



City of Arts & Innovation

City Council Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL DATE: SEPTEMBER 16, 2025

FROM: COMMUNITY & ECONOMIC DEVELOPMENT DEPARTMENT WARD: ALL

SUBJECT: ADOPT AN ORDINANCE AMENDING CHAPTER 3.30 OF THE RIVERSIDE MUNICIPAL CODE TO RENAME A CATEGORY “COMMERCIAL CANNABIS PERMIT FEES” IN THE SCHEDULE OF REGULATIONS, PRODUCTS AND SERVICES

ISSUE:

Adopt an Ordinance amending Chapter 3.30 Section 3.30.030IV of the Riverside Municipal Code (RMC) to rename a category in the Schedule of Regulations, Products and Services.

RECOMMENDATIONS:

That the City Council adopt an Ordinance amending Chapter 3.30 Section 3.30.030IV of the Riverside Municipal Code to rename a category to the Schedule of Regulations, Products and Services titled Commercial Cannabis Sales Permit Fee to Commercial Cannabis Permit Fees.

INTRODUCTION OF ORDINANCE:

On August 19, 2025, the City Council approved an ordinance amending the Riverside Municipal Code (RMC) Chapter 3.30 – Schedule of Regulations, Products and Services. The motion was approved by a four-to-one vote.

BACKGROUND:

On February 28, 2023, the City Council introduced and on March 14, 2023, adopted Ordinance 7628, amending Title 5 (Business Taxes, Licenses and Regulations) of the 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 the City Council to establish the procedure guidelines and review criteria, as well as fees related to the process and permit.

In September 2023, the City engaged MGT of America Consulting, LLC (MGT) to prepare a permit application fee study to develop a fee structure and calculate the full cost of City activities associated with developing and implementing a Storefront Retail Commercial Cannabis Business Permit application process. The first fee study examined the costs associated with the initial applications and site reviews.

On October 17, 2023, the City Council adopted 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.

On October 24, 2023, the City Council Adopted an Ordinance amending Chapter 3.30 Section 3.30.030IV of the Riverside Municipal Code (RMC) to add an additional category to the Schedule of Regulations, Products and Services and adopted a Resolution amending the City's Fees and Charges Schedule providing for a Storefront Retail Commercial Cannabis Business Permit Application Fee of \$13,842 per application and Site Review Fee of \$17,864 per application. At that meeting, the City Council directed staff to return at a later date for Council to consider establishing fees related to Annual Renewals, Change of Business Location, and Transfer of Permit, and other operational fees that might be needed once one or more Commercial Cannabis Business Permits are approved.

DISCUSSION:

Now that permit applications are moving through Phase 2 of the City's permitting process, it is important to establish fees to cover the reasonable regulatory costs to the City associated with the review and processing of annual permit renewals and other changes or modifications to Commercial Cannabis Business Permits before these changes are requested or annual renewals are due.

The scope of services in MGT's contract included a second fee study to calculate other commercial cannabis permit user fees, which include:

- **Annual renewal:** Covers the costs to perform an annual review of business and site to ensure requirements of the initial permit are being followed.
- **Change in business location:** Covers the cost of the review, site inspection, and determination of compliance for a request by a permit holder to change their business location.
- **Permit Transfer fee:** Covers the cost reviewing a request by a permit holder to change the majority ownership or form of their business.
- **Modification of the site/premises:** Covers the cost of the review, site inspection, and determination of compliance for a request by a permit holder to modify the building and/or property.
- **Less than majority ownership change:** Covers the cost of reviewing a request by a permit holder to change less than majority ownership of the business.
- **Employee Background review:** Covers the cost of the background review for employees of permitted businesses.
- **Out-of-town delivery permit:** Covers the cost of the review and determination of compliance for a request by a non-Riverside Cannabis retailer to deliver product into the City of Riverside.

The approach to establishing these fees was based on several factors, including:

1. Review and analysis of other cities' fees for similar services
2. Tasks in the Guidelines associated with staff time and materials

1. Review and Analysis of Other Cities' Fees

MGT surveyed comparable cities in Southern California with established cannabis programs. The survey reviewed each agency's cannabis application fees. The review also looked for similarities and differences in the processes of the surveyed agencies. The fee study results help the City of Riverside better understand the costs to process various applications for commercial cannabis businesses. The fee study serves as a basis for making an informed policy decision regarding the most appropriate fees to collect from applicants.

The outcomes of the fee survey are shown in the table below. It is important to note that because the Cannabis review and permit process is still relatively new, finding a standard practice, best practice, or comparative methodology is challenging. In establishing these related cannabis permit user fees, cities have taken various approaches to reflect their process, time estimates, community values, and anticipated costs. This diversity in approach is shown in the application process and the fees established.

Activity	Riverside Proposed Fee	City of Los Angeles	Corona	San Bernardino	Pasadena	Santa Ana
Annual Permit Renewal	\$3,719	\$8,486	\$2,180	Annual Regulatory fee: \$15,016 Renewal (every 3 years): \$2,647	\$10,639	Registration fee: \$2,069 Regulatory Safety Fee: \$14,802
Change in Location	\$1,814	\$3,554	\$3,720	\$5,918	\$2,037	Registration fee: \$2,069 Regulatory Safety Fee: \$14,802
Transfer of Cannabis Business Permit	\$4,089	Requires new license.	Requires new license.	\$5,918	No fee listed.	Registration fee: \$2,069 Regulatory Safety Fee: \$14,802
Modification of Site/Premises	\$1,668	Modification Request Form Review \$542 Business Diagram Modification: \$3,368	\$1,834	\$5,918	\$3,975	Regulatory Safety Fee: \$14,802
Ownership Change (less than majority ownership)	\$991	\$2,335	\$1,974	\$5,918	No fee listed.	No fee listed.
Employee Background Check Review	\$1,342 per person	\$450	\$128 plus DOJ fee	\$600 per owner	No fee listed.	No fee listed.
Out-of-Town Cannabis Delivery	\$1,043	No fee.	No fee.	No fee.	No fee listed.	Not allowed.

The review of other agencies shows the use of three approaches to fee and cost recovery:

- Flat Fee
- Deposit Method
- Base Fee with Development Agreement or Community Benefit Agreement

Flat Fee: Several cities employ a flat fee for the application and permit. This approach is typically based on a time and material basis, estimated to recover the reasonable regulatory costs associated with the review and processing of a permit, or change to a permit. Agencies employing this fee have found benefit in reducing the burden for staff to track time, minimizing the need for administrative review for audit and reconciliation, reducing challenges by applicants for varying costs associated with one review over another, and increasing predictability of the costs to embark on the effort. The potential challenge to this flat fee approach is underestimating the time related

to any of the steps identified for staff to review and process each application.

Deposit Method: In some cases, cities have established a deposit method whereby the applicant submits a deposit amount and time, and fees (application fee, business license, inspection, etc.) are charged against the deposit. Additionally, staff time including facilitator/administrative time, staff review time, communication, and processing time, is all charged on an hourly basis against the deposit. The benefit of this fee method is the ability to recover reasonable regulatory costs associated with each application rather than the average time attributed to all. The challenges associated with this method include the increase in administrative time and burden on staff for time tracking, the potential challenge raised by applicants regarding the cost of one application review compared to another, as well as the impact on administrative time required to collect and process deposit and refund amounts.

Development Agreement/Community Benefit Agreement/Cannabis Tax or Conditional Use Permit (CUP) Process: The survey found that a few cities have a base fee with an agreement, an additional process, and/or a tax. The benefit of this approach is that it allows for a negotiated agreement to understand community impacts, site challenges, operational needs, and other conditions that may require improvements, mitigations, or offsets. These communities have determined that, in addition to the time and materials expended to review applications, additional revenue is warranted to support this business community in their city. The challenges to this approach can include additional staff time and effort, a lack of predictability, and certainty in cost and equity in the process and longer time for process and opening operations.

The result of this survey, analysis, and review is to develop a fee structure using the flat fee model which will implement a predictable process, recover all estimated reasonable regulatory costs, and avoid undue burden and staff time spent collecting and implementing fees. Although the challenge of the flat fee is the potential to underestimate time, staff and the MGT team have worked diligently to identify all foreseeable steps, used all reasonable methods to estimate staff time, and analyzed anticipated options and challenges where appropriate.

2. Tasks in the Guidelines Associated with Staff Time and Materials

To determine the amount of the flat fee MGT employed a typical standard approach for analyzing the cost of providing fee-related services. This is commonly referred to as a “bottom-up” approach and involves the following steps.

- Identify all direct staff time spent on the fee related activity or service.
- Calculate the direct cost of the staff time for each fee using productive hourly rates.
- Determine any other operational costs (i.e., other than personnel costs) that can readily be traced to a specific fee-related service as a direct cost; and
- Determine indirect or “overhead” costs (i.e., administrative support, departmental, and citywide)

Based on the MGT Fee Study and Analysis (Attachment 3), the proposed fees reflect the services, activities, and efforts required to manage and monitor commercial cannabis businesses on an ongoing basis.

The proposed fees are as follows:

			Current			Recommendations	
			Per Unit			Per Unit	
Ord	Service Name	Fee Description	Current Fee	Full Cost	Current Recovery %	Recovery Level	Fee @ Policy Level
1	Annual Renewal	New Flat Fee	\$ -	\$3,719	0%	100%	\$3,719
2	Change in Location (Ord. 7628, §5.77.260)	New Flat Fee	\$ -	\$1,814	0%	100%	\$1,814
3	Transfer of Cannabis Business Permit (Ord. 7628, §5.77.270)	New Flat Fee	\$ -	\$4,089	0%	100%	\$4,089
4	Modification of Site/Premises	New Flat Fee	\$ -	\$1,668	0%	100%	\$1,668
5	Ownership Change (less than majority ownership)	New Flat Fee	\$ -	\$991	0%	100%	\$991
6	Employee Background Check Review (per person)	New Flat Fee	\$ -	\$1,342	0%	100%	\$1,342
7	Out-of-Town Cannabis Delivery Fee	New Flat Fee	\$ -	\$1,043	0%	100%	\$1,043

FISCAL IMPACT:

There is no fiscal impact as a result of this item. The proposed application fees were calculated based on staff time estimates with a 100% cost recovery for the work associated with the review of the application and related process.

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:	Rebecca McKee-Reimbold, Interim City Attorney

Attachment:

1. Ordinance – Amending Chapter 3.30 of the RMC