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### STAFF REPORT

**TO:** THE HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL  
**MEETING DATE:** FEBRUARY 17, 2026  
**FROM:** TOM DUBOIS, CITY MANAGER  
**SUBJECT:** DIRECTION TO CONSIDER A DEVELOPMENT AGREEMENT FOR A CANNABIS DISPENSARY

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### RECOMMENDATION

That the City Council receive this report and provide direction on whether to entertain a Pilot Development Agreement for a single commercial cannabis retail location with a one-year renewable term.

### BACKGROUND

Staff has received inquiries regarding a potential limited approach to retail cannabis implementation. Unlike a broad ordinance that opens the City to multiple dispensaries, and would require extensive updates to our zoning and ordinances, this proposal is for a Pilot Program consisting of exactly one (1) storefront.

A pilot would be governed by a Development Agreement (DA), a contract that allows the City to secure significant community benefits (revenue and public safety enhancements) that standard permits cannot provide. The proposed term is one year, giving the Council maximum flexibility to rescind the program if the operator does not strictly adhere to our community's standards.

State law (MAUCRSA) allows local jurisdictions to regulate cannabis. While many cities have adopted broad ordinances, several others have used Development Agreements to craft site-specific, highly controlled relationships with a single operator. We have looked at some examples from other cities and if directed to investigate a pilot agreement, will spend more time reviewing the agreements that other cities have used.

A Development Agreement is a voluntary contract between the City and a developer.

- **For the Developer:** It provides "vested rights" (certainty that local rules won't change for the term of the agreement).
- **For the City:** It allows us to negotiate benefits beyond standard legal requirements. Most importantly, it allows the City to collect a "Community Benefit Fee" (effectively a tax) without the delay and cost of a ballot measure. It will have less overhead with fewer modifications of city ordinances.

Other benefits include funding of a community nonprofit foundation and investment in public safety tools for our police department such as cameras and license plate readers. We can specify other things such as hiring locally and operational requirements.

## **DISCUSSION**

One of the largest cannabis retailers in California, Embarc, initiated a discussion with us at the end of last year. They introduced their company and explained their approach. They have 16 locations in California, primarily in mid-tier markets. (More on the market and the company below).

They have analyzed the opportunity in Amador County and believe they can be successful with a store on Ridge Road. As part of the overview, they will be present at the meeting and will present more information on their company and how they operate their stores, and their record in other communities in terms of safety.

Cannabis dispensaries in similar markets create jobs for 25 - 30 employees and generate up to \$10M in revenue per year, after reaching operational maturity in a year or two. Embarc prioritizes demonstrating that they take being a positive part of the community seriously. Entering markets through either merit-based evaluation processes or through pilot programs as is being proposed in Sutter Creek, they pay a percentage of gross revenue as a community benefits fee, an additional 1% to a Community Investment Fund managed by a Board of local leaders, as well as regular sales tax. For Sutter Creek, this could represent hundreds of thousands of dollars annually in new general fund benefit fees, sales tax payments, and philanthropic giving.

### **1. The "Pilot" Concept: One Store, One Year**

After the initial meeting, I spent some time researching both the company and this opportunity. I am bringing it to you because I think this a significant economic development opportunity and can be done in a way that protects Sutter Creek's quality of life.

This is **not** a proposal to open Sutter Creek to multiple stores through an RFP process or a zoning change.

A development agreement approach offers the following advantages for the City, including maintaining strict limits on local commercial cannabis activity:

- Single Location: Only one operator would be permitted.
- Probationary Term: The initial term would be for one year. While standard DAs are often 3-5 years, a one-year term ensures the City can "pull the plug" if the operator fails to be a good neighbor.
- Revocability: The City retains the right to terminate for "public nuisance" or failure to pay fees, often with a 30-day cure period.

- Local Control: The City – not the state – maintains full control over project specifics and operational standards.
- Applicant evaluation: Given the highly regulated and complex nature of the industry, the agreement would only entertain operator(s) with a proven track record of successful operations in California.
- Revenue generation: A “public benefits fee” (usually a percentage of gross receipts) paid directly to the City’s general fund.
- Site and Security Evaluation: The City would have authority over the specific security plan, design standards, and hours of operation.
- Philanthropic Support: 1% of gross revenue, in addition to the public benefits fee, would be contributed to a locally-directed Community Advisory Board for charitable giving.

#### 4. Details on Development Agreement Terms

Based on a review of precedent agreements (including Fontana, South Lake Tahoe, and Martinez), the following terms are standard for a Cannabis Development Agreement:

##### 1. Public Benefit / Community Fees

- Rate: Typically 2% to 8% of Gross Receipts paid monthly or quarterly.
- Minimum Guarantee: Some agreements include a "floor" to ensure City revenue stability regardless of sales volume.

##### 2. Operational & Security Covenants

- Local Hiring
- Security Integration: Requirement for real-time camera access for the Police Department and on-site security guards. Can fund capital requirements for the police department, such as cameras monitoring roads into the City.
- Nuisance Mitigation: Strict clauses regarding odor control, loitering, and graffiti removal.

##### 3. Term & Revocability

- Pilot Term: Initial term of one (1) year with options to renew based on "Good Standing" performance reviews.
- Termination

##### 4. Indemnification

- Defense & Indemnity
- Cost Recovery for monitoring compliance

Embarc would submit a site-specific development proposal for staff review. With Council support, the project would follow a standard entitlement process, similar to typical housing or commercial developments. Staff expects that Embarc's proposal would outline a comprehensive project that includes, but is not limited to:

- Site specific project plans
- Suggested development standards and project conditions

- Distance to sensitive uses
- Security standards
- 24-hour surveillance
- Live security monitoring
- Security guards
- Access controls
- Direct security feed access to the police department
- Multiple factor ID verification for customers
- Crime Prevention Through Environmental Design (CPTED) standards
- Territorial reinforcements
- Lighting standards
- Community benefit proposal through Development Agreement or Community Benefit Agreement
- Percentage of gross revenue to the city for general fund purposes
- Percentage of gross revenue to a Community Advisory Board for charitable contributions
- Annual volunteer hours commitment

Embarc's retail cannabis storefront operations would adhere to all Department of Cannabis Control Regulations and other state law governing retail cannabis sales. Those regulations include but are not limited to:

- §15047. Alarm System - Licensees must maintain an alarm system on the premises.
- §15045. Security Personnel - Retailers and microbusinesses engaged in retail sales must hire or contract security personnel aged 21+ during operating hours.
- §15044. Video Surveillance System - Licensed premises must have a digital video surveillance system in place.
- §15044(h). Video Surveillance Storage - Surveillance recordings must be stored for a minimum of 90 days.
- §15049. Track and Trace Reporting - Licensees must comply with state track-and-trace system requirements for inventory tracking.
- §15403. Hours of Operation - Retailers can sell and deliver cannabis goods only between 6:00 a.m. and 10:00 p.m. Pacific Time.
- §15403.1. Requirements While Not Open for Business -When a retail location is closed:
  - o It must be securely locked with commercial-grade locks.
  - o The alarm system must be activated.
  - o Only employees and authorized individuals may access the premises.
- §15404. Retail Customers - Retailers must verify customer age and identity:
  - o Adult-use cannabis can only be sold to individuals 21+.
  - o Medical cannabis can be sold to individuals 18+ with a valid physician's recommendation.
- §15406. Cannabis Goods for Sale - Retailers can only sell or deliver cannabis goods received from a licensed distributor or microbusiness.
- §15413. Cannabis Goods Packaging & Exit Packaging - Cannabis packaging must be: Tamper-evident and child-resistant. Placed in an opaque exit package before leaving the retail premises.
- §15423. Inventory Documentation - Retailers must maintain an accurate inventory record.
- §26054. Alcohol, Tobacco, and Location Restrictions:
  - o Licensees cannot sell alcohol or tobacco on licensed cannabis premises.
  - o Cannabis businesses must not be within 600 feet of a school (K-12), daycare center, or youth center, unless an exception is granted by state or local

jurisdictions.

- §15424. Inventory Reconciliation - Retailers must be able to account for all inventory.

## PROPOSED PROCESS

If the Council wishes to explore this Pilot Program, staff recommends the following due diligence process before any final vote:

1. **Community Town Halls (Hosted by Embarc):** The operator would be required to host two or three public community meetings to answer resident questions directly, explain their security protocols, and solicit feedback on the "Community Benefit" priorities.
2. **Site Tours:** Councilmembers and key staff would be invited to tour existing locations to inspect the operations, security, and aesthetics firsthand.
3. **Negotiation:** Staff would negotiate the draft Development Agreement to maximize City benefits and protections.
4. **Public Hearings:** The final DA (and possibly Conditional Use Permit) would return to the Planning Commission and City Council for public hearings and a final vote.

## CANABIS MARKET IN CALIFORNIA

The cannabis market in California continues to evolve and mature. After adult-use legalization in 2018 and growing local authorization, several firms remain focused on volume and scale. Recent months have seen an uptick in market consolidation, while other operators, like Embarc (our proposed partner), have maintained a focus on building sustainable, community-serving footprints. Compared to other operators, Embarc occupies a unique 'Mid-Major' tier—large enough to be stable and professional, but focused on 'community integration' rather than aggressive statewide dominance."

### Company Overview: Embarc

**Embarc** is a California-based cannabis retailer known for its "community-centric" business model. Unlike large corporate Multi-State Operators (MSOs), Embarc positions itself as a "local" operator by partnering with local residents (often ensuring majority local hiring to meet municipal preferences) and offering robust community benefit packages.

- **Founded:** 2019/2020
- **Headquarters:** Sacramento, CA
- **Founders:** Lauren Carpenter (CEO) and Dustin Moore (Chief Strategy Officer).
  - *Background:* Both founders have deep roots in political strategy and government affairs. They were key lobbyists/strategists for **Proposition 64** (California's adult-use legalization measure) and leading experts on navigating the newly created commercial cannabis market, which gives them a significant advantage in navigating complex local regulatory environments.
- **Business Model:** Retail-focused (dispensaries) and events (concessions). They do not engage in or manufacturing, focusing instead on the storefront experience and a rigorous adherence to regulatory compliance.

### Operational Footprint

Embarc has rapidly expanded by winning "merit-based" license competitions in cities that are politically conservative or highly restrictive regarding cannabis. They currently operate **16 locations** across California, including:

- **Northern CA / Bay Area:** Alameda, Chico, Martinez, Fairfield, Redwood City, San Bruno.
- **Central Valley:** Sacramento, Fresno (multiple), Tracy, Madera, Woodland.
- **Sierra / Tahoe:** South Lake Tahoe, Meyers.
- **Southern CA:** Ventura, Fontana and soon to open the first legal dispensary in the City of Riverside.

They often target jurisdictions that are issuing their *first* or *only* cannabis license, allowing them to secure and maintain stable operations while building strong community connections in that specific market (e.g., Martinez, Fairfield).

### The "Embarc Strategy" (Why Cities Choose Them)

Embarc wins licenses because they offer a standardized "Community Benefit" package that appeals to City Councils and nervous residents:

1. **Community Advisory Board (CAB):** In every city, they form a board of 5–7 local residents (pastors, non-profit leaders, retired police) to oversee their charitable giving.
2. **1% Community Spend:** They voluntarily contract to donate **1% of Gross Receipts** to local charities chosen by the CAB. This is *in addition* to standard city taxes.
3. **Labor Peace:** They have a statewide partnership with the **UFCW (United Food and Commercial Workers)** union, ensuring their employees are unionized or have a pathway to unionize. This secures political cover from labor-friendly City Councils.
4. **Security & Design:** Their stores are designed to look like high-end pharmacies or tech stores (Apple Store aesthetic), specifically to combat "stoner stigma" in conservative neighborhoods.

### Regulatory Track Record

- **Compliance:** Generally regarded as a "high compliance" operator due to the founders' background in writing the state laws.
- **Controversy:** Like all cannabis operators, they face occasional NIMBY opposition during permitting, but they have no major public record of license revocations or state enforcement actions (e.g., selling to minors) that plague lower-tier operators.

### BUDGET IMPACT

There is no cost to the City to explore this option. The applicant would be required to fund all staff time and legal fees associated with processing the application and negotiating the agreement. If approved, the project could generate significant annual revenue for the General Fund through the Community Benefit Fee.

## **CONCLUSION**

This "Pilot" approach allows Sutter Creek to "test drive" a partnership with a single, high-quality operator without committing to a permanent or city-wide cannabis program. Staff seeks Council direction on whether to proceed with the process outlined above.

## **ATTACHMENTS**

- 1) Example Ordinance Changes