P18-0337 EXHIBIT 3

City of Arts & Innovation

City Council Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL **DATE: JANUARY 9, 2018**

FROM: COMMUNITY & ECONOMIC DEVELOPMENT **WARDS: ALL**

SUBJECT: WORKSHOP TO RECEIVE GUIDANCE ON CANNABIS REGULATIONS AND POLICY DEVELOPMENT

ISSUE:

Discuss cannabis legislation and provide guidance to staff on the desired regulatory and policy framework for commercial cannabis uses in the City of Riverside.

RECOMMENDATIONS:

That City Council provide guidance regarding the desired regulatory and policy framework for the following commercial cannabis uses:

1. Cultivation (Indoor and Outdoor)
2. Manufacturing of Cannabis Products Including Oils and Edibles
3. Retail Sales (Dispensaries)
4. Distribution Facilities
5. Microbusinesses

BACKGROUND:

On November 8, 2016, California voters approved Proposition 64 (the Adult Use of Marijuana Act or AUMA). AUMA approved recreational use of marijuana, and allows commercial marijuana activities associated with the cultivation, manufacturing, transportation, distribution, testing and dispensing of marijuana for recreational and personal use in the State of California. Proposition 64 was in addition to the 2015 Medical Cannabis Regulation and Safety Act (MCRSA). On June 27, 2017 Governor Jerry Brown signed Senate Bill 94, creating the Medicinal Adult-Use Cannabis Regulation and Safety Act (MAUCRSA), which effectively repealed MCRSA and incorporated certain provisions of MCRSA into the licensing provisions of AUMA, thereby integrating the rules for medicinal cannabis (MCRSA) and adult use of marijuana (AUMA). On September 16, 2017 Assembly Bill 133 was adopted, providing technical cleanups to MAUCRSA.

On March 7, 2017 and July 25, 2017, City Council held two workshops regarding cannabis

regulations. At the July workshop, City Council directed staff to prepare a moratorium on commercial marijuana activity. The City Council also directed staff to evaluate excluding marijuana testing laboratory facilities from the moratorium. In addition, City Council requested that staff continue to monitor the State's implementation and other agencies in the region.

On September 12, 2017, City Council adopted a 45-day moratorium prohibiting all land use entitlements, building permits, business licenses and any other applicable approval or decisions for commercial marijuana land uses and/or activities, as well as prohibiting all outdoor cultivation of recreation marijuana; except, however, marijuana laboratory testing facilities, which were exempted.

On September 16, 2017 the State adopted Assembly Bill (AB) 133. AB 133 cleans up incomplete and incompatible regulations initially put in Proposition 64. The technical changes to the State's cannabis regulations include operational clarifications related to cannabis cultivation, retail, delivery, and manufacturing license holders, an increase in unlawful possession criteria, and tax procedures.

On October 24, 2017, the moratorium on commercial cannabis uses was extended until September 11, 2018. Council also directed staff to prepare an additional workshop on policy options for the regulation of commercial cannabis in the City. This report has been prepared to address Council's desire to review policy options.

Most recently, City Council adopted Ordinance #7398 to permit and regulate Cannabis Testing Laboratories in industrial zones, subject to State and City licensing requirements. The effective date of the ordinance was December 28, 2017.

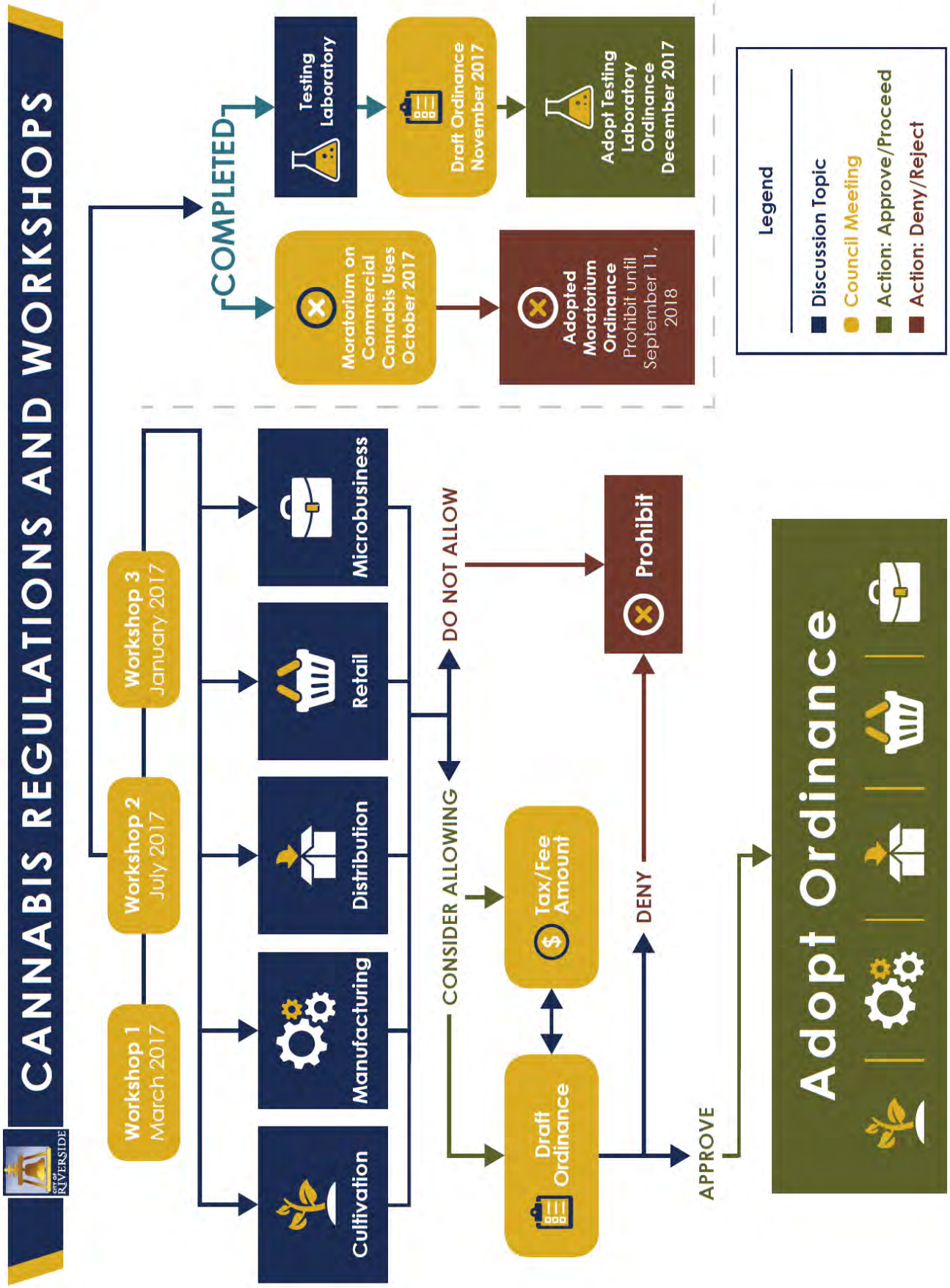
POLICY ADOPTION PROCESS:

At the October 24, 2017 hearing to extend the moratorium on cannabis uses, City Council stressed the importance of developing cannabis-related regulations as soon as possible, and directed staff to come forward with a policy framework.

On November 7, 2017, City Council adopted an ordinance amending Title 5 of the Municipal Code to allow Cannabis Testing Laboratories. Cannabis Testing Laboratories are one of six cannabis license categories. The five other remaining license types that the State will begin issuing licenses for beginning on January 1, 2018 include Cultivation, Manufacturing, Retail, Distribution Facilities, and Microbusinesses.

The six cannabis license types are independent from each other . Thus for each separate license category, City Council can decide to prohibit, consider allowing that license type, or continue consideration of that license type.

The following Cannabis Regulations and Workshop Flowchart illustrates all six of the cannabis license categories, progress towards completion, as well as an outline of the outstanding policy adoption process for the five remaining license types before City Council.


CANNABIS REGULATIONS AND WORKSHOPS
Workshop 1
March 2017
Workshop 2
July 2017
Workshop 3
January 2017
Cultivation
Manufacturing
Distribution
Retail
Microbusiness
COMPLETED
Testing Laboratory
Moratorium on Commercial Cannabis Uses October 2017
Draft Ordinance November 2017
Adopted Moratorium Ordinance Prohibit until September 11, 2018
Adopt Testing Laboratory Ordinance December 2017
Legend
Discussion Topic
Council Meeting
Action: Approve/Proceed
Action: Deny/Reject
CONSIDER ALLOWING
DO NOT ALLOW
Draft Ordinance
Tax/Fee Amount
DENY
Prohibit
APPROVE
Adopt Ordinance

DISCUSSION/ANALYSIS:

The following analysis provides an overview of each license type; including, a description of the license type; potential concerns/impacts; possible regulatory tools to address potential impacts, a regulatory framework example, and potential revenue based on the regulatory framework example.

Also provided as part of this report are responses to outstanding questions from the July 25 and October 24 City Council hearings (*Attachment 2)*, a comparison matrix of the commercial cannabis regulations for other jurisdictions *(Attachment 3),* a Fiscal Analysis Summary (*Attachment 4),* and a Sensitive Receptor Buffer Map *(Attachment 5)*.

CULTIVATION LICENSES

Description:
Cannabis cultivation is generally divided into four basic categories: outdoor, indoor, mixed light (utilizing both natural and artificial light) and nursery. A combination of these cultivation techniques may occur at a site. Cultivation licenses allow for activities involving planting, growing, harvesting, drying, curing, grading and trimming. Depending on the cultivation method, the size, location, and setting of cannabis cultivation sites could vary.

Figure B: State License Types and Allowable Growing Area/Quantity

State License Category	***Allowed Growing Area/Quantity***		
	Outdoor	**Indoor**	
	Natural Light	**Artificial Light (A)**	**Mixed-Light (B) (Natural and Artificial)**
Specialty Cottage (1C)	Up to 25 Mature Plants	Up to 500 sf	Up to 2,500 sf
Specialty (1)	Up to 5,000 sf or 50 Mature Plants	Up to 5,000 sf	Up to 5,000 sf
Small (2)	5,001 - 10,000 sf	5,001 - 10,000 sf	5,001 - 10,000 sf
Medium (3)	10,001 sf – 1 acre	10,001 – 22,000 sf	10,001 - 22,000 sf
Nursery* (4)	Up to 1 acre	Up to 1 acre	Up to 1 acre

**Allows for transport of live plants*

Concerns/Potential Issues:
Of all the license types, cultivation tends to generate the most public opposition. Odor, along with energy, water and pesticides usage are the concerns most cited. Six years ago, when Colorado licensed their first commercial cannabis businesses, odor was the most common quality of life complaint for local jurisdictions.

Summary of Concerns and Issues:
1. Odors
2. Thefts/Criminal activity
3. Use of Water/Electricity
4. Pesticide use
5. Light pollution and light spill onto adjacent properties

Regulatory Considerations:

Since the legalization of commercial cannabis in Colorado and Washington, the cities of Denver and Seattle have created general nuisance odor ordinances that require cannabis businesses to submit an odor control plan. The plan is used to identify the source of potential odors and the control technologies used to prevent such odors from leaving the licensed premises. The commercial cannabis industry has also made significant effort to increase energy and water efficiency.

<u>Summary of Regulatory Tools</u>

1. Require Odor Control Plans
2. Require Renewable Energy Plans
3. Require a Water Management Plan
4. Restrict visible artificial lighting
5. Require Security Plans
6. Establish distance requirements from sensitive uses, i.e. schools, daycares, churches, youth centers, residences, etc.
7. Limit cultivation to indoor only

Regulatory Framework Example:

1. Indoor – Artificial Light Only (warehouse operations)
    a. Allow **up to 4** Indoor (artificial light only) cultivation businesses citywide
    b. Allow in industrial zones
    c. Allow Up to 22,000 sq. ft. of canopy space
    d. Prohibit location within 1,000 ft of sensitive receptor (i.e. school, day care, park)
    e. Prohibit location within ½ mile from another indoor cultivation operation
    f. Require Odor Control Plan
    g. Require Security Plan
    h. Require renewable energy plan that meets the South Coast Air Quality Management District (SCAQMD) requirements
    i. Require a Water Management Plan

2. Indoor Mixed-Light (greenhouse operations)
    a. Allow **up to 3** Indoor Mixed-Light cultivation operations citywide with permit
    b. Allow in limited agriculture zones
    c. Prohibit Artificial Lighting
    d. Up to 22,000 sq. ft. of canopy space
    e. Prohibit location within 1,000 ft of sensitive receptor (i.e. school, day care, park)
    f. Prohibit location within ½ mile from another Indoor Mixed-Light cultivation operation
    g. Require Odor Control Plan
    h. Require Security Plan
    i. Renewable energy plan that meets the South Coast Air Quality Management District (SCAQMD) requirements
    j. Require a Water Management Plan
    k. Require screened view of cultivation from public right-of-way

3. Continue to prohibit outdoor commercial cultivation License Type(s)

Potential Revenue Based on Regulatory Framework Example:

California's Cultivation Excise Tax will be imposed on the cultivator after the cannabis is harvested and enters the commercial market. For cannabis flower, the tax is $9.25 per ounce. For cannabis leaves, the tax is $2.75 per ounce. In addition, the City may establish taxes and fees to cover the

anticipated costs for City services as a result of cultivation operations, along with any other types of licensed activities that may be permitted. Figure C illustrates the potential revenue under various fee scenarios based on an assumption of seven (7) citywide cultivation permits. For example purposes, if City Council allowed the equivalent of one cultivation facility per ward for a total of seven (7) citywide, the fiscal analysis has determined that the City could generate between $606,000 and $1,010,000 annually in local cannabis fees/tax. Additionally, there may be potential revenue as a result of Riverside Public Utility service fees and the Citywide Utility User Tax.

Figure C – Potential Revenue from Cultivation Permit Fee & Tax

Permit Type	Area per Permit (Sq. Ft.)	Number of Permits	Fee & Tax Scenario		
			$6 Per sq. ft.	$8 Per sq. ft.	$10 Per sq. ft.
Specialty (1)	5,000	1	$30,000	$40,000	$50,000
Small (2)	10,000	3	$180,000	$240,000	$300,000
Medium (3)	22,000	3	$396,000	$528,000	$660,000
	TOTAL:	***7***	***$606,000***	***$808,000***	***$1,010,000***

Options for City Council consideration:

1. **Prohibit cultivation licenses.** Direct staff to bring back an ordinance prohibiting cannabis cultivation.

2. **Consider allowing cultivation license.** Direct staff to craft an ordinance for City Council consideration incorporating regulatory tools discussed in this staff report, additional ideas raised during the workshop and other tools to address concerns raised relating to cannabis cultivation. A City Council public hearing would be required to review a cannabis cultivation ordinance.

3. **Continue consideration of cannabis cultivation.** Direct staff to further study cannibus cultivation and bring back additional information for City Council consideration.

MANUFACTURING LICENSES

Description:
The Department of Health (DPH) defines Manufacturing as “all aspects of the extraction and/or infusion processes, including processing, preparing, holding, storing, packaging, or labeling of cannabis products”. Manufacturing also includes “any processing, preparing, holding, or storing of components and ingredients”. Manufacturing licenses are separated into two categories based upon the type of solvent used: Type 6 Manufacturing using non-volatile solvents, such as cold water, heat press and CO2; and Type 7 Manufacturing using volatile solvents such as butane, propane and ethanol.

Licensed cannabis manufacturing facilities are typically located in non-descript commercial buildings and require little to no signage or advertisement. As required by state law, manufacturers are expected to use professionally engineered, industrial hygienist-certified, closed-loop extraction equipment specifically designed to prevent any volatile solvents from being released into the atmosphere. When used by a trained extraction technician, the process is

inteneded to be safe and environmentally responsible.

Infused products and edibles manufactured in these types of facilities are the fastest growing products in the cannabis industry. Currently, edible sales account for 47% of cannabis inventory sold, and that is expected to increase. For example, in Colorado, 63% of cannabis sales are derived from edible cannabis products.

Concerns/Potential Issues:
Building and employee safety during extraction processes is a critical concern.

Summary of Concerns and Issues:

1. Large quantities of volatile gases and industrial solvents are stored on-site
2. Product theft by employees are sources of diversion to the black market
3. Products that are adulterated, or contaminated with mold, bacteria or pesticides, are harmful to consumers
4. Administrative holds and product recalls are resource intensive and time consuming

Regulatory Considerations:
As required by state law, the use of professionally engineered, industrial hygienist inspected and certified, closed-loop extraction equipment is intended to increase building and employee safety. It should be further required that all extraction activities take place in a room solely dedicated to the extraction process. If volatile gases are being used, the room must be constructed to meet National Fire Protection Association (NFPA) C1-D1 hazardous location classifications. In addition, all waste shall be disposed of in a manner so that it can't be detected or useable for any other purpose.

Regulatory Framework Example:

1. Allow **up to 7** manufacturing businesses citywide
2. Allow in Industrial zones
3. Prohibit location within 1,000 ft of sensitive receptor (i.e. school, day care, park)
4. Prohibit location within ½ mile from another manufacturing business
5. Require extraction room construction meet C1, D1 classification
6. Require installation of fire suppression systems and flammable gas detection devices
7. Require notification of any change to product line and use of extraction solvents
8. Require all extraction equipment be inspected by an industrial hygienist
9. Require all extraction technicians be trained and certified
10. Include required food handling safety training in Employee handbook
11. Require the establishment of clearly defined administrative hold and product recall procedures
12. Require that all employees be subject to a criminal background check
13. Require proper disposing of all waste per state law

Potential Revenue Based on Regulatory Framework Example:
Figure D illustrates the potential revenue under various tax scenarios. For example purposes, if City Council allowed the equivalent of one manufacturer in each ward, for a total of seven (7) Citywide, the fiscal analysis indicates that the City could generate between $437,500 and $1,050,000 annually in a local cannabis tax.

Figure D: Potential Revenue from Local Cannabis Manufacturing Tax					
Number of Permits	**Gross Receipts**	**Total Gross Revenue**	**Tax Scenario**		
			2.5%	**4%**	**6%**
3	$2,500,000	$7,500,000	$187,500	$300,000	$450,000
5	$2,500,000	$12,500,000	$312,500	$500,000	$750,000
7	$2,500,000	$17,500,000	$437,500	$700,000	$1,050,000

Options for City Council consideration:

1. **Prohibit cultivation licenses.** Direct staff to bring back an ordinance prohibiting cannabis manufacturing.

2. **Consider allowing cultivation license.** Direct staff to craft an ordinance for City Council consideration incorporating regulatory tools discussed in this staff report, additional ideas raised during the workshop and other tools to address concerns raised relating to cannabis manufacturing. A City Council public hearing would be required to review a cannabis manufacturing ordinance.

3. **Continue consideration of cannabis cultivation.** Direct staff to further study cannibus manufacturing and bring back additional information for City Council consideration.

RETAIL LICENSES

Description:
As defined by the Bureau of Cannabis control, a Cannabis Retailer is a person licensed to sell cannabis goods to customers as "a retailer, microbusiness, or nonprofit." The retail component of the supply chain is by design the most visible segment of the commercial cannabis industry. As such, retail sales locations have been subject to the most scrutiny. Retail sales locations should be thoughtfully zoned, designed, and constructed in a manner that is suitable for the neighborhood to create the least amount of impact to the surrounding businesses and neighborhood.

In addition to being highly visible to the public, the retailer is at the end of the cannabis supply chain and thus where the inventory is under the most stringent control. The final product has been tested, packaged, labeled and accounted for down to the gram. Also retailers, tend to employ the fewest number of staff members and have the highest rate of employee retention among the license types such as cultivation or manufacturing. Under robust security measures and accessible to the fewest number of employees, there is generally very little theft from a retail sale establishment. In the six years that Colorado has been overseeing commercial cannabis activities, there have only been 8 reported violent crimes at retail sales locations.

Based on the current demand for retailer locations (dispensaries), retail locations can generate substantial revenues compared to other retail establishments within jurisdictions. For example, cannabis retailers currently generate on average $933 per square foot, which exceeds other retail stores such as Whole Foods ($903), Walgreens ($720), Wal-Mart ($446), The Gap ($334), Kohl's ($228) and Dick's Sporting Goods ($184). A reason for this that most retail stores take up much more space than dispensaries, cannabis retailers stock a lot of product into a relatively small amount of space, and the average price point for marijuana is attractive to consumers.

Concerns/Potential Issues:
When Colorado and Washington licensed their first commercial cannabis retail outlets, very little thought was given to their location. Shortly thereafter local agencies started experiencing high concentration of cannabis activity in certain neighborhoods. While it is difficult to develop the right formula, well defined buffers, minimum distance requirements, and preventing oversaturation by limiting the number of permits should be considered when designing an ordinance.

Summary of Concerns and Issues:
1. Volume of inventory on display at any given time
2. Point of sales and inventory control data entered by employees properly
3. Poorly trained employees create inventory tracking problems

Regulatory Considerations:
Although inventory is accounted for down to the ounce, robust inventory tracking requirements should be required and strictly enforced to mitigate employee theft. Robust inventory control measures should be considered in order to increase accountability and deter diversion.

Regulatory Framework Example:
1. Allow **up to 7** retail businesses citywide
2. Allow in Commercial zones
3. Prohibit location within 1,000 ft of sensitive receptor (i.e. school, day care, park)
4. Require all inventory (including edibles and concentrates) be locked and secured in a safe, vault or secured room when the business is closed.
5. Require that the Standard Operating Procedures provide ongoing point of sales and inventory tracking data entry training to all employees
6. Limit the amount of inventory on display to the equivalent of two days sales (increases inventory accountability and reduces volume of odor)
7. Require the business to assign one individual to the position of inventory manager
8. Require that all inventory and sales transactions be reconciled by end of businesses
9. Consider security by environmental design when reviewing and approving site plans
10. Require that all employees be subject to a criminal background check

Potential Revenue Based on Regulatory Framework Example:
For example purposes, if City Council allowed the equivalent of one retailer in each ward, for a total of seven (7) citywide, the fiscal analysis has determined that the City could generate between $560,000 and $1,344,000 annually in a local cannabis tax (Figure E). These numbers do not include the local sales tax, which could generate an additional $224,000 annually.

Figure E – Potential Revenue from Local Cannabis Retailer Tax

Number of Permits	Gross Receipts	Total Gross Revenue	Tax Scenario		
			2.5%	4%	6%
3	$3,200,000	$9,600,000	$240,000	$384,000	$576,000
5	$3,200,000	$16,000,000	$400,000	$640,000	$960,000
7	$3,200,000	$22,400,000	$560,000	$896,000	$1,344,000

Options for City Council consideration:

1. **Prohibit cultivation licenses.** Direct staff to bring back an ordinance prohibiting cannabis retail sales.

2. **Consider allowing cultivation license.** Direct staff to craft an ordinance for City Council consideration incorporating regulatory tools discussed in this staff report, additional ideas raised during the workshop and other tools to address concerns raised relating to cannabis retail sales. A City Council public hearing would be required to review a cannabis retail sale ordinance.

3. **Continue consideration of cannabis cultivation.** Direct staff to further study cannibus retail sale ordinance and bring back additional information for City Council consideration.

DISTRIBUTION

Description:
The Distribution model is a fundamental component of the cannabis supply chain. Under state law, distributors are the only licensed business type that can transport inventory between licensed cannabis businesses. In addition to transporting inventory between licenses, distribution companies will also be responsible to ensure the examination of inventory at a testing laboratories and the collection of the State's Excise Taxes, before releasing the product to a retailer. Cultivators, manufacturers, and retailers also have the opportunity hold a distribution licenses as well, provided the distributors licensed premises are "separate and distinct". This is to ensure that the various administrative privileges and inventory tracking requirements are strictly adhered to. Licensed Distributors will be required to establish comprehensive security measures to ensure the inventory is secured during transit, and accounted for with manifest documentation. Distributors will be required to be licensed in a commercial or industrial building, requiring little to no signage or advertisement.

Concerns/Potential Issues:
Distribution licenses will be responsible for securing large quantities of inventory, while ensuring it is all properly tested and transported to licensed businesses. Distribution operators will also be required to collect taxes. Inventory tracking and money handling are potential issues that will have to be addressed through regulatory oversight

<u>Summary of Concerns and Issues:</u>
1. Adequate security and control of inventory while being stored on-site
2. Adequate security and control of inventory while inventory is being transported
3. Cash handling procedures and availability to banking

Regulatory Framework Example:
1. Allow **up to 7** micro-businesses citywide
2. Allow in Industrial zones
3. Prohibit location within 1,000 ft of sensitive receptor (i.e. school, day care, park)
4. Require the entire distribution facility to be designated as a limited access facility, preventing visitor, contractors or non-employees from entering without an escort by a designated manager
5. Inspect and approve the safe, vault or secured room prior to issuance of license
6. Require that all vehicles used to transport inventory be equipped with GPS
7. Require that a computer generated manifest occur prior to the transportation of inventory
8. Prohibit non-authorized employees within vehicles during deliveries to licensed businesses
9. Require that inventory should be locked and secured in an approved case, safe or cabinet, including when in transit
10. Require that all employees be subject to a criminal background check

Potential Revenue Based on Regulatory Framework Example:
For example purposes, if City Council allowed the equivalent of one Distributor in each ward, for a total of seven (7) citywide, the fiscal analysis has determined that the City could generate between $350,000 and $840,000 annually in a local cannabis tax (Figure F).

Figure F – Potential Revenue from Local Cannabis Distribution Tax

Number of Permits	Gross Receipts	Total Gross Revenue	Tax Scenario		
			2.5%	4%	6%
3	$2,000,000	$6,000,000	$150,000	$240,000	$360,000
5	$2,000,000	$10,000,000	$250,000	$400,000	$600,000
7	$2,000,000	$14,000,000	$350,000	$560,000	$840,000

Options for City Council consideration:

1. **Prohibit cultivation licenses.** Direct staff to bring back an ordinance prohibiting cannabis distribution.

2. **Consider allowing cultivation license.** Direct staff to craft an ordinance for City Council consideration incorporating regulatory tools discussed in this staff report, additional ideas raised during the workshop and other tools to address concerns raised relating to cannabis distribution. A City Council public hearing would be required to review a cannabis distribution ordinance.

3. **Continue consideration of cannabis cultivation.** Direct staff to further study cannibus distribution and bring back additional information for City Council consideration.

MICROBUSINESS

Description:
The Microbusiness is the newest and most complex license to be issued by the State. This type of license will be allowed to conduct cultivation of cannabis on an area of less than 10,000 square feet of canopy space and act as a licensed distributor, Level 1 manufacturer and retailer. The State will generally require microbusinesses to comply with standards applicable to cultivators, distributors, manufacturers and retailers, which means the City will have to take these activities into consideration when deciding on the appropriate zoning. The Microbusiness model was designed to create opportunities for small business owners to enter the cannabis market. Additionally, the model further helps social equity issues as they relate to economic and technical barriers. If efficiently ran, the vertically integrated model of a microbusiness can be very profitable, as it reduces the overhead cost of operating multiple locations and paying various levels of taxes on the same product they own. The down side to the microbusiness model is that, if a business owner is unable to successfully manage all segments of the supply chain, they could ultimately become a compliance liability and a higher risk of failure, especially if they have no previous experience running a cannabis business in a regulated market.

Concerns/Potential Issues:
Microbusinesses incorporate multiple commercial cannabis business activities. As such, they will have to comply with standards applicable to cultivators, distributors, manufacturers and retailers. Because of the various activities that take place under one roof, local licensing agencies will have

to consider the appropriate zoning, buffering and setbacks for microbusinesses. Microbusinesses will experience the same concerns and potential issues as the other stand-alone licenses. One of the most concerning issues with microbusinesses is the control of the inventory as it flows throughout the internal supply chain. Other states have experienced inventory control problems at locations that have multiple licenses under one roof.

Regulatory Considerations:
A microbusiness license should incorporate all the mitigation measures listed for the other licenses. Robust security and inventory tracking should be the first priority when establishing regulatory ordinances, as well as the review and approval of business plans.

Regulatory Framework Example:

1. Allow **up to 7** microbusinesses citywide
2. Allow in Commercial zones
3. Allow only Indoor – Artificial Light only operations
4. Allow up to 10,000 sq. ft. of canopy space for cultivation
5. Prohibit location within 1,000 ft of sensitive receptor (i.e. school, day care, park)
6. Prohibit location within ½ mile from any other license type including another microbusiness
7. Require all inventory (including edibles and concentrates) be locked and secured in a safe, vault or secured room when the business is closed.
8. Standard Operating Procedures should require that all employees receive ongoing point of sales and inventory tracking data entry training
9. Limit the amount of inventory on display to the equivalent of two days sales (increases inventory accountability and reduces volume of odor)
10. Require the business to assign one individual to the position of inventory manager
11. Require that all inventory and sales transactions be reconciled by end of business
12. Consider security by environmental design when reviewing and approving site plans
13. Require that all employees be subject to a criminal background check
14. Require the entire distribution facility should be designated a limited access facility, preventing visitor, contractors or non-employees from entering without an escort by a designated manager
15. Inspect and approve the safe, vault or secured room should be inspected and approved before issuance of license
16. Require that all vehicles used to transport inventory should be equipped with GPS
17. Require that a computer generated manifest occur prior to the transportation of inventory
18. Prohibit non-authorized employees within vehicles during deliveries to licensed businesses
19. Require that inventory should be locked and secured in an approved case, safe or cabinet, including when in transit
20. Require Odor Control Plan
21. Require Security Plan
22. Renewable energy plan that meets the South Coast Air Quality Management District (SCAQMD) requirements
23. Require a Water Management Plan
24. Limit visible artificial lighting
25. Require extraction room construction meet C1, D1 classification
26. Require installation of fire suppression systems and flammable gas detection devices
27. Require notification of any change to product line and use of extraction solvents
28. Require all extraction equipment be inspected by an industrial hygienist
29. Require all extraction technicians be trained and certified
30. Include required food handling safety training in Employee handbook
31. Require the establishment of clearly defined administrative hold and product recall

procedures
32. Require that all employees be subject to a criminal background check
33. Require proper disposing of all waste per state law

Potential Revenue Based on Regulatory Framework Example:
For example purposes, if City Council allowed the equivalent of one one Microbusiness in each ward, for a total of seven (7) citywide, the fiscal analysis has determined that the City could generate between $612,500 and $1,470,000 annually in a local cannabis tax (Figure G).

Figure G – Potential Revenue from Local Cannabis Microbusiness Tax

Number of Permits	Gross Receipts	Total Gross Revenue	Tax Scenario		
			2.5%	4%	6%
3	$3,500,000	$10,500,000	$262,500	$420,000	$630,000
5	$3,500,000	$17,500,000	$437,500	$700,000	$1,050,000
7	$3,500,000	$24,500,000	$612,500	$980,000	$1,470,000

Options for City Council consideration:

1. **Prohibit cultivation licenses.** Direct staff to bring back an ordinance prohibiting cannabis microbusinesses.

2. **Consider allowing cultivation license.** Direct staff to craft an ordinance for City Council consideration incorporating regulatory tools discussed in this staff report, additional ideas raised during the workshop and other tools to address concerns raised relating to cannabis microbusinesses. A City Council public hearing would be required to review a cannabis microbusiness ordinance.

3. **Continue consideration of cannabis cultivation.** Direct staff to further study cannibus microbusinesses and bring back additional information for City Council consideration.

FISCAL IMPACT:

There is no fiscal impact to the General Fund as a result of this workshop. To facilitate discussion, the City's consultant, HdL, has prepared a fiscal analysis of potential revenue with the legalization and permitting of a variety of commercial cannabis uses and the adoption of a cannabis use tax (Attachment 4). Should the City Council choose to allow commercial cannabis uses, the City could potentially generate between $1,446,000 to $5,714,000 in revenue annually. Based on the mix of allowable uses, the revenue could be used to offset public safety and other regulatory costs not covered through regulatory fees.

Prepared by: Rafael Guzman, Community & Economic Development Director
Certified as to availability of funds: Adam Raymond, Chief Financial Officer/City Treasurer
Approved by: Al Zelinka, FAICP, Assistant City Manager
Approved as to form: Gary G. Geuss, City Attorney

Attachments:

1. Presentation
2. Responses to Additional Outstanding Questions
3. Comparison Matrix of Cannabis Regulations for Other Jurisdictions
4. Commercial Cannabis Fiscal Analysis Summary
5. Commercial Cannabis Sensitive Receptor Buffer Map

Workshop to Receive Guidance on Cannabis Regulations and Policy Development

Community & Economic Development Department

City Council
January 9, 2018

RiversideCA.gov

CANNABIS REGULATIONS WORKSHOP

Legislative History

OCT 9 2015

AB 266, AB 243, SB 643 - Medical Cannabis Regulation and Safety Act (MCRSA)

NOV 8 2016

Prop 64 - Adult Use of Marijuana Act (AUMA)

JUN 27 2017

SB 94 - Medicinal Adult-Use Cannabis Regulation and Safety Act (MAUCRSA)

- *Repealed MCRSA and incorporated provisions of MCRSA into AUMA*

SEP 16 2017

AB 133 - Technical cleanups to MAUCRSA

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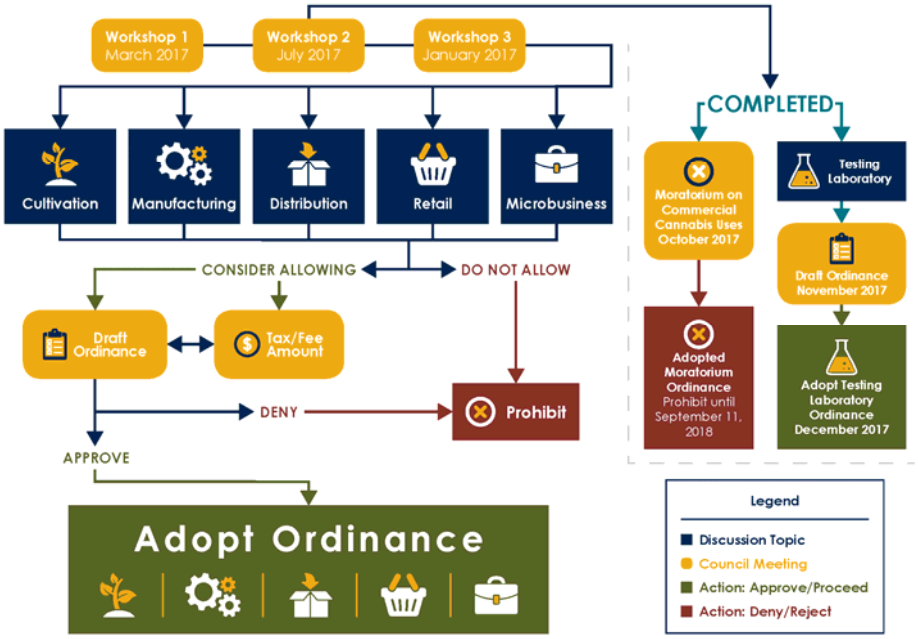
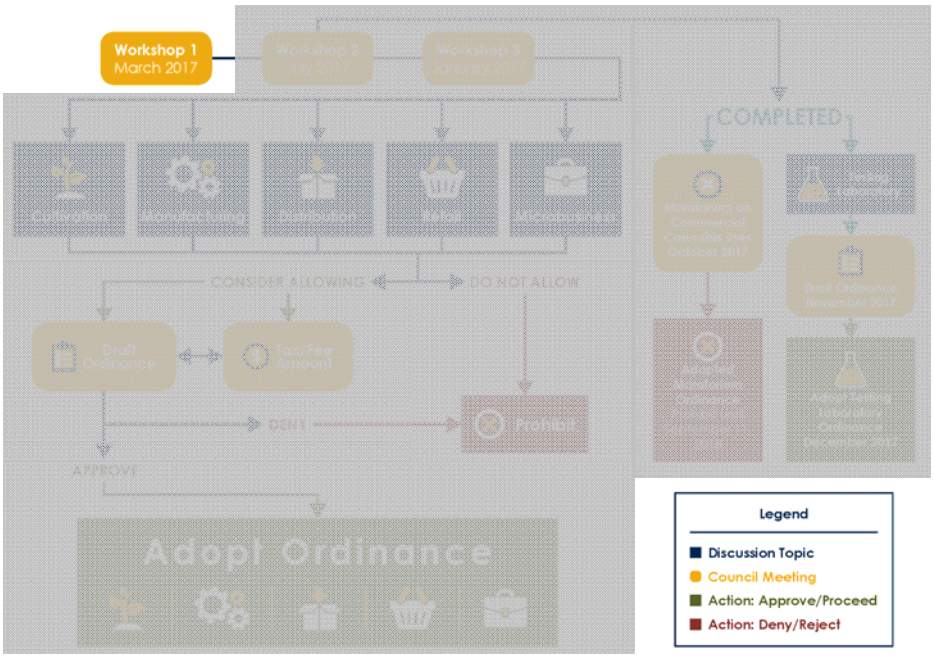
RiversideCA.gov

CANNABIS REGULATIONS WORKSHOP



CANNABIS REGULATIONS WORKSHOP



CANNABIS REGULATIONS WORKSHOP

Cultivation Licenses

STATE LICENSE TYPES AND ALLOWABLE GROWING AREA/QUANTITY

	Outdoor	Indoor	
	Natural Light	Artificial Light (A)	Mixed-Light (B) (Natural and Artificial)
State License Category	Allowed Growing Area/Quantity		
Specialty Cottage (1C)	25 Mature Plants	500 sf	2,500 sf
Specialty (1)	Up to 5,000 sf or 50 Mature Plants	Up to 5,000 sf	Up to 5,000 sf
Small (2)	5,001 - 10,000 sf	5,001 - 10,000 sf	5,001 - 10,000 sf
Medium (3)	10,001 sf – 1 acre	10,001 – 22,000 sf	10,001 - 22,000 sf
Nursery* (4)	Up to 1 acre	Up to 1 acre	Up to 1 acre

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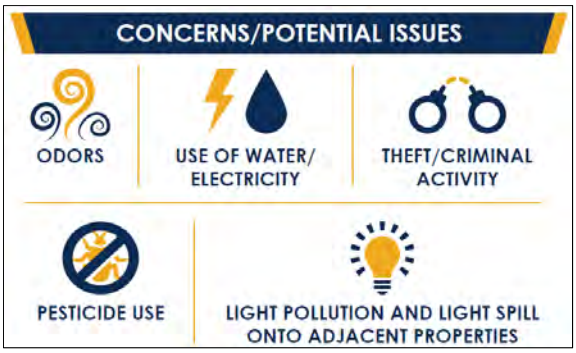
Cultivation Licenses



Regulatory Considerations

- Locate only in appropriate zones
- Establish distance requirements from sensitive uses
- Restrict externally visible lighting
- Require:
  - Odor Control Plans
  - Renewable Energy Plans
  - Water Management Plans
  - Security Plans

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CANNABIS REGULATIONS WORKSHOP

Manufacturing Licenses

- Manufacturing Licenses include all aspects of cannabis extraction and/or infusion processes including:
  - Processing
  - Preparing
  - Holding
  - Storing
  - Packaging
  - Labeling
- Manufactured products may include:
  - Oils
  - Topical products
  - Edibles
  - Other medicinal or recreational products
- Processes may use volatile and non-volatile solvents

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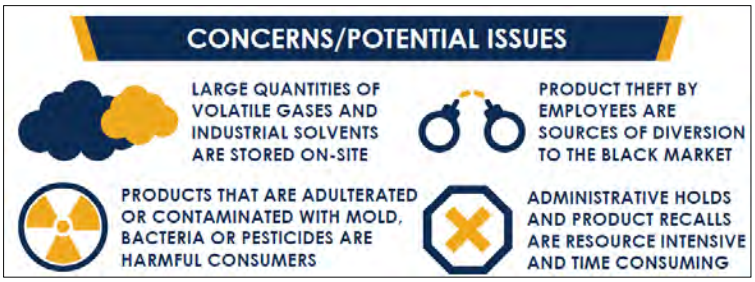
CANNABIS REGULATIONS WORKSHOP

Manufacturing Licenses



Regulatory Considerations

- Locate only in appropriate industrial zones
- Establish distance requirements from sensitive uses
- Require Security Plans and Hazardous Material Plans
- Require that all extraction activities take place in a dedicated room

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CANNABIS REGULATIONS WORKSHOP

Distribution Licenses

- Only business type allowed to transport inventory between other license types
- Ensures inventory is examined by a licensed testing laboratory
- Collects state's excise taxes
- Cultivators, manufacturers, and retailers may also hold distribution license
  - Distribution premises must be separate and distinct from other license types
- State requires distributors to be in commercial or industrial buildings with little to no signage or advertisement

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CANNABIS REGULATIONS WORKSHOP

Distribution Licenses

Regulatory Considerations

- Locate only in industrial zones
- Establish distance requirements from sensitive uses
- Require Security Plans
- Require track and trace inventory control measures
- Limit/prohibit non-employee access to facility and vehicles
- Require that inventory and cash be locked and secured in an approved case, safe, or cabinet
- Require transport vehicles to be equipped with GPS

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CANNABIS REGULATIONS WORKSHOP

Retail Licenses

- Most visible segment of the commercial cannabis industry
- Subject to most rigid state control
- Final product must be tested, packaged, labeled and accounted for down to the gram
- Typically few employees at retail locations
- Robust security measures

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CANNABIS REGULATIONS WORKSHOP

Retail Licenses

Regulatory Considerations

- Establish distance requirements from sensitive uses
- Require Security Plans
- Require criminal background checks for all employees
- Limit inventory on display
- Require inventory control measures
- Balance all inventory and sales at end of business day
- Require that inventory be locked and secured when business is closed
- Designate one employee as Inventory Manager

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CANNABIS REGULATIONS WORKSHOP

Microbusiness Licenses

- Allows for Cultivation (under 10,000 sf), Distribution, Manufacturing, and Retail in one facility
- Designed to create opportunities and reduce social equity issues for small business owners to enter market
- Zoning must accommodate all license types
- Must meet all standards and requirements for each license type
- Due to complexity, there is a high risk of business failure or becoming compliance liability

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CANNABIS REGULATIONS WORKSHOP

Microbusiness Licenses

CONCERNS/POTENTIAL ISSUES

- MULTIPLE COMMERCIAL CANNABIS BUSINESS ACTIVITIES
- CONTROL OF THE INVENTORY AS IT LOWS THROUGHOUT THE INTERNAL SUPPLY CHAIN

Regulatory Considerations

- Identify appropriate zone that would accommodate all licensed activities
- Establish distance requirements from sensitive uses
- Impose all requirements for other license types:
  - Criminal background checks
  - Inventory control measures
  - Security Plans
  - Water Management Plans
  - Renewable Energy Plans
  - Odor Control Plans
  - Employee access restrictions
  - No externally visible cultivation lighting

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Decision Point

	Manufacturing	Distribution	Retail	Cultivation	Microbusiness
Prohibit ✗	☐	☐	☐	☐	☐
Consider ✓	☐	☐	☐	☐	☐

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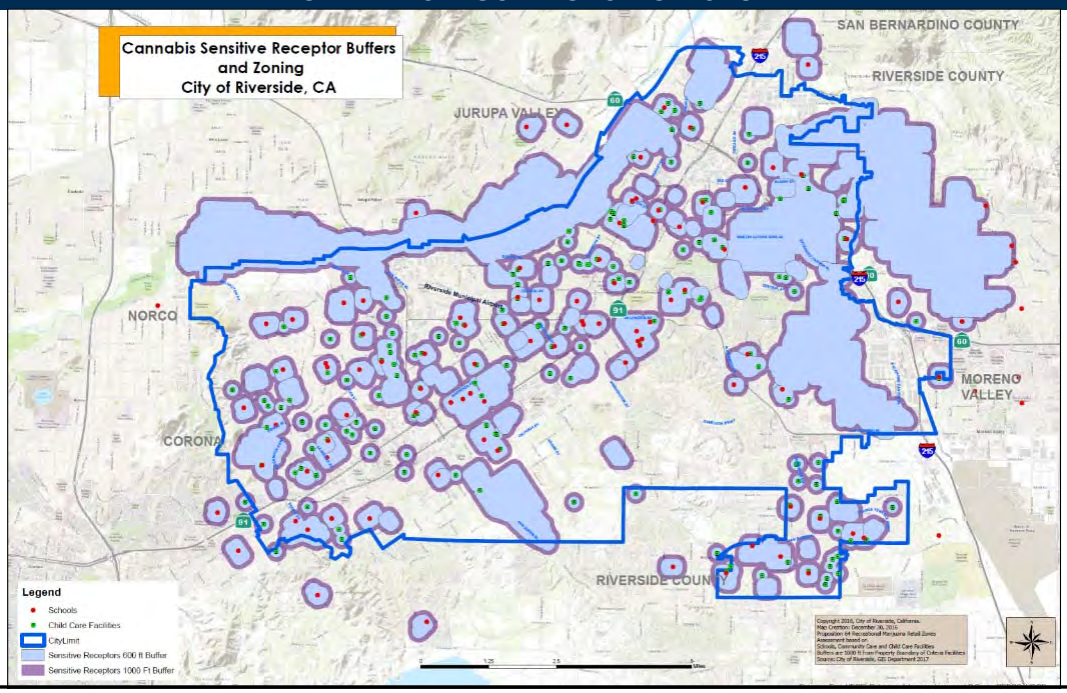


Attachment 2: Answers to Additional Outstanding Questions Regarding Recent Marijuana Legislation and Regulations

At the July 25 Cannabis Workshop, the City Council posed a number of questions that remained unanswered regarding marijuana legislation and regulation. Staff has prepared the following responses in conjunction with the consultants from HdL Companies:

Question #1: What incidents are happening with the school districts? At a minimum we need information from AUSD and RUSD:

Response: The following statistics from the local school districts regarding the number of incidents involving marijuana for the last three academic years.

Alvord Unified School District (AUSD)[1]

School Year	*Marijuana Offenses*	*Total Drug Offenses*	*% Marijuana-Related*
2014-2015	66	99	67%
2015-2016	57	78	73%
2016-2017	81	124	68%

[1]*Average enrollment approximately 19,000 students*

Riverside Unified School District (RUSD)[2]

School Year	*Marijuana Offenses*	*Total Drug Offenses*	*% Marijuana-Related*
2014-2015	293	328	89%
2015-2016	181	316	57%
2016-2017	169	205	82%

[2]*Average enrollment approximately 42,700 students*

Question #2: Please provide more information from hospitals or health department regarding marijuana overdoses and pediatric exposures.

Response: Staff reached out to the Riverside County Public Health Department which indicated that such data is not available at this time. However, the following data and information is available from Washington and Colorado.

Immediately following Colorado marijuana legalization, initial research on marijuana-related hospitalizations and related calls to regional poison control centers revealed a dramatic increase of marijuana-related exposures, overdoses, and toddler ingestion incidents. Published studies from the Colorado Department of Public Health and Environment (CDPHE), Colorado Department of Public Safety (DPS), Colorado Children's Hospital, and Rocky Mountain High Intensity Drug Traffic Area (RMHIDTA) all reported rapid upticks in marijuana related emergencies for all segments of society; adults (Colorado residents and out-of-state visitors), teenagers and young adults, and pediatric.

As reported in the Journal of the American Medical Association (JAMA) Pediatrics, researchers analyzed data on hospital admissions at Colorado Children's between 2009 and 2015. The average rate of marijuana-related visits to the hospital increased from 1.2 per 100,000 population two years before recreational legalization to 2.3 per 100,000 population two years after the development of the commercial industry. This increase is significantly higher than the national average. The same report also speculated that in most cases of accidental ingestion, toddlers were able to get their hand on an adult's marijuana edible product such as, gummies, cookies, or brownies.

Similar concerns were identified in the State of Washington. The March 2016 Washington State Marijuana Impact Report revealed statewide marijuana calls to regional poison centers have been steadily increasing since 2006. From the date of legalization (2012) to 2014, calls increased by 54.26%. In a few of the initial studies, researchers express concerns with the quality of baseline data. The challenge in collecting accurate marijuana-related hospitalizations statistics stems from the lack of uniform billing codes commonly used to report the reasons for hospital visits. That said, no matter how the data is collected, all indications point to an alarming increase, which required immediate attention.

In direct response to the numerous studies, the Colorado General Assembly worked to enact legislation designed to address the packaging, labeling, potency, and dosage of edible products. The goal of the revised legislation was to increase consumer awareness, eliminate products and packaging likely to be enticing to children, and to reduce the amount of cannabinoids per dose. Two years into enhanced product safety regulations, reports show the marijuana hospitalization numbers are starting to decline. As reported in the February 1, 2017 Denver Post, "marijuana-related emergency room visits are down, even though overall consumption of pot remains steady – signs that existing policy and education efforts may be working". According to a published report by Dr. Mike Van Dyke, Chief of Colorado's Environmental Epidemiology, Occupational Health, and Toxicology for the CDPHE. Since 2015, marijuana related calls to regional poison control center and hospital visits have dropped slightly. With that said, legislators and healthcare professionals all agree that more needs to be done around substance abuse education and prevention.

<u>Question #3</u>: We need more public safety information about conversion of marijuana into oil. Are the commercial operations any safer?

Response: Commercial manufacturing of marijuana infused-products is becoming more prevalent as the marijuana industry seeks a more concentrated form of THC and CBD. Marijuana concentrates are significantly more potent than the standard, smokable flower and have become a major player in the regulated market. In Colorado, marijuana infused products, which includes edibles, non-edibles and concentrates, make up 63% of the overall sales. Last year alone, Colorado recreational customers and medical patients purchased 9.3 million items of edibles and concentrates.

The extraction of marijuana concentrates can be a complex and potentially dangerous process. The use of closed-loop extraction systems, which are designed to recover volatile gases preventing them from being released to the environment, are the only systems that meet current regulatory standards. Since legalization in 2011, Colorado has not experienced a single explosion in one of the more than 250 licensed marijuana-infused manufacturing facilities throughout the state. Furthermore, a search of various states with approved marijuana manufacturing activities revealed no reports of explosions taking place at regulated facilities.

The required use of a professionally engineered and industrial hygienist certified closed-loop extraction systems is not the only fire protection measure that should be required in a regulated manufacturing facility. Many jurisdictions involved in the licensing of marijuana extraction facilities now require extraction environments to meet Class 1, Division 1 classifications. Additionally, vacuum ovens, fire suppressions systems, and gas detection systems all help to prevent disastrous incidents from occurring.

Question #4: Can we get a list of the police department reports concerning hemp oil production explosions?

Response: Incidents of Butane Hash Oil (BHO) explosions have dramatically increased throughout the nation since 2011 when Colorado legalized marijuana for medicinal use. Explosions occur when volatile gases are released into the atmosphere during a process known as, “open blasting”. Marijuana or hemp concentrate can be produced with volatile solvents such as butane or propane. The solvent strips the plant of its essential oils, creating a highly potent oil. Open blasting is the most cost effective and dangerous way of producing the concentrated oil.

Question #5: What are the Police Department’s concerns?

Response: As with any other activity in the City, Police are generally concerned with community safety issues, including, but not limited to, thefts, robberies, assaults, and vandalism as a result of or related to commercial cannabis activities. Community and Economic Development Department staff will continue to engage with Police Department staff as a regulatory framework is developed.

Question #6: Can we require a camera system that the Police Department can view live and any time for monitoring purposes?

Response: MCRSA’s proposed regulation 5068, requires commercial marijuana businesses to implement sufficient security measures to deter and prevent the unauthorized entrance into limited access areas. The regulation also specifies which areas of the licensed premises must be monitored by surveillance camera 24 hours per day. As part of the dual licensing process, local licensing authorities have the right to request additional security measures as they see fit. The City may approve proposed local ordinances which require that businesses be responsible for ensuring that the security surveillance camera’s footage is remotely accessible by the chief of Police or

designee(s), and that it is compatible with the City's software and hardware. In addition, remote and real-time live access to the video footage from the cameras shall be provided to the Chief of police or designee(s) upon request. As part of a robust application process, applicants should be required to submit a, "Secure Facilities" document to the law enforcement agency, which includes emergency contact information, outlines security measures and provides IP address for video surveillance equipment.

Question #7: Please provide information on businesses already growing in warehouses. And taxes generated?

Response: Cultivation facilities growing in warehouses are capable of multiple harvest cycles per year, as opposed to a single harvest cycle for outdoor cultivation. Though cultivation methods, harvest cycles and productivity can vary greatly, a standard rule of thumb among many in the industry is that a full-indoor commonly yields five harvests. A flat, square-foot tax on the cultivation area thus gives indoor operations the advantage of being able to amortize that tax over far more product, granting them a distinct price advantage over outdoor cultivation. However, indoor are far more infrastructure intensive than outdoor cultivation and typically carry far greater up-front investment and operational costs. Both of these factors should be considered when developing an appropriate tax strategy.

For purposes of developing tax models, the conservative approach would be to assume just four cycles for indoor cultivation. This assumption is modified for the sake of providing more conservative projections and to recognize that there are a range of practices and regimens for indoor cultivation. Assuming four harvest cycles per year also reflects the higher volatility of a more rigorous and demanding rotation schedule by allowing for the possibility of crop loss due to pathogens or other causes.

Each State cultivation license type allows a range for the amount of area that can be cultivated. Types 1, 1A and 1B ("Specialty") each allow up to 5,000 square feet. Types 2, 2A and 2B ("Small") allow from 5,001 up to 10,000 square feet. Type 3 ("Medium") allows from 10,001 square feet up to a full acre (for outdoor cultivation) while Types 3A and 3B allow from 10,001 up to 22,000 square feet. The Type 5, 5A and 5B ("Large") licenses created by AUMA will allow for unlimited cultivation sizes, starting in 2023. Since it is unknown how many permits maybe considered for cultivation in the City if any at all for the purpose of this analysis we shall use a range of 9-15 permits with a blend of permits for each of the cultivation license types 33% Type 1A, 33% Type 2A and 33% Type 3A.

Number of Permits	$6 Per Sq. Ft.	$8 Per Sq. Ft.	$10 Per Sq. Ft.
9	$666,000	$888,000	$1,110,000
12	$888,000	$1,184,000	$1,480,000
15	$1,110,000	$1,480,000	$1,850,000

<u>Questions #8</u>: What environmental protections will the growers have to adhere to?

Response: The California Department of Food and Agriculture (CDFA) currently has proposed legislation that requires marijuana cultivation activity to be conducted in accordance with applicable federal, state, and local laws related to land conversation, grading, electricity usage, water usage, water quality, woodland and riparian habitat protection, species protection, agricultural discharges, and similar matters.

California Department of Food and Agriculture's CalCannabis Cultivation Licensing program will be responsible for ensuring licensees comply with relevant mitigation measure requirements as determined by their environmental analysis. Furthermore, the proposed program is designed to govern the licensing of all commercial indoor, outdoor, and mixed-light, processing, and nursery activities. Both MCRSA and AUMA explicitly state that they do not supersede or limit existing local authority for law enforcement activity; enforcement of local zoning requirements or local ordinances; or enforcement of local license, permit, or other authorization requirements. Topics delegated to local land use authorities include issues such as aesthetics, land use and planning, noise, odors, compliance with building standards, provisions for police and fire protection and connections to public utilities. Local authorities should work with industry stakeholders during the licensing process in a way that encourages development of cultivation facilities that utilize clean, efficient energy. Local entities should consider energy conservation when deciding on zoning, building, and electrical codes.

Reducing the carbon footprint of a marijuana cultivation is complicated. To adequately address security and odor concerns, many local land use authorities are choosing to only license indoor cultivation activities. Doing so requires that facilities install enhanced air filtration systems for odor mitigation and costly lighting equipment which also requires supplemental cooling systems. Two years into the legalized recreational marijuana market, Denver's 362 marijuana grow facilities consumed more than 2% of the City's electricity usage. Statewide cultivations are behind roughly half of Colorado's overall power demands.

In an attempt to promote prudent land and resource use, Boulder County, Colorado is collaborating with local marijuana growers to help them reduce their environmental impacts while simultaneously reducing their costs. The county is requiring cultivators to either offset their electricity use with renewable energy, or to pay a 2.16-cent charge per kwh. Their fee is being put into the Boulder County Energy Impact Offset Fund. The fund is being used to educate and encourage best marijuana cultivation practices with regards to energy usage as well as to und other carbon offset projects. Similarly, In November 2012, the City of Arcata, California passed Measure I, Excessive Electricity Use Tax. The 45% tax on households that use more than 600 percent of the energy baseline (the energy used to power three average homes) was originally designed to address the illegal residential cannabis cultivations. The excessive energy tax is now being used to address the environmental impacts and energy consumption of the licensed cultivators. Officials have said they are expecting to receive approximately $300,000 per year from the

industry.

<u>Question #9</u>: Please provide more data on odor control.

Response: Controlling odors being released from marijuana plants in a commercial cultivation facility is one of the main concerns for both regulators and business owners. One thing that makes indoor cultivations more advantageous is the fact that the grow environment can easily be sealed and controlled. As the commercialized marijuana industry continues to mature, so does their odor mitigation techniques. Over the past 6 years, commercial cultivators have barrowed technology from industries such as rendering and meat byproduct processors, waste water facilities and papermills.

When addressing and predicting odor related complaints, licensing authorities need to consider the construction material used in the building of the licensed premises, the number of plants being cultivated and the distance to neighboring businesses or houses. Professionally designed cultivation facilities should be designed with multiple layers of odor mitigation equipment. The mostly frequently used equipment is an active carbon filtration system. This technique involves forcing exhaust air through active carbon to filter out a vast majority of the offensive odor. HVAC systems designed to create negative air flow help to contain the ambient air within the facility while pushing the exhaust through additional air filtration systems equipped with odor neutralizers.

After all this, 100% odor mitigation is difficult to achieve and maintain. Knowing this, licensing authorities are encouraged to create air-pollution control ordinances designed to allow the City to require specialized industries such as marijuana cultivation facilities to develop an odor control plan which would identify odor sources and control measures that will be taken to reduce odors from those sources. The measures will be based on best practices for that industry.

<u>Question #10</u>: Can we partner with the County to draft an ordinance?

Response: The City of Riverside is organized as a Charter City as opposed to the County which is organized under general laws of the State and have less autonomy. In addition, the County will have different land use requirements as compared to the City. Although it might be recommended should the City move forward on establishing a regulatory ordinance that it collaborate with the County regarding creating a sensitive buffers policy so that it does not create any impact on each agency or any unintended “greenbelts.”

Attachment 3 - Comparison of Cannabis Regulations for Other Jurisdictions

Based on available information as of December 13, 2017

	Commercial Cannabis License Type						
Jurisdiction	**Cultivation (Indoor)**	**Cultivation (Outdoor)**	**Manufacturing**	**Retail**	**Distribution**	**Microbusiness**	**Testing Labs**
County of Riverside	Tax Measure to be considered Nov. 2018 followed by Regulations	Tax Measure to be considered Nov. 2018 followed by Regulations	Tax Measure to be considered Nov. 2018 followed by Regulations	Tax Measure to be considered Nov. 2018 followed by Regulations	Tax Measure to be considered Nov. 2018 followed by Regulations	Tax Measure to be considered Nov. 2018 followed by Regulations	Tax Measure to be considered Nov. 2018 followed by Regulations
Corona	Prohibited Discussing Policy	Prohibited Discussing Policy	Prohibited Discussing Policy	Prohibited Discussing Policy	Prohibited Discussing Policy	Prohibited Discussing Policy	Prohibited Discussing Policy
Jurupa Valley	Prohibited	Prohibited	Prohibited	Prohibited	Prohibited	Prohibited	Prohibited
Lake Elsinore	Permitted	Prohibited	Permitted	Permitted only in conjunction with cultivation or manufacturing			
Menifee	Prohibited	Prohibited	Prohibited	Prohibited	Prohibited	Prohibited	Prohibited
Moreno Valley	Conceptually Permitted – Regulations Pending	Conceptually Permitted – Regulations Pending	Conceptually Permitted – Regulations Pending	Conceptually Permitted – Regulations Pending	Conceptually Permitted – Regulations Pending	Conceptually Permitted – Regulations Pending	Conceptually Permitted – Regulations Pending
Perris				Permitted – Medical Only			
San Jacinto	Permitted	Permitted					
County of San Bernardino	Prohibited	Prohibited	Prohibited	Prohibited	Prohibited	Prohibited	Prohibited
County of Los Angeles	Prohibited	Prohibited	Prohibited	Prohibited	Prohibited	Prohibited	Prohibited
City of Los Angeles	Permitted	Prohibited	Permitted	Permitted	Permitted	Permitted	Permitted
Long Beach	Permitted – Medical Only	Prohibited	Permitted – Medical Only	Permitted – Medical Only			Permitted – Medical Only
City of San Diego				Permitted	Prohibited	Prohibited	
City of Sacramento	Permitted – Medical Only	Prohibited	Permitted	Permitted – Existing Medical Only (Moratorium)			

City of Riverside Fiscal Analysis

Cultivation Permits		Total 7			Tax Scenarios		
	Total Sq Ft			Total Sq Ft	$6	$8	$10
Permit 1	5,000		1	5,000	$30,000	$40,000	$50,000
Permit 2	10,000		3	30,000	$180,000	$240,000	$300,000
Permit 3	22,000		3	66,000	$396,000	$528,000	$660,000
					$606,000	$808,000	$1,010,000

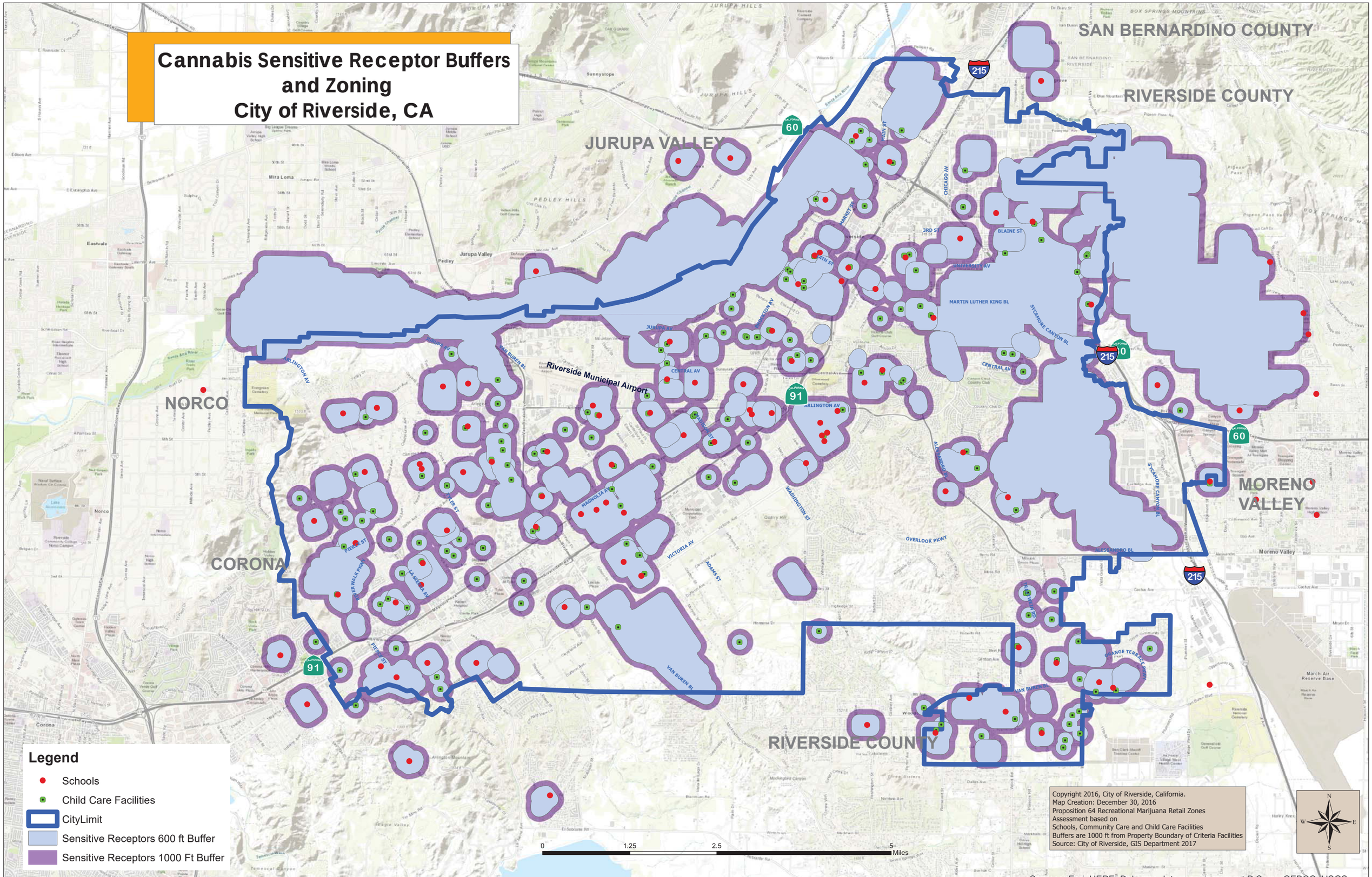
Microbusiness Permits		Up to 7			Tax Scenarios		
	Gross Receipts			Total GR	2.5%	4%	6%
Scenario 1	$3,500,000		3	$10,500,000	$262,500	$420,000	$630,000
Scenario 2	$3,500,000		5	$17,500,000	$437,500	$700,000	$1,050,000
Scenario 3	$3,500,000		7	$24,500,000	$612,500	$980,000	$1,470,000

Manufacturing Permits		Up to 7			Tax Scenarios		
	Gross Receipts			Total GR	2.5%	4%	6%
Scenario 1	$2,500,000		3	$7,500,000	$187,500	$300,000	$450,000
Scenario 2	$2,500,000		5	$12,500,000	$312,500	$500,000	$750,000
Scenario 3	$2,500,000		7	$17,500,000	$437,500	$700,000	$1,050,000

Retailer Permits		Up to 7			Tax Scenarios		
	Gross Receipts			Total GR	2.5%	4%	6%
Scenario 1	$3,200,000		3	$9,600,000	$240,000	$384,000	$576,000
Scenario 2	$3,200,000		5	$16,000,000	$400,000	$640,000	$960,000
Scenario 3	$3,200,000		7	$22,400,000	$560,000	$896,000	$1,344,000

City of Riverside Fiscal Analysis

Distribution Permits		Up to 7		Tax Scenarios		
	Gross Receipts		Total GR	2.5%	4%	6%
Scenario 1	$2,000,000	3	$6,000,000	$150,000	$240,000	$360,000
Scenario 2	$2,000,000	5	$10,000,000	$250,000	$400,000	$600,000
Scenario 3	$2,000,000	7	$14,000,000	$350,000	$560,000	$840,000

Max Permits	Total of 35	
	Very Conservative	$2,566,000
	Conservative	$3,944,000
	Aggressive	$5,714,000
Mid Permits	Total of 27	
	Very Conservative	$2,006,000
	Conservative	$3,048,000
	Aggressive	$4,370,000
Min Permits	Total of 19	
	Very Conservative	$1,446,000
	Conservative	$2,152,000
	Aggressive	$3,026,000

Cannabis Sensitive Receptor Buffers and Zoning
City of Riverside, CA