City of Arts & Innovation

# City Council Memorandum

**TO:** **HONORABLE MAYOR AND CITY COUNCIL** **DATE:** **JUNE 17, 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**

## ISSUE:

Amendments to Chapter 5.77 of the Riverside Municipal Code related to the Cannabis Business Permit Program.

## 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.

## 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 on topics the City Council requested on January 7, 2025 was conducted, and on March 25, 2025, the results were presented to the City Council during a public meeting. 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 sale and transfer process of licenses. The City Council adopted the recommendations and directed staff to return with the corresponding Ordinance, with the understanding that the changes to land use standards, including specific prohibited areas, sensitive use designations, and separation requirements, also necessitate amendments to Title 19.

On May 6, 2025, staff presented an Ordinance to the City Council with amendments to Chapter 5.77. The Council approved the Ordinance at this first reading.

On May 8, 2025, the Planning Commission held a public hearing, and staff presented the amendments to Title 19 and Chapter 5.77. The Planning Commission voted to recommend that the City Council approve the proposed changes with one modification: increasing the minimum separation distance for parks from 600 feet to 1,000 feet to be consistent with the requirement for schools. Because the Planning Commission's recommendation was different than the Ordinance introduced on May 6, 2025, the second reading of the Ordinance was pulled from the May 20, 2025 City Council agenda. This ensures those land use changes are made consistent with City ordinance adoption requirements.

To clarify the process moving forward, the proposed amendments to the land use standards in Chapter 5.77 and Title 19 have been separated from the non-land use changes in Chapter 5.77. Each will be presented to the City Council as separate agenda items.

**DISCUSSION:**

Presented as part of this item are the non-land use amendments to Chapter 5.77 – Cannabis Business Activities which are summarized below. Full language is included in *Attachment 1*.

- **Number of Permits:** The RMC permits up to 14 CCB Permits city-wide. 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 to 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 will have the final authority to approve or deny transfer applications.

- **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.

- **Annual Renewal:** Section 5.77.320.B includes a new exception specifying a permitted cannabis business shall not be deemed non-compliant as a result of new sensitive uses that came into existence after the issuance of the cannabis business 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:

The fiscal impact of 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 may affect the level of cannabis tax revenue the City could receive in future years, had the original number of permits remained in place.

Estimated budget projections for each fiscal year are outlined in the table below. These projections were based on preliminary assumptions provided by a consultant, developed when the City was considering a Cannabis Business Tax rate between 1% and 5%. Subsequent research by the Finance Department on regional tax rates led to a recommendation of an 8% rate, which was later adopted by Council. Future revenue projections, based on the assumption of fourteen businesses, are estimates only and have not been adjusted, as there is currently no data to justify a downward revision. As data becomes available, the Finance Department may update projections in future quarterly reports to City Council. 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.

| | FY24-25 | FY25-26 | FY26-27 | FY27-28 | FY28-29 |
|---|---|---|---|---|---|
| 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** |

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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

Attachments:
1. Ordinance – Amending Chapter 5.77 of the RMC
2. Presentation