

**ORDINANCE NO. 2598**

**AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF CHICO,  
CALIFORNIA, AMENDING CHAPTERS 5.42 AND 5R.42 OF THE CHICO  
MUNICIPAL CODE PERTAINING TO COMMERCIAL CANNABIS  
BUSINESSES**

**WHEREAS**, the City of Chico ("City") is a Charter City, incorporated under the laws of the State of California, and has the power to make and enforce within its jurisdictional limits laws and regulations in respect to municipal affairs subject only to such restriction and limitations as may be provided in the Constitution of the State of California or provision of the City Charter; and

**WHEREAS**, Pursuant to Sections 5 and 7 of Article XI of the California Constitution, the provisions of the Medical Adult Use Cannabis Regulation and Safety Act, any subsequent state legislation and/or regulations regarding same, the City is authorized to adopt ordinances that establish standards, requirements and regulations for the licensing and permitting of commercial cannabis businesses; and

**WHEREAS**, Chapters 5.42 and 5R.42 of the Chico Municipal Code ("Code") regulate commercial cannabis activity in the City of Chico, including the types of activities permitted; and

**WHEREAS**, the Chico City Council desires to amend Chapters 5.42 and 5R.42 to update and add to the current commercial cannabis business activities requirements within the City of Chico by adding a permissible cannabis manufacturing type (Type P), requiring an operation date within three years of licensing, and making general "clean up" revisions.

**NOW, THEREFORE, BE IT ORDAINED** the Council of the City of Chico does hereby adopt the following Ordinance amending Chapters 5.42 and 5R.42 of the Chico Municipal Code as follows:

**SECTION 1. City Code Amendment.**

Section 5.42.050 of Chapter 5.42 of Title 5 of the Chico Municipal Code is hereby amended as follows:

**5.42.050. Definitions.**

"Manufacturer" means one that conducts the production, preparation, propagation, or compounding of cannabis or cannabis products either directly or indirectly or by extraction methods, or independently by means of chemical synthesis, or by a combination of extraction and chemical synthesis at a fixed location that packages or repackages cannabis or cannabis products or labels or re-labels its container. A manufacturer may also be a person that infuses cannabis in its products but does not perform its own extraction. Manufacturer shall also have the same meaning as in Section 26001(ah) of the Business and Professions Code, as same may be amended from time to time. A manufacturer must be owned and operated by a person issued a valid Commercial Cannabis Permit for manufacturing from the City of Chico and a valid state license as required for manufacturing of cannabis products issued by the State of California's Department of Cannabis Control as a Manufacturer 1 (Type 6- Non-volatile), Manufacturer 2 (Type 7- Volatile), Type N - Infusion of Products, or Type P- Packaging and Labeling Manufacturer License.

1 “Manufacturing or Manufacture” means the production, preparation, propagation, or compounding of  
2 cannabis or cannabis products, directly or indirectly, by extraction methods, independently by means  
3 of chemical synthesis, or by a combination of extraction and chemical synthesis at a fixed location  
4 that packages or repackages cannabis or cannabis products or labels or re-labels its container, makes  
cannabis products through infusion, package and label cannabis, or that only packages or repackages  
cannabis or cannabis products or labels or re-labels its container.

5 Section 5.42.060 of Chapter 5.42 of Title 5 of the Chico Municipal Code is hereby amended as follows:

6 A. Allowed: The classification and type of commercial cannabis business explicitly  
7 allowed for in this chapter and Title 19, as otherwise conditioned, and as may be amended from time  
8 to time by the City, are as follows:

- 9 1. Testing laboratory (DCC License Type 8);
- 10 2. Distribution (DCC License Type 11);
- 11 3. Manufacturer (DCC License Type 6- Non-Volatile, Type 7- Volatile, Type N - Infusion  
12 of Products and Type P- Packaging and Labeling);
- 13 4. Retailer-delivery only (DCC License Type 9); and
- 14 5. Retailer-storefront (DCC License Type 10).

15 Section 5.42.150 of Chapter 5.42 of Title 5 of the Chico Municipal Code is hereby amended as follows:

16 A. The following are grounds for revocation of a Commercial Cannabis Permit:

- 17 1. Failure of a permittee to comply with any requirement imposed by the provisions of  
18 this Code (or successor provision or provisions), including, but not limited to, any rule,  
19 regulation, condition or standard adopted pursuant to this chapter, or any term or  
20 condition imposed on the Commercial Cannabis Permit or entitlements or Use Permit,  
21 or any provision of State law.
- 22 2. Revocation of a State license issued under this chapter.
- 23 3. If the permittee, its owner(s), manager(s) or a responsible person has, within the past  
24 three (3) years, been sentenced or had a judgment issued in a criminal or civil court  
25 proceeding, and/or has been sanctioned or fined for, enjoined from, or found guilty of  
26 or plead guilty or no contest to a charge for engaging in a commercial cannabis activity  
27 in the State without the necessary permits and approvals from the applicable State  
28 and/or local jurisdictions; or has had a commercial cannabis license revoked or  
suspended by the applicable State and/or local jurisdictions.
4. Conviction within the past ten (10) years of the permittee, its owner(s) or manager(s),  
or a responsible person, including a plea of guilty or no contest, to any of the following

1 offenses shall be grounds for revocation of a Commercial Cannabis Permit issued by  
2 the City:

- 3 i. A violent felony, as specified in Section 667.5(c) of the Penal Code.
- 4 ii. A serious felony, as specified in Section 1192.7(c) of the Penal Code.
- 5 iii. A felony involving fraud, deceit, or embezzlement.
- 6 iv. A felony for hiring, employing, or using a minor in transporting, carrying, selling,  
7 giving away, preparing for sale, or peddling, any controlled substance to a minor;  
8 or selling, offering to sell, furnishing, offering to furnish, administering, or giving  
9 any controlled substance to a minor.
- 10 v. A felony for drug trafficking with enhancements pursuant to Section 11370.4 or  
11 11379.8 of the Health and Safety Code.
- 12 vi. A felony or misdemeanor involving the illegal possession for sale, sale,  
13 manufacture, transportation, or cultivation of a controlled substance occurring  
14 after January 1, 2016.

- 15 5. If the permittee fails to satisfy all of the requirements set forth in Section 5.42.100(B)  
16 within three years of the issuance of a Commercial Cannabis Permit or January 1, 2027,  
17 whichever occurs later.

18 Section 5.42.313 of Chapter 5.42 of Title 5 of the Chico Municipal Code is hereby amended as follows:

19 A. Cannabis manufacturing shall only be permitted for Type 6, Type 7, Type N, or Type  
20 P state licenses for manufacturing facilities, as such types are known at the time of adoption of this  
21 ordinance. Any subsequently created manufacturing state license types shall be considered by the  
22 Council and/or Planning Commission prior to being permitted to operate within the City. Type 6, Type  
23 7, Type N, and Type P manufacturing uses shall be allowed only in those zone districts as defined in  
24 Chapter 19 of the Chico Municipal Code for cannabis manufacturing.

25 Section 5.42.330 of Chapter 5.42 of Title 5 of the Chico Municipal Code is hereby amended as follows:

26 A. Each owner and operator of a commercial cannabis business shall maintain accurate  
27 books and records in an electronic format, detailing all of the revenues and expenses of the business,  
28 and all of its assets and liabilities and shall maintain all invoices, receipts and other records supporting  
all revenues, expenses, assets, and liabilities. On no less than a quarterly basis, or at any time upon  
reasonable request of the City, each commercial cannabis business shall file a sworn statement  
detailing the commercial cannabis business' gross receipts, revenue and number of sales during the  
previous three-month period (or shorter period based upon the timing of the request), provided on a  
per-month basis. The statement shall also include gross revenues for each month, and all applicable  
taxes paid or due to be paid. On an annual basis, each owner and operator shall submit to the City a  
financial audit of the business' operations conducted by an independent certified public accountant.

1 Each permittee shall be subject to a regulatory compliance review and financial audit as determined  
2 by the City Manager, or their designee.

3 The title of Section 5R.42.070 of Chapter 5R.42 of Title 5R of the Chico Municipal Code is hereby  
4 amended as follows:

5 5R.42.070 Permit is Not a Land Use Approval or an Entitlement.

6 SECTION 3. CEQA. The City Council, on the basis of the whole record and exercising independent  
7 judgment, finds that this Ordinance is exempt from the provision of the California Environmental  
8 Quality Act pursuant to CEQA Guidelines Section 15061(b)(3) because it can be seen with certainty  
9 that there is no possibility that the Ordinance may have a significant effect on the environment.

10 SECTION 4. Severability. If any section, subsection, line, sentence, clause, phrase, or word of this  
11 Ordinance is for any reason held to be invalid or unconstitutional, either facially or as applied, by a  
12 decision of any court of competent jurisdiction, such decision shall not affect the validity of the  
13 remaining portions of this Ordinance. The City Council of the City of Chico hereby declares that it  
14 would have passed this Ordinance, and each and every individual section, subsection, line, sentence,  
15 clause, phrase, or word without regard to any such decision.

16 SECTION 5. Effective Date. The Ordinance shall be effective 30 days after its final adoption by the  
17 City Council.

18 SECTION 6. Certification. The City Clerk shall certify to the passage and adoption of this Ordinance  
19 and shall cause the same to be published or posted in the manner required by law.

20 THE FOREGOING ORDINANCE was adopted by the City Council of the City of Chico at its duly  
21 noticed meeting held on May 21, 2024, by the following vote:

22 AYES: Bennett, Morgan, van Overbeek, Winslow, Reynolds, Coolidge

23 NOES: None

24 ABSENT: Tandon

25 ABSTAINED: None

26 DISQUALIFIED: None

27 **ATTEST:**

28 

Deborah R. Presson, City Clerk

**APPROVED AS TO FORM:**



John Lam, City Attorney\*

\*Pursuant to The Charter of the City of Chico,  
Section 906(E)