <u>nonvolatile</u></p>	<p>Permitted with a conditional use permit if—</p> <p>1. Use is located within ½ mile from the center of an existing or proposed light rail station platform, subject to special use regulations in section 17.228.127; or</p> <p>2. Use is located greater than ½ mile from the center of an existing or proposed light rail station platform.</p> <p>Subject to special use regulations in section 17.228.900</p>	<p>ZA/PDC</p>
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B. Except as amended by subsection A above, all provisions of section 17.216.910 remain unchanged and in full effect.

**SECTION 8.**

A. Section 17.220.110 (M-1 zone) of the Sacramento City Code is amended as follows:

1. “Cannabis manufacturing” is added to subsection A.3 (Permitted uses; industrial and agricultural uses) to read as follows:

<p><u>Cannabis manufacturing</u></p>	<p><u>Allowed if exempt from the conditional use permit requirement pursuant to section 17.228.900.B.</u></p>
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2. The “cannabis manufacturing, nonvolatile” row in subsection B.3 (Conditional uses; industrial and agricultural uses) is amended to read as follows:

<p>Cannabis manufacturing; <u>nonvolatile</u></p>	<p>Permitted with a conditional use permit if—</p> <ol style="list-style-type: none"> <li>1. Use is located within ½ mile from the center of an existing or proposed light rail station platform, subject to special use regulations in section 17.228.127; or</li> <li>2. Use is located greater than ½ mile from the center of an existing or proposed light rail station platform.</li> </ol> <p>Subject to special use regulations in section 17.228.900</p>	<p>ZA/PDC</p>
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B. Except as amended by subsection A above, all provisions of section 17.220.110 remain unchanged and in full effect.

**SECTION 9.**

A. Section 17.220.210 (M-1(S) zone) of the Sacramento City Code is amended as follows:

1. “Cannabis manufacturing” is added to subsection A.3 (Permitted uses; industrial and agricultural uses) to read as follows:

<p><u>Cannabis manufacturing</u></p>	<p><u>Allowed if exempt from the conditional use permit requirement pursuant to section 17.228.900.B.</u></p>
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2. The “cannabis manufacturing, nonvolatile” row in subsection B.3 (Conditional uses; industrial and agricultural uses) is amended to read as follows:

<p>Cannabis manufacturing; <u>nonvolatile</u></p>	<p>Permitted with a conditional use permit if—</p> <ol style="list-style-type: none"> <li>1. Use is located within ½ mile from the center of an existing or proposed light rail station platform, subject to</li> </ol>	<p>ZA/PDC</p>
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	<p>special use regulations in section 17.228.127; or</p> <p>2. Use is located greater than ½ mile from the center of an existing or proposed light rail station platform.</p> <p>Subject to special use regulations in section 17.228.900</p>	
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B. Except as amended by subsection A above, all provisions of section 17.220.210 remain unchanged and in full effect.

**SECTION 10.**

A. Section 17.220.310 (M-2 zone) of the Sacramento City Code is amended as follows:

1. “Cannabis manufacturing” is added to subsection A.3 (Permitted uses; industrial and agricultural uses) to read as follows:

<u>Cannabis manufacturing</u>	<u>Allowed if exempt from the conditional use permit requirement pursuant to section 17.228.900.B.</u>
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2. The “cannabis manufacturing, nonvolatile” row in subsection B.3 (Conditional uses; industrial and agricultural uses) is amended to read as follows:

Cannabis manufacturing; <u>nonvolatile</u>	<p>Permitted with a conditional use permit if—</p> <p>1. Use is located within ½ mile from the center of an existing or proposed light rail station platform, subject to special use regulations in section 17.228.127; or</p> <p>2. Use is located greater than ½ mile from the center of an existing or proposed light rail station platform.</p>	ZA/PDC
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	Subject to special use regulations in section 17.228.900	
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B. Except as amended by subsection A above, all provisions of section 17.220.310 remain unchanged and in full effect.

**SECTION 11.**

A. Section 17.220.410 (M-2(S) zone) of the Sacramento City Code is amended as follows:

1. “Cannabis manufacturing” is added to subsection A.3 (Permitted uses; industrial and agricultural uses) to read as follows:

<u>Cannabis manufacturing</u>	<u>Allowed if exempt from the conditional use permit requirement pursuant to section 17.228.900.B.</u>
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2. The “cannabis manufacturing, nonvolatile” row in subsection B.3 (Conditional uses; industrial and agricultural uses) is amended to read as follows:

<u>Cannabis manufacturing;</u> <u>nonvolatile</u>	Permitted with a conditional use permit if— 1. Use is located within ½ mile from the center of an existing or proposed light rail station platform, subject to special use regulations in section 17.228.127; or 2. Use is located greater than ½ mile from the center of an existing or proposed light rail station platform.  Subject to special use regulations in section 17.228.900	ZA/PDC
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B. Except as amended by subsection A above, all provisions of section 17.220.410 remain unchanged and in full effect.

**SECTION 12.**

A. Section 17.220.510 (MIP zone) of the Sacramento City Code is amended as follows:

1. “Cannabis manufacturing” is added to subsection A.3 (Permitted uses; industrial and agricultural uses) to read as follows:

<u>Cannabis manufacturing</u>	<u>Allowed if exempt from the conditional use permit requirement pursuant to section 17.228.900.B.</u>
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2. The “cannabis manufacturing, nonvolatile” row in subsection B.3 (Conditional uses; industrial and agricultural uses) is amended to read as follows:

<u>Cannabis manufacturing, nonvolatile</u>	<p>Permitted with a conditional use permit if—</p> <p>1. Use is located within ½ mile from the center of an existing or proposed light rail station platform, subject to special use regulations in section 17.228.127; or</p> <p>2. Use is located greater than ½ mile from the center of an existing or proposed light rail station platform.</p> <p>Subject to special use regulations in section 17.228.900</p>	ZA/PDC
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B. Except as amended by subsection A above, all provisions of section 17.220.510 remain unchanged and in full effect.

**SECTION 13.**

A. Section 17.220.610 (MRD zone) of the Sacramento City Code is amended as follows:

1. “Cannabis manufacturing” is added to subsection A.3 (Permitted uses; industrial and agricultural uses) to read as follows:

<u>Cannabis manufacturing</u>	<u>Allowed if exempt from the conditional use permit requirement pursuant to section 17.228.900.B.</u>
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2. The “cannabis manufacturing, nonvolatile” row in subsection B.3 (Conditional uses; industrial and agricultural uses) is amended to read as follows:

<p>Cannabis manufacturing; <del>nonvolatile</del></p>	<p>Permitted with a conditional use permit if—</p> <ol style="list-style-type: none"> <li>1. Use is located within ½ mile from the center of an existing or proposed light rail station platform, subject to special use regulations in section 17.228.127; or</li> <li>2. Use is located greater than ½ mile from the center of an existing or proposed light rail station platform.</li> </ol> <p>Subject to special use regulations in section 17.228.900</p>	<p>ZA/PDC</p>
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B. Except as amended by subsection A above, all provisions of section 17.220.610 remain unchanged and in full effect.

**SECTION 14.**

A. Section 17.228.900 of the Sacramento City Code is amended as follows:

A. For purposes of this section, “cannabis production” includes cannabis cultivation, cannabis distribution, and ~~nonvolatile~~ cannabis manufacturing.

~~B. Cannabis production may only be established in the A, C-2, C-4, M-1, M-1(S), M-2, M-2(S), MIP, and MRD zones, except as follows:~~

~~1. Cannabis cultivation may not be established in the MIP or MRD zones.~~

~~2. Cannabis distribution may not be established in the A zone.~~

~~3. Nonvolatile cannabis manufacturing may not be established in the A zone.~~

~~B.C.~~ A conditional use permit is required for cannabis production, except for the following:

1. ~~Nonvolatile-Cc~~ cannabis manufacturing that complies with the following:

a. The use is limited to only packaging and labeling of cannabis or cannabis products, or producing edible or topical cannabis products using an infusion process;

- b. Extraction ~~processes are~~is not being conducted; and
  - c. The gross ~~revenue~~receipts of the use ~~is~~are under \$100,000 annually.
2. Cannabis distribution in accordance with a type-S cannabis distribution permit, as described in article VIII of chapter 5.150.
  3. Cannabis distribution in accordance with a type-T cannabis distribution permit, as described in article VIII of chapter 5.150.
  4. For the purposes of this section, “gross receipts” has the same meaning as provided in section 3.08.020.

DC. Except as provided in subsection ED, the conditional use permit, as required in subsection CB, must be approved by the zoning administrator.

ED. A conditional use permit, as required in subsection CB, must be approved by the planning and design commission where the production site is within 600 feet of:

1. A park identified as a neighborhood park or community park in the city’s most recently adopted Parks and Recreation Master Plan; or
2. A park not yet identified in the city’s most recently adopted Parks and Recreation Master Plan.

FE. The decision-maker may approve a conditional use permit for cannabis production based on the following findings:

1. The findings set forth in section 17.808.200.C; and
2. The proposed cannabis production will not result in undue concentration of cannabis production establishments. An undue concentration of cannabis production establishments will result if the following condition is met:
  - a. The proposed cannabis production use is located within the area bounded by Power Inn Road to the west, Folsom Boulevard to the north, and the city limits to the east and south; and will result in more than 2.5 million square feet of building floor space approved by a conditional use permit for cannabis production use in that area. Building floor space designated for a cannabis manufacturing use in a conditional use permit may be excluded from the 2.5 million square footage calculation.

GF. In any zone, cannabis production must comply with the following provisions:

1. Cannabis production must be within a fully enclosed building and must not be visible from the public right-of-way.
2. Notwithstanding the provisions of California Business and Professions Code section 26054(b), a cannabis production site cannot be located within a 600-foot radius of a school. For purposes of this section, "school" means any public or private school providing instruction in kindergarten or grades 1 to 12, inclusive, but does not include any private school in which education is primarily conducted in private homes.
3. The cannabis production site cannot have more than one sign. The sign may be attached or detached. The sign cannot be illuminated and cannot exceed six square feet in area.
4. Cannabis production must comply with all applicable state and local laws.
5. Each property owner seeking a conditional use permit for cannabis production shall provide a neighborhood responsibility plan in order for the decision-maker to make the requisite findings identified in subsection ~~EE~~. The neighborhood responsibility plan must address the adverse impacts of cannabis distribution on the surrounding area. Compliance with the neighborhood responsibility plan shall be achieved through an agreement with the city, conditions of approval on the use permit, or through other means acceptable to the city.

~~HG~~. In the C-2 zone, cannabis production must comply with the following provisions:

1. Cannabis distribution and nonvolatile cannabis manufacturing cannot exceed a total of 6,400 square feet in area.
2. Cannabis distribution cannot be the only cannabis production use on the site.

~~H~~. Notice to city council. As soon as reasonably practicable after the zoning administrator or planning and design commission makes a decision on a conditional use permit required to establish cannabis production, the planning director shall report that decision to the mayor and the councilmember in whose district the project is located, by sending the report by electronic mail and confirming that each received it.

~~J~~. Procedures for call-up review. The mayor or the councilmember in whose district the project is located may call up for city council review any decision described in subsection ~~H~~ by filing a written request with the planning director within 15 business days of the zoning administrator's or planning and design commission's decision. Once the request is filed, the council shall notice and set the matter for the hearing before it. Notice of the hearing shall be given in the manner provided in section



17.812.010.A.2.a. The hearing before the city council shall be de novo, meaning that the city council shall hear the matter in the same manner that the planning and design commission heard the matter.

- ~~K~~J. Withdrawal of request for review. The requester under subsection ~~J~~I may withdraw that request. The withdrawal shall be noted on the next regularly scheduled meeting of the city council and shall be considered to have occurred on that date. Any other member of the city council shall have 10 days thereafter to file a request for call-up review. If the tenth day is a non-business day, the last day to file the request is the next business day. Noticing and hearing of the matter shall be as set forth in subsection ~~J~~I.
  
- ~~K~~K. A conditional use permit issued in accordance with this section must specify whether the use allowed is for cannabis cultivation, cannabis distribution, or cannabis manufacturing. An addition of any use specified in in this paragraph to the allowed uses specified in a conditional use permit is a modification of the terms and conditions of the conditional use permit subject to section 17.808.440.