



City of Arts & Innovation

City Council Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL **DATE: JANUARY 7, 2025**

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

SUBJECT: REVIEW OF STOREFRONT RETAIL COMMERCIAL CANNABIS BUSINESS PERMIT PROCEDURE GUIDELINES AND APPLICATION REVIEW CRITERIA ESTABLISHED PURSUANT TO CANNABIS BUSINESS ACTIVITIES ORDINANCE (RIVERSIDE MUNICIPAL CODE CHAPTER 5.77) AND THE CITY'S CURRENT EVALUATION AND REVIEW OF APPLICATIONS SUBMITTED FOR SUCH PERMITS

ISSUE:

Discuss existing Storefront Retail Commercial Cannabis Permit process established by City Council Resolution 24048 and Riverside Municipal Code Chapter 5.77 and program guidelines, including current status of applications, potential modifications and amendments, and provide direction to Staff on next steps as outlined in this report.

RECOMMENDATIONS:

That the City Council consider taking one or more of the following actions:

1. Keep the Storefront Retail Commercial Cannabis Permit process established by City Council Resolution 24048 and Riverside Municipal Code Chapter 5.77 as-is and continue with the City's current evaluation and review of cannabis business permit applications and subsequent issuance of up to fourteen such permits;
2. Adopt a Resolution postponing the permitting process under RMC 5.77.120 to consider changes to application and/or permit requirements, which may include modification of requirements for or a reduction in the number of permits, or repeal of Cannabis Ordinances.
3. If Option 2 is selected, provide direction to staff on which modifications/amendments to research for City Council consideration.

BACKGROUND:

In 2016, California voters passed Proposition 64 (The Adult Use of Marijuana Act) which allowed for 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.

Following the passage of Proposition 64, the City Council acted to implement 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, then amended on November 5, 2021. The City Attorney prepared and provided a Ballot Title and Summary to the proponents on November 18, 2021.

As part of this process the proponents needed to gather enough signatures required within 180 days (May 17, 2022), then City Council could choose one of two options: Call an election to place the ballot measure on the ballot during an election (special or regular); or Adopt the proposed Ordinance without revision.

If passed by voters or accepted by the City Council, it would have created a regulatory framework for all cannabis uses within the City, largely without City Council, staff, or community input. Unlike ordinances passed by City Council, regulations established through a voter-initiated ballot cannot be amended or modified by sole action of the City Council. Any future amendments would require a ballot process during a general election for approval.

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 Committee with Ordinance options.

On March 24, 2022, the EDPBM Committee directed staff to prepare amendments for the Riverside Municipal Code (RMC): 1) Title 5 - Business Taxes, Licenses and Regulations amendments related to licensing of cannabis business uses; 2) Title 9 - Peace, Safety and Morals amendments to clean up and provide consistency in cannabis regulations and terminology; and 3) Title 19 - Zoning amendments related to land use regulations for cannabis related uses. Staff was also directed to conduct a financial analysis on potential revenue and move forward with a cannabis tax ballot measure in 2024 with the type of tax, language, and percentage to be determined at a later date.

On October 20, 2022, Staff presented an update to the EDPBM Committee on the draft Municipal Code Amendments and requested additional direction to finalize the draft amendments in order to move the program forward for consideration by the Planning Commission and City Council.

On December 8, 2022, Staff conducted a Workshop before the Planning Commission to introduce the components of the Cannabis Business Permit Program, with a focus on how it relates to Title 19 (Zoning). Staff also received input for City Council's consideration. Discussions on the topic included proximity to sensitive receptors, uses considered as sensitive receptors, concentration of cannabis retail businesses, whether the permit process would be cost-prohibitive for small businesses, and impacts on crime.

On March 14, 2023, the City Council adopted Ordinance 7628, 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 in the City of Riverside, including the types of businesses and maximum number permitted within the City. The City of Riverside allows up to 14 storefront retail cannabis businesses as well as an unlimited number of manufacturing, distribution, and testing laboratories. All commercial cultivation operations and microbusinesses are prohibited. In addition to the types and number of cannabis businesses permitted, Chapter 5.77 also provides for Council to establish the procedure guidelines and review criteria as well as fees related to the process and permit.

On October 17, 2023, the City Council adopted Resolution No. 24048, setting forth 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 Storefront Retail Commercial Cannabis Business Permit including a requirement for the applicant to pay an Application Fee.

Key provisions of the Cannabis Retail Program set forth within RMC Chapter 5.77 (Attachment 1) are as follows:

1. Purpose and Intent of the City. (RMC 5.77.020)

It is the purpose and intent of this chapter to implement the provisions of the Medicinal and Adult Use Cannabis Regulation and Safety Act ("MAUCRSA") to accommodate the needs of medically ill persons in need of cannabis for medicinal purposes as recommended by their health care provider(s), and to provide access to same. It is also the purpose and intent of this chapter to provide access to adult-use cannabis for persons aged 21 and over as authorized by the MAUCRSA, while imposing sensible regulations on the use of land to protect the City's residents, neighborhoods, and businesses from disproportionately negative impacts. It is the purpose and intent of this chapter to regulate the commercial sale, delivery and testing of cannabis and cannabis products in a responsible manner to protect the health, safety, and welfare of the residents of the City and to enforce rules and regulations consistent with state law.

2. Requirements to engage in cannabis business activity. (RMC 5.77.070)

No person may engage in any cannabis business within the City, including cultivation, manufacture, processing, laboratory testing, distributing, dispensing, or sale of cannabis or a cannabis product, unless the person meets all of the following requirements:

1. Possess a valid cannabis business permit from the City;
2. Possess a valid business tax certificate from the City;
3. Possess a valid State of California seller's permit; and
4. Is currently in compliance with all applicable state and local laws and regulations pertaining to the cannabis business and the cannabis activities, including the duty to obtain any required state licenses.

3. *Owners and Employees criminal backgrounds. (RMC 5.77.080)*

Any person who is an owner, employee or who otherwise works within a cannabis business must be legally authorized to do so under applicable state law. This includes submitting to a criminal background check to ensure the individual has not been convicted of a crime in a category detailed in the section.

4. *Maximum number and type of authorized cannabis businesses permitted. (RMC 5.77.100)*

Sets the maximum number of cannabis retail storefront permits at a number not to exceed 14. This section also provides the City Council the ability to modify the number of permits after initial award of the permits and modify by resolution.

5. *City's reservation of rights. (RMC 5.77.120)*

The City reserves the right to reject any or all applications for a cannabis business permit. Prior to permit issuance, the City may modify, postpone, or cancel any request for applications, at any time without liability, obligation, or commitment to any party, firm, or organization, to the extent permitted under California law. Persons submitting applications assume the risk that all or any part of the cannabis business permit program, or any particular category of permit potentially authorized under this chapter, may be cancelled at any time prior to permit issuance. The City further reserves the right to request and obtain additional information from any candidate submitting an application. In addition to a failure to comply with other requirements in this chapter, an application may be rejected for any of the following reasons:

- A. The application was received after the designated time and date of the deadline.
- B. The application did not contain the required elements, exhibits, or was not organized in the required format.
- C. The application was considered not fully responsive to the request for a permit application, i.e., was substantially incomplete.

6. *Establish by Resolution procedure Guidelines and Review Criteria (Attachment 2) (RMC 5.77.130)*

7. *Provide a timeline for an applicant to exercise a permit, establish a term of 1 year for a permit, require an annual renewal process for permits, and provide a process for permit suspension, revocation or modification. (RMC 5.77.140 – 5.77.210)*

8. Establish an appeals process for the cannabis program. (RMC 5.77.220 – 5.77.250)
9. Establish Location requirements, including rules relating to proximity to sensitive uses. This section also established sensitive use types and minimum distance requirements between these uses and commercial cannabis businesses. (RMC 5.77.320)
10. Establish Records and Recordkeeping requirements for cannabis businesses. (RMC 5.77.340)
11. Establish Security Measures for cannabis businesses. (RMC 5.77.350)
12. Establish general operating requirements, specific operating requirements, delivery requirements, and out-of-town delivery requirements for store front retail cannabis businesses. (RMC 5.77.370 – 5.77.410)
13. Detail Inspection and enforcement provisions for cannabis businesses. (RMC 5.77.490)

Key components of the **City of Riverside Storefront Retail Commercial Cannabis Business Permit Procedure Guidelines and Application Review Criteria (Guidelines) (Attachment 2)** are as follows:

1. The purpose of these Procedure Guidelines is to establish the procedures and requirements for the submittal of applications for, and the issuance of, Storefront Retail Commercial Cannabis Business (Storefront Retail CCB) Permits authorized by Chapter 5.77 of the Riverside Municipal Code (RMC).
2. Detail the application period, application submittal process and required application contents, Proposal review panel composition and rules, and application evaluation process. The application process was divided into two distinct parts; Phase 1 and Phase 2.

Phase 1 consists of the initial applications received and reviewed by the City which were evaluated and merit-based scored in accordance with the approved scoring criteria. Phase 1 predominantly focused on the applicant's experience and qualifications. The fourteen (14) highest scoring applicants would be allowed to proceed to Phase 2.

Phase 2 involves applicants selecting and proposing their preferred locations, staff review of those proposed locations and determination if the property is within the correct zone and in compliance with the minimum distance requirements established in the RMC. Step 2.3 of Phase 2 requires the applicant to submit a detailed site plan, building elevations, proposed signs and landscaping, building interior site plans, business plans, operational plans and a safety and security plan. Upon successful completion of this step, an applicant proceeds to the final step (2.4). If an applicant meets all conditions detailed in Step 2.4, the City Manager may grant final permit approval, and the cannabis business may open.

DISCUSSION:

Current Status of Cannabis Applicants and the Permitting Process

In December 2023, the City received 40 applications for the Storefront Retail Commercial Cannabis Business Permit Phase 1 application period described above. The City evaluated the proposed cannabis applications with merit-based scoring and the top 14 scoring applicants were selected in accordance with the guidelines. On March 12, 2024, a top 14 list was posted on the City's website which signified the end of Phase 1 and the start of Phase 2.

Upon completion of Phase 1, five appeals were filed related to the evaluation and scoring process. All five appeal processes have been completed at this time, with either the City of Riverside prevailing or the appeal being withdrawn by the applicant.

The top 14 applicants are currently progressing through Phase 2 of the City of Riverside Storefront Retail Commercial Cannabis Business Permit Procedure Guidelines and Application Review Criteria. All 14 applicants submitted their preferred site locations on or before the September 9, 2024, deadline, shown below, which were subsequently reviewed and authorized by city staff. Each of the 14 locations were determined to be within a zone in which this use is permitted, and each location was verified to meet minimum distance requirements from sensitive uses identified in the code. These sensitive uses include proximity: to schools offering K-12 instruction, community centers, and licensed daycare facilities. Posting of the site locations below does not establish a permit or create an entitlement or vested right under the Zoning or Building Code, it only established the preferred locations for the top 14 ranked Cannabis Business Permit applicants.

RANK	BUSINESS NAME	PREFERRED SITE LOCATION	WARD
1	STIIIZY Riverside LLC	3636 Van Buren Blvd. Riverside, CA 92503 (APN: 234-112-069)	5
2	SGI Riverside LLC	2870 University Avenue, Riverside, CA 92507 (APN: 211-132-025)	1
3	C4TP Retail A Inc.	3674 Sunnyside Drive, Riverside, CA 92506 (APN: 225-124-012)	3
3	Riverside Community Retail LLC	10919-10921 Magnolia Avenue, Riverside, CA 92505 (APN: 142-261-009)	6
5	Community Oriented Riverside Retail LLC	1175 E. Alessandro Blvd. Riverside, CA 92508 (APN: 297-031-002)	2
5	Riverside Responsible and Compliant Retail LLC	3225 Market Street, Suite 104, Riverside, CA 92501 (APN: 213-071-001)	1
7	Blaine St. RS LLC	1345 University Avenue, Riverside, CA 92507 (APN: 250-190-006)	2
8	OTC Riverside City LLC	3666 Van Buren Blvd. Riverside, CA 92503 (APN: 234-112-034)	5
9	Packs Riverside LLC	3652 Van Buren Blvd. Riverside, CA 92503 (APN: 234-112-062)	5
9	Riverside West Coast Retail LLC	9901 Indiana Avenue, Suite 106, Riverside, CA 92503 (APN: 234-074-004)	5
9	TAT LLC	4920 Jackson Street, Riverside, CA 92503 (APN: 191-030-002)	3
12	Catalyst Riverside Equity LLC	3847 Pierce Street, Riverside, CA 92503 (APN: 142-180-040)	6
13	Haven Riverside LLC	10081 Indiana Ave, Suite A1, Riverside CA 92503 (APN: 234-064-013)	5
13	Catalyst Riverside LLC	1778 Columbia Avenue, Suites C1&2, Riverside, CA 92507 (APN: 210-043-047)	1

Upon receipt of the zoning verification letter from the City, each applicant has 90 days to submit their Step 2.3 Site review documents to the City for review and approval. These documents include:

- A site plan including elevations and landscaping plans,
- interior building layouts,
- business plan,
- operations plan, and
- a safety and security plan.

The City has received five of these submittals to date. Staff completed their review of each Step 2.3 submittals within the required 30-day review period. All five reviews resulted in a Notice of Review and a letter of correction. Two of the five applicants have resubmitted with corrections and those resubmittals are currently under review. Nine applicants have yet to submit their Step 2.3 documents to the City with a deadline to submit these documents by January 15th, 2025 for eight of the nine outstanding applicants. One of the nine applicants has until February 18th, 2025 to submit their documents.

Four applicants have submitted building plan check “at-risk” which are under review by City Staff.

An “at-risk” plan check is performed at an applicants’ risk and plan check fees paid are not refundable if the necessary approvals for this business are not granted. These cannabis applicants are submitting for plan checks at-risk as they have not been granted a cannabis permit to operate.

At this time, no cannabis applicant has been issued a final storefront retail commercial cannabis permit.

Municipal Code and Guidelines Potential Revisions for Discussion:

Based upon feedback received from the community, City Council members and differences in the municipal code requirements of adjacent municipalities, topics for the City Council to discuss and provide feedback to Staff on include:

1. Concentration of Cannabis Storefronts

Presently there are no minimum distance requirements between retail storefront cannabis businesses. The applicants’ site submittals show a higher concentration of applicants with preferred site locations within Ward 5 (5 of the 14 proposed location) and no proposed site locations in either of Wards 4 or 7. Such over saturation in some Wards and potential reduced access in other Wards necessitates study of a possible inequality of negative impacts and/or access. Proposed site location maps in each Ward are attached as Exhibit 3.

Staff has received feedback that residents and business owners are concerned with such concentrated cannabis centers. Possible solutions include but are not limited to (i) placing a minimum distance requirement between retail storefront cannabis businesses; and/or (ii) distributing the 14 permits across the seven Wards resulting in two retail storefront cannabis businesses per Ward. This two-permits-per-Ward limit was the methodology which derived a maximum number of 14 permits, but was not included in the final ordinance approved by City Council.

2. Sensitive Use Categories and/or Zoning Allowances

RMC Section 5.77.320 defines the sensitive uses related to cannabis retail storefronts and establishes minimum distance requirements between these uses and proposed retail storefront cannabis businesses. Currently the RMC identifies schools offering K-12 instruction, community centers, and licensed daycare facilities as sensitive uses.

Additional sensitive uses may be designated to ensure the health, safety, and welfare of the public is preserved. These could include parks, libraries, museums, dance studios, rehabilitation centers, government facilities, places of worship, children’s services, etc.

In addition to additional sensitive use categories, the City Council may also want to discuss whether oversaturation and access issues might be addressed by restriction of

cannabis businesses to certain zones. For example, some municipalities require cannabis businesses to only be permitted in Manufacturing and Industrial Zones rather than Commercial and Neighborhood-Retail Zones.

Currently, the City does not have a designated “Cannabis Zone;” instead, the City has authorized the establishment of several types of Commercial Cannabis Businesses (CCBs) in existing Zones. Retail/Storefront CCBs are only permitted in Commercial Zones where other Retail uses are permitted (such as the CG – Commercial General or CR – Commercial Retail Zones). Commercial Cannabis is generally allowed in the Commercial Retail (CR), Commercial General (CG), Commercial Regional Center (CRC), Mixed Use Neighborhood (MU-N), Mixed Use Village (MU-V), and Mixed-Use Urban (MU-U) Zones. Location in these zones are restricted based on the distance requirements of RMC 5.77.320 for sensitive uses. Cannabis Manufacturing/Distribution Facilities and Cannabis Testing Laboratories will be permitted in Industrial Zones (such as I – General Industrial or BMP) similar to other industrial land uses.

Budget Implications:

Should the City Council direct staff to study a repeal of the Ordinances in their entirety, or reduce the number of permits to zero, the following fiscal impacts may be experienced.

- Budget implications FY2024/25: \$500,000
- FY2025/26 through FY 2028/29: \$1,000,000 per year.

The figures above reflect the current revenue estimates from the voter approved tax ballot measure that have been included in the City’s bi-annual budget and five-year fiscal forecast. A total repeal of the Ordinances or reduction of the number of permits from 14 to zero is anticipated to result in a projected revenue reduction of \$4,500,000 over the next five years as the projected revenue generated from the cannabis business tax has already been included in the General Fund budget and long-term financial plan. This reduction in revenue would be in addition to the loss of grant funding described in the following section.

Should the City Council desire to reduce the number of Cannabis permits issued to a number less than 14 but greater than zero, the anticipated cannabis business tax revenue included in General Fund revenue assumptions would be adjusted. Following City Council direction, staff can return with more detailed information on the resulting fiscal impacts.

Grant Funding Considerations:

Should the City Council elect to repeal the Cannabis Permit Program or reduce the number of permits from 14 to zero, the City would be required to return the grant funding received thus far from the State and would forgo future funding pursuant to the grant agreement. The grant agreement provides \$325,000 in funding to establish and implement a non-equity cannabis retail program and \$150,000 to establish and implement a cannabis equity program.

The Agreement provides 80% of the non-equity funding up front upon executive of the agreement. The City received \$260,000 (80%) on September 5, 2024. These funds would need to be returned, and the City would no longer be eligible to receive the remaining non-equity funding totaling \$65,000 (20%). Similarly, the City would not be eligible to receive \$150,000 in grant

funding for the Cannabis equity program. This would result in a total fiscal impact of \$475,000.

To-date the City has spent \$128,000 for cannabis consulting services which could be paid for by the General Fund as opposed to the State grant funding described above.

Staff Recommendation:

Staff recommends the City Council discuss the Storefront Commercial Cannabis Permit Program Ordinance and Guidelines and provide direction to Staff on how to proceed.

Options for the City Council's Consideration include:

1. Keep the Storefront Retail Commercial Cannabis Permit process established by City Council Resolution 24048 and Riverside Municipal Code Chapter 5.77 as-is and continue with the City's current evaluation and review of cannabis business permit applications and subsequent issuance of up to fourteen such permits;
2. Adopt a Resolution postponing the permitting process under RMC 5.77.120 to consider changes to application and/or permit requirements, which may include modification of requirements for or a reduction in the number of permits, or repeal of Cannabis Ordinances. This postponement shall pause all deadlines under the Storefront Retail Commercial Cannabis Business Permit Procedure Guidelines and Application Review Criteria for up to 180 days. No Storefront Retail Commercial Cannabis Business Permits shall issue during the pendency of this postponement.
3. If Option 2 is selected, provide direction to staff on which modifications/amendments to research for City Council consideration.

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. Approving the Agreement 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:

There is no immediate fiscal impact. Any potential Fiscal Impacts will be based on City Council Direction.

The maximum projected revenue loss could be up to \$4,500,000 over the next five years. Depending on the action City Council takes there is a potential to return up to \$475,000 in grant funding based on the number and type of cannabis permits issued. To-date the City has spent \$128,000 for cannabis consulting services which would need to be paid for by the General Fund as opposed to the State grant funding, if the grant funding must be returned.

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Approved by:	Mike Futrell, City Manager
Approved as to form:	Jack Liu, Interim City Attorney

Attachments:

1. Riverside Municipal Code Chapter 5.77
2. City of Riverside Storefront Retail Commercial Cannabis Business Permit Procedure Guidelines and Application Review Criteria
3. Cannabis Business Preferred Locations by Ward
4. Citywide Cannabis Business Preferred Locations Map
5. Neighboring City Cannabis Regulation Comparisons
6. Draft Resolution postponing cannabis application process
7. Presentation