City of Arts & Innovation

City Council Memorandum

TO: **HONORABLE MAYOR AND CITY COUNCIL** **DATE:** **MAY 6, 2025**

FROM: **COMMUNITY & ECONOMIC DEVELOPMENT DEPARTMENT** **WARD: ALL**

SUBJECT: **AMENDMENTS TO CHAPTER 5.77 OF THE RIVERSIDE MUNICIPAL CODE RELATED TO THE CANNABIS BUSINESS PERMIT PROGRAM AND AMENDMENTS TO THE STOREFRONT RETAIL COMMERCIAL CANNABIS BUSINESS PERMIT PROCEDURE GUIDELINES**

ISSUE:

Amendments to Chapter 5.77 of the Riverside Municipal Code related to the Cannabis Business Permit Program and amendments to the Storefront Retail Commercial Cannabis Business Permit Procedure Guidelines.

RECOMMENDATIONS:

That the City Council:

1. Introduce and subsequently adopt the attached Ordinance amending Chapter 5.77 – *Cannabis Business Activities* of the Riverside Municipal Code.

2. Adopt the attached Resolution amending the *Storefront Retail Commercial Cannabis Business Permit Procedure Guidelines*.

BACKGROUND:

At the City Council meeting on January 7, 2025, staff provided an update on the *Storefront Retail Commercial Cannabis Business (CCB)* program. The proposed locations for the 14 top ranked applications were released, with five businesses proposed in one Ward and two in an adjacent Ward, raising concerns about geographic concentration and location criteria. The City Council directed staff to study the effects of geographic density, proximity to sensitive receptors, and other health and safety concerns in support of the goals outlined in the *Cannabis Business Activities Ordinance* and related ordinances.

During the 90-day review period, the study was conducted, and on March 25, 2025, the results were presented to the City Council during a public hearing. Recommendations included limiting the number of CCB Permits to one per Ward, adding Parks as a new sensitive use, strengthening separation and location requirements, and refining the sales and transfer process. The City Council adopted the recommendations and directed staff to return with the corresponding

Ordinance and Resolution.

DISCUSSION:

Amendments to Chapter 5.77 – Cannabis Business Activities are summarized below. Full language is included in *Attachment 1*.

- **Number of Permits:** The RMC permits up to 14 CCB Permits citywide. A new provision in Section 5.77.100.C limits the issuance to a maximum of one permit per Ward, capping initial permits at seven. Section 5.77.100.E further authorizes the City Council to assess and modify the number of authorized or issued permits at its sole discretion.

- **Ownership:** To strengthen the sale and transfer process, Section 5.77.270.A now requires the ownership team operate as approved for at least one year. Any new owner, whether through sale or transfer, must undergo the same evaluation criteria and score equal to or higher than the current owner. The City Council now will have the final authority to approve or deny transfer applications.

- **Location and Design:** As presented during the March 25, 2025, public hearing, changes to land use standards in Chapter 5.77 also necessitate amendments to Title 19. These changes include specific prohibited areas, sensitive use designations, and separation requirements. Adoption of this criteria is pending the adoption of the amendments to Title 19.

    - **Separation Requirements:** Revisions to Section 5.77.320.A, establish a minimum 1,000-foot separation between CCB locations, require compatibility with adjacent businesses operating under ABC regulations, and prohibit CCB locations in Downtown and Midtown areas.

    - **Sensitive Uses:** Parks have been added to the list of sensitive uses, with a required 600-foot buffer. Additionally, the section provides an exemption for existing CCB businesses during the annual sensitive use review process.

- **Records and Recordkeeping:** Section 5.77.340.D has been updated to specify April 15 and December 15 as the required submission dates for ownership reporting.

Amendments to the Storefront Retail Commercial Cannabis Business Permit Procedure Guidelines are summarized below and included in *Attachment 2*:

- **Step 2.2:** Applicants who do not receive zoning verification for their preferred location may resubmit a new location.

- **Step 2.3:** Applicants who fail to meet any submittal deadlines under this step will forfeit their CCB application and any rights to a Storefront Retail CCB Permit.

STRATEGIC PLAN ALIGNMENT:

This item contributes to the Envision Riverside 2025 City Council Strategic **Priority No. 2** – **Community Well-Being**, specifically **Goal 2.4** – Support programs and innovations that enhance community safety, encourage neighborhood engagement, and build public trust.
The item aligns with each of the Cross-Cutting Threads as follows:

1. **Community Trust** – The City is transparent and makes decisions based on sound policy and inclusive community engagement with timely and reliable information.

2. **Equity** – The City is supportive of racial, ethnic, religious, sexual orientation, identity, geographic, and other attributes of diversity. Consideration of the proposed amendments demonstrates that the City is committed to advancing the fairness of treatment, recognition of rights, and equitable distribution of services to ensure every member of the community has equal access to share in the benefits of community progress.

3. **Fiscal Responsibility** – The City is a prudent steward of public funds and ensures responsible management of the City's financial resources while providing quality public services to all.

FISCAL IMPACT:

Reducing the number of permits from fourteen to seven (a maximum of one per Ward) will not impact current tax revenue, as no cannabis businesses are currently operating. However, it is expected to reduce the potential tax revenue the City could have received in future years, had the original number of permits remained in place.

Based on research conducted by the Finance Department and presented to the Finance Committee on September 8, 2024, and subsequent Council adoption of an 8% Cannabis Business Tax rate, estimated budget projections for each fiscal year are outlined in the table below. Revenue for Fiscal Year (FY) 2024/25 was removed from the budget as part of the second quarter financial report, as no cannabis tax revenue is anticipated until businesses begin operations.

	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29
Budgeted	$500,000	$1,000,000	$1,000,000	$1,000,000	$1,000,000
Proposed	$0	$1,000,000	$1,000,000	$1,000,000	$1,000,000
Projected Revenue Reduction	**$500,000**	**$0**	**$0**	**$0**	**$0**

Prepared by: Kyle Warsinski, Senior Project Manager
Approved by: Jennifer A. Lilley, Community & Economic Development Director
Certified as to availability of funds: Kristie Thomas, Finance Director/Assistant Chief Financial Officer
Approved by: Mike Futrell, City Manager
Approved as to form: Jack Liu, Interim City Attorney

Attachments:
1. Ordinance – Amending Chapter 5.77 of the RMC
2. Resolution – Amending the Storefront Retail Commercial Cannabis Business Permit Procedure Guidelines and Application Review Criteria
3. Presentation