
INTERNAL AFFAIRS COMMITTEE AGENDA - AMENDED

A Committee of the Chico City Council: Councilmembers Reynolds, Winslow, and Chair van Overbeek
Meeting of March 4, 2024 – 1:00 p.m.
Council Chamber Building, 421 Main Street

A. MOBILE HOME PARK DISCUSSION

At its meeting of January 16, 2024, the Council voted to refer to the Internal Affairs Committee the discussion of mobile home parks and any ordinances that could be enacted to assist the community.

B. CONSIDERATION OF AMENDMENT TO CHICO MUNICIPAL CODE CHAPTERS 5.42, 19.75 AND 5R.42 PERTAINING TO COMMERCIAL CANNABIS BUSINESSES

The City Municipal Code currently permits the operation of a “manufacturing” cannabis business only if the operator holds a Type 6 – Non-Volatile or Type 7 – Volatile State Manufacturing License. The Code also is silent on a required opening date. The Internal Affairs Committee is being asked to consider whether or not the City Council should consider amending the Chico Municipal Code Chapters 5.42, 19.75 and 5R.42 therefore allowing the addition of Type N and Type P licenses and to require licensees to begin business operations in the city within three years of issuance of a commercial cannabis permit and to allow for minor amendments to correct typographical errors. (*Report – Hope Ithurnburn, Management Analyst – City Manager’s Office*)

Recommendation: The City Manager recommends that the Internal Affairs Committee:

1. Recommend Council consideration of an amendment to the Code to include Type N and Type P State Manufacturing Licenses, thus permitting manufacturing to package or repackage cannabis or cannabis products or label or re-label its container, and/or
2. Recommend Council consideration of an amendment to the Code requiring a permittee to begin business operations in the City of Chico within three years of issuance of a commercial cannabis permit, or January 1, 2027, whichever occurs later, and/or
3. Recommend Council consideration of an amendment to the Code to correct typographical errors.

C. PUBLIC COMMENT

Members of the public may address the Committee at this time on any matter not already listed on the agenda and within the jurisdiction’s authority. Comments will be limited to three minutes or as determined by the Chair based on the number of speakers. The Committee cannot take any action at this meeting on requests made under this section of the agenda.

D. ADJOURNMENT AND NEXT MEETING

The meeting will adjourn to the next regular Internal Affairs Committee meeting scheduled for Monday, April 1, 2024, at 1:00 p.m.

SPEAKER ANNOUNCEMENT

NOTE: Citizens and other interested parties are encouraged to participate in the public process and will be invited to address the Committee regarding each item on the agenda.

Distribution available in the office of the City Clerk

Posted: 02-28-24 prior to 5:00 p.m. at 421 Main St. Chico, CA 95928 and www.ci.chico.ca.us

Copies of the agenda packet are available for review at: City Clerk's Office, 411 Main St. Chico, CA 95928



Please contact the City Clerk at 896-7250 should you require an agenda in an alternative format or if you need to request a disability-related modification or accommodation in order to participate in a meeting. This request should be received at least three working days prior to the meeting in order to accommodate your request.



**Internal Affairs Committee
Agenda Report**

Meeting Date: March 4, 2024

TO: Internal Affairs Committee

FROM: Mark Sorensen, City Manager

RE: Consideration of Amending Chapters 5.42, 19.75 and 5R.42 of the Chico Municipal Code Pertaining to Commercial Cannabis Businesses

REPORT IN BRIEF:

The Chico Municipal Code (“Code”) currently permits the operation of a “Manufacturing” cannabis business only if the operator holds a Type 6- Non-volatile or a Type 7- Volatile State Manufacturing License. The recommended Code amendments would also permit a Manufacturer to operate with a Type P and Type N State Manufacturing License. A Type P license permits manufacturing that only packages or repackages cannabis or cannabis products or labels or re-labels its container and a Type N license permits manufacturing of cannabis products through infusion and package as well as package and label cannabis. The amendments further require a permittee to begin business operations in the City of Chico within three years of issuance of a commercial cannabis permit, or January 1, 2027, whichever occurs later. Finally, minor clean up to the Code is made to correct typographical errors.

Recommendation:

The City Manager recommends the Internal Affairs Committee consider the following:

1. Recommend Council consideration of an amendment to the Code to include a Type P and Type N State Manufacturing License, thus permitting manufacturing to package or repackage cannabis or cannabis products or label or re-label its container and the manufacturing of cannabis products through infusion and package as well as package and label cannabis, and/or
2. Recommend Council consideration of an amendment to the Code requiring a permittee to begin business operations in the City of Chico within three years of issuance of a commercial cannabis permit, or January 1, 2027, whichever occurs later, and/or
3. Recommend Council consideration of an amendment to the Code to correct typographical errors.

FISCAL IMPACT: None.

BACKGROUND:

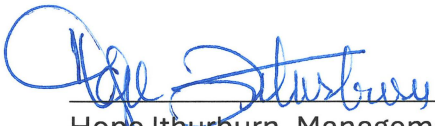
The City was contacted by cannabis manufacturing and distributing licensee of Area 1075 expressing a desire to expand its current business model to allow for other manufacturing types; specifically, those permitting the packaging and labeling of cannabis products. In consulting with HDL Companies, it was recommended the expansion of manufacturing would also require a Type P license.

This also provided an opportunity to revisit the current business operation requirements that is silent on a required opening date once the licensee obtains the required permits, licenses, and other conditions. All cannabis licensees have been contacted and provided with the proposed amendments to the Code. Additionally, all licensees have been made aware of this scheduled meeting and invited to attend if they wish to provide public comments.

DISCUSSION:

The Internal Affairs Committee is being asked to consider whether or not the City Council should consider further modifications to the Chico Municipal Code to allow for the addition of Type P and Type N State Manufacturing License, as well as requiring a permittee to begin business operations in the City within three years of issuance of a commercial cannabis permit, and to allow for minor amendments to correct typographical errors.

Prepared by:



Hope Ithurnburn, Management Analyst

Approved by:



Mark Sorensen, City Manager

ATTACHMENTS:

Exhibit A – Draft Ordinance

1 “Manufacturing or Manufacture” means the production, preparation, propagation, or compounding of
2 cannabis or cannabis products, directly or indirectly, by extraction methods, independently by means
3 of chemical synthesis, or by a combination of extraction and chemical synthesis at a fixed location
4 that packages or repackages cannabis or cannabis products or labels or re-labels its container, or that
only packages or repackages cannabis or cannabis products or labels or re-labels its container.

5 Section 5.42.060 of Chapter 5.42 of Title 5 of the Chico Municipal Code is hereby amended as follows:

6 A. Allowed: The classification and type of commercial cannabis business explicitly
7 allowed for in this chapter and Title 19, as otherwise conditioned, and as may be amended from time
8 to time by the City, are as follows:

- 9 1. Testing laboratory (DCC License Type 8);
- 10 2. Distribution (DCC License Type 11);
- 11 3. Manufacturer (DCC License Type 6- Non-Volatile, and Type 7- Volatile, and Type P-
12 Packaging and Labeling);
- 13 4. Retailer-delivery only (DCC License Type 9); and
- 14 5. Retailer-storefront (DCC License Type 10).

15 Section 5.42.150 of Chapter 5.42 of Title 5 of the Chico Municipal Code is hereby amended as follows:

16 A. The following are grounds for revocation of a Commercial Cannabis Permit:

- 17 1. Failure of a permittee to comply with any requirement imposed by the provisions of
18 this Code (or successor provision or provisions), including, but not limited to, any rule,
19 regulation, condition or standard adopted pursuant to this chapter, or any term or
20 condition imposed on the Commercial Cannabis Permit or entitlements or Use Permit,
21 or any provision of State law.
- 22 2. Revocation of a State license issued under this chapter.
- 23 3. If the permittee, its owner(s), manager(s) or a responsible person has, within the past
24 three (3) years, been sentenced or had a judgment issued in a criminal or civil court
25 proceeding, and/or has been sanctioned or fined for, enjoined from, or found guilty of
26 or plead guilty or no contest to a charge for engaging in a commercial cannabis activity
27 in the State without the necessary permits and approvals from the applicable State
28 and/or local jurisdictions; or has had a commercial cannabis license revoked or
suspended by the applicable State and/or local jurisdictions.
4. Conviction within the past ten (10) years of the permittee, its owner(s) or manager(s),
or a responsible person, including a plea of guilty or no contest, to any of the following

1 offenses shall be grounds for revocation of a Commercial Cannabis Permit issued by
2 the City:

- 3 i. A violent felony, as specified in Section 667.5(c) of the Penal Code.
4 ii. A serious felony, as specified in Section 1192.7(c) of the Penal Code.
5 iii. A felony involving fraud, deceit, or embezzlement.
6 iv. A felony for hiring, employing, or using a minor in transporting, carrying, selling,
7 giving away, preparing for sale, or peddling, any controlled substance to a minor;
8 or selling, offering to sell, furnishing, offering to furnish, administering, or giving
9 any controlled substance to a minor.
10 v. A felony for drug trafficking with enhancements pursuant to Section 11370.4 or
11 11379.8 of the Health and Safety Code.
12 vi. A felony or misdemeanor involving the illegal possession for sale, sale,
13 manufacture, transportation, or cultivation of a controlled substance occurring
14 after January 1, 2016.

15 5. If the permittee fails to satisfy all of the requirements set forth in Section 5.42.100(B)
16 within three years of the issuance of a Commercial Cannabis Permit or January 1, 2027,
17 whichever occurs later.

18 Section 5.42.313 of Chapter 5.42 of Title 5 of the Chico Municipal Code is hereby amended as follows:

19 A. Cannabis manufacturing shall only be permitted for Type 6, ~~or~~ Type 7, or Type P state
20 licenses for manufacturing facilities, as such types are known at the time of adoption of this ordinance.
21 Any subsequently created manufacturing state license types shall be considered by the Council and/or
22 Planning Commission prior to being permitted to operate within the City. Type 6, ~~and~~ Type 7, ~~and~~
23 Type P manufacturing uses shall be allowed only in those zone districts as defined in Chapter 19 of
24 the Chico Municipal Code for cannabis manufacturing.

25 Section 5.42.330 of Chapter 5.42 of Title 5 of the Chico Municipal Code is hereby amended as follows:

26 A. Each owner and operator of a commercial cannabis business shall maintain accurate
27 books and records in an electronic format, detailing all of the revenues and expenses of the business,
28 and all of its assets and liabilities and shall maintain all invoices, receipts and other records supporting
all revenues, expenses, assets, and liabilities. On no less than an ~~annual~~ quarterly basis, or at any time
upon reasonable request of the City, each commercial cannabis business shall file a sworn statement
detailing the commercial cannabis business' gross receipts, revenue and number of sales during the
previous ~~twelve~~ three-month period (or shorter period based upon the timing of the request), provided
on a per-month basis. The statement shall also include gross revenues for each month, and all
applicable taxes paid or due to be paid. On an annual basis, each owner and operator shall submit to
the City a financial audit of the business' operations conducted by an independent certified public

1 accountant. Each permittee shall be subject to a regulatory compliance review and financial audit as
2 determined by the City Manager, or their designee.

3 Section 19.75.020 of Chapter 19.75 of Title 19 of the Chico Municipal Code is hereby amended as
4 follows:

5 JJ. "Manufacturer" means a licensee that conducts the production, preparation, propagation, or
6 compounding of cannabis or cannabis products either directly or indirectly or by extraction methods,
7 or independently by means of chemical synthesis, or by a combination of extraction and chemical
8 synthesis at a fixed location that packages or repackages cannabis or cannabis products or labels or re-
9 labels its container. A manufacturer may also be a person that infuses cannabis in its products but does
10 not perform its own extraction. A manufacturer may also be a person that only packages or repackages
11 cannabis or cannabis products or labels or re-labels its container. Manufacturer shall also have the
12 same meaning as in Section 26001(ah) of the Business and Professions Code, as same may be amended
13 from time to time.

14 KK. "Manufacturing" means the use type that produces, prepares, propagates, or compounds
15 cannabis or cannabis products, directly or indirectly, by extraction methods, independently by means
16 of chemical synthesis, or by a combination of extraction and chemical synthesis at a fixed location
17 that packages or repackages cannabis or cannabis products or labels or re-labels its container, or that
18 only packages or repackages cannabis or cannabis products or labels or re-labels its container, and is
19 owned and operated by a person issued a valid Commercial Cannabis Permit for manufacturing from
20 the City of Chico and a valid state license as required for manufacturing of cannabis products.

21 The title of Section 5R.42.070 of Chapter 5R.42 of Title 5R of the Chico Municipal Code is hereby
22 amended as follows:

23 5R.42.070 Permit is a Not a Land Use Approval or an Entitlement.

24 SECTION 3. CEQA. The City Council, on the basis of the whole record and exercising independent
25 judgment, finds that this Ordinance is exempt from the provision of the California Environmental
26 Quality Act pursuant to CEQA Guidelines Section 15061(b)(3) because it can be seen with certainty
27 that there is no possibility that the Ordinance may have a significant effect on the environment.

28 SECTION 4. Severability. If any section, subsection, line, sentence, clause, phrase, or word of this
Ordinance is for any reason held to be invalid or unconstitutional, either facially or as applied, by a
decision of any court of competent jurisdiction, such decision shall not affect the validity of the
remaining portions of this Ordinance. The City Council of the City of Chico hereby declares that it
would have passed this Ordinance, and each and every individual section, subsection, line, sentence,
clause, phrase, or word without regard to any such decision.

SECTION 5. Effective Date. The Ordinance shall be effective 30 days after its final adoption by the
City Council.

SECTION 6. Certification. The City Clerk shall certify to the passage and adoption of this Ordinance
and shall cause the same to be published or posted in the manner required by law.

1 THE FOREGOING ORDINANCE was adopted by the City Council of the City of Chico at its duly
2 noticed meeting held on _____, 2024, by the following vote:

3 AYES:
4 NOES:
5 ABSENT:
6 ABSTAINED:
7 DISQUALIFIED:

8 **ATTEST:**

APPROVED AS TO FORM:

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10 _____
Deborah R. Presson, City Clerk

10 _____
John Lam, City Attorney*

11 *Pursuant to The Charter of the City of Chico,
12 Section 906(E)
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