



Economic Development Committee Memorandum

City of Arts & Innovation

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TO: ECONOMIC DEVELOPMENT COMMITTEE DATE: JUNE 18, 2026

FROM: COMMUNITY & ECONOMIC DEVELOPMENT WARDS: ALL

**SUBJECT: STOREFRONT RETAIL COMMERCIAL CANNABIS PROGRAM UPDATE AND
RECOMMENDATION TO POSTPONE CONSIDERATION OF A CANNABIS
EQUITY PROGRAM UNTIL ALL SEVEN COMMERCIAL CANNABIS
BUSINESSES ARE OPEN AND OPERATING AND SUFFICIENT MARKET DATA
IS AVAILABLE**

ISSUE:

Receive an update on the City’s Storefront Retail Commercial Cannabis Program and consider recommending that the City Council postpone consideration of a Cannabis Equity Program until all seven authorized storefront retail commercial cannabis businesses are open and operating and the City has collected sufficient market data to evaluate whether additional cannabis business opportunities may be supported within city limits.

RECOMMENDATIONS:

That the Economic Development Committee:

1. Receive and file an update on the City’s Storefront Retail Commercial Cannabis Program;
2. Postpone consideration of a cannabis equity program until all seven authorized storefront retail commercial cannabis businesses are open and operating; and
3. Direct staff to collect and evaluate at least two years of operating data after all seven authorized storefront retail commercial cannabis businesses are operational to assess market performance, demand, compliance history, neighborhood impacts, tax generation, and whether the Riverside market could support additional cannabis business opportunities within city limits.

LEGISLATIVE HISTORY:

In 2016, California voters approved Proposition 64, the Adult Use of Marijuana Act, which legalized adult-use cannabis statewide and preserved local authority to regulate cannabis land use, permitting, licensing, and operations. Subsequent State legislation, including the Medicinal and Adult-Use Cannabis Regulation and Safety Act, established statewide licensing requirements while allowing local governments to develop local regulatory frameworks.

On March 14, 2023, the City Council adopted Ordinance No. 7628, amending Title 5, Business Taxes, Licenses, and Regulations, of the Riverside Municipal Code and replacing Chapter 5.77,

Cannabis Business Activities, in its entirety. The City Council also adopted Ordinance No. 7629, amending Title 9, Peace, Safety, and Morals, and Ordinance No. 7630, amending Title 19, Zoning, of the Riverside Municipal Code. Chapter 5.77 regulates cannabis business activities, including the types and maximum number of commercial cannabis businesses permitted.

On October 17, 2023, the City Council adopted Resolution No. 24048, establishing the Storefront Retail Commercial Cannabis Business Permit Procedure Guidelines and Application Review Criteria. The Guidelines and Criteria established the procedures and requirements for applicants seeking a Storefront Retail Commercial Cannabis Business Permit.

On July 15, 2025, the City Council approved amendments to Title 19 and the land use regulations in Chapter 5.77 by a four-to-one vote. At the same meeting, the City Council approved non-land use amendments to Chapter 5.77 by a four-to-one vote. On August 5, 2025, the City Council adopted both ordinances at second reading, and the amendments became effective on September 5, 2025.

On August 19, 2025, the City Council approved operating fees for licensed cannabis businesses and directed staff to implement a One-Time Authorized Location Reset Rule for the top seven ranked provisional storefront retail cannabis applicants.

BACKGROUND:

On September 12, 2017, the City Council approved a moratorium on commercial cannabis activities in the City and later adopted ordinances permitting and regulating cannabis testing laboratories while prohibiting retail cannabis sales, commercial cultivation, manufacturing, distribution, microbusinesses, and outdoor cultivation.

Following a Notice of Intent to Circulate Petition for the Riverside Cannabis Taxation and Regulation Act in 2021, the Economic Development, Placemaking and Branding/Marketing Committee discussed the need to develop a local cannabis ordinance. On November 18, 2021, the Committee directed staff to return with ordinance options for permitting, licensing, enforcement, taxation, and legal operation of commercial cannabis storefronts within City limits.

On March 24, 2022, staff returned to the Committee with ordinance options. The Committee directed staff to prepare Riverside Municipal Code amendments related to cannabis business licensing, cleanup and consistency in cannabis regulations and terminology, and land use regulations for cannabis-related uses. Staff later presented draft municipal code amendments to the Committee on October 20, 2022, and conducted a Planning Commission workshop on December 8, 2022.

On March 14, 2023, the City Council adopted the ordinances establishing the City's local cannabis regulatory framework. Chapter 5.77 allowed up to 14 Storefront Retail Commercial Cannabis Business Permits, as well as an unlimited number of manufacturing, distribution, and testing laboratories. Commercial cultivation and microbusinesses were prohibited.

The application period for Storefront Retail Commercial Cannabis Businesses opened on November 15, 2023, and closed on December 15, 2023. The City received 42 applications. Forty applications advanced to the merit-based evaluation process, and the 14 top-ranking applicants were posted on the City's website on March 12, 2024.

Phase 2, Application Final Approval, began on March 14, 2024. During Step 2.1, Location Selection, applicants were required to submit preferred site locations. The City extended the preferred location deadline to September 9, 2024, after applicants reported challenges finding appropriate sites and securing property owner consent. All 14 applicants submitted preferred locations by the extended deadline.

The Review and Verification of Preferred Location process resulted in a geographic concentration of proposed storefront retail locations. The verified locations included three locations in Ward 1, two locations in Ward 2, two locations in Ward 3, no locations in Ward 4, five locations in Ward 5, two locations in Ward 6, and no locations in Ward 7. Seven of the 14 proposed permits were concentrated in one portion of the City, and three of the five Ward 5 locations were located within the same block of Van Buren Avenue. This concentration raised concerns from the City Council, business owners, and community members.

On January 7, 2025, staff presented an update on the Storefront Retail Commercial Cannabis Business program. The City Council postponed the review process 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.

On March 25, 2025, staff presented the results of the study to the City Council. Recommendations included limiting storefront retail commercial cannabis business permits to one per ward, adding parks as a sensitive use, strengthening separation and location requirements, and refining the sale and transfer process for licenses. The City Council adopted the recommendations and directed staff to return with corresponding amendments to Chapter 5.77 and Title 19.

On May 8, 2025, the Planning Commission held a public hearing to consider the proposed amendments and recommended City Council approval with one modification: increasing the minimum separation distance from parks from 600 feet to 1,000 feet to be consistent with the separation requirement for schools.

On July 15, 2025, the City Council held a public hearing and approved the amendments to Title 19 and the land use regulations in Chapter 5.77. At the same meeting, the City Council approved the non-land use amendments to Chapter 5.77. On August 5, 2025, the City Council adopted both ordinances at second reading, and the amendments became effective on September 5, 2025.

On August 19, 2025, the City Council approved operating fees for licensed cannabis businesses to recover City costs associated with administering the cannabis regulatory program. At the same meeting, the City Council directed staff to implement a One-Time Authorized Location Reset Rule. This required the top seven ranked provisional storefront retail cannabis applicants to resubmit preferred storefront locations consistent with the City's revised cannabis retail guidelines and one-retailer-per-ward framework.

The City's Storefront Retail Commercial Cannabis Program is now proceeding under the current one-retailer-per-ward framework. Staff is presenting this item to provide an update on implementation of the seven authorized storefront retail cannabis businesses and to provide a recommendation for timing of the future consideration of a Cannabis Equity Program.

DISCUSSION:

The Storefront Retail Commercial Cannabis Program has moved from application review into implementation and operational activation. Staff is currently focused on moving the seven

authorized storefront retail applicants through the remaining local and State requirements necessary to open and operate.

The current program status is summarized below:

Ward	Applicant / Operator	Location	Status
Ward 1	SGI Riverside LLC / STIIIZY	2870 University Avenue	Step 2.4 Final Review
Ward 2	Riverside Responsible & Compliant Retail LLC / Embarc	1601 University Avenue	Step 2.4 Final Review
Ward 3	C4TP Retail A Inc.	4920 Jackson Street	Step 2.4 Final Review
Ward 4	TAT LLC	Location Pending	Step 2.1 Preferred Location Phase
Ward 5	STIIIZY Riverside LLC	3636 Van Buren Boulevard	Step 2.4 Final Review
Ward 6	Riverside Community Retail LLC / Embarc	10919–10921 Magnolia Avenue	Operational
Ward 7	Community Oriented Riverside Retail LLC / Embarc	10438 Arlington Avenue	Step 2.4 Final Review

Ward 6 was the first storefront retail location to open, beginning operations in March 2026. Wards 1, 2, and 5 are anticipated to be the next locations to advance toward opening, followed by Wards 3 and 7 later in 2026. Ward 4 remains in the preferred location phase, with a Step 2.1 application due July 14, 2026. At this time, Wards 1-6 will likely have a Commercial Cannabis Business open and operational by the end of summer. Updates on progress in each ward have been provided to City Council.

Current implementation work includes operating agreement execution, insurance and vendor profile review, building permit coordination, regulatory inspections, Certificates of Occupancy, security review, business tax requirements, and State licensing coordination.

Grant Funding Considerations

The City received a Retail Access Grant from the State of California Department of Cannabis Control to support implementation of the City’s Storefront Retail Commercial Cannabis Program. The grant agreement included \$325,000 for non-equity cannabis retail program implementation and \$150,000 in potential equity bonus grant funding.

The agreement provided 80% of the non-equity funding upon execution. The City received \$260,000 on September 5, 2024. The remaining \$65,000 represents the final 20% of the non-equity grant award which staff anticipates utilizing before the end of the fiscal year.

The City has proceeded with the non-equity Storefront Retail Commercial Cannabis Program under the current one-retailer-per-ward framework. If the City postpones consideration of a Cannabis Equity Program, the City would not receive the \$150,000 equity bonus funding under the current grant agreement. However, staff is working with the Department of Cannabis Control to finalize the City’s request for the remaining \$65,000 in non-equity funding based on the City’s continued implementation of the Storefront Retail Commercial Cannabis Program.

Equity Program & Timing Considerations

In 2023, the City Council expressed interest and intent in developing a Cannabis Equity Program

as part of the commercial cannabis implementation framework later approved in 2023. However, the Equity Program remained under development and was not approved with the amendments to the guidelines and Municipal Code later approved by the City Council in 2025. A Cannabis Equity Program is intended to expand opportunities in the legal cannabis industry for individuals and communities disproportionately impacted by past cannabis criminalization by reducing barriers to business ownership and participation. This would require one additional Equity Program Commercial Cannabis Business within each ward. As the current City Council’s direction to staff is to fully implement the existing Storefront Retail Commercial Cannabis Program with the one-per-ward direction, staff recommends the City postpone the proposed Equity Program development and implementation. At this time, only one storefront retail location is currently open, and the remaining authorized operators are still moving through final permitting, inspections, operating agreement requirements, and State licensing steps.

As the full retail program is not yet operational, the City does not yet have sufficient local operating data to evaluate market performance, demand, tax generation, compliance history, neighborhood impacts, or whether additional commercial cannabis business opportunities could be supported within City limits.

A future cannabis Equity Program would require a separate policy and program development process. This would likely include additional City Council direction, an equity study, program design, eligibility criteria, City Council authorization to proceed, and an application process. Any future Equity Program would also need to be evaluated against the City’s current one-retailer-per-ward framework as directed by City Council and implemented by staff.

RECOMMENDATION:

Staff recommends postponing consideration of a Commercial Cannabis Equity Program until all seven authorized storefront retail cannabis businesses are open and operating. Following full implementation, staff recommends collecting and evaluating at least two years of operating data before returning with any future policy discussion regarding potential cannabis equity programming or additional cannabis business opportunities.

This approach maintains flexibility for future consideration while enabling the City to inform any Equity Program discussions with Riverside-specific market data and operational experience.

FISCAL IMPACT:

There is no fiscal impact associated with this presentation. Additionally, because no grant funding has been received for the Equity Program, postponing implementation will not result in a fiscal impact to the City.

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Attachment:
1. Presentation