



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Paul Joseph

SUBJECT: See Below

DATE: October 15, 2024

Approved

Date:

10/21/24

COUNCIL DISTRICT: Citywide

SUBJECT: Amendment to Chapter 6.88.840 of Title 6 (Business Licenses and Regulation) of the San José Municipal Code for the Cannabis Regulatory Program

RECOMMENDATION

Approve an ordinance amending Chapter 6.88.840 of Title 6 (Business Licenses and Regulation) of the San José Municipal Code for the Cannabis Regulatory Program to allow Notice of Completed Registration transfers.

SUMMARY AND OUTCOME

Approving the recommended action allows registered cannabis businesses to transfer their registrations instead of transferring ownership of their businesses.

BACKGROUND

On February 15, 2022,¹ City Council approved an ordinance amending Title 20 of the San José Municipal Code allowing cannabis retail storefronts/dispensaries in commercial zoning districts, disallowing new cannabis storefronts/dispensaries in industrial zoning districts, and changing distance requirements from cannabis businesses to sensitive uses with special consideration for the downtown and urban village areas. Additionally, City Council approved an ordinance amending Chapter 6.88 of Title 6 (Business Licenses and Regulations) of the San José Municipal Code allowing delivery-only, allowing up to 10 new cannabis retail businesses with equity business

¹ February 15, 2022 City Council meeting, Item 10.2. CC 22-152 [City of San José - File #: 22-152 \(legistar.com\)](https://legistar.com)

owners to register, and allowing currently registered cannabis dispensary businesses to dispense cannabis from a total of two locations.

Due to difficulty in finding viable retail storefront locations, on June 13, 2023,² City Council approved modifying distance requirements from cannabis retail businesses to schools, daycare centers, youth centers, community and recreation centers, and parks, eliminating the distance requirement between storefronts, adding standards to address the concentration of cannabis retail businesses, and removing the police beat restriction.

Additionally, on March 19, 2024,³ when discussing cannabis annual operating fee comparisons, City Council directed staff to evaluate duplicative and burdensome regulations. On June 18, 2024,⁴ the City Council approved updates to the San José Municipal Code to remove certain regulations and align some of the City's regulations with state regulations.

The approved changes included:

- Removing the Police Department's background investigation process for owners, managers, and individuals working at cannabis business locations;
- Removing the Police Department-issued identification badge requirement;
- Clarifying enforcement of underage presence at cannabis business locations;
- Updating payment installment options;
- Revising property maintenance requirements from 300 feet to 20 feet of cannabis business premises and location; and
- Updating burglar alarm, fire alarm, and security personnel requirements.

Additionally, there were several language changes/technical changes to update and clarify the San José Municipal Code with respect to definitions, general provisions, operating regulations and conditions, records, and other administrative changes.

ANALYSIS

On June 11, 2024,⁵ the City Council directed the Police Department to bring forward changes to allow transfers of Notice of Completed Registration. Staff proposes updating Title 6 to allow a registered cannabis business to transfer the registrations of all its

² June 13, 2023, City Council meeting, Item 10.3. CC 23-880 [City of San José - File #: 23-880 \(legistar.com\)](#)

³ March 19, 2024, City Council meeting, Item 4.1 CC 24-73508 [City of San José - Meeting of City Council on 3/19/2024 at 1:30 PM \(legistar.com\)](#)

⁴ June 18, 2024, City Council meeting, Item 2.29 CC 24-153382 [City of San José - Meeting of City Council on 6/18/2024 at 11:00 AM \(legistar.com\)](#)

⁵ June 11, 2024, City Council meeting, Item 3.5 CC 24-120628 [City of San José - Meeting of City Council on 6/11/2024 at 1:30 PM \(legistar.com\)](#)

HONORABLE MAYOR AND CITY COUNCIL

October 15, 2024

Subject: Amendment to Chapter 6.88.840 of Title 6 (Business Licenses and Regulation) of the San José Municipal Code for the Cannabis Regulatory Program

Page 3

business locations to a new business owner(s), contingent on full payment to the City of any outstanding cannabis business taxes, fines, and/or fees or in the alternative, partial payment is made to the City and all outstanding amounts are paid within one year. It is important the City is able to collect full payments prior to the approval of any transfer or partial payment and collect any remaining amount with the new business owner(s). No partial transfers will be allowed (e.g., transferring one retail location, but not transferring a second retail location owned by the same business, or transferring the business asset, but not transferring the outstanding amount owed to the City.)

EVALUATION AND FOLLOW-UP

Staff has consistently provided City Council with updates, via informational memoranda, regarding the progress of the City's cannabis regulatory program, changes in state law, and other developments potentially impacting the regulatory landscape.

Approval of this recommendation will be the first reading of the ordinance. The ordinance will return to City Council for a second reading and approval on November 19, 2024. If City Council approves these changes, the Police Department's Division of Cannabis Regulation will accept applications for transfer of Notice of Completed Registration immediately to begin the review process upon payment of all associated fees; however, staff does not propose issuing any amended or transferred Notice of Completed Registrations until on or after the effective date of the approved ordinance change. This approach will help expedite the transfer review process.

COORDINATION

This memorandum was coordinated with the City Attorney's Office, the City Manager's Budget Office, and the Finance Department.

PUBLIC OUTREACH

This memorandum will be posted on the City's Council Agenda website for the November 5, 2024 City Council meeting.

COMMISSION RECOMMENDATION AND INPUT

No commission recommendation or input is associated with this action.

HONORABLE MAYOR AND CITY COUNCIL

October 15, 2024

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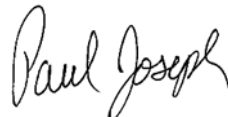
Page 4

CEQA

Not a Project, File No. PP17-008, General Procedure and Policy Making resulting in no changes to the physical environment.

PUBLIC SUBSIDY REPORTING

This item does not include a public subsidy as defined in section 53083 or 53083.1 of the California Government Code or the City's Open Government Resolution.



Paul Joseph
Acting Chief of Police

For questions, please contact Wendy Sollazzi, Division Manager, Division of Cannabis Regulation, San José Police Department, at wendy.sollazzi@sanjoseca.gov or (408) 537-9890.