



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Paul Joseph

SUBJECT: See Below

DATE: October 27, 2025

Approved

Date:

11/4/25

COUNCIL DISTRICT: Citywide

SUBJECT: Amendment to Chapter 6.88 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 of Title 6 (Business Licenses and Regulation) of the San José Municipal Code for the Cannabis Regulatory Program to:

- (a) Update the term of registration to be based on fiscal year to align with the annual operating fee;
- (b) Increase the number of allowed delivery locations to correspond with the number of allowed retail storefront locations per business;
- (c) Approve other changes to update the San José Municipal Code to better align with state regulations; and
- (d) Make other technical, non-substantive, or formatting changes.

SUMMARY AND OUTCOME

Approving the recommended actions aligns the registration date with fiscal year, allows registered cannabis businesses to deliver from up to two authorized retail storefronts with one registration renewal date, and better aligns City of San José regulations with state regulations.

BACKGROUND

Over the past few years, changes have been made to the cannabis program to allow businesses to expand their retail operations and to better align City regulations with state regulations. Staff continue to evaluate regulations and are proposing additional

updates to streamline business operations for the cannabis industry. On February 15, 2022, City Council approved an ordinance amending Chapter 6.88 of Title 6 (Business Licenses and Regulations) of the San José Municipal Code allowing currently registered cannabis dispensary businesses to dispense cannabis from a total of two locations. On March 19, 2024, City Council directed staff to evaluate duplicative and burdensome regulations. On June 18, 2024,¹ 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 delivery from industrial zone only restriction;
- 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

San José Municipal Code Updates – Recommendation (a)

The cannabis business annual operating fee is based on fiscal year. When the business is issued a Notice of Completed Registration (NOCR), the annual operating fee is pro-rated from date of NOCR through the end of the fiscal year. A cannabis business' registration term is based upon the NOCR and therefore does not align with the annual operating fee. If a business adds a second location at a later time, each location will have a different registration renewal date based upon the NOCRs. To allow a business with two locations to have a single registration renewal date, thus making the renewal periods less burdensome, staff proposes updating the term of registration to fiscal year to match the annual operating fee.

¹ 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 \(legistar.com\)](https://legistar.com/View/00000000-0000-0000-0000-000000000000/FullText/2024-153382-00000000-0000-0000-0000-000000000000)

San José Municipal Code Updates – Recommendation (b)

Cannabis businesses registered since December 2015 are allowed to have up to two retail storefront/dispensary locations and one delivery location. Staff recommends updating the delivery location allowance to correspond with the number of allowed retail storefront locations per business. Currently, three out of the 15 registered cannabis businesses have two separate approved retail storefront locations. Registered cannabis businesses maintain separate state required inventory tracking systems and have separate point-of-sale systems for each business location. Allowing the businesses to deliver from their registered retail storefront locations is more convenient to the registered businesses and helps maintain better inventory tracking.

San José Municipal Code and Regulation Updates – Recommendations (c) and (d)

The draft ordinance contains updates to align the City's regulations for record maintenance with state regulations. Additionally, there are several language changes/technical changes to update and clarify the San José Municipal Code with respect to the definitions, and other administrative changes.

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 its second reading and adoption on December 2, 2025.

COST SUMMARY/IMPLICATIONS

There are no cost implications associated with the recommendations in this memorandum.

COORDINATION

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

HONORABLE MAYOR AND CITY COUNCIL

October 28, 2025

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PUBLIC OUTREACH

This memorandum will be posted on the City's Council Agenda website for the November 18, 2025 City Council meeting. The Police Department's Division of Cannabis Regulation staff held a meeting with the existing registered cannabis businesses on October 27, 2025 and the proposed changes were supported.

COMMISSION RECOMMENDATION AND INPUT

No commission recommendation or input is associated with this action.

CEQA

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