

On July 25th, 2017, the City Council directed staff to prepare a moratorium on commercial marijuana activity (excluding testing laboratory facilities) and subsequently adopted an interim moratorium on September 12, 2017 followed by a ten-month fifteen-day moratorium extension on October 24, 2017.

On November 7, 2017, the City Council adopted Ordinance No. 7398 to permit and regulate Cannabis Testing Laboratories in industrial zones, subject to State and City licensing Requirements, which became effective on December 28, 2017.

On January 9, 2018, after a series of workshops the City Council continued the discussion of a regulatory framework for 45 days as City Officials had planned to visit Denver, Colorado to better understand the cannabis industry in a regulated environment due to the legalization of cannabis in Colorado in 2013.

At the March 27, 2018 workshop, the City Council voted to direct staff to immediately prepare an ordinance prohibiting (a) the retail and commercial sale of cannabis; (b) commercial agricultural cultivation of marijuana, (c) the manufacturing and sale of marijuana extractable and consumable products, (D) distribution of all marijuana and cannabis associated products, (e) the establishment of microbusinesses such as boutique lounges; and (f) outdoor cultivation of all marijuana plants, including medical marijuana.

Following City Council direction, staff identified specific zoning code text amendments that would be necessary to prohibit commercial cannabis uses and brought them forward for approval by the Planning Commission.

On May 31, 2018, these text amendments were brought forward and heard by the Planning Commission as Planning Case P18-0337. Based on discussion, the Planning Commission denied the Zoning Code Text Amendments by a vote of 2 ayes, 5 noes and 1 abstention.

The item was appealed by Councilmember Conder, with the concurrence of Councilmember Adams. On July 10, 2018, The City Council heard the item and ultimately voted to approve the amendments to the Zoning Code, codifying a prohibition of commercial cannabis uses within City limits.

The City of Riverside has remained one of the largest cities in the State of California to continue the practice of prohibiting the commercial use of cannabis. This policy action has resulted in the City losing out on a considerably large potential revenue source from an industry with large growth potential.

In Western Riverside County, 11 out of 18 incorporated cities have adopted local ordinances regulating and permitting commercial cannabis. The County of Riverside also allows for commercial cannabis sales in unincorporated Riverside County.

On Tuesday, September 28, the City of Riverside received a Notice of Intent to Circulate Petition for the Riverside Cannabis Taxation and Regulation Act. This measure, if passed by voters or accepted by the City Council, would create a regulatory framework for all cannabis uses within city limit, largely without City Council, city staff, or community input.

DISCUSSION:

Riverside has taken a “wait-and-see” approach for the past five years that has allowed us to watch the policy process play out in neighboring and similar-sized jurisdictions to identify roadblocks, cumulative impacts, and best practices of different approaches to regulation. While this has proven useful, it has kept the City from capturing a critical revenue source that instead has bled out to our neighboring jurisdictions.

In the 2020 fiscal year, cannabis sales tax in the State of California soared over \$390 million with 15 billion in sales nationwide. With sales climbing, it is predicted that annual sales will exceed \$30 billion by 2024, more than that of craft beer and prescription pain medication.

With a potential ballot measure coming forward, now is the time for this City Council to act and move forward on the knowledge we have gained during this moratorium phase to implement an innovative and informed commercial cannabis policy in the City of Riverside.

The first step in doing so would be through ending the city-wide prohibition of commercial cannabis uses in the Riverside Municipal Code through the redaction of language in Chapters 19.147 (Downtown Specific Plan), 19.150.020 (Permitted and Incidental Uses Table), 19.220 (Specific Plan Overlay Zone), 19.342 (Marijuana Uses and Activities) and 19.485 (Home Occupations).

This would coincide with the introduction of a comprehensive ordinance detailing a regulated process for the legalization of commercial cannabis uses, including but not limited to land use restrictions, the license selection process, and enforcement mechanisms.

It is the opinion of the author of this report that the City should first tackle the legalization of retail cannabis uses immediately while taking a step back to further study the regulation of cultivation, processing, distribution, and manufacturing uses. These uses can be regulated through a separate amendment to the Code after further community input is received.

The MAUCRSA requires that cannabis storefronts be located at least 100 feet away from residential zones. The attached regulatory framework would allow storefronts to be an allowable use in all commercial and retail zones within city limits if they are outside a 1,000-foot radius of schools providing K-12 instruction, public parks, libraries, day care centers and youth or recreation centers.

The attached framework recommends that the City first select a maximum of 14 licenses during the initial application period. The City Council then may at its discretion increase or decrease the maximum number of permits that may be issued.

The framework suggests that there be an initial 30-day application period for a cannabis license, which will commence upon determination by the City Manager and/or his designee.

An application scoring committee will then be appointed by the City Manager to review and score each application based upon a set of criteria and requirements predetermined by the City Council (see more below). Each application would be independently scored, and the top 14 highest scoring applications would be admitted licenses.

The framework recommends that the scoring criteria be based upon the following criteria:

1. **Business Plan.** This could include the following mandatory criteria:
 - a. Previous experience operating a commercial cannabis business in compliance with local and state laws and regulations or experience in a similarly state-regulated activity.
 - b. A complete and detailed diagram, such as a site plan, of the premises as well as a map showing the premises' location within the City.
 - c. Standard business operating procedures and detailed plans for how the applicant intends to operate their storefront.
 - d. Nature of operations and identification of all commercial cannabis activities that will take place in each area of the property and identification of limited access areas.

2. **Safety and Security Plan.** This could include the following mandatory criteria:
 - a. Employee safety and security training plans.
 - b. Sufficient security measures to deter and prevent the unauthorized access or entrance into areas containing cannabis or cannabis products, and to deter and prevent the theft of cannabis or cannabis products at the business premises.
 - c. Identification of a designated security representative to the city who shall be reasonably available to meet with City staff as well as law enforcement personnel, such as the local area commander, regarding security related measures and or operational issues.
 - d. Location and identification of all proposed security cameras.
 - e. Hiring of security officers and/or implementation of a security program.

3. **Neighborhood Engagement Plan.** This could include the following mandatory criteria:
 - a. Plans for outreach and engagement with community and neighborhood groups and local nonprofits.
 - b. Social equity efforts and programs to address systemic inequities and uplift disadvantaged communities.

4. **Labor and Employment Plan.** This could include the following mandatory criteria:
 - a. The establishment of a labor peace agreement if the applicant is employing more than 5 individuals. An LPA is generally defined as a legally binding agreement to not oppose unionization of permittee's workforce.
 - b. Local hire plans with good-faith commitments to hiring over 30% of employees locally and good-faith commitments to offer apprenticeship programs and continued education of the workforce.
 - c. Submittal of collective bargaining agreements if applicable.

In addition to the regulation and legalization of cannabis uses through amendments to the Municipal Code, the City Council must also approve and submit a ballot measure to the voters to approve a sales tax to raise tax revenue from legal cannabis operations.

The effective date of the ordinance could be incumbent upon voter approval of the sales tax measure. It is recommended that a sales tax ballot measure be submitted for voter approval in either June or November of 2022.

STRATEGIC PLAN ALIGNMENT:

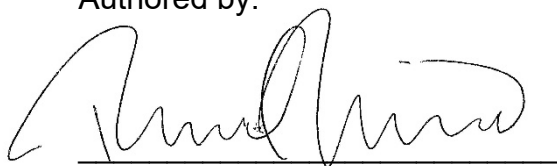
1. **Community Trust** – Riverside is transparent and makes decisions based on sound policy, inclusive community engagement, involvement of City Boards & Commissions, and timely and reliable information. The proposed framework would provide for ample community input and will empower local decision-making, instead of deferring to an externally backed ballot measure.
2. **Equity** – The proposed framework would ensure that those impacted by the past illegalization of cannabis have a fair opportunity to share the benefits of legal cannabis business within City limits. Local hiring goals and labor peace agreements will also ensure that Riversiders can take advantage of well-paying job opportunities within the City.
3. **Fiscal Responsibility** – The regulation and taxation of cannabis commercial activities in Riverside is critical to Riverside’s financial stability and will help the City gain lost revenue that neighboring cities have taken advantage of because of our prohibition.
4. **Innovation** – Riverside has taken a “wait-and-see” approach for the past five years that has allowed us to watch the policy process play out in neighboring jurisdictions and similar-sized jurisdictions to identify roadblocks, cumulative impacts, and best practices of different approaches to regulation. The proposed framework takes these best practices in mind and creates an approach that will bolster innovation and creativity in the cannabis sector.
5. **Sustainability & Resiliency** – Riverside is committed to meeting the needs of the present without compromising the needs of the future and ensuring the City’s capacity to persevere, adapt and grow during good and difficult times alike. This proposed framework will ensure financial resiliency and will consider sustainability concerns in the selection of licensees.

FISCAL IMPACT:

There is no estimated fiscal impact of this specific action. Once an ordinance and sales tax measure are developed, fiscal impacts will be studied.

Prepared by: Caleb Ragan, Legislative Field Representative
Approved as to form: Phaedra A. Norton, City Attorney

Authored by:



Ronaldo Fierro
Councilmember, Ward 3

Attachments:

1. Ordinance Framework
2. Notice of Intent to Circulate Petition