



## CITY COUNCIL AGENDA REPORT

**MEETING DATE:** May 3, 2021

**TO:** City Council Members

**FROM:** Mary Rose Rutikanga, City Administrator  
Nubia Goldstein, Deputy City Attorney

**SUBJECT:** First Reading and Introduction of Ordinance 879

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### RECOMMENDATION

Motion to approve first reading and introduction of Ordinance No. 879, reading by title only, waiving further reading, an ordinance of the City Council of the City of Sonora approving the First Amendment to the Development Agreement By and Between the City of Sonora and Bract House, LLC.

### BACKGROUND

On October 9, 2015, Governor Brown signed three (3) bills into law (AB 266, AB 243, and SB 643), collectively referred to as the Medical Cannabis Regulation and Safety Act ("MCRSA"). MCRSA established the state's first licensing system for commercial medicinal cannabis activity by qualified patients and their primary care givers. MCRSA also preserved local control of these businesses by requiring that a medicinal cannabis business obtain a local permit in order to operate.

In November of 2016, the voters of California approved Proposition 64 entitled the "Control, Regulate and Tax Adult Use of Marijuana" ("AUMA"). AUMA legalized the adult-use, sale, and possession of cannabis by persons 21 years of age and older.

On June 27, 2017, Governor Jerry Brown signed into law the Medicinal and Adult-Use Cannabis Regulation and Safety Act ("MAUCRSA"), which combined MCRSA and AUMA to create a single regulatory scheme for both medicinal and adult-use cannabis businesses. MAUCRSA retains the provisions in AUMA that granted local jurisdictions control over whether businesses engaged in commercial cannabis activity may operate in their jurisdiction.

On January 16, 2018, the Sonora City Council (the "City Council") adopted an ordinance that regulates cannabis businesses through a development agreement and use permit (the "Cannabis Business Pilot Program"). The Cannabis Business Pilot Program amended Section 8.36 of the Sonora Municipal Code ("S.M.C.") to allow medicinal cannabis dispensaries in the City.

On August 5, 2019, the Sonora City Council adopted Ordinance No. 858 approving a development agreement between the City and Bract House, LLC ("Bract House") to operate a cannabis dispensary business (the "Original Agreement") at 10 Calaveras Street, in the City of Sonora, County of Tuolumne, State of California, Assessor's Parcel Number 056-090-032-00 (the "Site").

## **Discussion**

On November 16, 2020, the City Council adopted Ordinance No. 873, which amended the Cannabis Business Pilot Program which changed how cannabis dispensaries may operate. Specifically, Ordinance No. 873 allows the sale of adult-use cannabis in the same manner as medicinal cannabis. It retains the same safeguards required of medicinal cannabis dispensaries, including security protocols, odor control, insurance requirements, and waste management plans. In addition, Ordinance No. 873 allows up to three (3) cannabis dispensaries to sell adult-use and medicinal cannabis in the following zones: tourist and administrative (CO), commercial (C), general commercial (CG), and limited manufacturing (ML).

Pursuant to Ordinance No. 873, Bract House, LLC wishes to expand their operations to include the sale of adult-use cannabis at the Site. The proposed amendment (the "Amendment") revises the Original Agreement to allow Bract House, LLC to obtain an A-Type 10 license for the sale of adult-use cannabis. The Amendment revises Section 1.4, Definitions, of the Original Agreement to also include definitions relevant to the cannabis distributor license. The Amendment also revises Section 2.3, Permitted Uses and Development Standards, of the Original Agreement to authorize Bract House, LLC to engage in the sale of adult-use cannabis.

Further, the Amendment revises the Public Benefit that Bract House would pay. The Public Benefit is an amount paid by the Developer to offset the impact that cannabis businesses have on City resources and services. The Amendment would require Bract House to pay twelve thousand five hundred dollars (\$12,500) each month, or seven and a half percent (7.5%) of Gross Receipts from Operations, whichever amount is greater. This would be due on a monthly basis. This is an increase from the Original Agreement which required Bract House to pay the higher sum between ten thousand dollars (\$10,000) or five percent (5%) of Gross Receipts from Operations monthly.

Pursuant to the Original Agreement, Bract House, LLC may operate only if their medicinal retail license is still active. If their medicinal license becomes inactive for any reason, they must cease all commercial operations immediately. The Amendment allows Bract House, LLC to apply for and obtain an adult-use commercial cannabis license from the State Licensing Authority. However, Bract House, LLC must keep their medicinal cannabis license notwithstanding their ability to obtain the adult-use license.

Taken together, the Original Agreement and Amendment will allow Bract House, LLC to operate a medicinal and adult-use cannabis retail business at the Site (the "Project").

On April 12, 2021, the City of Sonora Planning Commission approved Resolution 04-12-21-B recommending the City adopt the First Amendment to the Development Agreement By and Between the City of Sonora and Bract House, LLC.

## **FISCAL IMPACT**

The City anticipates receiving additional General Fund revenues with the approval of the First Amendment of the Development Agreement which would allow Bract House, LLC to expand their operations to include the sale of adult-use cannabis. The additional revenue would be received from both the Public Benefit Fee and Sales Tax.

## **ATTACHMENTS**

- Ordinance 879
- First Amendment to the Development Agreement By and Between the City of Sonora and Bract House, LLC.
- Planning Commission Resolution 04-12-2021-B
- Public Hearing Notice