

City of Arts & Innovation

City Council Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL DATE: MARCH 25, 2025

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

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

ISSUE:

Consideration of amendments to the Riverside Municipal Code Chapter 5.77 and Storefront Retail Commercial Cannabis Business (CCB) Permit Procedure Guidelines, including: amendments to the maximum number of Retail Commercial Cannabis Business (CCB) Permits allowed in the City; the maximum number of CCB Permits per ward; restricting the sale and transfer of permits; maintaining a minimum distance of 1,000 feet between CCB Permits, conformance with ABC licensed business requirements to ensure compatibility, designating parks as a sensitive use with corresponding minimum separation distances, and minor clean up items in the RMC related to renewal exceptions and Guidelines including resubmittal requirements and application deadlines.

RECOMMENDATIONS:

That the City Council:

1. Adopt a Resolution postponing the permitting process under RMC 5.77.120 for an additional 30 days; and
2. Direct staff to draft an Ordinance to Amend 5.77 to include:
 - a. Amend Section 5.77.100.C to reduce the maximum number of Permits from 14 to seven, with one Permit maximum per ward.
 - b. Amend Section 5.77.270.A a requirement to operate with the full ownership team/structure as submitted for a minimum of one year before any sale or ownership transfer is considered.
 - c. Amend Section 5.77.270.A.3 adding language to require the new owner to score equal to or higher than the current permittee/owner.
 - d. Add Section 5.77.320.A.4 to maintain a minimum distance of 1,000 feet between

Storefront Retail Commercial Cannabis Business (CCB) Permits.

- e. Add Section 5.77.320.A.5 to require compatibility with all Alcoholic Beverage Control (ABC) rules and regulations to ensure the location and design does not render the previously approved ABC business noncompliant.
 - f. Amend Section 5.77.320.B.3.d to add A public and private park (600 feet.)
 - g. Add Section 5.77.320.B.4.c a renewal for an established cannabis business is not required to meet the minimum separation distances to sensitive uses after the CCB Permittee was established.
 - h. Amend Section 5.77.340.D to require a permitted cannabis business to provide a current ownership register to the City Manager for review on April 15 and December 15 of each year.
3. Direct staff to draft a Resolution to amend the Storefront Retail Commercial Cannabis Business Permit Procedure Guidelines and Application Review Criteria to include:
- a. Amend Step 2.2 to clarify the failure to meet Zoning Verification Requirements require a full resubmittal as described in Step 2.1.ii.a.
 - b. Amend Step 2.3 to clarify If an applicant fails to meet the submittal deadline for any of the processes detailed in Step 2.3, the applicant shall be deemed to have forfeited the Storefront Retail CCB application and any right to a Storefront Retail CCB permit.
4. Provide Direction on the following items:
- a. Consider transfer of sales to equity qualified businesses.
 - b. Prohibit transfers of CCB Permits.
 - c. Amend the final authority to approve or deny the transfer process to the City Council.
 - d. Consider amending the Zoning Code to prohibit CCB Permits in Placemaking or Specialty Zone/Areas (i.e. Arts and Culture District, Arlington Village, and Midtown).
 - e. Review Residential Zoned Properties as a sensitive use with corresponding minimum separation distance.

BACKGROUND:

In 2016, California voters passed Proposition 64, The Adult Use of Marijuana Act, which allowed adults 21 or older to legally grow, possess, and use cannabis for recreational purposes and legalized the sale and distribution of cannabis statewide. Shortly thereafter, Governor Brown signed Senate Bill 94, The Medicinal Adult-Use Cannabis Regulation and Safety Act or MAUCRSA, into law. While the MAUCRSA created minimum requirements for licensees statewide, Proposition 64 and Senate Bill 94 gave local governments the flexibility to implement

local regulatory frameworks for land-use entitlements, building permits, and business/operating licenses for cannabis related uses.

On September 12, 2017, the City Council approved a moratorium on commercial cannabis activities in the City and subsequently adopted Ordinances permitting and regulating Cannabis Testing Laboratories and prohibiting:

1. the retail and commercial sale of cannabis;
2. commercial agricultural cultivation of marijuana;
3. the manufacturing and sale of marijuana extractable and consumable products;
4. distribution of all marijuana and cannabis associated products;
5. the establishment of microbusinesses such as boutique lounges; and
6. outdoor cultivation of all marijuana plants, including medical marijuana.

On September 28, 2021, the City of Riverside received a Notice of Intent to Circulate Petition for the Riverside Cannabis Taxation and Regulation Act. The City Attorney prepared and provided a Ballot Title and Summary to the proponents on November 18, 2021. The ballot measure would have created a regulatory framework for all cannabis uses within the City. Unlike ordinances passed by the City Council, regulations established through a ballot measure require any future amendments to be approved by a subsequent ballot process during a general election.

On November 18, 2021, the Economic Development, Placemaking, and Branding/Marketing (EDPBM) Committee discussed the need to develop an ordinance with the legal and regulatory framework for the permitting, licensing, enforcement, taxation, and legal operations of commercial cannabis storefronts within the City limits and directed staff to return to the EDPBM Committee with ordinance options.

Staff returned to the EDPBM Committee on March 24, 2022, with ordinance options. The EDPBM Committee directed staff to prepare amendments for the Riverside Municipal Code including: Title 5 (Business Taxes, Licenses and Regulations) amendments related to licensing of cannabis business uses; Title 9 (Peace, Safety and Morals) amendments to clean up and provide consistency in cannabis regulations and terminology; and Title 19 (Zoning) amendments related to land use regulations for cannabis related uses. Direction was also provided to conduct a financial analysis on potential revenue and to move forward on a cannabis tax ballot measure in 2024 with the type of tax and percentage of tax to be determined.

Staff presented an update to the EDPBM Committee on October 20, 2022, including the draft Municipal Code Amendments. Staff requested additional direction to finalize the amendments to move the program forward for consideration by the Planning Commission and the City Council. A workshop was conducted on December 8, 2022, with the Planning Commission to introduce the components of the Cannabis Business Permit Program. The Planning Commission provided input related to proximity to sensitive receptors, uses considered sensitive receptors, concentration of cannabis retail businesses, the cost of the permit process, and impacts on crime.

This information was presented to the City Council on March 14, 2023 and Ordinance 7628 was adopted, amending Title 5 (Business Taxes, Licenses and Regulations) of the Riverside Municipal Code (RMC), and replacing Chapter 5.77 (Cannabis Business Activities) in its entirety, Ordinance 7629 amending Title 9 (Peace, Safety and Morals) of the RMC, and Ordinance 7630 amending Title 19 (Zoning) of the RMC.

Chapter 5.77 of the RMC regulates Cannabis Business Activities, including the types and maximum number of businesses permitted. The RMC allows up to 14 CCB Permits as well as an

unlimited number of manufacturing, distribution, and testing laboratories. All commercial cultivation operations and microbusinesses are prohibited.

In addition to regulations adopted in the RMC, Resolution No. 24048 was adopted by the City Council on October 17, 2023, establishing the Storefront Retail Commercial Cannabis Business Permit Procedure Guidelines and Application Review Criteria (Guidelines and Criteria). The Guidelines and Criteria outline the procedures to apply for a CCB Permit and establish the requirements to receive a Storefront Retail Commercial Cannabis Business Permit.

The application period was opened on November 15, 2023, and continued until the application period closed on December 15, 2023. The City received 42 applications. One application was submitted after the deadline, and another did not pay the required application fee prior to the deadline. These two applications did not move on to the Review and Evaluation process, also known as Phase 1 of the CCB Permit review process. The 40 applications receiving application clearance moved on to Step 1.2, the Merit-Based Evaluation.

The Merit-Based Evaluation process included the ranking of each application according to the review criteria to determine a score in each evaluation category. The scoring process resulted in an overall ranking of each application. On March 12, 2024, the 14 top-ranking applicants were posted on the City's website. The Phase 2, Application Final Approval period began on March 14, 2024. Applicants submitted preferred site locations, underwent a background check for all owners, submitted site plans site improvements and construction plans, operational and business plans, and safety and security plans for validation.

Step 2.1: Location Selection is the first step in Phase 2 – Application Final Approval process. The Applicants had 90 calendar days from March 12, 2024, to submit their preferred location. Before the June 10, 2024, deadline, applicants provided requests for extension related to challenges finding appropriate sites and securing property owner consent. On Friday, June 7, 2024, the City issued notice extending the deadline for 90 days.

All 14 applicants submitted their preferred site locations by September 9, 2024. The preferred locations were reviewed by the City in the order of the Phase 1 ranking. Once locations were confirmed to be unique and not selected by a higher ranked applicant, the location was posted on the City's website. (Attachment 3).

Next, the preferred locations were processed for "Review and Verification of Preferred Location", confirming proper zoning and maintaining the proper distance requirements to all sensitive uses. The Review and Verification process resulted in the following:

- Ward 1: 3 locations
- Ward 2: 2 locations
- Ward 3: 2 locations
- Ward 4: 0 locations
- Ward 5: 5 locations
- Ward 6: 2 locations
- Ward 7: 0 locations

The unexpected outcome of the five locations selected in Ward 5 raised initial concerns. Additionally, three of the five locations in Ward 5 are within the same block of Van Buren Boulevard, between Primrose Drive and Magnolia Avenue, and on the same side of the street. In addition to the use concentration concern in Ward 5, the close proximity of the two locations in Ward 6 resulted in seven of the 14 Permits potentially operating in one portion of the City. The location, proximity, and concentration of permits raised concern by the City Council, business owners, and community members.

The Guidelines provided specific details, direction, timing, and process limiting the ability to address these concerns during the review process. This included the limitations for staff communicating directly with applicants and no ability for applicants to change preferred locations once the sites were posted as required in Step 2.1 immediately following the deadline of September 9, 2024.

The RMC allows the City Council to consider amendments and changes to regulate the commercial sale of cannabis in a responsible manner to protect the health, safety, and welfare of residents. At the City Council meeting on January 7, 2025, staff presented an update on the status of the Storefront Retail Commercial Cannabis Business program. The City Council conveyed concerns related to the locations and the concentration of the proposed businesses. The City Council voted to postpone the review process for CCB Permits for 90 days and directed staff to research and study the effects of geographic density, proximity to sensitive receptors, and other health and safety concerns in furtherance of the stated goals of the cannabis business activities ordinance and other related ordinances.

DISCUSSION:

City staff have conducted research and review related to:

1. Crime and Community Safety, providing information related to the health and safety of the community with respect to CCB Permit locations and concentration.
2. Sales of Businesses, evaluating the current process to sell a CCB Permit and any improvements to address issues related to sales and transfers.
3. Locations, reviewing the process for preferred locations including exploring limiting CCB Permits to Industrial/Manufacturing Zones.
4. Concentration, review the conditions leading to overconcentration of CCB Permits in specific portions of the City and consider; establishing new sensitive uses and associated minimum distance requirements; establishing a minimum distance requirement between cannabis business storefronts; limiting the number of CCB Permits per Ward; and evaluating the total number of CCB Permits in the City.

1. Crime and Community Safety

Based on the City Council's direction, the Police Department focused on the public health and safety topics and assigned the Vice Unit, which has been tasked with enforcing current laws regarding the illegal sales of cannabis as well as the enforcement of state and local regulations

regarding retail sales of cannabis, to conduct the research. The team looked at nationwide studies to obtain data from local jurisdictions currently allowing the retail sales of cannabis. Unfortunately, the local jurisdictions were unable to accommodate the City's requests, so the Police Department relied on outside published studies, open-source material and internal crime stats from the City's Crime Analysis Unit (CAU). That health and safety report is Attachment 2 to this report.

Research Results:

1. California's Regulatory and Quality Control Measures are Inadequate.
2. No Clear Bright Line Division Between Legal and Illegal Cannabis Products/Sales.
3. Increase in Crime and Calls for Service in Neighborhoods Surrounding Businesses Selling Cannabis.
4. Use of Cannabis Leads to Adverse Health Effects.
5. Possible Negative Impact on ABC Licenses of Surrounding Businesses.
6. Cannabis Legalization Fuels the Black Market.
7. Marijuana Use Conflicts with the Stated Goals of the Blue Zone Project.

Regarding the information contained in the report, additional resources will be needed from various departments and divisions such as Police, Fire, Code Enforcement, Finance and the City Attorney's Office to manage the legal cannabis market as well as the increased illegal black-market activity that results from legalization at the local level.

In addition to the regulations already adopted under Title 5 – *Business Taxes, Licenses and Regulations*, Title 9 – *Peace, Safety and Morals* and Title 19 – *Zoning* of the Riverside Municipal Code, the following additions are recommended by the Riverside Police Department for the health and safety of Riverside residents and to minimize the extent of the additional City resources that will be required:

1. Limit the number of CCB Permits to no more than one per ward.
2. Due to the increase in crime in the surrounding neighborhoods, CCB Permits should not be located within 1,000 feet of each other.

Additional Direction is requested related to:

1. Require cannabis products not to exceed five grams and 10% THC concentration.
2. Dispensaries must submit to random product testing for THC potency and quality control (pesticides and other harmful substances) not to exceed four per year, at their own expense, and by a qualified lab chosen by the City.
3. Universities and colleges should be added to the sensitive use category and be subject to the same distance requirements.

2. Sale of Businesses

During the meeting, concerns regarding Cannabis Permits being sold were raised. Council members received information from the public on potential sales and directed staff to review the

process of selling or transferring a Storefront Retail CCB Permit. Section 5.77.270 of the RMC provides for transfer or ownership change. First, there must be a valid CCB Permit before an application for sale or transfer is considered. The RMC currently restricts the sale or transfer of a CCB Permit until the Permit has been issued and exercised.

“Any attempt to transfer a cannabis business permit either directly or indirectly in violation of Section 5.77.270 is declared a violation of the Permit and is a ground for revocation of the permit.”

Sale and Transfer is detailed and defined in the Code. The RMC provides definitions in Section 5.77.060 for all terms including: Permittee, Person and Owners.

- The permittee is the person or entity receiving the CCB Permit.
- “Person” includes individuals, firms, partnerships, corporations and other similar sole or group ventures.
- “Owners” are defined as having an interest of 20 percent or more of the CCB Permit, anyone who manages or controls the operations, a board member of a non-profit, and other specifically defined roles of ownership.

Section 5.77.270 states that no permit can be sold or ownership transferred unless the following steps are secured:

- A request is filed for an amendment to the Permit;
- The transfer application is reviewed as a new application and evaluated according to the Guidelines and Criteria;
- A transfer fee is paid; and
- The City Manager amends the permit to transfer the permit.

The sale or transfer applies to percentage of ownership as well as the complete sale of the business. The transfer or sale request is required to be submitted as an amendment to the exercised, valid Permit, reviewed and evaluated using the same process and criteria of the original application, including ranking, evaluation criteria, background check, experience and qualifications and approved by the City Manager.

The City Council requested review and research of the following:

- a. Restrict the sale or transfer of a business/ownership or impose a minimum operation period prior to a request for sale or transfer.

In staff's review of similar cities, the following was found:

- The cities of Sacramento and Pico Rivera prohibit transfers of cannabis permits.
- The City of Fontana prohibits transfers of permits but does provide a process for a permitted CCB to add new owners or a change of ownership of individuals with more than 10% ownership stake in the business.
- The City of West Hollywood requires a minimum of four years' operation prior to initiating any change in ownership.

- The City of Corona requires a minimum of one year prior to initiating any change in ownership and allows transfer of less than majority ownership, in which a permittee may transfer less than 50% ownership or control of a commercial cannabis permit with prior written approval of the City Manager.

Staff recommends adding a requirement for the Permit to operate with the full ownership team/structure as submitted for a minimum of one year before any sale or ownership transfer is considered.

- b. Require a transferee or new owner to score equal to or greater than the current permittee. The RMC states that a transferee's application will be treated as a new application with the same evaluation process.

Staff recommends adding language to Section 5.77.270.A.3 to require the new owner to score equal to or higher than the current permittee/owner.

- c. Limiting transfers to equity applicants. At this time no equity program exists in the City of Riverside.

City Council Direction Needed: Consider options related to requiring transfers to include equity qualified businesses.

- d. Limit the sales price of a CCB Permit. The City does not have the ability or authority to limit the private sale price of a good or service.

City Council Direction Needed: Restrict or prohibit the sale of the permit as an alternative to limits on the sale price.

- e. Provide final approval of a sale or transfer to the City Council. In the 10 cities reviewed, all but one authorize the City Manager to approve the transfer or sale of a CCB Permit. The City of Thousand Oaks authorizes the City Council to be the final approving body. The transfer process could be amended to provide the City Council with the final authority to approve or deny transfer of a CCB.

City Council Direction Needed: To amend the transfer process approval authority from the City Manager to the Council.

- f. Provide a penalty for a CCB Permit being listed for sale prior to obtaining the CCB Permit and a penalty for an individual for attempting to obtain a Permit without approval. The RMC states any attempt to sell a permit in violation of Section 5.77.270 and subject to revocation. Anyone attempting to operate without a valid CCB Permit would be in violation of the City's permit transfer process.

- g. Establish a periodic review of ownership to ensure ownership does not change without following the approved transfer process and to determine persons associated with the business who are not listed on the application as an owner, i.e. CEOs, board members of the parent company. The Code currently requires operators to provide ownership records upon request. To make this requirement more specific, additional language is needed.

Staff recommends Section 5.77.340.D be modified to report the ownership of the CCB on April 15 and December 15.

“Each owner and operator of a cannabis business shall maintain a current register of the names and the contact information (including the name, address, and telephone number) of anyone owning or holding an interest in the cannabis business, and separately of all the officers, managers, employees, agents, and volunteers currently employed or otherwise engaged by the cannabis business. The register required by this paragraph shall be provided to the City Manager on the 15th day of April and December each year. If the register provided differs from the current ownership on file with the city for the business or if the city determines the ownership has changed by other methods, this will be deemed a direct or indirect transfer of ownership in violation of RMC 5.77.270, and the CCB Permit may be revoked.”

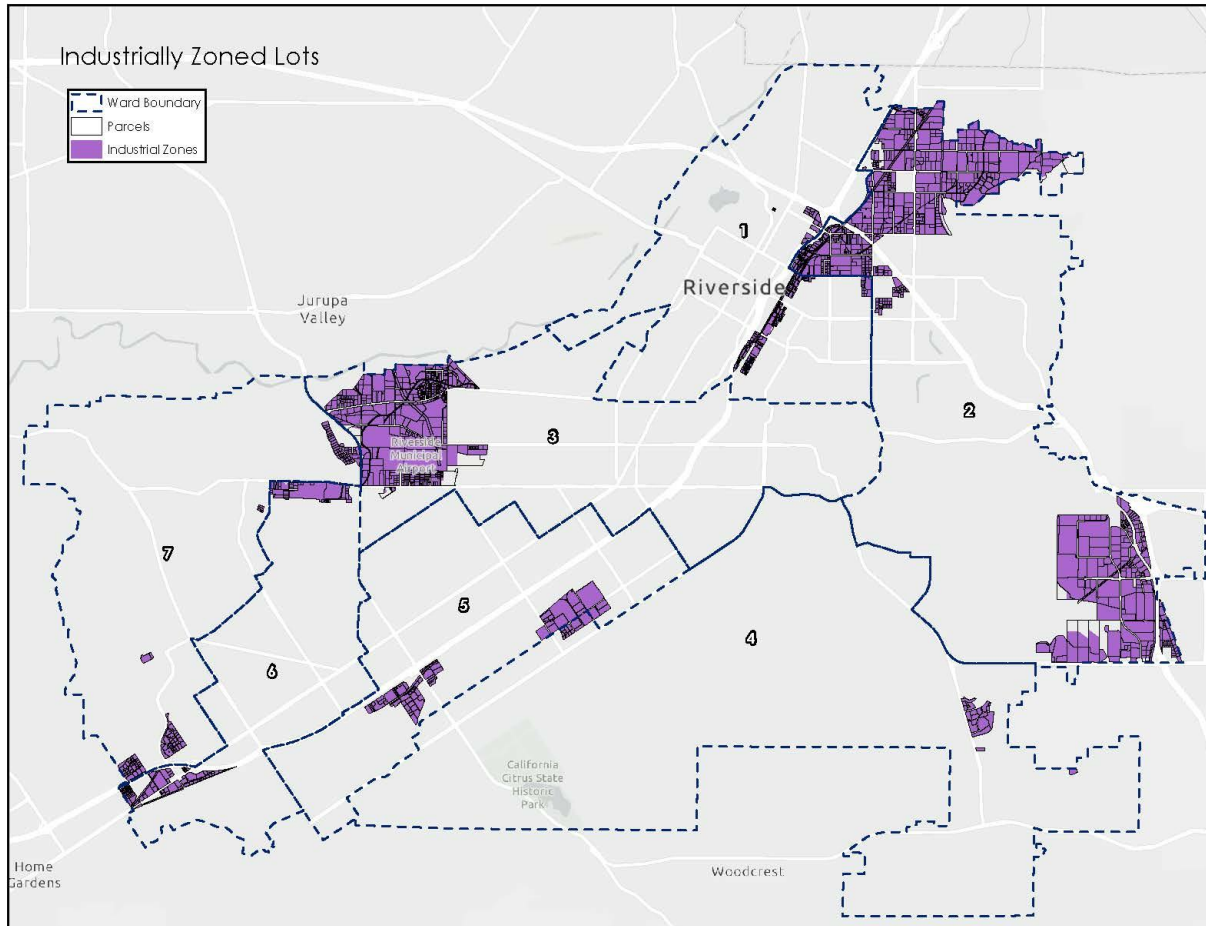
3. Locations

Zoning: During the discussion at the January meeting, the City Council asked staff to explore limiting CCB Permits to Industrial Zones. The RMC authorized the establishment of Storefront Retail CCB Permits in Commercial Zones where retail sales uses are permitted (such as the CG – Commercial General, CR – Commercial Retail, CRC - Commercial Regional Center, MU-N - Mixed Use Neighborhood, MU-V - Mixed Use Village, and MU-U - Mixed-Use Urban Zones). Classifying Storefront Retail CCBs as a Retail use allows these businesses to be permitted in all Riverside’s Commercial Zones, except the Office Zone.

Retail uses are not permitted in Residential, Industrial and Manufacturing zones. The table below demonstrates a comparison of Riverside and other cities zoning allowances for CCB Permits.

City	Retail	Industrial	Manufacturing	Professional
Corona	X	X	X	X
Costa Mesa	X			
Jurupa Valley	X			
Long Beach	X			
Moreno Valley	X	X	X	X
Perris	X	X	X	
San Bernardino	X	X	X	X
Santa Ana		X	X	X
West Hollywood	X			
Riverside	X			

The City has two Industrial and Manufacturing Zones, Business Manufacturing Park (BMP) and Industrial (I), which are shown on the exhibit below (Attachment 4).

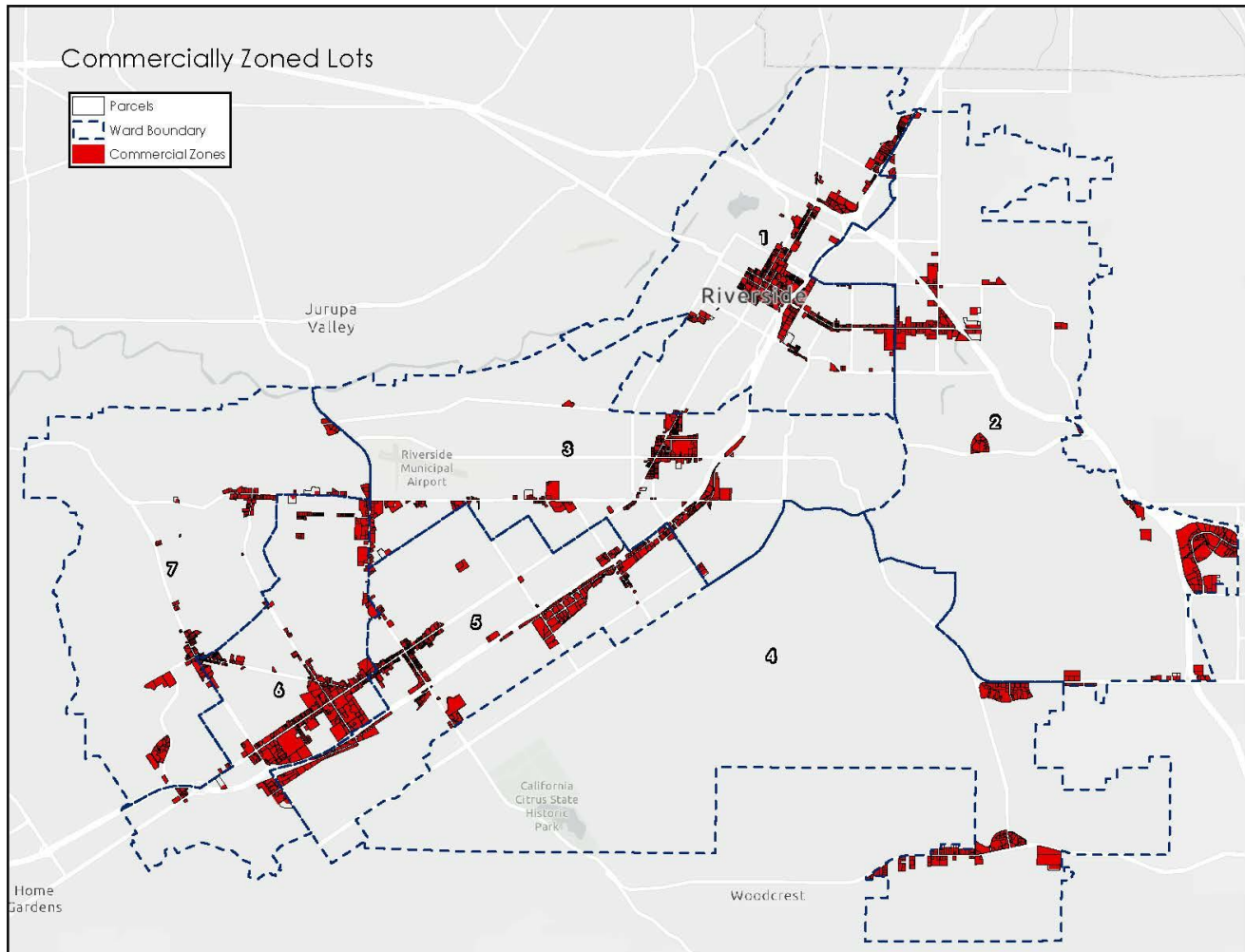


When mapping CCB Permits in Industrial and BMP Zones, staff found this change in zoning may result in increased concentration of CCB Permits as there are fewer Industrial zones throughout the City. The two largest industrial zones are located in Ward 2, with the third largest area with industrial zoning in Ward 3 near the airport. Wards 5, and 6 have a few smaller areas with this zone type, and Wards 1, 4, and 7 have very few properties designated for Industrial or Manufacturing uses.

These zones are predominantly located on the edges of the City and are often located immediately adjacent to Residential properties. In consultation with the Riverside Police Department, restricting CCB Permits to Industrial Zones may lead to higher instances of crime, as these locations are less visible to the public and public safety patrol are less frequent as compared to Commercial Zones.

Commercial Zones are more prevalent and widespread throughout the City of Riverside, allowing for a greater opportunity to disperse the approved locations. Commercial Zones are typically

located on or near major transportation corridors which results in increased activity, better visibility for customers and public safety personnel, and easier access to and from these locations. Each ward has multiple areas designated as Commercial Zones, which provide opportunities for CCB Permits to be dispersed more evenly (Attachment 5).



Staff recommends maintaining the current Commercial Zone designation for CCB uses and to explore other methods to prevent concentration such as establishing a maximum number of permits per Ward and other location controls.

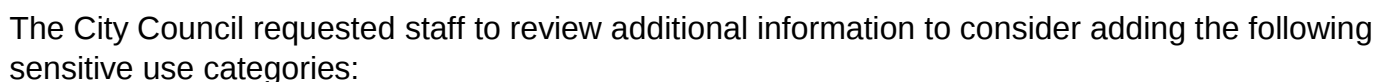
Placemaking Areas: City Council expressed concerns for CCB Permits locating within the “placemaking areas” (i.e. Arts and Culture District, Arlington Village, and Midtown), given the focused efforts for revitalization and reinvestment.

Cities can select specific areas to exclude this land use either through zoning, use restrictions or distance requirements. A restriction based on Placemaking Areas would require an amendment to Title 19 to change zoning and use restrictions.

City Council Direction is Needed: Should the City Council want to expressly restrict CCB Permits in specific zones or special districts, staff needs additional direction to review and propose changes to Title 19.

Sensitive Use Categories and/or Zoning Allowances: Section 5.77.320.B designates the following sensitive uses and corresponding minimum separation distances:

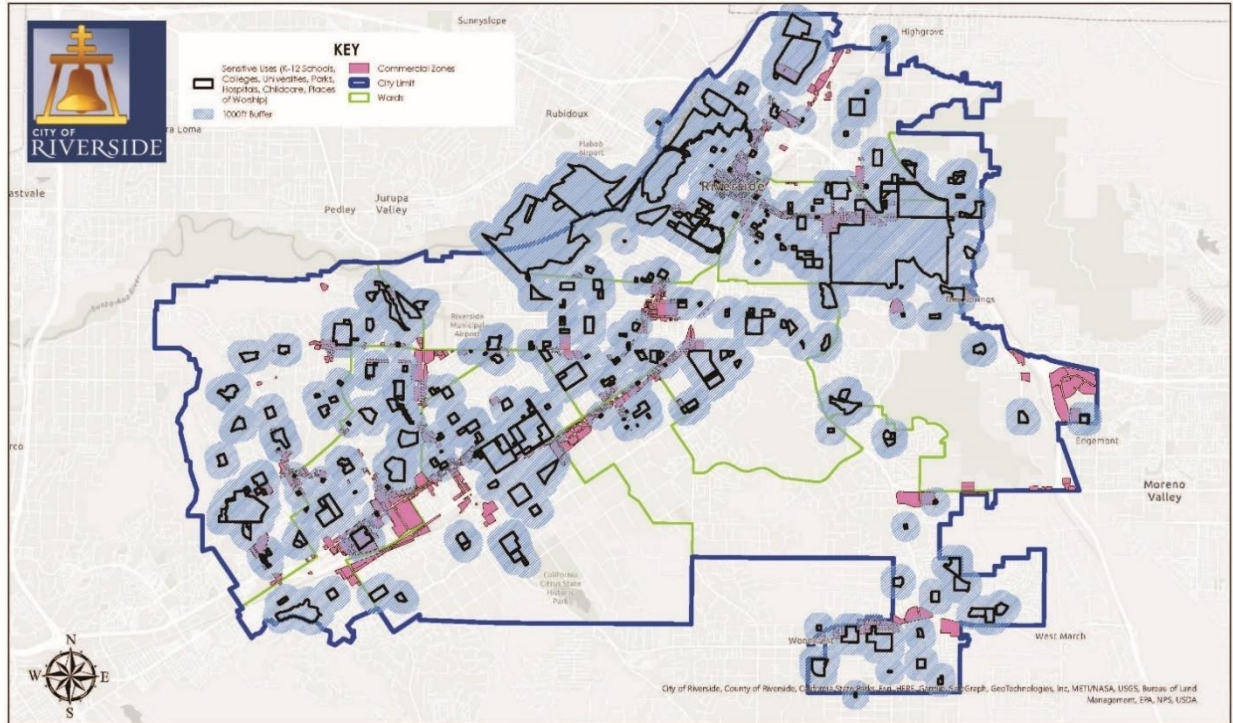
- The following exhibit depicts the locations in Commercial zones and the three adopted sensitive uses (Attachment 6). The potentially eligible properties zoned Commercial are shown in purple. The established sensitive use buffers from each sensitive use are shown in blue and teal. If a sensitive use buffer touches a commercial property, that property is not an available property for a CCB Permit.



- Parks
- Places of Worship
- Residential Zoned Properties

- Hospitals
- Hotels
- Businesses with a current Alcohol Beverage Control (ABC) license.

The City considered some of the options listed above and other potential sensitive uses included universities and colleges, parks, hospitals, childcare facilities, and places of worship. Each of these sensitive uses was studied with a 1,000-foot minimum distance requirement. The 2022 exhibit below shows the impact of these sensitive use distance requirements.



The following table provides how other cities address sensitive uses with minimum distance requirements.

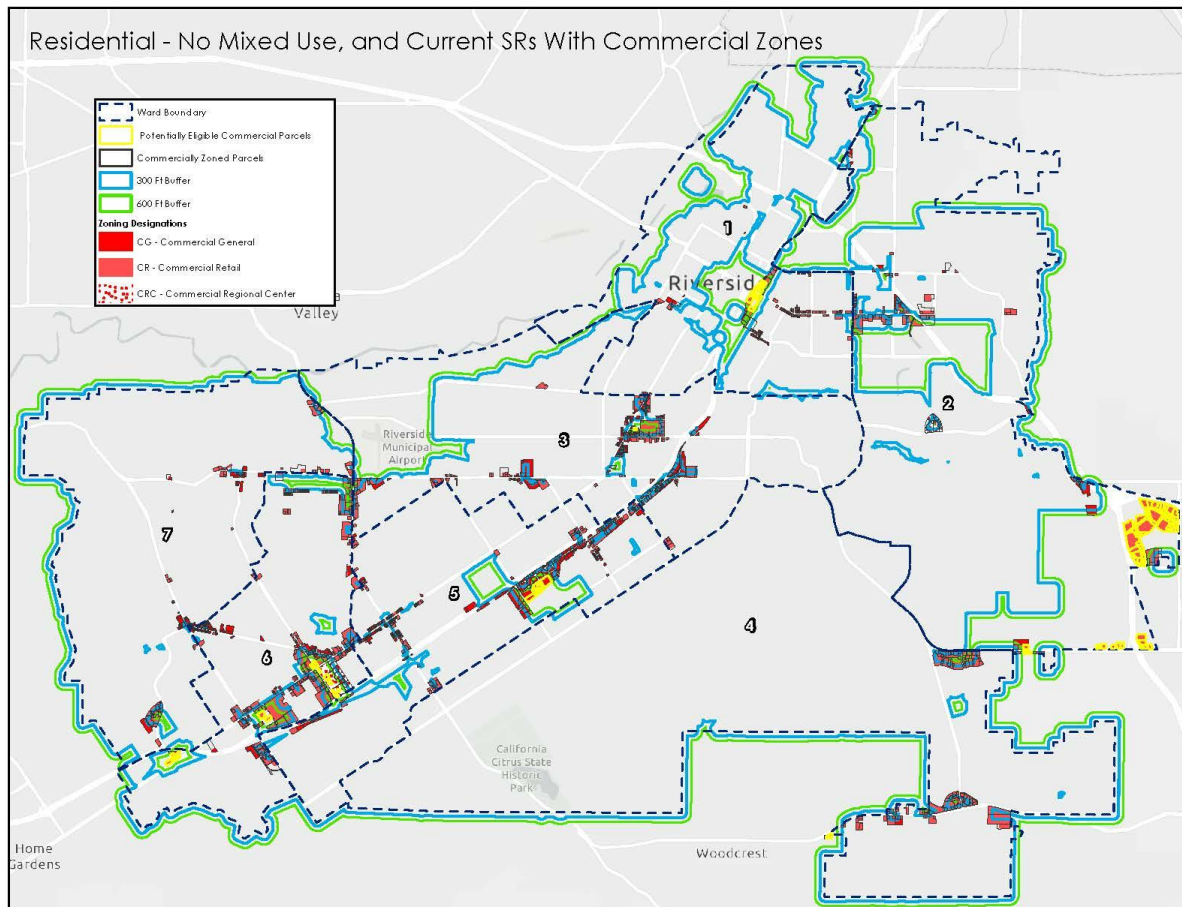
City	Schools	Daycare	Community Center	Place of Worship	Park	Library	Residential	Youth Center	Hospital
Corona	1000'	1000'	0'	0'	1000'	0'	1000'	0'	0'
Costa Mesa	1000'	1000'	0'	0'	0'	0'	250'	600'	0'
Jurupa Valley	600'	600'	0'	0'	0'	0'	0'	0'	0'
Long Beach	600'	600'	600'	0'	600'	600'	0'	0'	0'
Moreno Valley	600'	600'	600'	600'	0'	600'	0'	600'	0'
Perris	1000'	1000'	1000'	1000'	1000'	0'	0'	1000'	0'
San Bernardino	600'	600'	0'	0'	600'	0'	600'	600'	0'
Santa Ana	1000'	600'	0'	0'	1000'	0'	1000'	0'	0'
West Hollywood	600'	600'	0'	0'	0'	0'	0'	600'	0'
Riverside	600'	600'	600'	0'	0'	0'	0	0'	0'

- Parks: The review of other agencies show Corona, Perris, San Bernardino, Santa Ana, and Long Beach designated public and private parks as a sensitive use. Of the jurisdictions studied, five jurisdictions designated parks as a sensitive use with minimum distance requirements between parks and CCB Permits ranging from 600 feet to 1,000 feet.

In consultation with the Police Department and the similar distance requirements found in other agencies, staff recommends the addition of Parks, both public and private to the list of the sensitive uses with a 600-foot separation requirement.

- Residential Zoned Properties: Four agencies including Corona, San Bernardino, Santa Ana, and Costa Mesa, have designated Residential Zones as a sensitive use with corresponding minimum separation distances ranging from 250 to 1,000 feet.

Staff mapped two different residential zone buffer scenarios. The following exhibit shows the 600-foot buffer in the green outline and the 300-foot buffer in the blue outline. Commercial zoned properties that are outside of those buffers are highlighted in yellow which represent potentially eligible properties for a Storefront Retail CCB Permit (Attachment 7). Upon reviewing these options, establishing a 300-foot buffer from residential zoned properties would leave very few eligible properties. The concentration and location issue appears to be addressed by the other recommendations included in the evaluation. Should the City Council determine the desire to add Residential uses as a sensitive receptor, staff would need additional direction on the separation to study and return for review.



- Alcohol Beverage Control (ABC) Licensed Businesses: The City Council requested additional information on the potential impacts of a CCB Permit on an existing business with an ABC license.

The RMC includes a section establishing a minimum distance requirement between off-sale alcoholic beverage businesses of 1,000 feet (Section 19.450.030). This requirement was created to prevent concentration of businesses which sell alcohol.

- State law prohibits a cannabis licensee from selling alcoholic beverages or tobacco products on or at any premises licensed by ABC. (CA Bus. & Prof. Code § 26054)
- A CCB Permit premises shall not be in a location that requires persons to pass through a business that sells alcohol or tobacco to access the licensed premises, or that requires persons to pass through the licensed premises to access a business that sells tobacco or alcohol. (Title 4, California Code of Regulations, Section 15000.3)
- State law also prohibits drinks or products from one business type being passed to another if they share a common wall. (Title 16, California Code of Regulations, Section 5026)

Staff recommends requiring CCB Permit compatibility with all Alcoholic Beverage Control (ABC) rules and regulations to ensure the location and design does not render the previously approved ABC business noncompliant.

Minimum Distance Between Storefront Retail CCB Permits: The RMC does not include a minimum distance requirement between Storefront Retail Commercial Cannabis Businesses or a maximum number of CCB Permits allowed in each ward. The following table shows the results of staff's research of surrounding jurisdictions for minimum distance between CCB Permits.

City	Minimum Distance between CCB Permits
Corona	None
Costa Mesa	None
Long Beach	1000 feet
Moreno Valley	600 feet
Perris	None
San Bernardino	None
Santa Ana	500 feet
West Hollywood	None
Riverside	None

The establishment of a minimum distance requirement between CCB Permits would prevent clusters of these uses throughout the city, including locations in different wards which may be near a ward border. This is consistent with a RMC requirement for off-sale alcohol businesses.

In consultation with the Riverside Police Department, Staff recommends the establishment of a minimum distance requirement between CCB Permit locations of 1,000 feet.

Maximum Number of Permits per Ward: The City Council directed staff to research impacts of establishing a maximum number of CCB permits per ward. The current RMC does not limit the number of Storefront Retail CCB Permits in each ward.

In the agencies included in staff's review, a limit based on district or ward is not commonly used. However, the City of Los Angeles who, like Riverside, is a large metropolitan city in California and is comprised of more than 25 community planning areas, did not initially limit the number of permits in each council district or in community planning areas. The result for Los Angeles was a concentration of permits in certain areas of their city, with the highest concentration of permits realized in Venice Beach and Hollywood. Los Angeles has since amended their code to adopt a maximum number of permits in each planning area.

Additionally, the Riverside Police Department review considering the health and safety of Riverside residents recommends in order to minimize impacts and the extent additional City resources will be required a limitation of one permit per ward should be added. Finally, the City Council can revisit the per ward limitation following the first year of operation of all seven CCB operators and could consider increasing the maximum number of permits beyond the limit.

Staff recommends establishing a maximum number of CCB Permits of one per ward.

Total Number of CCB Permits: The City Council requested staff provide additional information on total number of CCB Permits.

RMC Section 5.77.100.C established the maximum number of CCB Permits that to no more than 14 permits. This number of CCB Permits is one of the constants considered through all meetings prior to adoption including when the first Commercial Cannabis Policy Framework was presented to the EDPBMC on November 18, 2021.

The number of CCB Permits per population ranges from one CCB Permit per 2,100 residents to one CCB Permit per 23,000 residents. Palm Springs offered a case study of saturation consideration. In 2023, over 60 Storefront Retail CCBs were in operation throughout the five Coachella Valley cities that permitted cannabis retail operations, serving a total resident population of approximately 225,000. The City of Palm Springs had no limit on the number of cannabis businesses, which resulted in Palm Springs permitting a total of 26 CCB Permits, approximately one retail dispensary per every 2,100 residents. This level of oversaturation led Palm Springs to pass an urgency ordinance enacting a moratorium of new and transfers of cannabis storefront retail dispensaries. This evaluation showed that without maximum permit limits a higher number of CCB Permits per population occurs.

The table below provides the number of permits allowed in each jurisdiction and the population and size of the city. Included is the ratio of permits to population.

City	Maximum Permits Allowed	Population	Permit to Population Ratio	Area
Corona	12	161,161	13,430	39.96 mi ²
Costa Mesa	35	108,354	3,096	15.81 mi ²
Jurupa Valley	7	107,321	15,332	43.51 mi ²
Long Beach	32	444,095	13,878	50.7 mi ²
Moreno Valley	25	214,196	8,568	51.51 mi ²
Palm Springs	26	54,500	2,096	94.98 mi ²
Perris	No Limit	80,603	N/A	31.68 mi ²
San Bernardino	17	222,101	13,065	78.15 mi ²
Santa Ana	30	310,304	10,343	27.52 mi ²
West Hollywood	8	34,349	4,294	1.88 mi ²
Riverside	14	319,190	22,799	77.99 mi ²

Riverside's 14 permits for a city of approximately 319,000 residents equates to one permit for each 22,800 residents. The proposed change of a maximum of seven permits would equate to one CCB Permit per 45,000 residents. While this would be more conservative than the other cities shown above, the Riverside Police Department Report on Health and Safety impacts finds this reduction could contribute to less adverse health effects, less crime and fewer calls for service associated with CCBs.

A reduction to the total number of CCB Permits city-wide will greatly reduce the potential for concentration of CCB Permits in the City. City Staff is recommending this approach following the lessons learned in other communities and to address concerns and potential impacts as this new

Permit is launched. The City Council can review the number of permits after the first year of operations and consider increasing the total number of permits to include equity operators, additional locations, or simply allowing more permits at large. This recommendation provides a reasonable approach to allow for impacts and benefits to be reviewed and addressed.

In consultation with the Riverside Police Department, Staff recommends amending the RMC to reduce the maximum number of CCB Permits from 14 to seven.

5. Guideline Clean up Items

During the implementation of Phase 2, staff identified areas of the Storefront Retail Commercial Cannabis Business Permit Procedure Guidelines and Application Review Criteria (Guidelines) that require modifications to improve the application process.

A. Step 2.2: Zoning Verification

If an applicant fails to receive zoning verification in Step 2.2 by selecting a location in an incorrect zone or a location that does not comply with sensitive use minimum distance requirements, the applicant will not receive a zoning verification letter. The current guidelines do not prescribe a process for an applicant to select a new location if this failure occurs. This is the only section of the guidelines which does not contain a resubmittal process.

Staff recommends providing a resubmittal process for applicants who do not receive a zoning verification letter for their preferred location. The proposed resubmittal process and timeline to resubmit a new location are consistent with other resubmittal processes within the Guidelines. Step 2.2 will read as follows:

“Failure to meet Zoning Verification Requirements: Resubmittals.

If a preferred location selected by an applicant is found to not be in the proper zone or does not meet all the minimum distance requirements from sensitive uses identified in RMC Chapter 5.77, a notice of zoning non-compliance will be issued to the applicant. Upon receipt of such notice the applicant shall be required to submit a new preferred location as described in Step 2.1.ii.a.”

Staff recommends approving the proposed changes to the Guidelines and Criteria.

B. The RMC and Guidelines do not provide language to address an applicant failing to perform during the Phase 2, Step 2.3 process.

In Step 2.3, applicants receiving a zoning verification letter, shall have 90 calendar days to submit detailed site and operational information for the preferred and verified location. The guidelines do not prescribe a penalty for applicants who fail to the required information within the 90-day period. No provision for a failure to meet a deadline could result in an applicant not meeting deadlines or performing with no ability for the City to take action.

Staff recommends the proposed changes to Step 2.3: Site Submittal and Review of the Guidelines to read as follows:

“If an applicant fails to meet the submittal deadline for any of the processes detailed in Step 2.3, the applicant shall be deemed to have forfeited the Storefront Retail CCB application and any right to a Storefront Retail CCB permit.”

C. Annual Renewal Process

RMC Section 5.77.180 requires retail storefront cannabis businesses who have received a permit to request an annual renewal review 60 days prior to the expiration date of the current permit. Staff identified a potential issue with the language in related to compliance with Section 5.77.320 post establishment of the CCB Permit. This could result in one or more CCB Permits having to relocate on an annual basis if a new sensitive use opens near an existing CCB Permit within the minimum distance requirement specified in the RMC.

Staff recommends Adding Section 5.77.320.B.4.c add to the list of exceptions:

“A renewal for an established cannabis business is not required to meet the minimum separation distances to sensitive uses after the CCB Permittee was established.”

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:

The total fiscal impact is dependent on the actions taken in this report. The potential impacts in the proposed reduction of the maximum number of permits from fourteen to seven could result in a reduction of projected cannabis business tax revenue over the next five years. The table below demonstrates the potential budgetary impacts for each fiscal year. FY 2024/25 impacts are dependent on if and when businesses begin operations.

	FY2024/25	FY2025/26	FY2026/27	FY2027/28	FY2028/29
Budgeted	\$500,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
Proposed	\$250,000	\$500,000	\$500,000	\$500,000	\$500,000
Revenue Adjustment	(\$250,000)	(\$500,000)	(\$500,000)	(\$500,000)	(\$500,000)

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. Resolution postponing the permitting process under RMC 5.77.120 for an additional 30 days
2. Riverside Police Department Report – Retail Sales of Cannabis – Health and Safety Impacts on City of Riverside Communities
3. Cannabis Business Preferred Locations
4. Industrial Zone Map
5. Commercial Zone Map
6. Existing Zoning and Sensitive Use Map
7. Residential Zone Buffer Map
8. Presentation