



## 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 878

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### RECOMMENDATION

Motion to approve first reading and introduction of Ordinance No. 878, reading by title only, waiving further reading, an ordinance of the City Council of the City of Sonora approving the Development Agreement By and Between the City of Sonora and Hazy Bulldog Farms, 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 November 5, 2018, the Sonora City Council adopted Ordinance No. 850 approving a development agreement between the City and Hazy Bulldog Farms, LLC ("Hazy Bulldog Farms") to operate a cannabis dispensary business (the "Original Agreement") at 1201 Mono Way, in the City of Sonora, County of Tuolumne, State of California, Assessor's Parcel Number 056-190-011 (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).

On March 15, 2021, the City Council adopted Ordinance No. 877 which allowed Hazy Bulldog to expand their operations to include the sale of adult-use cannabis at the Site. The development agreement amendment (the "Amendment") revised the Original Agreement to allow Hazy Bulldog to obtain an A-Type 10 license for the sale of adult-use cannabis. Taken together, the Original Agreement and Amendment allow Hazy Bulldog to operate a medicinal and adult-use cannabis retail business at the Site (the "Project").

Hazy Bulldog seeks to move their cannabis business operations from the Original Site to 1243 Mono Way, (APN 056-190-012) in the City of Sonora, County of Tuolumne, State of California (the "Site"). Hazy Bulldog and the City wish to enter into a Development Agreement to operate the Project at the Site (the "Agreement"). Pursuant to the Cannabis Business Pilot Programs' maximum number of cannabis dispensaries, the Agreement mandates Hazy Bulldog does not retain cannabis business operations at the Original Site. Under the Agreement, Hazy Bulldog would only be able to operate a cannabis dispensary at the Site.

The Agreement would also modify the Public Benefit amount that Hazy Bulldog would pay. In the Original Agreement, Hazy Bulldog paid the City ten thousand dollars (\$10,000), or five percent (5%) of Gross Receipts from Operations, whichever is higher, due monthly. The Agreement would require Hazy Bulldog 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 is higher. This amount would also be due on a monthly basis.

On April 12, 2021, the City of Sonora Planning Commission approved Resolution 04-12-21-A recommending the City adopt the First Amendment to the Development Agreement By and Between the City of Sonora and Hazy Bulldog Farms, 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 Hazy Bulldog Farms, 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 878
- First Amendment to the Development Agreement By and Between the City of Sonora and Hazy Bulldog Farms, LLC.
- Planning Commission Resolution 04-12-2021-A
- Public Hearing Notice