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May 16, 2025

VIA E-MAIL

Mayor Patricia Lock Dawson
Councilmember Phillip Falcone
Councilmember Clarissa Cervantes
Councilmember Steven Robillard
Councilmember Chuck Conder
Councilmember Sean Mill
Councilmember Jim Perry
Councilmember Steve Hemenway
City of Riverside
City Hall
3900 Main Street
Riverside, CA 92522

Re: **Re: Appeal to the City Council of Riverside of Planning Commission Action on May 8, 2025 regarding Planning Case PR-2025-001795 (AMD): Recommendations to Amend Article V (Base Zones and Related Use and Development Provisions) of Title 19 (Zoning) and Chapter 5.77 of Title 5 of the Riverside Municipal Code (RMC) for changes to the City's Storefront Retail Commercial Cannabis Business Program, CEQA Exemption and Related Findings Filed on Behalf of Ranked Cannabis Business Permit Applicants OTC Riverside LLC, Packs Riverside LLC, and TAT RV LLC**

Dear Mayor Lock Dawson, Honorable Councilmembers, and City Manager Futrell:

This office represents the above-referenced entities, OTC Riverside City LLC ("OTC"), Packs Riverside LLC ("Packs"), and TAT RV LLC (dba "The Artist Tree") ("TAT") (collectively, the "Ranked Applicants"), who were evaluated and approved as among the top eleven (11) highest-scoring applicants in the City of Riverside's ("City") rigorous and expensive merit-based application and selection process for storefront retail cannabis business operating permits within the City under Chapter 5.77 of the Riverside Municipal Code ("RMC"), which contains the City's Cannabis Business Activities Ordinance.

This letter shall serve as Ranked Applicants' formal Notice of Appeal of the arbitrary and capricious actions City of Riverside Planning Commission's ("Planning

Commission") on May 8, 2025 regarding Planning Case PR-2025-001795 (AMD): Recommendations to Amend Article V of Title 19 (Zoning) and Chapter 5.77 of Title 5 (Commercial Cannabis Businesses) of the RMC for changes to the City's Storefront Retail Commercial Cannabis Business Program, CEQA Exemption and Related Findings Filed on Behalf of Ranked Applicants ("Appeal"). The exact recommended amendments to RMC 5.77 are contained in Exhibit 8 to the Planning Commission's Agenda item from May 8, 2025 and shall be referred to collectively as the "Recommended Amendments" herein.

This Appeal is made pursuant to RMC 19.680.030, which provides, "Any person aggrieved or affected by a decision of an Approving Authority may appeal that decision to the designated Appeal Authority. All appeals shall be submitted in writing to the Planning Division, in duplicate, identifying the action being appealed and specifically stating the basis or grounds of the appeal." The City Council is designated as the Appeal Authority pursuant to RMC 19.650.020 and 19.680.010 et seq. and shall review this Appeal de novo pursuant to RMC 19.680.050.

Ranked Applicants hereby demand that the City Council stay amending the RMC during the pendency of this Appeal pursuant to RMC 19.680.030.C, which states, in pertinent part, "The filing of an appeal shall stay the action being appealed and the issuance of subsequent permit(s), such as grading or building permits." Ranked Applicants submit that staff must be estopped from further processing **any** commercial cannabis businesses' building and planning applications pursuant to the Recommended Amendments until final resolution of this Appeal as the Recommended Amendments have not been duly enacted and are not in effect at this time.

Ranked Applicants submitted formal letters to the City Council on April 23, 2025 and a copy thereof was forwarded to the Planning Commission on May 5, 2025, along with other comments regarding the defects in the staff report and memorandum prepared for the May 8, 2025 Planning Commission meeting. Those two letters (collectively the "Letters") are attached to this Appeal as Exhibits A and B, respectively, and incorporated herein by way of this reference as though set forth at length. The exhibits to the Letters are similarly incorporated and to be considered part of the administrative record and the record on this Appeal. The Planning Commission's published file for Planning Case PR-2025-001795 (AMD) is attached hereto as Exhibit C and incorporated herein by way of this reference.

We have requested information from the Planning Commission regarding the content and process for the appeal as instructed in the staff report, but to date have not heard back. We have been monitoring the State of California CEQAnet.gov website daily to locate the CEQA documentation approved by the Planning Commission and requested a copy of all findings, filings, and postings in connection therewith. To date, we have not received a response and cannot locate any document filed by the City on CEAnet.gov since May 8, 2025, let alone any documents relative the May 8, 2025 Planning Commission meeting at issue.

Similarly, we have made public record requests to the City, but to date have not received a response.

Importantly, neither the minutes of the May 8, 2025 Planning Commission meeting nor the CEQA filing with the State have been made available to the public or to Ranked Applicants. This appeal is being filed within any conceivable statutory timeframes and deadlines to protect the interests of Ranked Applicants.

As such, Ranked Applicants respectfully reserve the right to supplement and amend the arguments and analysis presented herein once additional information is available.

This appeal is from on alleged "findings," of the Planning Commission, or lack thereof, pursuant to Chapter 19.810.040, conclusorily stated as follows:

1. The proposed Zoning Code Text Amendment is generally consistent with the goals, policies, and objectives of the General Plan.

2. The proposed Zoning Code Text Amendment will not adversely affect surrounding properties.

3. The proposed Zoning Code Text Amendment will promote public health, safety, and general welfare and serves the goals and purposes of the Zoning Code.

In addition to the fact that the Planning Commission did not discuss the above findings in any meaningful fashion, we also strongly oppose and appeal the Planning Commission's action in recommending the Recommended Amendments for the reasons detailed in our letters of April 23, 2025 and May 5, 2025, which are incorporated herein by way of this reference, and summarized below:

1. **Reduction in the Number of CCB Permits**: The maximum number of CCB permits that may be issued Citywide is reduced from 14 to seven. This reduction is arbitrary and capricious, lacking a rational basis and failing to consider the growing demand for CCBs in our community. Reducing the tax revenue that will result from only licensing seven businesses also violates the strong will of the voters of the City in overwhelmingly enacting Measure B. This decision violates the principles of equal protection under the law, as established in *Village of Willowbrook v. Olech*, 528 U.S. 562 (2000). This action also violates the vested rights, and at the very lease, the approvals issues by the City authorizing Ranked Applicants to proceed through the remaining ministerial process and ultimately final issuance of the commercial cannabis business permit as discussed in detail below.

2. **Ward-based Limit**: No more than one CCB permit may be issued in each of the seven City Council Wards. This limit is restrictive and does not allow for equitable distribution of CCBs across the city. It disproportionately impacts certain areas and fails to provide a fair opportunity for all wards to benefit from the economic advantages of CCBs. There are no eligible properties in Wards 4 and 7, and the City is well aware of this issue. In fact, the viable properties in the City are so few, that the number one ranked applicant in the process, STIIIZY, requested that the City extend the deadline was last to submit its preferred location, selecting a location in Ward 5 nearly on top of OTC Riverside and Packs Riverside as evidenced by the October 3, 2024 publication of preferred locations, albeit now modified on the City's website, which is attached hereto as Exhibit D. This is especially suspicious given that STIIIZY contacted City staff outside of the mandatory cannabis@riversideca.gov about restricting the number of licensees per district and Connor Biggerstaff, former Economic Development Project Assistant for the City, specifically identified STIIIZY as a top operator in March 2024 before any merit based rankings were released. See Exhibit E – email from Conner Biggerstaff dated March 21, 2024. This restriction is inconsistent with the principles of fair competition, as outlined in *City of Cleburne v. Cleburne Living Center, Inc.*, 473 U.S. 432 (1985).

3. **Placemaking Areas**: No CCB permits may be issued for storefront retail CCBs within two "placemaking areas" where long-term economic revitalization and reinvestment efforts are ongoing. These areas include:

    - The entirety of the Downtown Neighborhood.
    - "Midtown," an undesignated sub-area of the Magnolia Center Neighborhood.

This restriction is overly broad and fails to consider the specific needs and characteristics of these areas. It also undermines the principles of fair competition and economic development, as established in *Metromedia, Inc. v. City of San Diego*, 453 U.S. 490 (1981). We further appeal on the grounds that further eliminating eligible parcels will serve to impact the ability of Ranked Applicants to find a substitute location, if required to do so in the future.

As further evidence of pretext and the City picking winners through arbitrary and capricious "spot zoning", when asked by the Planning Commission why Arlington Village, where STIIIZY is located, was not included as a placemaking area, staff responded, "because Council said so."

4. **Minimum CCB Separation**: Retail storefront CCBs may not locate within 1,000 feet of another CCB. This separation requirement is excessive and constitutes an unreasonable restraint on trade as well as arbitrary and capricious as absolutely no consideration was given to this decision. This amendment limits the ability of new CCBs to establish themselves and compete in the market, as outlined in *City of Los Angeles v. Alameda Books, Inc.*, 535 U.S. 425 (2002). Again, there are very few viable properties in the City for CCBs to locate. This action further ensures that STIIIZY is able to operate in the most vibrant placemaking location in the City without competition.

5. **Minimum Park Separation**: Retail storefront CCBs may not locate within 600 feet of any park. This separation requirement is also excessive and fails to consider the actual impact of CCBs on park areas. It imposes an undue burden on CCBs and restricts their availability in our community, as established in *Renton v. Playtime Theatres, Inc.*, 475 U.S. 41 (1986). We are unclear if the Planning Commission ultimately recommended that there be a 1,000 foot setback from any park because the motion was not on the agenda, inaudible and the minutes are not available. However, when asked why parks are not buffered with the same 1,000 feet that other locations where children gather, the response from staff was typical: because City Council said so.

We are also appealing this determination based on the fact that the proposed amendments are not exempt from additional California Environmental Quality Act (CEQA) review pursuant to Section 15061(b)(3) of the CEQA guidelines. It cannot be seen with certainty that the proposed text amendments will not have an effect on the environment. Indeed, there was no discussion of CEQA during the Planning Commission meeting on May 8, 2025.

Furthermore, we submitted a letter on April 23, 2025, that is part of both the administrative record and the council file, which was not acknowledged in the staff report to the Planning Commission or by the Planning Commission during the May 8, 2025 meeting. We also submitted a letter to the Planning Commission on May 5, 2025. Both letters are incorporated by reference and attached as exhibits. Moreover, less than 3 seconds were given for speakers to dial in, navigate the speaker phone tree, an impossible task. As such, public comment closed without the ability of any Ranked Applicants or their counsel to virtually or remotely speak on the issue or bring Planning Commission's attention to the Letters.

Finally, the actions and findings of the Planning Commission on May 8, 2025 that are the basis of this Appeal violate RMC 19.040.010, which clearly states in pertinent part, "the enactment of the Zoning Code shall not terminate nor otherwise affect vested land use development permits, **approvals**, or agreements authorized

under the provisions of any ordinance or resolution." Ranked Applicants have already been approved to move forward in the permitting process as of March 12, 2024 when the City originally approved Ranked Applicants to move forward to Step 2 of the commercial cannabis business permitting process.

Indeed, each of the Ranked Applicants received a letter from the City stating, "Pursuant to Section III.D.2.b 'Step 2.2: Zoning Verification Letter' of the City of Riverside Storefront Retail Commercial Cannabis Business Permit Procedure and Guidelines (Guidelines), **this letter serves to verify that the subject-referenced preferred site location meets the following zoning and minimum distance requirements of Section 5.77.320 of the Riverside Municipal Code for the operation of a retail cannabis storefront**." Ranked Applicants were then instructed to follow the process set forth in Section III.D.2.c – step 2.3 Site Submittal and Review.

Thereafter, each of the Ranked Applicants submitted the necessary site plans and documents to complete Step 2.3 of the process. Thus, the City had a ministerial duty to issue each Ranked Applicant a building permit after proper submission and review of 2.3 site materials. RMC 19.640.020 defines ministerial actions as, "City decisions that involve little or no personal judgment by a public official as to the wisdom or manner of carrying out a project. The public official merely applies the law to the facts as presented but uses no special discretion or judgment in reaching a decision. A ministerial decision involves only the use of fixed standards or objective measurements."

Similarly, under California law, ministerial acts are those performed in accordance with fixed standards or criteria, leaving no room for subjective decision-making. California Government Code § 65852.2(a)(3) and Pacific Palisades Residents Assn., Inc. v. City of Los Angeles (2012) 55 Cal.4th 783, 805 affirm that when a permit application complies with applicable zoning and regulatory requirements, the issuing authority has no discretion to deny it. Similarly, in Friends of Westwood, Inc. v. City of Los Angeles (1987) 191 Cal.App.3d 259, 267, the court clarified that a ministerial duty requires the government entity to approve applications that satisfy objective legal standards.

The issuance of a building permit by the City following a cannabis merit-based application process is absolutely a ministerial action, constituting a mandatory and non-discretionary act that the City is legally obligated to perform once applicants have satisfied all specific legal requirements, as the Ranked Applicants have done here.

This Appeal is timely filed within 10 days of the May 8, 2025 Planning Commission and action to comply with the statutory representations by the Planning Commission thereat that any affected party has the right to appeal for 10 days. Thus, the Ranked Applicants proceed with submitting the instant appeal and reserve all rights and arguments based on information and processes withheld from it. Ranked Applicants file this appeal in good faith and to exhausted all administrative remedies,

albeit futile since the recommendations were at the request and specific dictation of the City Council, but our intent is to immediately file litigation on the issue.

I. INTRODUCTION

All of the Ranked Applicants entered the City's process in good faith reliance on its published rules and deadlines as to the progression of permitting and the selection of permittees, scrupulously adhering to all City-mandated requirements, timelines, and conditions, including by investing significant financial resources in real estate holdings and development plans based on the City's current ordinance requirements and assurances of an objective, fair and transparent program. However, the recent unlawful actions taken (in the form of the above-referenced illegal moratorium) and proposed (in the form of the ordinance amendments) by the City and now recommended by the Planning Commission, have undermined the integrity of the City's process and placed the Ranked Applicants in an unfair and untenable position.

More specifically, the Planning Commission's recommendation of the Recommended Amendments on May 8, 2025 to RMC Chapter 5.77 would be in violation of law and subject to judicial invalidation because, inter alia:

- The proposed RMC Chapter 5.77 amendments are arbitrary, capricious, lacking any reasonable or rational basis or relation to the public welfare, and lacking any substantial evidence support in the record. The City's supposed supporting "evidence" for the proposed amendments is not reasonable, credible or of solid value; lacks any firm factual basis; and does not show any material change in circumstances since the City's 2023 adoption of the ordinance it now seeks to amend, especially since the bulk of the alleged "evidence" is not at all new, but was in existence and presumably fully considered by the City Council when it previously acted on these issues in 2023.

- Under the circumstances of this case, the City had and has a ministerial duty, after proper submission and review of their Phase 2.3 site materials, to (1) continue to process and make a good faith and non-arbitrary final selection decision as to, and (2) issue building and commercial cannabis storefront retail permits to each of the Ranked Applicants. Moreover, the City cannot rely on any Ordinance or Resolution provisions purporting to confer "sole discretion" on the Council or City to "at any time" change the applicable rules, including but not limited to, the number of cannabis business permits issued (e.g., RMC § 5.77.100 E.1.); all such provisions are unlawful and invalid – facially and as applied here – as violative of substantive and procedural due process since they purport to authorize the exercise by City of unbridled discretion and arbitrary conduct, and lack any

intelligible, objective or rational standards to guide the exercise of discretion.

- The City is also equitably estopped to deny the Ranked Applicants' permits, based on their reasonable and detrimental reliance on the provisions of the currently effective RMC Chapter 5.77, the City's representations to them in Phases 1 and 2 of the cannabis permitting process, and the extreme injustice that would result from not upholding an estoppel. (*City of Long Beach v. Mansell* (1970) 3 Cal.3d 462; *Kieffer v. Spencer* (1984) 153 Cal.App.3d 954.)

- Even though the proposed ordinance amendments indisputably constitute a "project" subject to review under the California Environmental Quality Act ("CEQA"; Pub. Resources Code, § 21000 et seq.), the City has failed to comply with CEQA and it cannot carry its heavy burden to establish any exemption on the factual record here.

- Adoption of the proposed unlawful Ordinance amendments would, if not set aside and if applied to the Ranked Applicants, result not only in the loss of the commercial cannabis storefront retail permits to which the Ranked Applicants are currently ministerially legally and equitably entitled, but will result in the loss of hundreds of thousands of dollars that they have invested, as expressly required by the City's permit process, and which – if the proposed amendments are adopted resulting in denial of their permits – they will seek to recover from the City.

- The City's resumption of processing permits for seven of the applicants without having adopted the unlawful Ordinance amendments treats those amendments as if they were already in place. This de facto change in the law is illegal and violates the Ranked Applicants' rights under the Ordinance as set forth herein.

In short, unless the City Council grants the instant Appeal, the Ranked Applicants will be left with no alternative but to file an action (or actions) to invalidate the ordinance amendments if adopted, and to seek legal redress against the City for all resulting monetary damages.

II. BACKGROUND AND HISTORY

A. The City Council's 2023 Adoption of the Cannabis Business Activities Ordinance and Adoption By Resolution No. 24048 of Related Procedure Guidelines And Application Review Criteria for Storefront Retail Commercial Cannabis Permits Was Preceded by Years of Consideration, Study, and Hearings.

The City's framework for addressing licensed and regulated retail cannabis sales has a history that goes back almost eight years. Proposition 64 was passed in 2016. In response, the City Council conducted workshops March 7, 2017, July 25, 2017, January 9, 2018 and March 27, 2018 as well as numerous additional public meetings and workshops.

Interestingly enough, when the City Council directed staff to prepare an ordinance effectively banning those activities in the City (March 27, 2018 City Council Meeting Minutes), on May 31, 2018, the Planning Commission declined to recommend that the City Council adopt ordinance banning cannabis manufacturing and extending the then-existing moratorium on commercial cannabis activities within the City. (July 10, 2018 City Council Meeting Agenda.) Ultimately, that decision was appealed to the City Council, which heard the matter on July 10, 2018. (*Ibid*.) The Council voted to approve that ordinance, to, in the City's own words, continue the existing "moratorium phase" to allow the City to "wait and see" how cannabis policy would play out in other areas. (Ordinances O-7431 & 7432; November 18, 2021 EDC Report.) As noted in a 2021 Economic Development, Placemaking and Branding/Marketing Committee (EDC) report:

On September 18, 2021, the City was presented with a Notice of Intent to Circulate a Petition for a voter-sponsored measure to allow and regulate cannabis sales. In response, EDC addressed the need for a municipal ordinance addressing this issue in November 2021, which laid out a proposed regulatory framework that closely resembled what the City would eventually adopt. (November 18, 2021 EDC Report.) Permit applicants would be ranked based on their submittals, with a maximum number of **14 licensees**. (*Ibid*.) Applicants would have to submit business plans, security plans, neighborhood engagement plans, and labor and employment plans, among other documents. (*Ibid*.) EDC followed up on this policy recommendation by directing City staff to create a draft ordinance that would address permitting, licensing, enforcement, taxation, and operation of retail cannabis outlets. (November 18, 2021 EDC Meeting Minutes.)

The EDC held another meeting at which the City's cannabis policy was addressed on March 24, 2022.[1] (March 24, 2022 EDC Meeting Agenda.) The committee provided further direction to staff to draft amendments to three parts of the

[1] The City had the previous month also again retained HdL to assist with the analysis and drafting of a cannabis ordinance for the City.

Municipal Code – Title 5 – Business Taxes, Licenses, and Regulations; Title 9 – Peace, Safety, and Morals; and Title 19 – Zoning. (March 24, 2022 EDC Meeting Minutes.) The EDC also directed staff to prepare a financial analysis on revenue from legal cannabis sales and to proceed with a ballot measure for a cannabis tax to be put before the voters in 2022. (*Ibid.*) Staff complied with these directives. (October 20, 2022 EDC Meeting Agenda, Staff Report, & Draft Municipal Code Provisions.) In October of 2022 the Committee directed staff to finalize the proposed changes to the Municipal Code and to forward the same to the Planning Commission and City Council for their respective consideration and action. (October 20, 2022 EDC Meeting Minutes.)

On December 8, 2022, the Planning Commission held an informational workshop on the proposed cannabis regulations. (December 8 Planning Commission Meeting Agenda & Memorandum.) The Planning Commission then unanimously recommended approval of the zoning amendments to the City Council on January 19, 2023. (December 8, 2022 Planning Commission Meeting Minutes.) The City Council then voted 5-2 to introduce the ordinances enacting the cannabis policy on February 28, 2023. (February 28, 2023 City Council Meeting Minutes.) The ordinances were finally adopted by the same vote of the City Council at its meeting on March 14, 2023. (Ordinances O-7628, O-7629, & O-7630.)

But the allowance of retail cannabis uses still required additional regulatory guidance for the permitting process per section 5.77.130 of the City's Municipal Code. Thus, on August 17, 2023, the EDC convened another meeting to discuss what permitting parameters should be in place. It directed staff to incorporate certain changes to the proposed ordinance and policy approach.

The final proposed application rules and procedures, captioned "Storefront Retail Commercial Cannabis Business Permit Procedure Guidelines and Application Review Criteria" ("Guidelines") came before the City Council on October 17, 2023. (October 17, 2023 City Council Meeting Agenda & Draft Guidelines.) In keeping with the prior analyses and research undertaken over the preceding six-plus years, the proposed permitting process was detailed and exhaustive. It was also based on a peer analysis of twelve other cities and their approaches to cannabis permitting and regulation, including Corona, Modesto, Sacramento, Stanton, Costa Mesa, Moreno Valley, San Bernardino, Stockton, Long Beach, Oakland, Santa Ana, and West Hollywood. (October 17, 2023 City Council Meeting Staff Report & Presentation.)

As discussed above and in more detail in the Letters, those procedures and criteria are quite specific, detailed, and exacting, demonstrating the time, attention, and lengthy process the cannabis standards had been subject to. (Resolution R-24048.) The City Council adopted the Guidelines via Resolution 24048, and it is that document that has induced and governed the Ranked Applicants' applications to and process with the City. (*Ibid*.)

In sum, the process leading up to the permitting process set forth in Resolution 24048 spanned almost seven years, included sixteen public meetings, with no fewer than ten by the City Council, as well as extensive research, factfinding, and the retention and advice of expert consultants.

After Ranked Applicants and others submitted applications, paid approximately $30,000 in fees (per applicant), secured real property by way of expensive lease or property acquisition, following an email from Stiiizy, the number 1 and 2 ranked applicant asking whether the Council would restrict commercial cannabis businesses to two per Ward and impose separation requirements, on January 7, 2025, the City Council postponed the application review process for 90 days and directed Staff to return with options to address concerns about density of CCBs, proximity to other types of sensitive receptors and other health and safety concerns (Exhibits 1 and 2).

On March 25, 2025, Staff presented several options for modifications to the CCB program in response to these concerns. The City Council voted to modify the program to:

- Reduce the overall number of CCB permits from 14 to seven Citywide;
- Limit CCB permits to no more than one per Council Ward;
- Prohibit establishment of CCBs within designated “placemaking areas;”
- Establish a minimum separation between CCBs of 1,000 feet; and
- Establish a minimum separation between a CCB and a public park of 600 feet.

B. <u>Results of the May 8, 2025 Planning Commission Meeting: Arbitrary and Capricious Recommended Amendments, Improper CEQA Exemption, Refusal to Acknowledge and Consider Public and Legal Comments, and Failure to Align with Envision Riverside 2025 Strategic Plan</u>

On May 8, 2025, the Planning Commission voted unanimously to recommend the following amendments to Chapter 5.77 of the Riverside Municipal Code “per the direction of City Council:”

1. *Number of CCB permits*: The maximum number of CCB permits that may be issued Citywide is reduced from 14 to seven.

2. *Ward-based limit*: No more than one CCB permit may be issued in each of the seven City Council Wards.

3. *"Placemaking areas*": No CCB permits may be issued for storefront retail CCBs within two "placemaking areas" where long-term economic revitalization and reinvestment efforts are ongoing. These areas are:

    a. The entirety of the Downtown Neighborhood as defined in the Land Use Element of the General Plan 2025, generally bounded by State Route 91 on the east; State Route 60 on the north; the Santa Ana River on the west; and Tequesquite Avenue and the Riverside City College campus on the south (Ward 1); and

    b. "Midtown," an undesignated sub-area of the Magnolia Center Neighborhood encompassing the mixed residential and commercial district generally bounded by State Route 91 on the east; Jurupa Avenue on the north; Palm Avenue on the west; and Arlington Avenue and Nixon Street on the south Ward 3).

4. *Minimum CCB separation*: Retail storefront CCBs may not locate within 1,000 feet of another CCB as measured from the property line of the parcel with a proposed CCB and the nearest property line of a parcel an existing permitted CCB. A CCB also may not locate closer than 1,000 feet from another CCB if both are located on the same parcel, such as in the case of a large commercial complex.

5. *Minimum park separation*: Retail storefront CCBs may not locate within 600 feet of any park as measured from the property line of the parcel with a proposed CCB and the nearest park property line.

See Exhibit 8 to Planning Commission File.

First, the Memorandum misrepresents the City Council's actions on March 25, 2025. The Memorandum states, "The City Council voted to modify the [Storefront Retail Commercial Cannabis Business] program." That is incorrect. The minutes for the meeting clearly demonstrate that the Council directed staff to draft an ordinance and resolution making modifications to the program. That ordinance and resolution will be subject to a separate vote, which has not yet occurred. Thus, the Memorandum suggests that the City Council has taken a final action that it has

not in fact taken. This mischaracterization misleads the public, jeopardizes public faith in the City's actions, suggests a precommitment by the City to an outcome without a fair public hearing, and potentially violates the Brown Act.

Second, the Memorandum states that "Staff has not received public comments regarding this project." This is also incorrect. My partner Arthur Coon submitted an extensive comment letter, with exhibits, to the City on April 23, 2025, directed at the changes the City has proposed with respect to the Storefront Retail Commercial Cannabis Business program. Obviously those changes extend to the matters the Planning Commission will be considering on May 8.

Despite Ranked Applicants submitting their lengthy Letters on April 23, 2025 and May 5, 2025, the staff report published in advance of the Planning Commission meeting on May 8, 2025 did not consider the Letters. Instead, it falsely claimed that no public feedback had been received. This is obviously contrary to Envision Riverside's 2025 Strategic Plan, specifically Goal 5.3 to Enhance communication and collaboration with community members to improve transparency, building public trust, and encourage shared decision making.

The Planning Commission failed to substantively and reasonably come into alignment with the Strategic Plan in the following areas, in spite of the self-serving conclusory statements to the contrary in the staff report.

a. *Community Trust.* The Recommended Amendments dictated by the City Council and adopted by the Planning Commission could note even remotely be considered a "shared decision-making process," with the community. Every member of the public at the May 8, 2025 Planning Commission spoke in opposition to the Recommend Amendments; not a single member of the public spoke in favor. The threat of litigation was not disclosed or discussed at the meeting either. Instead, this but collusion between the Council, the Planning Commission and certain other commercial cannabis applicants to change the rules of the process after the fact. All public comments urged the Planning Commission not to rubber stamp the Council directed amendments; not a single person spoke in favor of the amendments. In spite of the more than 300 pages of Letter and exhibits on zoning, CEQA, land use, crime, safety and other relevant matters, not a single issue was substantively discussed.

b. Equity The proposed amendments strip one-half of the winning applicants of their rights after they were required to pay fees and secure a physical location. Moreover, the amendments will result in the 7 remaining licenses being awarded to a mere 4 applicant groups. Ranked Applicants submit that the City is picking winners, especially given that Stiiizy, its number 1 and 2 ranked applicant is identified in the police report as being sold at illicit shops and Stiiizy's product line was recently embargoed throughout the entire state of New York on strong suspicion and

evidence of illicit activities. (https://www.nytimes.com/2025/05/10/nyregion/new-york-cannabis-vapes-investigation.html - and attached as Exhibit F)

c. Fiscal Responsibility. As discussed in the Letters, the proposed amendments will result in a tax revenue loss of approximately 50% of what was promised to the voters of the City of Riverside, who overwhelmingly voted to tax 14 stores. Additionally, the amendments, as discussed herein, will absolutely draw at least three lawsuits from Ranked Applicants, and likely an additional 3 other lawsuits from similarly situated parties costing the City hundreds of thousands of dollars in attorney fees as well as potentially millions in damages. Notably, none of this was discussed or considered at the May 8, 2025 Planning Commission meeting.

d. Innovation. The Planning Commission failed to consider the fact that only 4 operator groups will hold all 7 licenses. Stiizy and Embarc already have collective bargaining agreements with UFCW, who typically requires as a rule that all existing employees have the opportunity to staff a new location, especially those who are part time. As such, there is no guarantee that awarding 5 of 7 licenses to operators locked into a collective bargaining agreement will benefit the residents of the City or Riverside or foster economic innovation. Rather, a diversity of operators is required to achieve true innovation and opportunity in Riverside.

e. Sustainability & Resilience: Again, the Planning Commission did not discuss any matter related to sustainability and resiliency. Indeed, one of the goals in implementing the commercial cannabis business process in the City was to foster redevelopment of underutilized real property. The City initially extended the timeline to select a viable property for 90 days because applicants struggled to locate viable property within the City. Now, with even greater restrictions, one-half the businesses and only one per Ward, this goal will be further undermined.

III. PLANNING COMMISSION'S LEGAL VIOLATIONS

A. The Recommended Amendments to Riverside Municipal Code Chapter 5.77 Are "Arbitrary, Capricious and Without a Reasonable or Rational Basis" And They Lack Substantial Evidence Support

The Recommended Amendments are unlawful and would be judicially invalidated if adopted and challenged because, inter alia, they are "arbitrary, capricious or [without] reasonable or rational basis." (*Wallace Berrie & Co. v. State Bd. of Equalization* (1985) 40 Cal.3d 60, 65.) Further, they lack substantial evidence support in the record.

The Recommended Amendments arbitrarily reverse the policy course carefully and deliberately set by the Riverside City Council less than two years ago in 2023 and lack a rational basis or reasonable relation to the public welfare. Given the

extensive hours of analysis and research undertaken by the previous Council, and the lack of any new information showing a material change in any relevant factual circumstances, this abrupt shift regarding the allowable number and location of cannabis retail permits appears to be purely political, driven by the results of the most recent City Council election without regard to the facts, the express purposes of the current ordinance, or the extensive research and findings supporting the current ordinance.

As discussed above and reflected in the record leading to the adoption of the City's current cannabis ordinance, the 2023 City Council engaged in detailed discussions and extensive public comment on key issues such as buffer distances, sensitive uses, permit limits, and zoning considerations for cannabis businesses. These years-long deliberations led to the adoption of the current ordinance, which established the permitting process that all listed applicants, including the Ranked Applicants, have been navigating and complying with – in good faith and at great expense – for over a year on pain of forfeiture of their right to pursue permitting. The City's unlawful moratorium on and arbitrary proposal to abruptly alter this process after its virtual completion, and at a point when building and retail permits should be ministerially issued to the successful applicants, improperly deprives each of the Ranked Applicants of their opportunity and right to obtain a cannabis retail license in the City.

The Recommended Amendments solicited by the current Council – (1) reducing the total number of storefront retail permits from 14 to 7, (2) requiring each of the 7 permits to be allocated one per ward, (3) mandating one year of operation with the "full ownership/team structure" prior to transfer or sale (with no exception for death or incapacity), (4) imposing an additional 600-foot buffer requirement (from public and private parks), and (5) mandating a new 1,000-foot separation between cannabis retailers – are irrational, unnecessary, and unsupported. For example, many California cities that regulate commercial cannabis through zoning and permit limits do not impose distance requirements between cannabis retailers, because the regulatory counterweights of required distance from sensitive uses, zoning restrictions and reasonably limiting the total number of permits achieves the same goal while still allowing economic competition and the additional security benefits provided by well-regulated co-located dispensary uses. Examples of municipalities that have successfully adopted this approach are: Blythe, Cathedral City, Coachella, Oxnard, Port Hueneme, Culver City, Benicia, Davis, Goleta, San Bernardino, San Luis Obispo County, Alameda, Palm Desert, Brisbane, Carson City, Chico, Calexico, Sonoma, Grover Beach, La Mesa, West Hollywood, Hawthorne, and Montebello, to name a few.

One substantial "counterweight" here is RMC section 5.77.350, which ensures each retail dispensary business will employ extensive safety and security measures that will inevitably enhance, not imperil, public safety in instances of co-located stores. (See Ordinance O-7661.) These measures include, without limitation:

- Exterior lighting with motion sensors for after-hours security.
- Anti-loitering requirements.
- Limited access areas.
- 24-hour high definition, color security surveillance cameras covering all entrances and exits, all publicly accessible interior spaces, and all interior spaces where cash, currency or cannabis is regularly stored, or where cannabis could be diverted, with video recordings to be maintained at least 90 days and made available to the Police Chief on request, and with remote monitoring by the City enabled.
- Real time monitoring through sensors of all entries into and exits from all secure areas by a state-licensed security company.
- Panic buttons to directly notify police and alert dispatch should incidents occur.
- Professionally installed, maintained, and permitted alarm system monitored in real time by a state-licensed security company.
- 24-hour-a-day, on-site state-licensed security personnel, or alternative security with after-hours patrol authorized by City Manager.
- Back up system to ensure locks are not released and premises remain secure during a power outage.
- Designated security representative/liaison to City Manager with extensive duties and qualifications.
- Requirements to promptly notify City of any discovered inventory discrepancies, diversions, theft, criminal activity, or any other security breach.

These detailed and extensive security requirements (which are only a portion of those required by the ordinance) would deter crime and make commercial cannabis storefront retail premises among the most, if not the most, secure business premises in the City.

Notably, the above facts and security regulations are not accounted for or even mentioned in the May 8, 2025 Planning Commission staff report or other "evidence" considered in conjunction with the City's proposed ordinance revisions. (May 8, 2025, Planning Commission Staff Report.) In terms of potential crime impacts and otherwise, the conclusions expressed in the Police Department's accompanying report entitled "Retail Sales of Cannabis – Health and Safety Impacts on Riverside

Communities" (hereafter, the "Cannabis Report") are unsupported and arbitrary, fail to address or further the stated goals of the City's current ordinance (which include retail access to cannabis by residents), and fail to provide any rational basis or substantial evidence support for the proposed RMC amendments concerning, inter alia, distance, location, and number of permits. The Cannabis Report lacks recent or reliable information, or even relevant or confirmable data; its claims consist for the most part of unsupported anti-cannabis legalization opinions that are entirely inconsistent with the facts and current research, as well as the fundamental premises of the City's existing Cannabis Business Activities Ordinance.

The "methodology" used in the Cannabis Report to estimate or predict future crime statistics or occurrences that would result from permit processing and issuance proceeding under the current ordinance is patently unreasonable and inadequate because it analogizes to an entirely different and incomparable scenario. Simply put, there is no rational basis for using crime statistics relating to five tobacco shops operating as illegal cannabis dispensaries as a proxy for crime impacts reasonably to be expected from legal dispensaries fully vetted, authorized, and regulated under the City's rigorous current RMC Chapter 5.77 regulations and the onerous cannabis regulations imposed by the state of California. (But see Cannabis Report, at p. 7 ["we chose to analyze the calls for service history within a 500-foot radius of five retail tobacco locations we know are acting as unpermitted cannabis dispensaries. We chose to look at one year of calls for service before and after the establishment first opened."].) A valid methodology would have been to analyze data from similarly regulated cannabis retail stores operating legally in similar cities, but the Cannabis Report ***concededly lacks any such relevant data***. (*Id*., at p. 2 [claiming its "research … attempted to obtain data from local jurisdictions that currently allow the retail sales of cannabis [but] … the local jurisdictions were unable to accommodate our requests …."].) While the Cannabis Report fails to disclose where, how, and to whom it made any such requests for relevant local data, it is apparent that with several neighboring cities currently permitting cannabis sales – many of which are cited in the City's most recent staff report for their cannabis land use regulations – relevant crime data specific to legal California dispensaries should have been readily obtainable through public records requests or other channels available to the City. That the Cannabis Report's preparers did not diligently seek, obtain, or produce such data strongly supports an inference that the omitted evidence would not have supported, but rather, would have further materially undermined the Report's already unsupported conclusions. (See Evid. Code, § 412 ["If weaker and less satisfactory evidence is offered when it was within the power of the party to produce stronger and more satisfactory evidence, the evidence offered should be viewed with distrust."].)

In the absence of such relevant data, another potentially valid methodology the Cannabis Report might have employed would have been comparison to a similarly regulated and legal industry in Riverside, such as retailers with off-site liquor licenses, but, again, no discernible effort to obtain such data was made by the Cannabis Report's preparers. And, again, while crime associated with a handful of tobacco shops illegally operating as cannabis dispensaries in the City may indicate a failure

on the part of local law enforcement, but it has no logical relevance or predictive value regarding crime that might potentially or reasonably be expected to result from the legal operation of the heavily vetted, regulated, and secure dispensaries permitted under the City's current stringent cannabis ordinance and regulations. Crime naturally – if not by definition – increases around *illegal* businesses, regardless of the type of illicit activity involved. The distance between tobacco shops illegally selling intoxicating hemp and cannabis products – whether 1,000 feet or 10 feet apart – has no impact on crime statistics because those businesses by definition operate outside the law, seeking to evade detection, taxation and regulation. In contrast, the Ranked Applicants here are fully committed to following the City's currently established permitting process, complying with all applicable laws, making significant property improvements, providing jobs, generating additional tax revenues and generally enhancing the economic health of the City as a whole.

Moreover, this exact issue has already been studied – in literature unsurprisingly ignored by the Cannabis Report – and the conclusion was that crime around tobacco shops and off-sale alcohol outlets does, indeed, increase – but not around licensed dispensaries. The on-point study (which is not even acknowledged by the Cannabis Report) concluded that the two are simply not comparable. (See Andrew M. Subica, Jason A. Douglas, Nancy J. Kepple, Sandra Villanueva, Cheryl T. Grills, *The geography of crime and violence surrounding tobacco shops, medical marijuana dispensaries, and off-sale alcohol outlets in a large, urban low-income community of color*, available at https://www.sciencedirect.com/science/article/pii/S0091743517305078.) Yet, such an inapt comparison forms virtually the *entire basis* of the Cannabis Report's flawed and unsupported conclusion that dispensaries legally permitted and operating under the City's stringent regulations will increase crime in surrounding areas.

Citing outdated 2017 studies – which notably are not new information and were available long before the City adopted its 2023 Cannabis Business Activities Ordinance and regulations – the Cannabis Report relies on reported statistics from just two cities, Denver, Colorado and Long Beach, California, to try to bolster its flawed and unsupported conclusions. (See Cannabis Report, at p. 7 ["One study looked at Denver, Colorado and Long Beach, California and found that both cities showed an increase in property crimes. The study showed mixed results regarding violent crime, with no increase in the City of Denver, however violent crime increased in the areas adjacent to marijuana dispensaries in the City of Long Beach (Freishler, Gaidus, Tam, Ponicki, & Gruenwald, 2017)."].) But the information is nearly a decade old; moreover, Denver has an entirely different regulatory regime and more than twice the City of Riverside's population, and Long Beach is a much larger city that was plagued with considerable crime both before and after cannabis dispensaries were legalized – facts that are conveniently omitted from the Cannabis Report. (Exhibit 3 to April 23, 2025 letter: Census Data for Cities of Denver, Long Beach and Riverside.)

A much more apt comparison would be to the documented experience of the City of Santa Ana, which has approximately the same population as Riverside and

was the first city in Orange County to approve retail sale of Adult-Use Cannabis. As documented in the Report of the Orange County Grand Jury (2020-2021) entitled "'Pot Luck': Santa Ana's Monopoly on Licensed Retail Adult-Use Cannabis in Orange County" (the "OC Grand Jury Report," Exhibit 4 to April 23, 2025 letter). Based on extensive internet, legal, and documentary research, and interviews with City officials and employees, and professional experts and cannabis proprietors and employees not employed by the City, as well as numerous site visits by grand jurors to observe the operations, staff, clientele, and premises of licensed retail dispensaries, the OC Grand Jury Report found that Santa Ana experienced significant and highly beneficial increases in City revenues with no reported increase in criminal activity as a result of its ordinance. (OC Grand Jury Report, at pp. 1, 3.) Santa Ana's retail cannabis ordinance, which generally resembles Riverside's current Cannabis ordinance, allows a total of 30 dispensaries, and as of April 15, 2021, 23 dispensaries were open and legally operating, with great community benefits. (*Id*. at pp. 3-5.) Critically, per the OC Grand Jury Report, based on interviews with City officials and staff, and through planning, building, code enforcement, and police enforcement efforts, the number of unlicensed dispensaries operating illegally in Santa Ana decreased dramatically from 120 to "less than a handful" since the ordinance became effective. (*Id*. at p. 4.) It stated: "The reality is that shutting down the unlicensed, illegally operating dispensaries will increase business for the licensed facilities, thereby increasing the City's tax revenues" and resulting in "a win-win for both the licensed dispensaries and the City of Santa Ana." (*Id*. at p. 5.) Further, and importantly, Police and Code Enforcement staff verified "there has been no apparent increase in criminal activity in the areas surrounding …dispensaries" and in this connection the report noted the enhanced security mandated by the city's ordinance for such businesses, which—based on the Grand Jury's personal inspections—were clean, well-managed, and extremely secure. (*Ibid*.) Finally, both the already-realized and expected future financial benefits to the city and its programs, particularly youth programs, were extensive, and the resulting "reduction in illegal/unlicensed shops has improved community safety for both customers and residents." (*Id*. at pp. 6-7.)

In sharp contrast, the City of Riverside's Cannabis Report fails to provide relevant data or information, or any valid apples-to-apples comparison of crime statistics, instead relying on outdated 2017 data rather than presenting current crime statistics specific to legally operating cannabis dispensaries. The Cannabis Report's selective use of largely irrelevant data creates a highly misleading narrative, making the Cannabis Report an unreliable and unreasonable basis for modifying the existing ordinance; and, importantly, it also fails to address the specific issues and concerns previously expressed by the City Council.

The Cannabis Report's biased approach is further evidenced by the complete logical disconnect between its stated purpose and the nature of the "analysis" it includes. At page 2 of the Report, its first enumerated paragraph states a purpose to "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, including … ***retail***

access by residents and/or protection of health and safety of the residents from negative impacts." (Cannabis Report, p. 2, emphasis added.) Yet after that initial "lip service" the Report never once recites or analyzes the current ordinance's stated goals, including, but not limited to, providing residents with retail access to cannabis, or how to further those relevant goals. The Cannabis Business Activities Ordinance's stated goals – which should have been the Cannabis Report's lodestar – are set forth clearly in RMC section 5.77.020, which states:

> "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 as to 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."

(Ordinance O-7628, RMC, § 5.77.020.)

Rather than tailoring its research and focus to address and further these goals pursuant to its stated purpose, the Cannabis Report immediately veers into an all-out, "Reefer Madness"-style propaganda piece attacking the fundamental policy wisdom of medicinal and adult-use cannabis legalization generally, under both California law and the City's ordinance. It thus leads off its "Overview" section at pages 3 to 4 with a lengthy anti-legalization statement released in late 2024, on the eve of the seventh anniversary of legal marijuana sales in California, by Dr. Kevin Sabet, the leading opponent of marijuana legalization in the United States and co-founder of "Smart Approaches to Marijuana" ("SAM"). Founded in Denver in 2013, SAM is the leading organizational opponent of marijuana legalization in this country. Sabet's policy opinions about the effectiveness and desirability of California's (and other states') marijuana legalization legislation may be interesting to some, but they are irrelevant to the specific issues here and do not "write on a clean slate": like it or not, commercial cannabis business activities have long been legal and regulated under California state

law and since at least 2023 are legal and regulated under the City's laws, as well.[2] The fundamental charge of the Cannabis Report's preparers was not to support a referendum on the basic policy issue of legalization or the wisdom of an individual's decision to use legally available marijuana, but, rather, to research specific factual issues in furtherance of the goals of the City's existing ordinance – a charge it clearly failed to follow. (January 7, 2025 City Council Meeting Minutes.)

But even taken on its own terms, the Cannabis Report fails to constitute or provide substantial evidence in support of any of its conclusions. Sabet's conclusions about the prevalence of contaminated product cite "one study" limited to "57 samples of concentrates sold for dabbing in California" – a limited sample of one type of high potency manufactured products insufficient to draw any broad conclusions about adverse health effects and hospitalization from legal medical and adult cannabis use more generally. (Exhibit 5 to April 23, 2025 letter: Sabet Report.) The study Sabet cited to claim that recreational marijuana legalization ("RML") led to increased use among California adolescents also found that "[o]verall, RML was not significantly associated with frequency of past-30-day-use among users" and concluded that despite RML's association "with an increase in adolescent marijuana use in 2017-2018 and 2019" the institution of "[e]vidence-based prevention programs and greater local control on retail marijuana sales may help to reduce marijuana availability and use among adolescents." Notably, as with alcohol, use of recreational marijuana by individuals under age 21 is *illegal* and this prohibition would be strictly enforced under City's current ordinance. (See RMC §§ 5.77.370 I, 5.77.380 B, 5.77.400 A.)

While Sabet claims an independent "investigation in San Diego" "found that 30% of marijuana samples purchased from licensed retailers in Southern California lab-tested positive for pesticides" (citing Grover & Coral, 2019), the alleged study is not provided nor is any detail given regarding the types of source or sample size and locations of the allegedly tested products. (Cannabis Report, pp. 4-5.)

Sabet and the Cannabis Report reference and selectively quote a 2024 Los Angeles Times article on allegedly excessive pesticide contamination above regulatory levels mostly in vapes and pre-rolled joints, but the article – and by extension the Cannabis Report crediting it – ironically singles out STIIIZY as the alleged main offender in two of the primary areas of concern expressed in the Report: product contamination and tobacco retailers illegally selling marijuana. Thus, STIIIZY allegedly sold a vape with 60 times the maximum amount of pymetrozine allowed by federal regulators in cigarettes, and also allegedly illegally sold hemp vapes above legal THC limits in tobacco retail locations operating without cannabis business permits. (See Cannabis Report, pp. 4-5.) The incongruity of STIIIZY being the City's

[2] It is notable that despite SAM's anti-legalization efforts in the last 5 years, at least seven (7) states – Arizona, Montana, New Jersey, South Dakota, Virginia, New Mexico and New York – have moved forward with legalization through popular ballot measures or the legislative process, while legalization did not advance in three states, North Dakota, Hawaii and Maryland.

top-ranked applicant (STIIIZY Riverside LLC) and second-place ranked applicant (SGI Riverside LLC) among the 14 listed and ranked applicants should not be missed and is further underscored by Riverside Vice's alleged targeting of 42 tobacco retailers out of 232 in the City and determining 30 (71%) were illegally selling cannabis projects. (*Id.* at p. 6.) This logical disconnect is further amplified by the Cannabis Report's mention of several lawsuits against STIIIZY alleging it uses "cheaper, illegal cannabis" to gain competitive advantage and that its founder and former CEO Tony Huang was arrested by LAPD for allegedly operating multiple illegal cannabis dispensaries and cultivation sites. (The Cannabis Report might also have mentioned, but did not, that STIIIZY is also currently under investigation in New York for allegedly illegally selling products there that were made in California and other states.) All of which begs the question: if the City credits the hearsay LA Time article and the Cannabis Report identifying STIIIZY products sold in smoke shops throughout Riverside as factual and "substantial evidence," how can it simultaneously rank STIIIZY as its top 2 storefront retail applicants? How can STIIIZY be both the poster child for bad actors as the basis for eliminating 7 of 14 licenses and at the same time, receive 2 of the remaining 7 permits? It should be very evident that something is very wrong with the picture that the City is attempting to paint in support of its unlawful actions here. And, while Ranked Applicants have not had the opportunity to obtain and review all communications between STIIIZY and individuals at the City of Riverside, there is evidence of ex parte communications in violation of the City's communication moratorium about at least one of the same issues as to which Council seeks to amend the current ordinance: the number of permits allowed in the City. (See Exhibit 6 to April 23, 2025 letter: City Emails with STIIIZY.)

The Cannabis Report's citation of old and incomplete statistics from traffic accidents and emergency room visits in Canada, allegedly related to legalized marijuana use, and other disjointed traffic statistics, are not new or current information and in reality prove nothing except that individuals occasionally engage in illegal and criminal behavior in the form of driving while intoxicated, whether under the influence of alcohol, marijuana or otherwise. While such "junk statistics" and recitation of a smattering of alleged adverse health effects may be deemed persuasive arguments by anti-legalization advocates like Sabet – and, apparently, the City's Police Department – they fail to address the factual issues that were the focus of the Council's specific direction for the Cannabis Report.[3]

[3] It is no surprise that the most current relevant research contradicts the Cannabis Report's broad and unsupported conclusions as to alleged increases in suicides and prevalence of use resulting from legalization. (See CATO Institute: The Effect of State Marijuana Legalizations: 2021 Update, By Angela Dills, Sietse Goffard, Jeffrey Miron, and Erin Partin, February 2, 2021 | Number 908 Page 8, Figure 7 ["the Appendix displays the yearly state suicide rate, relative to the national rate, before and after legalization (vertical line) for each state that legalized marijuana between 1999 and 2018. It is difficult to see any association between marijuana legalization and changes in suicide trends."]; see also, p. 5, [""Legalizing states display higher and increasing rates of use prevalence, but these patterns existed prior to legalization."].)

The Cannabis Report likewise provides no meaningful illumination of possible negative effects on surrounding businesses, as to which the Report merely observes there is "no clear guidance" except that locating a dispensary does not affect an existing liquor license in California. (Cannabis Report, at p. 11.) In other words, no negative effect.

The Cannabis Report's assertion that "cannabis legalization fuels the black market" is based on speculative assumptions, hearsay, and unproveable hypotheses, as black market operations are obviously illegal businesses whose prevalence stems more from law enforcement failures than regulated and legal cannabis operations. It is also directly contradicted by the findings of the Orange County Grand Jury that in Santa Ana—a city with the same population as Riverside-- illegal dispensaries dramatically decreased from 120 to "less than a handful" under operation of that city's similar cannabis ordinance. (OC Grand Jury Report, at p. 4.) Further, this section of the Cannabis Report again ironically cites STIIIZY's former CEO as "an example of how the legal market boosts the profits of the illegal market and vice versa." Legalized cannabis operations' alleged conflicts with Blue Zone Project goals are similarly contrived "make-weights" stemming from general opposition to any form of legalized marijuana, rather than being connected with any of the specific land use issues actually within the Cannabis Report's assigned purview.

In summary, the Cannabis Report provides no rational basis or substantial evidence support for modifying the current ordinance as to the number of permits allowed, or the location of and distance between permits, or between permits and sensitive uses, and any proposal to do so at this time is arbitrary and capricious. This effort appears to be wholly driven by anti-cannabis politics, bias and/or fear, rather than facts, and also occurs with woefully minimal consideration of economic impacts and community benefits. Neither the Cannabis Report nor the most recent City Council staff report meaningfully addresses such concerns – except to note lower-than-anticipated state tax revenues, and that the City's currently contemplated actions will cost it at least $1,000,000 in annual revenues according to the City Attorney's impartial analysis of Measure B[4]. (City Attorney Impartial Analysis of Measure B.) The Cannabis Report entirely overlooks the lost economic and local tax benefits of allowing 14 properties to be developed, 14 businesses to create jobs, and local vendors to benefit – choosing instead to recommend cutting that number to just 7 stores, operated by 4 ownership groups. Rather than taking a forward-thinking approach, in line with State law and its past well-considered decisions, the City is undermining its own ordinance's stated goals and the City's economic growth based on seemingly contrived agendas and irrational biases that have long been debunked.

[4] The Riverside City Attorney's Office published an impartial analysis of Measure B, estimating $2,000,000 in annual tax revenue assuming the operation of 14 dispensaries City wide; thus a 50% reduction would logically result in a 50% reduction in estimated revenues. There is no related analysis about anticipated City tax revenue were when all licenses are to be controlled by just 4 entities.

(See Exhibits 7-15 to April 23, 2025 letter: Recent Studies and Publications on Cannabis Crime, Healthy and Safety issues.)

B. <u>The City Must Immediately Terminate Its Ongoing Moratorium on Processing and Issuing Permits, Which Is Patently Unlawful Under the State Planning and Zoning Law, and if the Proposed RMC Chapter 5.77 Amendments Are Adopted They Will Be Invalid and Void for that Additional Reason.</u>

At some point prior to January 7, 2025 (on which date the City Council formally voted to adopt the unlawful moratorium), City staff, presumably under direction from the Council and/or City Manager, "paused" the entire cannabis business activities permitting process, placing a de facto moratorium on all further processing or issuance of building permits and operational permits for storefront retail uses. The purpose of the moratorium was to allow the Council to consider the proposed amendments to RMC Chapter 5.77; it is unclear whether the Council or City staff intended to, or believe the City did, formally further extend the moratorium by Council action or direction of the Council on March 25, 2025, but what is crystal clear is that the City is treating the permit processing and issuance moratorium as continuing in effect, as it has plainly not resumed the permitting program pursuant to the provisions of its currently effective Cannabis ordinances. The City's continuing moratorium is illegal and in violation of Government Code section 65858, which provides in relevant part as follows:

> (a) Without following the procedures otherwise required prior to the adoption of a zoning ordinance, the legislative body of a county, city, including a charter city, or city and county, to protect the public safety, health, and welfare, may adopt as an urgency measure an interim ordinance prohibiting any uses that may be in conflict with a contemplated general plan, specific plan, or zoning proposal that the legislative body, planning commission or the planning department is considering or studying or intends to study within a reasonable time. That urgency measure shall require a four-fifths vote of the legislative body for adoption. The interim ordinance shall be of no further force and effect 45 days from the date of adoption. After notice pursuant to Section 65090 and public hearing, the legislative body may extend the interim ordinance for 10 months and 15 days and subsequently extend the interim ordinance for one year. Any extension shall also require a four-fifths vote for adoption. Not more than two extensions may be adopted.

(b) Alternatively, an interim ordinance may be adopted by a four-fifths vote following notice pursuant to Section 65090 and public hearing, in which case it shall be of no further force and effect 45 days from its date of adoption. After notice pursuant to Section 65090 and public hearing, the legislative body may be a four-fifths vote extend the interim ordinance for 22 months and 15 days.

(c) The legislative body shall not adopt or extend any interim ordinance pursuant to this section unless the ordinance contains legislative findings that there is a current and immediate threat to the public health, safety, or welfare, and that the approval of additional subdivisions, use permits, variances, building permits, or any other applicable entitlement for use which is required in order to comply with a zoning ordinance would result in that threat to public health, safety, or welfare.

. . . .

(d) Ten days prior to the expiration of that interim ordinance or any extension, the legislative body shall issue a written report describing the measures taken to alleviate the condition which led to the adoption of the ordinance.

(e) When an interim ordinance has been adopted, every subsequent ordinance adopted pursuant to this section, covering the whole or a part of the same property, shall automatically terminate and be of no further force or effect upon the termination of the first interim ordinance or any extension of the ordinance as provided in this section.

(f) Notwithstanding subdivision (e), upon termination of a prior interim ordinance, the legislative body may adopt another interim ordinance pursuant to this section provided that the new interim ordinance is adopted to protect the public safety, health, and welfare from an event, occurrence, or set of circumstances different from the event, occurrence, or set of circumstances that led to the adoption of the prior interim ordinance.

. . . .

(Gov. Code, § 65858(a)-(f).)

As stated in *California Charter Schools Association v. City of Huntington Park* (2019) 35 Cal.App.5th 362, 368: "The general purpose of Section 65858 is to allow a local legislative body to adopt interim urgency zoning ordinances prohibiting land uses that may conflict with a contemplated general plan amendment or another land use measure proposal which the legislative body is studying or intends to study within a reasonable period of time." (*Id*., quoting *216 Sutter Bay Associates v. County of Sutter* (1997) 58 Cal.App.4th 860, 869.) While such an interim urgency zoning ordinance is within a City's police power, the legislative body cannot adopt or extend such an ordinance "unless [it] contains legislative findings that there is a current and immediate threat to the public health, safety, or welfare, and that the approval of additional subdivisions, use permits, variances, building permits, or any other applicable entitlement for use which is required to comply with a zoning ordinance would result in that threat to public health, safety, or welfare." (*Id.* at 368-369, quoting Gov. Code, § 65858, subd. (c).)

The "current and immediate threat" required by the statute to support a moratorium ordinance must arise from facts showing an *approval* of an entitlement is *imminent*, and mere *processing* of a development application does not constitute or qualify as a "current or immediate threat." (*Id.* at pp. 369-370; see also *Building Industry Legal Defense Foundation v. Superior Court* (1999) 72 Cal.App.4th 1410, 1413; Gov. Code, §§ 65858, subds. (a), (c).) The plain language of the statute precludes a city from adopting an interim ordinance prohibiting the processing of development applications. (*Building Industry Legal Defense Foundation, supra,* 72 Cal.App.4th at 1412, 1415-1418; *see id.* at pp. 1418-1419 ["Although the Legislature could have tied adoption of an interim ordinance to the submission or processing of a development application, it chose to set the bar higher, restricting its application to situations where an approval of an entitlement for use was imminent."].)

Here, the City has instituted a patently illegal moratorium on both processing and issuance of permits, without complying either in form or substance with any of the requirements or limitations of the controlling state law. The City's failure to comply with Government Code section 65858's requirements prior to instituting its moratorium has prejudiced the Ranked Applicants, who would have been able to successfully oppose any moratorium ordinance – on the grounds that City could not make the required findings, inter alia – had City followed the proper procedures prior to instituting it, thus compelling the City to continue to timely process and issue permits under the current law. The delays resulting from City's unlawful conduct have not only resulted in withholding of the permits to which the Ranked Applicants are ministerially entitled, but have caused the Ranked Applicants substantial monetary damages in the form of additional rents, mortgage payments and carrying costs while being prevented from opening and operating their businesses. The City must

immediately terminate its unlawful moratorium and resume processing and granting permits under the current law's standards.

C. The City Is Estopped to Adopt or Apply the Proposed Amendments to the Ranked Applicants.

Under California law, the doctrine of promissory estoppel precludes a party from reneging on commitments upon which others have reasonably and foreseeably relied to their detriment. The elements of promissory estoppel are well established:

1. A clear and unambiguous promise;

2. Reasonable and foreseeable reliance by the promisee;

3. Actual reliance on the promise, leading to substantial detriment; and

4. Injustice that can be avoided only by enforcing the promise. (See Restatement (Second) of Contracts § 90; *Kajima/Ray Wilson v. Los Angeles Cty. Metro. Transp. Auth.* (2000) 23 Cal.4th 305, 310.)

In the words of the California Supreme Court:

> The doctrine of equitable estoppel is founded on concepts of equity and fair dealing. It provides that a person may not deny the existence of a state of facts if he intentionally led another to believe a particular circumstance to be true and to rely upon such belief to his detriment. The elements of the doctrine are that (1) the party to be estopped must be apprised of the facts; (2) he must intend that his conduct shall be acted upon, or must so act that the party asserting the estoppel has a right to believe it was so intended; (3) the other party must be ignorant of the true state of facts; and (4) he must rely upon the conduct to his injury.

(*Strong v. County of Santa Cruz* (1975) 15 Cal.3d 720, 725.)

Equitable estoppel is applied against the government where justice and right require it and "in the considered view of a court of equity, the injustice which would result from a failure to uphold an estoppel is of sufficient dimension to justify any effect upon public interest or policy which would result from the raising of an estoppel." (*City of Long Beach v. Mansell* (1970) 3 Cal.3d 462.) Its application to a public agency such as the City "rests upon the belief that government should be held to a standard of 'rectangular rectitude' in dealing with its citizens." (*People v. Department of Housing & Community Dev.* (1975) 45 Cal.App.3d 185, 196.)

Of particular relevance here is *Kieffer v. Spencer* (1984) 153 Cal.App.3d 954, in which the City of San Gabriel changed the rules midstream on applicants seeking to open video game arcades. As the court concluded in that case:

> The record reveals a picture which offends ordinary concepts of fairness and justice. Petitioners were simply exercising their rights as citizens to commence and operate legitimate business entities within RPI. Insofar as the records show, they attempted to cooperate with officials of RPI. They relied, not only to their immediate detriment, but to the continuing detriment which invariably results when wrongdoing, whether intentional or not, is not faced squarely but is reinforced and ratified by continuous efforts to clothe it in legal respectability. We conclude that RPI was estopped from depriving petitioners of the permits which had in effect been granted July 9, 1981, at the time RPI chose to pursue a course of conduct (for reasons not entirely clear) not only detrimental to petitioners but to public trust in local government.

(*Id*. at p. 964.) The same is true here. As in the *Kieffer* case, here the City of Riverside required applicants to proceed through a structured, multi-phase licensing process. In Phase 1 and Phase 2, applicants were required to:

- Pay over $30,000 ***each*** in non-refundable fees to participate in the process;
- Secure real estate suitable for cannabis operations;
- Engage in planning and compliance efforts to meet City requirements;
- Prepare for eventual licensure based on successful completion of these steps.

The City's explicit representations and established process created not merely a reasonable expectation, but a binding commitment that applicants who fully complied with these requirements, as the Ranked Applicants have demonstrably done would be granted all necessary approvals, beginning with a building permit and culminating in a cannabis business license. By adopting the Guidelines, the City effectively induced Ranked Applicants to seek the requisite permits under its auspices. Moreover, by limiting the application period to thirty days (see Guidelines, section III.A), the City effectively forced Ranked Applicants to commit to the process extremely quickly, which naturally limited their ability to assess and mitigate against risk. That procedural choice on the City's part necessarily entailed a concomitant commitment by the City to adhere to the protocols as set forth in the Guidelines and the City's cannabis ordinances and not change them mid-stream. The City's current and proposed actions constitute a clear breach of this legal and ethical commitment.

Given the unique and multidimensional nature of the permitting process for cannabis businesses in the City, the injustice suffered by the businesses slated to be eliminated from the process is astronomical and far outweighs any adverse effect on public policy that would result from raising an estoppel.

The Ranked Applicants, acting in good faith and in reasonable reliance on the City's explicit representations and established process, invested substantial and irrecoverable resources that they would not have expended had they known the City would act in bad faith and fail to honor its commitments. These financial burdens include, but are not limited to:

- Leasing or purchasing commercial properties in reliance on the City's requirements;
- Investing in site documents, including architectural plans, engineering plans, and renderings;
- Paying City-imposed, non-refundable fees, by designated deadlines to remain compliant with and preserve rights under application process requirements; and
- Lost business opportunities in being an early mover and the ability to open quickly.

The Ranked Applicants justifiably and detrimentally relied on the City's explicit representations and promises by securing leases or purchasing property, thereby assuming substantial and ongoing financial obligations—including rent, mortgage payments, and other carrying costs—that they would not have otherwise undertaken, as part of Step 2.1. In addition, the Ranked Applicants incurred substantial additional costs associated with the preparation of site plan materials, as required in Step 2.3. The Ranked Applicants also paid multiple non-refundable fees to the sum of tens of thousands of dollars each, all due by City imposed deadlines, in addition to lost business opportunities and revenues as a result of these unreasonable and illegal delays.

Should the City Council amend the current ordinance, reducing the number of cannabis licenses from 14 to 7, each of the Ranked Applicants that are denied permits under the unlawful ordinance amendments will suffer both irreparable harm in the form of business licenses and opportunities of which they will be deprived, and substantial harm in the form of out-of-pocket and lost profits monetary damages. As provided for above, each of the Ranked Applicants paid mandatory, non-refundable fees of $13,842.00 (Application Fee) and $17,864.00 (Site Review Fee) to the City, as well as other expenses totaling $100,000+ per applicant, such as legal fees, architectural fees, and real property expenses (acquisition, insurance, taxes, rent, maintenance and improvement, etc.). This list is not meant to be exhaustive and Represented Applicants in no way limit or waive any claim to damages they may have now or in the future.

Under the relevant facts here, the City's failure to issue the requisite permits and licenses, despite the Ranked Applicants' full and documented compliance with all stipulated requirements, constitutes a clear case of detrimental reliance under California law and represents a breach of the City's duty of fair dealing. (See *HPT*

IHG-2 Properties Trust v. City of Anaheim (2015) 243 Cal.App.4th 188.) It would be grossly inequitable and constitute unjust enrichment for the City to retain and benefit from collected fees and compel applicant expenditures while failing to provide the promised regulatory pathway to licensure, particularly given the City's role as a public entity with a duty to "turn square corners" and act in good faith in dealing with its citizens. Finally, to the extent the City's Guidelines and ordinances regulate Ranked Applicants as opposed to the use of real property, the City cannot rely on its police power to regulate land use in justifying its suddenly revised approach. (See *The Park at Cross Creek, LLC v. City of Malibu* (2017) 12 Cal.App.5th 1196, 1209.) It is therefore clear that the City can be estopped from changing the rules on Ranked Applicants in the middle of the process.

D. The City Must Fully Comply With CEQA Prior To Adopting The Proposed Amendments To RMC Chapter 5.77 And Cannot Claim An Exemption On The Factual Record Before It

The City also has thus far utterly failed to comply with the California Environmental Quality Act ("CEQA": Pub. Resources Code, § 21000 et seq.) in its consideration of the proposed ordinance amendments, which are clearly a "project" subject to CEQA review. (*Union of Medical Marijuana Patients, Inc. v. City of San Diego* (2019) 7 Cal.5th 1171 [holding cannabis ordinance due to its nature was "project" subject to CEQA review]). Further, the City cannot rely on the so-called "common sense" exemption (CEQA Guidelines, § 15061(a)(3)) – as it did with initial adoption of the ordinance in 2023 – because that exemption is only applicable "[w]here it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment" (*ibid.*; *Muzzy Ranch Co. v. Solano County Airport Land Use Com.* (2007) 41 Cal.4th 372, 380), and the burden is on the party asserting the exemption to show it applies as a factual matter based evidence in the record. (*Rominger v. County of Colusa* (2014) 229 Cal.App.4th 690, 704.) The City here cannot show based on the limited factual evidence in the record that it can be seen with certainty that the proposed ordinance amendments will not have any significant environmental impacts (such as causing retail construction, related noise, changes in traffic patterns and impacts, changes in law enforcement patterns and resources, etc.). Full CEQA review and, depending on the resulting evidence and analysis, a Negative Declaration, Mitigated Negative Declaration, or EIR will be required as CEQA compliance here before the proposed ordinance amendments could be adopted. If the Ranked Applicants succeed in voiding the City's ordinance amendments on CEQA grounds, they will also be entitled to all their reasonable attorneys' fees incurred in that effort. (Code Civ. Proc., § 1021.5.)

IV. CONCLUSION AND DEMAND

The Ranked Applicants demand that the City immediately terminate its unlawful processing and permitting moratorium, proceed with the licensing process under its current ordinance and regulations, and refrain from making the proposed changes to the cannabis provisions of RMC Chapter 5.77. The City must honor the

governing law and its commitments and provide the necessary approvals to the Applicants, who have demonstrably met all requirements and invested significant resources in reliance on the City's own established process and representation. Should it fail to do so, the Ranked Applicants will pursue all legal avenues of relief to compel the City's compliance with the law.

Very truly yours,

MILLER STARR REGALIA

Arthur F. Coon

Submitted by Appellants:

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enclosures
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Exhibit A

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April 23, 2025

VIA E-MAIL

Mayor Patricia Lock Dawson
Councilmember Phillip Falcone
Councilmember Clarissa Cervantes
Councilmember Steven Robillard
Councilmember Chuck Conder
Councilmember Sean Mill
Councilmember Jim Perry
Councilmember Steve Hemenway
City Manager Mike Futrell
City of Riverside
City Hall
3900 Main Street
Riverside, CA 92522

Re: **Opposition Of Ranked Cannabis Business Permit Applicants OTC Riverside LLC, Packs Riverside LLC, And TAT RV LLC To City Of Riverside's Unlawful Moratorium And Proposed Amendments To Riverside Municipal Code ("RMC") Chapter 5.77 Regulating Cannabis Business Activities To Reduce Total Number Of Storefront Retail Commercial Cannabis Business Permits Allowed, Further Restrict Sale or Transfer of Permits, Further Restrict Locations For Cannabis Permits, And Add Parks As Additional Sensitive Use**

Dear Mayor Lock Dawson, Honorable Councilmembers, and City Manager Futrell:

I. INTRODUCTION

This office represents the above-referenced entities, OTC Riverside City LLC ("OTC"), Packs Riverside LLC ("Packs"), and TAT RV LLC (dba "The Artist Tree") ("TAT") (collectively, the "Ranked Applicants"), who were evaluated and selected as among the top eleven (11) highest-scoring applicants in the City of Riverside's ("City") rigorous and expensive merit-based application and selection process for storefront retail cannabis business operating permits within the City under Chapter 5.77 of the Riverside Municipal Code ("RMC"), which contains the City's Cannabis Business Activities Ordinance. We write on behalf of the Ranked Applicants to oppose the City's above-referenced proposed ordinance amendments and to demand that it immediately cease the unlawful moratorium it has imposed on the processing and

issuance of building permits and related storefront retail cannabis permits while it considers the ordinance amendments. The City's "pause" on the process is a de facto moratorium that is in clear violation of the substantive and procedural requirements and limitations of Government Code section 65858, and has prejudicially impacted the Ranked Applicants through the costly delays it has caused and because, under the applicable law absent the unlawful moratorium, their building and cannabis operation permits should already have been fully processed and issued ministerially to them.

All of the Ranked Applicants entered the City's process in good faith reliance on its published rules and deadlines as to the progression of permitting and the selection of permittees, scrupulously adhering to all City-mandated requirements, timelines, and conditions, including by investing significant financial resources in real estate holdings and development plans based on the City's current ordinance requirements and assurances of an objective, fair and transparent program. However, the recent unlawful actions taken (in the form of the above-referenced illegal moratorium) and proposed (in the form of the ordinance amendments) by the City have undermined the integrity of the City's process and placed the Ranked Applicants in an unfair and untenable position.

More specifically, the City's proposed adoption of the above-referenced amendments to RMC Chapter 5.77 would be in violation of law and subject to judicial invalidation because, inter alia:

- The City's now months-long "pause" on the entire permitting process – including both the processing and issuance of the building and storefront retail permits at issue – is in clear (and continuing) violation of Government Code section 65858. The City Council failed to adopt and extend, by the required four-fifths vote (or otherwise), an "urgency measure" interim ordinance including the specific evidence-supported legislative findings required by the statute in order to effect a moratorium on permit *issuance* (Gov. Code, § 65858(a), (b), (c)), and in no event is a moratorium on *processing* ever allowed. (*Building Industry Legal Defense Foundation v. Superior Court* (1999) 72 Cal.App.4th 1410, 1412-1413, 1415-1418.) The City's patently illegal moratorium has severely prejudiced the Ranked Applicants and tainted the City's entire course of conduct with illegality and a lack of due process.

- The proposed RMC Chapter 5.77 amendments are arbitrary, capricious, lacking any reasonable or rational basis or relation to the public welfare, and lacking any substantial evidence support in the record. The City's supposed supporting "evidence" for the proposed amendments is not reasonable, credible or of solid value; lacks any firm factual basis; and does not show any material change in circumstances since the City's 2023 adoption of the ordinance it now

seeks to amend, especially since the bulk of the alleged "evidence" is not at all new, but was in existence and presumably fully considered by the City Council when it previously acted on these issues in 2023.

- Under the circumstances of this case, the City had and has a ministerial duty, after proper submission and review of their Phase 2.3 site materials, to (1) continue to process and make a good faith and non-arbitrary final selection decision as to, and (2) issue building and commercial cannabis storefront retail permits to each of the Ranked Applicants. Moreover, the City cannot rely on any Ordinance or Resolution provisions purporting to confer "sole discretion" on the Council or City to "at any time" change the applicable rules, including but not limited to, the number of cannabis business permits issued (e.g., RMC § 5.77.100 E.1.); all such provisions are unlawful and invalid – facially and as applied here – as violative of substantive and procedural due process since they purport to authorize the exercise by City of unbridled discretion and arbitrary conduct, and lack any intelligible, objective or rational standards to guide the exercise of discretion.

- The City is also equitably estopped to deny the Ranked Applicants' permits, based on their reasonable and detrimental reliance on the provisions of the currently effective RMC Chapter 5.77, the City's representations to them in Phases 1 and 2 of the cannabis permitting process, and the extreme injustice that would result from not upholding an estoppel. (*City of Long Beach v. Mansell* (1970) 3 Cal.3d 462; *Kieffer v. Spencer* (1984) 153 Cal.App.3d 954.)

- Even though the proposed ordinance amendments indisputably constitute a "project" subject to review under the California Environmental Quality Act ("CEQA"; Pub. Resources Code, § 21000 et seq.), the City has failed to comply with CEQA and it cannot carry its heavy burden to establish any exemption on the factual record here.

- Adoption of the proposed unlawful Ordinance amendments would, if not set aside and if applied to the Ranked Applicants, result not only in the loss of the commercial cannabis storefront retail permits to which the Ranked Applicants are currently ministerially legally and equitably entitled, but will result in the loss of hundreds of thousands of dollars that they have invested, as expressly required by the City's permit process, and which – if the proposed amendments are adopted resulting in denial of their permits – they will seek to recover from the City.

- The City's resumption of processing permits for seven of the applicants without having adopted the unlawful Ordinance amendments treats

those amendments as if they were already in place. This de facto change in the law is illegal and violates the Ranked Applicants' rights under the Ordinance as set forth herein.

In short, unless the City immediately discontinues its unlawful permit processing and issuance moratorium, ceases to further proceed with its proposed adoption of the unlawful RMC Chapter 5.77 amendments, and fairly completes the established permitting process under the existing rules and standards that the Ranked Applicants have detrimentally relied on, the Ranked Applicants will be left with no alternative but to file an action (or actions) to invalidate the ordinance amendments if adopted, and to seek legal redress against the City for all resulting monetary damages.

II. BACKGROUND AND HISTORY

A. The City Council's 2023 Adoption of the Cannabis Business Activities Ordinance and Adoption By Resolution No. 24048 of Related Procedure Guidelines And Application Review Criteria for Storefront Retail Commercial Cannabis Permits Was Preceded by Years of Consideration, Study, and Hearings.

The City's framework for addressing licensed and regulated retail cannabis sales has a history that goes back almost eight years. Proposition 64 was passed in 2016. In response, the City Council began conducting workshops to investigate the matter of cannabis policy. In order to assist with this process, the City retained HdL Companies as a consultant. The City noted that HdL "[s]erves 300 cities, 44 counties and 79 transactions districts in six states," "has worked with over 50 local agencies providing outreach and education on developing marijuana Policies," and that its "staff is comprised of former policymakers and law enforcement personnel with marijuana expertise which has conducted over 10,000 compliance reviews and criminal investigations for state, county, and local government." (March 17, 2017 City Council Meeting Staff Presentation.)

The City Council conducted the first workshop on March 7, 2017. In its presentation to the Council at that workshop, HdL advised the City to "[c]reate an ordinance which is well thought out and creates good policies for the long term." (March 17, 2017 City Council Meeting Staff Presentation.)

The Council then followed up with a second workshop on July 25, 2017. At that workshop, staff recommended that the Council "[p]rovide direction regarding any proposed policy, plan, and/or regulations of medical and recreation cannabis in the City" and "[d]irect staff to establish a moratorium on all commercial cannabis activity until a fully developed Cannabis Regulation Program can be fully developed for City Council approval." (July 25, 2017 City Council Meeting Staff Report.) The reason for the latter recommendation was to allow time for the City to develop an actual regulatory policy if it were not to ban cannabis outright: "staff recommends that if City

Council wishes to continue developing a regulatory policy other than a ban then it should establish a moratorium for both medical and recreational cannabis businesses until a fully developed Cannabis Regulation Program can be implemented." (*Ibid*.)

The Council followed staff's recommendation. On September 12, 2017, the City Council adopted a moratorium via Ordinance O-7391. That moratorium was not intended as a permanent ban; instead, it specifically contemplated "the adoption of a comprehensive marijuana ordinance that addresses both commercial marijuana activities and outdoor personal cultivation of recreational marijuana," which the Council noted "will take time and careful consideration and will require input from various community stakeholders and the general public." (Ordinance O-7391.) The City also recognized the impacts of illegal cannabis, noting that "the improper cultivation of marijuana poses an environmental health risk to the public and may create a public nuisance, including without limitation: offensive and irritating odor, degradation of air quality, excessive noise, risk of criminal activity, improper and/ or dangerous electrical alterations, and impairment of the general quality of life of property owners and occupants adjoining marijuana cultivation sites." (*Ibid*.) Thus, the Council stated that "it is necessary for the City to study the impact such [cannabis] uses will have on the public health, safety and welfare, and potentially revise the City's existing regulations or adopt new regulations." (*Ibid*.) The ordinance also recognized that this process would take time and careful study, stating "in order to address community concerns regarding the establishment of commercial marijuana activities and outdoor personal cultivation of recreational marijuana, it is necessary for the City to study the impact such uses will have on the public health, safety and welfare, and potentially revise the City' s existing regulations or adopt new regulations…" (*Ibid*.) And the benefits of that process were also recognized: "the citizens of the City will benefit from a comprehensive and thoughtful local regulatory scheme that addresses the potential impacts of commercial marijuana activities and outdoor personal cultivation of recreational marijuana." (*Ibid*.) The ordinance concluded, "an interim moratorium on commercial marijuana activities and outdoor personal cultivation of recreational marijuana, is required to allow the City the opportunity to consider the various policy implications of authorizing recreational marijuana activity in the City and to develop a comprehensive approach to regulate marijuana-related activities." (*Ibid*.) Thus, the ordinance directed the study and drafting of such an approach: "The City Council hereby directs the Planning Division of the Community & Economic Development Department to consider and study impacts of commercial marijuana activities and outdoor personal cultivation of recreational marijuana and to create a comprehensive ordinance that addresses both." (*Ibid*.) The City Council expressly approved the 2017 moratorium under the auspices of Government Code section 65858. (*Ibid*.)

On October 24, 2017 the City extended the moratorium by ten months and fifteen days via Ordinance O-7395; also invoking the provisions of Government Code section 65858. Among the stated grounds for the extension was the following: "Additional time is required to ensure that prior to the adoption of any regulation, adequate security measures are implemented to ensure that the cultivation,

concentration or sale of marijuana in any location or premise does not negatively impact surrounding homes or businesses by increasing nuisance activity such as loitering or crime." (Ordinance O-7395.) The ordinance also noted: "The adoption of a comprehensive marijuana ordinance that addresses both commercial marijuana activities and outdoor personal cultivation of recreational marijuana will take time and careful consideration and will require input from various community stakeholders and the general public." (*Ibid.*) It went on, "it is necessary for the City to study the impact any new regulations regarding commercial marijuana activities and outdoor personal cultivation of recreational marijuana will have on the public health, safety and welfare." (*Ibid.*) The ordinance also stated, "The citizens of the City will benefit from a comprehensive and thoughtful local regulatory scheme that addresses the potential impacts of commercial marijuana activities and outdoor personal cultivation of recreational marijuana." (*Ibid.*)

The City Council held another cannabis workshop on January 9, 2018. The staff report for that meeting noted the following: "At the October 24, 2017 hearing to extend the moratorium on cannabis uses, City Council stressed the importance of developing cannabis-related regulations as soon as possible, and directed staff to come forward with a policy framework." (January 9, 2018 City Council Meeting Staff Report.) The report also set forth the following analysis:

> As defined by the Bureau of Cannabis control, a Cannabis Retailer is a person licensed to sell cannabis goods to customers as "a retailer, microbusiness, or nonprofit." The retail component of the supply chain is by design the most visible segment of the commercial cannabis industry. As such, **retail sales locations have been subject to the most scrutiny**. Retail sales locations should be thoughtfully zoned, designed, and constructed in a manner that is suitable for the neighborhood to create the least amount of impact to the surrounding businesses and neighborhood.
>
> In addition to being highly visible to the public, the retailer is at the end of the cannabis supply chain and thus where the inventory is under the most stringent control. The final product has been tested, packaged, labeled and accounted for down to the gram. Also retailers, tend to employ the fewest number of staff members and have the highest rate of employee retention among the license types such as cultivation or manufacturing. **Under robust security measures and accessible to the fewest number of employees, there is generally very little theft from a retail sale establishment. In the six years that Colorado has been overseeing commercial cannabis activities, there have only been 8 reported violent crimes at retail sales locations**.
>
> Based on the current demand for retailer locations (dispensaries), **retail locations can generate substantial revenues compared to other retail establishments within jurisdictions**. For example, cannabis retailers currently generate on average $933 per square foot, which exceeds other

> retail stores such as Whole Foods ($903), Walgreens ($720), Wal-Mart ($446), The Gap ($334), Kohl's ($228) and Dick's Sporting Goods ($184). A reason for this that most retail stores take up much more space than dispensaries, cannabis retailers stock a lot of product into a relatively small amount of space, and the average price point for marijuana is attractive to consumers.

(*Ibid*., emphasis added.)

The City then conducted another workshop on March 27, 2018, in part to receive a report from a delegation of officials who had undertaken a trip to Denver, Colorado to evaluate that city's approach to licensed cannabis production, manufacture, distribution, and retail sales. At that workshop, the City Council directed staff to prepare an ordinance effectively banning those activities in the City. (March 27, 2018 City Council Meeting Minutes.) On May 31, 2018, the Planning Commission declined to recommend that the City Council adopt such an ordinance. (July 10, 2018 City Council Meeting Agenda.) That decision was appealed to the City Council, which heard the matter on July 10, 2018. (*Ibid*.) The Council voted to approve that ordinance, to, in the City's own words, continue the existing "moratorium phase" to allow the City to "wait and see" how cannabis policy would play out in other areas. (Ordinances O-7431 & 7432; November 18, 2021 EDC Report.) As noted in a 2021 Economic Development, Placemaking and Branding/Marketing Committee (EDC) report:

> Riverside has taken a "wait-and-see" approach for the past five years that has allowed us to watch the policy process play out in neighboring and similar-sized jurisdictions to identify roadblocks, cumulative impacts, and best practices of different approaches to regulation. While this has proven useful, it has kept the City from capturing a critical revenue source that instead has bled out to our neighboring jurisdictions.

(November 18, 2021 EDC Report.)

On September 18, 2021, the City was presented with a Notice of Intent to Circulate a Petition for a voter-sponsored measure to allow and regulate cannabis sales. This gesture prompted the City to revisit the policy and regulatory issues, even though no signatures were submitted to have the initiative measure placed on the ballot.

Thus, in November of 2021 the EDC addressed the need for a municipal ordinance addressing this issue. As the Committee report noted:

> The City of Riverside has remained one of the largest cities in the State of California to continue the practice of prohibiting the commercial use of cannabis. This policy action has resulted in the City losing out on a

> considerably large potential revenue source from an industry with large growth potential.
>
> In Western Riverside County, 11 out of 18 incorporated cities have adopted local ordinances regulating and permitting commercial cannabis. The County of Riverside also allows for commercial cannabis sales in unincorporated Riverside County.
>
> * * *
>
> With a potential ballot measure coming forward, now is the time for this City Council to act and move forward on the knowledge we have gained during this moratorium phase to implement an innovative and informed commercial cannabis policy in the City of Riverside.
>
> The first step in doing so would be through ending the city-wide prohibition of commercial cannabis uses in the Riverside Municipal Code through the redaction of language in Chapters 19.147 (Downtown Specific Plan), 19.150.020 (Permitted and Incidental Uses Table), 19.220 (Specific Plan Overlay Zone), 19.342 (Marijuana Uses and Activities) and 19.485 (Home Occupations).
>
> This would coincide with the introduction of a comprehensive ordinance detailing a regulated process for the legalization of commercial cannabis uses, including but not limited to land use restrictions, the license selection process, and enforcement mechanisms.
>
> It is the opinion of the author of this report that the City should first tackle the legalization of retail cannabis uses immediately while taking a step back to further study the regulation of cultivation, processing, distribution, and manufacturing uses. These uses can be regulated through a separate amendment to the Code after further community input is received.

(November 18, 2021 EDC Report.)

The EDC report laid out a proposed regulatory framework that closely resembled what the City would eventually adopt. (November 18, 2021 EDC Report.) Permit applicants would be ranked based on their submittals, with a maximum number of 14 licensees. (*Ibid*.) Applicants would have to submit business plans, security plans, neighborhood engagement plans, and labor and employment plans, among other documents. (*Ibid*.) EDC followed up on this policy recommendation by directing City staff to create a draft ordinance that would address permitting, licensing, enforcement, taxation, and operation of retail cannabis outlets. (November 18, 2021 EDC Meeting Minutes.)

The EDC held another meeting at which the City's cannabis policy was addressed on March 24, 2022.[1] (March 24, 2022 EDC Meeting Agenda.) The committee provided further direction to staff to draft amendments to three parts of the Municipal Code – Title 5 – Business Taxes, Licenses, and Regulations; Title 9 – Peace, Safety, and Morals; and Title 19 – Zoning. (March 24, 2022 EDC Meeting Minutes.) The EDC also directed staff to prepare a financial analysis on revenue from legal cannabis sales and to proceed with a ballot measure for a cannabis tax to be put before the voters in 2022. (*Ibid.*) Staff complied with these directives. (October 20, 2022 EDC Meeting Agenda, Staff Report, & Draft Municipal Code Provisions.) In October of 2022 the Committee directed staff to finalize the proposed changes to the Municipal Code and to forward the same to the Planning Commission and City Council for their respective consideration and action. (October 20, 2022 EDC Meeting Minutes.)

On December 8, 2022, the Planning Commission held an informational workshop on the proposed cannabis regulations. (December 8 Planning Commission Meeting Agenda & Memorandum.) The Planning Commission then unanimously recommended approval of the zoning amendments to the City Council on January 19, 2023. (December 8, 2022 Planning Commission Meeting Minutes.) The City Council then voted 5-2 to introduce the ordinances enacting the cannabis policy on February 28, 2023. (February 28, 2023 City Council Meeting Minutes.) The ordinances were finally adopted by the same vote of the City Council at its meeting on March 14, 2023. (Ordinances O-7628, O-7629, & O-7630.)

But the allowance of retail cannabis uses still required additional regulatory guidance for the permitting process per section 5.77.130 of the City's Municipal Code. Thus, on August 17, 2023, the EDC convened another meeting to discuss what permitting parameters should be in place. It directed staff to incorporate certain changes to the proposed ordinance and policy approach.

The final proposed application rules and procedures, captioned "Storefront Retail Commercial Cannabis Business Permit Procedure Guidelines and Application Review Criteria" ("Guidelines") came before the City Council on October 17, 2023. (October 17, 2023 City Council Meeting Agenda & Draft Guidelines.) In keeping with the prior analyses and research undertaken over the preceding six-plus years, the proposed permitting process was detailed and exhaustive. It was also based on a peer analysis of twelve other cities and their approaches to cannabis permitting and regulation, including Corona, Modesto, Sacramento, Stanton, Costa Mesa, Moreno Valley, San Bernardino, Stockton, Long Beach, Oakland, Santa Ana, and West Hollywood. (October 17, 2023 City Council Meeting Staff Report & Presentation.)

As discussed above, those procedures and criteria are quite specific, detailed, and exacting, demonstrating the time, attention, and lengthy process the cannabis

[1] The City had the previous month also again retained HdL to assist with the analysis and drafting of a cannabis ordinance for the City.

standards had been subject to. (Resolution R-24048.) The City Council adopted the Guidelines via Resolution 24048, and it is that document that has induced and governed the Ranked Applicants' applications to and process with the City. (*Ibid*.)

In sum, the process leading up to the permitting process set forth in Resolution 24048 spanned almost seven years, included sixteen public meetings, with no fewer than ten by the City Council, as well as extensive research, factfinding, and the retention and advice of expert consultants.

B. Overview of the City of Riverside's Application Process for Cannabis Business Storefront Retail Permits

On November 15, 2023, the City released its Storefront Retail Cannabis Business Permit Application ("Application") to the public, and the application window ended on December 15, 2023. (See Exhibit 1: Application.) Pursuant to the Guidelines and Application, applicants were required to submit a comprehensive business plan, a background check form, a defense and indemnification form, and a non-refundable application fee of $13,842.00. The Guidelines included a prohibition on verbal communications between applicants and City personnel, with communications only allowed in writing, submitted to the City Manager or his designee, and with responses to be published on the City's website ("Communication Policy"). (Resolution R-24048.)

The application process was bifurcated into two phases, with multiple steps in each phase. Phase 1, Step 1.1 included a review of the application materials by an "Independent Facilitator" selected by the City Manager or his designee. As part of Step 1.2, all applications granted clearance in Step 1.1 were reviewed, evaluated, and ranked pursuant to the City's merit-based criteria by a review panel consisting of City staff from various departments. The City received 42 total applications, and after Step 1.2, the Merit-Based Evaluation, the top 14 scoring applicants received provisional approval. (See Exhibit 2: Rankings.)

On February 2, 2024, the City notified each applicant via email that the City was extending the application review period. A follow up email dated February 28, 2024 informed all applicants that the City anticipated concluding the review process "soon". On March 12, 2024, the City emailed and posted an online notice of the provisional approval list, which included the following 14 top ranked applicants set forth below (with the Ranked Applicants' names and positions bolded, and as indicated below, several ties among the top scores):

- #1 STIIIZY Riverside LLC
- #2 SGI Riverside LLC
- #3 C4TP Retail A Inc.

- #3 Riverside Community Retail LLC
- #5 Community Oriented Riverside Retail LLC
- #5 Riverside Responsible and Compliant Retail LLC
- #7 Blaine St. RS LLC
- **#8 OTC Riverside City LLC**
- **#9 Packs Riverside LLC**
- #9 Riverside West Coast Retail LLC
- **#9 The Artist Tree Holdings LLC (TAT RV LLC)**
- #12 Catalyst Riverside Equity LLC
- #13 Haven Riverside LLC
- #13 Catalyst Riverside LLC

(See Exhibit 2.)

In the meantime, on November 28, 2023, the City Council voted to put forward Measure B on the March 5, 2024 ballot as authorized by City Council Ordinance 7661, which established Chapter 5.78, entitled "Cannabis Business Tax," of Title 5, "Business Taxes, Licenses and Regulations," of the Riverside Municipal Code, and which allows the City Council to impose, by resolution, an excise tax of up to ten percent (10%) on the gross receipts of all cannabis businesses within the City, subject to voter approval. The Riverside City Attorney published impartial analysis of Measure B, concluding that the cannabis tax would likely generate $2,000,000 for the general fund on an annual basis. Measure B was indeed placed on the March 5, 2024 ballot, and was approved overwhelmingly by 61.47% of the registered voters in the City of Riverside.

Significantly, the exact language placed on the ballot was, “Shall the City of Riverside adopt an ordinance establishing a tax on all cannabis businesses at a maximum rate of 100 of the gross receipts of each business, potentially **generating $2,000,000 or more** in revenues annually for unrestricted general revenue purposes, until repealed by voters?” (Measure B, emphasis added.) Clearly, the voters believed they would benefit from all 14 dispensaries operating. In contrast to the overwhelming popularity of Measure B, none of the newly elected City councilmembers obtained more than 55% of the vote in any of their respective wards. In fact, Measure B received more than double the votes in favor of its passage than all 4 newly elected

councilmembers *combined*.[2] There can be no serious question that the majority of voters in the City of Riverside want cannabis in their City and that they want 14 dispensaries that generate significant tax revenues for the City's general fund. The voters of the City of Riverside were promised 14 operational dispensaries generating at least $2,000,000 in general fund tax revenue, not a 4-operator oligopoly and ensuing litigation over unlawful City actions with the aim of thwarting that promise.

On April 9, 2024, the City emailed instructions for Phase 2 (described below) of the application process to the top 14 applicants as listed above, including the Ranked Applicants. The requirements of Phase 2 were detailed, time sensitive, and quite expensive.

In Step 2.1, Location Selection, each applicant had 90 days to submit information regarding a compliant location, critically including both proof of control of the site (by executed lease or deed) and a non-refundable "Site Review" fee of $17,864.00. Once received by the City, the Independent Facilitator reviewed the submitted locations, in order of applicant ranking to determine if the location had been already selected by a higher ranked applicant. Once a property was thus vetted, each applicant was required to obtain a Zoning Verification Letter ("ZVL") to confirm the Application's zoning compliance and required distance from any designated sensitive uses (Phase 2.2). After this zoning clearance, the City posted a list of each applicant's approved location on its website and provided written notice to the applicant.

Following the receipt of a ZVL from the City, under Step 2.3 (Site Submittal and Review), all applicants had 90 calendar days to submit required site/operational information for their approved location (including specific site diagrams, floor plans, elevations, exterior building photos, landscaping plan/photos, sign plans, security plans, and timelines). This required the applicants to incur further substantial expense in engaging engineers, architects, and other professional experts to comply with the City's exacting and extensive requirements. Per the Guidelines, the City was required to notify applicants within 30 days of their Phase 2.3 submission of its completeness

[2]

Ward 1	Philip Falcone	2,961	51.16%
Ward 3	Steven Robillard	3,910	53.75%
Ward 5	Sean Mill	2,896	51.58%
Ward 7	Steve Hemenway	3,553	100.00%
Total Votes for Sitting Council		13,320	
Measure B-City of Riverside Cannabis Business Tax	YES	27,252	61.43%

and compliance with the City's rules. The Ranked Applicants all submitted compliant Phase 2.3 materials between Fall 2024 and early 2025. Accordingly, the Ranked Applicants should have been promptly notified that their Phase 2.3 submissions were complete, accurate and in compliance or of the need for any corrections or additions thereto, advanced to the final approval stage by December to March 2025, and thereafter promptly approved based on satisfaction of the final ministerial requirements and approvals discussed below. The City clearly failed to comply with the 30 day notice timeline set forth in the Guidelines with respect to TAT's Phase 2.3 submission. TAT submitted its Phase 2.3 materials on September 12, 2024, received comments from the City on November 8, 2024, and submitted responses to the City's comments on November 22, 2024; however, the City failed to provide any further notice that TAT's submission was complete or otherwise within 30 days of TAT's November 22, 2024 resubmission. In spite of OTC and Packs also submitting what they believe are fully compliant plans and drawings for the Site Submittal Review process, to date, they have not received any comments back from the City.

Under Step 2.4 (Final Permit Approval), within 180 days of notice of completion of Step 2.3, the City Manager is authorized to grant final permit approval if:

- Applicant has provided proof of property control via a lease or deed;
- Applicant has executed an Operational Agreement (required within 21 calendar days of completion of Step 2.3);
- Applicant has received their State Cannabis License (within 12 months of completion of Step 2.3, which may be extended by City Manager for up to 180 additional calendar days);
- Applicant has obtained a City Business Tax Certificate; and
- Applicant has obtained all required entitlements, such as building, fire, and occupancy permits.

On April 16, 2024, the City emailed each ranked applicant a portal link for submitting all Phase 2 materials. On June 7, 2024, the City emailed each ranked applicant a notice of a 90 day extension of Step 2.1 Location Selection, extending the original deadline of June 10, 2024 to September 5, 2024.

C. Ranked Applicants' Participation and Status in Phase 2 of City's Application Process

The Ranked Applicants' participation and status in Phase 2 of the process is accurately set forth below.

Step 2.1 Location Selection / City Approval

TAT (*dba The Artist Tree*)

- Initial Property Submission: May 17, 2024.
- Resubmission: July 9, 2024.
- City Confirmation: October 3, 2024.

OTC

- Initial Property Submission: May 13, 2024
- Resubmission: August 21, 2024
- City Confirmation: October 15, 2024

Packs

- Initial Property Submission: June 8, 2024
- City Confirmation: October 3, 2024

Step 2.2 Issuance of Zoning Verification Letter

The Ranked Applicants received their ZVL's from the City on the dates set forth below:

- *TAT*: October 17, 2024
- *OTC*: October 15, 2024
- *Packs*: October 15, 2024

Step 2.3 Site Submittal and Review

As required within 90 days of receipt of a ZVL, each of the Ranked Applicants submitted their lengthy, detailed and costly Phase 2.3 materials on the dates shown below.

TAT (*dba The Artist Tree*)

- On September 12, 2024, TAT submitted its 2.3 materials, with receipt acknowledged by the City on October 23, 2024. The City then sent notice of review on November 8, 2024. TAT responded to the Notice of Review via email on November 21, 2024 and uploaded its response to the City's cannabis portal on November 22, 2024.

OTC

- On January 3, 2025 OTC submitted its 2.3 materials to the City and received confirmation from the City on January 6, 2025.

Packs

- On February 6, 2025, Packs submitted its 2.3 materials to the City.

D. City of Riverside Unlawfully Imposes and Declares Moratorium Completely Halting All Cannabis Program Permit Processing And Issuance While City Council Proposes to Consider Major Cannabis Business Activities Ordinance Amendments

Despite the Ranked Applicants' full compliance with all City requirements, substantial financial investments, and diligent completion of every mandated step in the process, the City staff – arbitrarily and without proper or legal justification in the form of the statutorily required City Council moratorium ordinance – abruptly halted the cannabis program for 90 days on or about January 7, 2025, causing significant financial harm and operational delays to the Ranked Applicants. The City did so in conjunction with the City Council's expressed desire to consider major amendments to the current Cannabis Business Activities Ordinance that would cut the number of authorized storefront retail permits in half, limit dispensaries to no more than one per ward, prohibit permit or ownership transfers absent one year of operation with the "full ownership/team structure as submitted", prohibit locating permitted dispensaries within 1,000 feet of each other, and adding parks as a sensitive use from which dispensaries must maintain a 600-foot distance.

III. CITY'S ACTUAL AND THREATENED LEGAL VIOLATIONS

A. The Proposed Amendments to Riverside Municipal Code Chapter 5.77 Are "Arbitrary, Capricious and Without a Reasonable or Rational Basis" And They Lack Substantial Evidence Support

The City Council's proposed amendments to Riverside Municipal Code ("RMC") Chapter 5.77 are unlawful and would be judicially invalidated if adopted and challenged because, inter alia, they are "arbitrary, capricious or [without] reasonable or rational basis." (*Wallace Berrie & Co. v. State Bd. of Equalization* (1985) 40 Cal.3d 60, 65.) Further, they lack substantial evidence support in the record.

The proposed RMC amendments arbitrarily reverse the policy course carefully and deliberately set by the Riverside City Council less than two years ago in 2023 and lack a rational basis or reasonable relation to the public welfare. Given the extensive hours of analysis and research undertaken by the previous Council, and the lack of any new information showing a material change in any relevant factual circumstances, this abrupt shift regarding the allowable number and location of cannabis retail permits appears to be purely political, driven by the results of the most recent City Council election without regard to the facts, the express purposes of the current ordinance, or the extensive research and findings supporting the current ordinance.

As discussed above and reflected in the record leading to the adoption of the City's current cannabis ordinance, the 2023 City Council engaged in detailed discussions and extensive public comment on key issues such as buffer distances, sensitive uses, permit limits, and zoning considerations for cannabis businesses. These years-long deliberations led to the adoption of the current ordinance, which established the permitting process that all listed applicants, including the Ranked Applicants, have been navigating and complying with – in good faith and at great expense – for over a year on pain of forfeiture of their right to pursue permitting. The City's unlawful moratorium on and arbitrary proposal to abruptly alter this process after its virtual completion, and at a point when building and retail permits should be ministerially issued to the successful applicants, improperly deprives each of the Ranked Applicants of their opportunity and right to obtain a cannabis retail license in the City.

The five RMC modifications solicited by the current Council and proposed by staff – (1) reducing the total number of storefront retail permits from 14 to 7, (2) requiring each of the 7 permits to be allocated one per ward, (3) mandating one year of operation with the "full ownership/team structure" prior to transfer or sale (with no exception for death or incapacity), (4) imposing an additional 600-foot buffer requirement (from public and private parks), and (5) mandating a new 1,000-foot separation between cannabis retailers – are irrational, unnecessary, and unsupported. For example, many California cities that regulate commercial cannabis through zoning and permit limits do not impose distance requirements between cannabis retailers, because the regulatory counterweights of required distance from sensitive uses, zoning restrictions and reasonably limiting the total number of permits achieves the same goal while still allowing economic competition and the additional security benefits provided by well-regulated co-located dispensary uses. Examples of municipalities that have successfully adopted this approach are: Blythe, Cathedral City, Coachella, Oxnard, Port Hueneme, Culver City, Benicia, Davis, Goleta, San Bernardino, San Luis Obispo County, Alameda, Palm Desert, Brisbane, Carson City, Chico, Calexico, Sonoma, Grover Beach, La Mesa, West Hollywood, Hawthorne, and Montebello, to name a few.

One substantial "counterweight" here is RMC section 5.77.350, which ensures each retail dispensary business will employ extensive safety and security measures that will inevitably enhance, not imperil, public safety in instances of co-located stores. (See Ordinance O-7661.) These measures include, without limitation:

- Exterior lighting with motion sensors for after-hours security.
- Anti-loitering requirements.
- Limited access areas.

- 24-hour high5 definition, color security surveillance cameras covering all entrances and exits, all publicly accessible interior spaces, and all interior spaces where cash, currency or cannabis is regularly stored, or where cannabis could be diverted, with video recordings to be maintained at least 90 days and made available to the Police Chief on request, and with remote monitoring by the City enabled.

- Real time monitoring through sensors of all entries into and exits from all secure areas by a state-licensed security company.

- Panic buttons to directly notify police and alert dispatch should incidents occur.

- Professionally installed, maintained, and permitted alarm system monitored in real time by a state-licensed security company.

- 24-hour-a-day, on-site state-licensed security personnel, or alternative security with after-hours patrol authorized by City Manager.

- Back up system to ensure locks are not released and premises remain secure during a power outage.

- Designated security representative/liaison to City Manager with extensive duties and qualifications.

- Requirements to promptly notify City of any discovered inventory discrepancies, diversions, theft, criminal activity, or any other security breach.

These detailed and extensive security requirements (which are only a portion of those required by the ordinance) would deter crime and make commercial cannabis storefront retail premises among the most, if not the most, secure business premises in the City.

Notably, the above facts and security regulations are not accounted for or even mentioned in the City's most recent staff report or other "evidence" considered in conjunction with the City's proposed ordinance revisions. (March 25, 2025, City Council Staff Report.) In terms of potential crime impacts and otherwise, the conclusions expressed in the Police Department's accompanying report entitled "Retail Sales of Cannabis – Health and Safety Impacts on Riverside Communities" (hereafter, the "Cannabis Report") are unsupported and arbitrary, fail to address or further the stated goals of the City's current ordinance (which include retail access to cannabis by residents), and fail to provide any rational basis or substantial evidence support for the proposed RMC amendments concerning, inter alia, distance, location, and number of permits. The Cannabis Report lacks recent or reliable information, or even relevant or confirmable data; its claims consist for the most part of unsupported

anti-cannabis legalization opinions that are entirely inconsistent with the facts and current research, as well as the fundamental premises of the City's existing Cannabis Business Activities Ordinance.

The "methodology" used in the Cannabis Report to estimate or predict future crime statistics or occurrences that would result from permit processing and issuance proceeding under the current ordinance is patently unreasonable and inadequate because it analogizes to an entirely different and incomparable scenario. Simply put, there is no rational basis for using crime statistics relating to five tobacco shops operating as illegal cannabis dispensaries as a proxy for crime impacts reasonably to be expected from legal dispensaries fully vetted, authorized, and regulated under the City's rigorous current RMC Chapter 5.77 regulations and the onerous cannabis regulations imposed by the state of California. (But see Cannabis Report, at p. 7 ["we chose to analyze the calls for service history within a 500-foot radius of five retail tobacco locations we know are acting as unpermitted cannabis dispensaries. We chose to look at one year of calls for service before and after the establishment first opened."].) A valid methodology would have been to analyze data from similarly regulated cannabis retail stores operating legally in similar cities, but the Cannabis Report ***concededly lacks any such relevant data***. (*Id*., at p. 2 [claiming its "research … attempted to obtain data from local jurisdictions that currently allow the retail sales of cannabis [but] … the local jurisdictions were unable to accommodate our requests …."].) While the Cannabis Report fails to disclose where, how, and to whom it made any such requests for relevant local data, it is apparent that with several neighboring cities currently permitting cannabis sales – many of which are cited in the City's most recent staff report for their cannabis land use regulations – relevant crime data specific to legal California dispensaries should have been readily obtainable through public records requests or other channels available to the City. That the Cannabis Report's preparers did not diligently seek, obtain, or produce such data strongly supports an inference that the omitted evidence would not have supported, but rather, would have further materially undermined the Report's already unsupported conclusions. (See Evid. Code, § 412 ["If weaker and less satisfactory evidence is offered when it was within the power of the party to produce stronger and more satisfactory evidence, the evidence offered should be viewed with distrust."].)

In the absence of such relevant data, another potentially valid methodology the Cannabis Report might have employed would have been comparison to a similarly regulated and legal industry in Riverside, such as retailers with off-site liquor licenses, but, again, no discernible effort to obtain such data was made by the Cannabis Report's preparers. And, again, while crime associated with a handful of tobacco shops illegally operating as cannabis dispensaries in the City may indicate a failure on the part of local law enforcement, but it has no logical relevance or predictive value regarding crime that might potentially or reasonably be expected to result from the legal operation of the heavily vetted, regulated, and secure dispensaries permitted under the City's current stringent cannabis ordinance and regulations. Crime naturally – if not by definition – increases around *illegal* businesses, regardless of the type of illicit activity involved. The distance between tobacco shops illegally selling

intoxicating hemp and cannabis products – whether 1,000 feet or 10 feet apart – has no impact on crime statistics because those businesses by definition operate outside the law, seeking to evade detection, taxation and regulation. In contrast, the Ranked Applicants here are fully committed to following the City's currently established permitting process, complying with all applicable laws, making significant property improvements, providing jobs, generating additional tax revenues and generally enhancing the economic health of the City as a whole.

Moreover, this exact issue has already been studied – in literature unsurprisingly ignored by the Cannabis Report – and the conclusion was that crime around tobacco shops and off-sale alcohol outlets does, indeed, increase – but not around licensed dispensaries. The on-point study (which is not even acknowledged by the Cannabis Report) concluded that the two are simply not comparable. (See Andrew M. Subica, Jason A. Douglas, Nancy J. Kepple, Sandra Villanueva, Cheryl T. Grills, *The geography of crime and violence surrounding tobacco shops, medical marijuana dispensaries, and off-sale alcohol outlets in a large, urban low-income community of color*, available at https://www.sciencedirect.com/science/article/pii/S0091743517305078.) Yet, such an inapt comparison forms virtually the *entire basis* of the Cannabis Report's flawed and unsupported conclusion that dispensaries legally permitted and operating under the City's stringent regulations will increase crime in surrounding areas.

Citing outdated 2017 studies – which notably are not new information and were available long before the City adopted its 2023 Cannabis Business Activities Ordinance and regulations – the Cannabis Report relies on reported statistics from just two cities, Denver, Colorado and Long Beach, California, to try to bolster its flawed and unsupported conclusions. (See Cannabis Report, at p. 7 ["One study looked at Denver, Colorado and Long Beach, California and found that both cities showed an increase in property crimes. The study showed mixed results regarding violent crime, with no increase in the City of Denver, however violent crime increased in the areas adjacent to marijuana dispensaries in the City of Long Beach (Freishler, Gaidus, Tam, Ponicki, & Gruenwald, 2017)."].) But the information is nearly a decade old; moreover, Denver has an entirely different regulatory regime and more than twice the City of Riverside's population, and Long Beach is a much larger city that was plagued with considerable crime both before and after cannabis dispensaries were legalized – facts that are conveniently omitted from the Cannabis Report. (Exhibit 3: Census Data for Cities of Denver, Long Beach and Riverside.)

A much more apt comparison would be to the documented experience of the City of Santa Ana, which has approximately the same population as Riverside and was the first city in Orange County to approve retail sale of Adult-Use Cannabis. As documented in the Report of the Orange County Grand Jury (2020-2021) entitled "'Pot Luck': Santa Ana's Monopoly on Licensed Retail Adult-Use Cannabis in Orange County" (the "OC Grand Jury Report," Exhibit 4). Based on extensive internet, legal, and documentary research, and interviews with City officials and employees, and professional experts and cannabis proprietors and employees not employed by the

City, as well as numerous site visits by grand jurors to observe the operations, staff, clientele, and premises of licensed retail dispensaries, the OC Grand Jury Report found that Santa Ana experienced significant and highly beneficial increases in City revenues with no reported increase in criminal activity as a result of its ordinance. (OC Grand Jury Report, at pp. 1, 3.) Santa Ana's retail cannabis ordinance, which generally resembles Riverside's current Cannabis ordinance, allows a total of 30 dispensaries, and as of April 15, 2021, 23 dispensaries were open and legally operating, with great community benefits. (*Id*. at pp. 3-5.) Critically, per the OC Grand Jury Report, based on interviews with City officials and staff, and through planning, building, code enforcement, and police enforcement efforts, the number of unlicensed dispensaries operating illegally in Santa Ana decreased dramatically from 120 to "less than a handful" since the ordinance became effective. (*Id*. at p. 4.) It stated: "The reality is that shutting down the unlicensed, illegally operating dispensaries will increase business for the licensed facilities, thereby increasing the City's tax revenues" and resulting in "a win-win for both the licensed dispensaries and the City of Santa Ana." (*Id*. at p. 5.) Further, and importantly, Police and Code Enforcement staff verified "there has been no apparent increase in criminal activity in the areas surrounding …dispensaries" and in this connection the report noted the enhanced security mandated by the city's ordinance for such businesses, which—based on the Grand Jury's personal inspections—were clean, well-managed, and extremely secure. (*Ibid*.) Finally, both the already-realized and expected future financial benefits to the city and its programs, particularly youth programs, were extensive, and the resulting "reduction in illegal/unlicensed shops has improved community safety for both customers and residents." (*Id*. at pp. 6-7.)

In sharp contrast, the City of Riverside's Cannabis Report fails to provide relevant data or information, or any valid apples-to-apples comparison of crime statistics, instead relying on outdated 2017 data rather than presenting current crime statistics specific to legally operating cannabis dispensaries. The Cannabis Report's selective use of largely irrelevant data creates a highly misleading narrative, making the Cannabis Report an unreliable and unreasonable basis for modifying the existing ordinance; and, importantly, it also fails to address the specific issues and concerns previously expressed by the City Council.

The Cannabis Report's biased approach is further evidenced by the complete logical disconnect between its stated purpose and the nature of the "analysis" it includes. At page 2 of the Report, its first enumerated paragraph states a purpose to "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, including … ***retail access by residents*** and/or protection of health and safety of the residents from negative impacts." (Cannabis Report, p. 2, emphasis added.) Yet after that initial "lip service" the Report never once recites or analyzes the current ordinance's stated goals, including, but not limited to, providing residents with retail access to cannabis, or how to further those relevant goals. The Cannabis Business Activities Ordinance's

stated goals – which should have been the Cannabis Report's lodestar – are set forth clearly in RMC section 5.77.020, which states:

> "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 as to 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."

(Ordinance O-7628, RMC, § 5.77.020.)

Rather than tailoring its research and focus to address and further these goals pursuant to its stated purpose, the Cannabis Report immediately veers into an all-out, "Reefer Madness"-style propaganda piece attacking the fundamental policy wisdom of medicinal and adult-use cannabis legalization generally, under both California law and the City's ordinance. It thus leads off its "Overview" section at pages 3 to 4 with a lengthy anti-legalization statement released in late 2024, on the eve of the seventh anniversary of legal marijuana sales in California, by Dr. Kevin Sabet, the leading opponent of marijuana legalization in the United States and co-founder of "Smart Approaches to Marijuana" ("SAM"). Founded in Denver in 2013, SAM is the leading organizational opponent of marijuana legalization in this country. Sabet's policy opinions about the effectiveness and desirability of California's (and other states') marijuana legalization legislation may be interesting to some, but they are irrelevant to the specific issues here and do not "write on a clean slate": like it or not, commercial cannabis business activities have long been legal and regulated under California state law and since at least 2023 are legal and regulated under the City's laws, as well.[3] The fundamental charge of the Cannabis Report's preparers was not to support a

[3] It is notable that despite SAM's anti-legalization efforts in the last 5 years, at least seven (7) states – Arizona, Montana, New Jersey, South Dakota, Virginia, New Mexico and New York – have moved forward with legalization through popular ballot measures or the legislative process, while legalization did not advance in three states, North Dakota, Hawaii and Maryland.

referendum on the basic policy issue of legalization or the wisdom of an individual's decision to use legally available marijuana, but, rather, to research specific factual issues in furtherance of the goals of the City's existing ordinance – a charge it clearly failed to follow. (January 7, 2025 City Council Meeting Minutes.)

But even taken on its own terms, the Cannabis Report fails to constitute or provide substantial evidence in support of any of its conclusions. Sabet's conclusions about the prevalence of contaminated product cite "one study" limited to "57 samples of concentrates sold for dabbing in California" – a limited sample of one type of high potency manufactured products insufficient to draw any broad conclusions about adverse health effects and hospitalization from legal medical and adult cannabis use more generally. (Exhibit 5: Sabet Report.) The study Sabet cited to claim that recreational marijuana legalization ("RML") led to increased use among California adolescents also found that "[o]verall, RML was not significantly associated with frequency of past-30-day-use among users" and concluded that despite RML's association "with an increase in adolescent marijuana use in 2017-2018 and 2019" the institution of "[e]vidence-based prevention programs and greater local control on retail marijuana sales may help to reduce marijuana availability and use among adolescents." Notably, as with alcohol, use of recreational marijuana by individuals under age 21 is *illegal* and this prohibition would be strictly enforced under City's current ordinance. (See RMC §§ 5.77.370 I, 5.77.380 B, 5.77.400 A.)

While Sabet claims an independent "investigation in San Diego" "found that 30% of marijuana samples purchased from licensed retailers in Southern California lab-tested positive for pesticides" (citing Grover & Coral, 2019), the alleged study is not provided nor is any detail given regarding the types of source or sample size and locations of the allegedly tested products. (Cannabis Report, pp. 4-5.)

Sabet and the Cannabis Report reference and selectively quote a 2024 Los Angeles Times article on allegedly excessive pesticide contamination above regulatory levels mostly in vapes and pre-rolled joints, but the article – and by extension the Cannabis Report crediting it – ironically singles out STIIIZY as the alleged main offender in two of the primary areas of concern expressed in the Report: product contamination and tobacco retailers illegally selling marijuana. Thus, STIIIZY allegedly sold a vape with 60 times the maximum amount of pymetrozine allowed by federal regulators in cigarettes, and also allegedly illegally sold hemp vapes above legal THC limits in tobacco retail locations operating without cannabis business permits. (See Cannabis Report, pp. 4-5.) The incongruity of STIIIZY being the City's top-ranked applicant (STIIIZY Riverside LLC) and second-place ranked applicant (SGI Riverside LLC) among the 14 listed and ranked applicants should not be missed and is further underscored by Riverside Vice's alleged targeting of 42 tobacco retailers out of 232 in the City and determining 30 (71%) were illegally selling cannabis projects. (*Id.* at p. 6.) This logical disconnect is further amplified by the Cannabis Report's mention of several lawsuits against STIIIZY alleging it uses "cheaper, illegal cannabis" to gain competitive advantage and that its founder and former CEO Tony Huang was arrested by LAPD for allegedly operating multiple illegal cannabis

dispensaries and cultivation sites. (The Cannabis Report might also have mentioned, but did not, that STIIIZY is also currently under investigation in New York for allegedly illegally selling products there that were made in California and other states.) All of which begs the question: if the City credits the hearsay LA Time article and the Cannabis Report identifying STIIIZY products sold in smoke shops throughout Riverside as factual and "substantial evidence," how can it simultaneously rank STIIIZY as its top 2 storefront retail applicants? How can STIIIZY be both the poster child for bad actors as the basis for eliminating 7 of 14 licenses and at the same time, receive 2 of the remaining 7 permits? It should be very evident that something is very wrong with the picture that the City is attempting to paint in support of its unlawful actions here. And, while Ranked Applicants have not had the opportunity to obtain and review all communications between STIIIZY and individuals at the City of Riverside, there is evidence of ex parte communications in violation of the City's communication moratorium about at least one of the same issues as to which Council seeks to amend the current ordinance: the number of permits allowed in the City. (See Exhibit 6: City Emails with STIIIZY.)

The Cannabis Report's citation of old and incomplete statistics from traffic accidents and emergency room visits in Canada, allegedly related to legalized marijuana use, and other disjointed traffic statistics, are not new or current information and in reality prove nothing except that individuals occasionally engage in illegal and criminal behavior in the form of driving while intoxicated, whether under the influence of alcohol, marijuana or otherwise. While such "junk statistics" and recitation of a smattering of alleged adverse health effects may be deemed persuasive arguments by anti-legalization advocates like Sabet – and, apparently, the City's Police Department – they fail to address the factual issues that were the focus of the Council's specific direction for the Cannabis Report.[4]

The Cannabis Report likewise provides no meaningful illumination of possible negative effects on surrounding businesses, as to which the Report merely observes there is "no clear guidance" except that locating a dispensary does not affect an existing liquor license in California. (Cannabis Report, at p. 11.) In other words, no negative effect.

[4] It is no surprise that the most current relevant research contradicts the Cannabis Report's broad and unsupported conclusions as to alleged increases in suicides and prevalence of use resulting from legalization. (See CATO Institute: The Effect of State Marijuana Legalizations: 2021 Update, By Angela Dills, Sietse Goffard, Jeffrey Miron, and Erin Partin, February 2, 2021 | Number 908 Page 8, Figure 7 ["the Appendix displays the yearly state suicide rate, relative to the national rate, before and after legalization (vertical line) for each state that legalized marijuana between 1999 and 2018. It is difficult to see any association between marijuana legalization and changes in suicide trends."]; see also, p. 5, [""Legalizing states display higher and increasing rates of use prevalence, but these patterns existed prior to legalization."].)

The Cannabis Report's assertion that "cannabis legalization fuels the black market" is based on speculative assumptions, hearsay, and unproveable hypotheses, as black market operations are obviously illegal businesses whose prevalence stems more from law enforcement failures than regulated and legal cannabis operations. It is also directly contradicted by the findings of the Orange County Grand Jury that in Santa Ana—a city with the same population as Riverside-- illegal dispensaries dramatically decreased from 120 to "less than a handful" under operation of that city's similar cannabis ordinance. (OC Grand Jury Report, at p. 4.) Further, this section of the Cannabis Report again ironically cites STIIIZY's former CEO as "an example of how the legal market boosts the profits of the illegal market and vice versa." Legalized cannabis operations' alleged conflicts with Blue Zone Project goals are similarly contrived "make-weights" stemming from general opposition to any form of legalized marijuana, rather than being connected with any of the specific land use issues actually within the Cannabis Report's assigned purview.

In summary, the Cannabis Report provides no rational basis or substantial evidence support for modifying the current ordinance as to the number of permits allowed, or the location of and distance between permits, or between permits and sensitive uses, and any proposal to do so at this time is arbitrary and capricious. This effort appears to be wholly driven by anti-cannabis politics, bias and/or fear, rather than facts, and also occurs with woefully minimal consideration of economic impacts and community benefits. Neither the Cannabis Report nor the most recent City Council staff report meaningfully addresses such concerns – except to note lower-than-anticipated state tax revenues, and that the City's currently contemplated actions will cost it at least $1,000,000 in annual revenues according to the City Attorney's impartial analysis of Measure B[5]. (City Attorney Impartial Analysis of Measure B.) The Cannabis Report entirely overlooks the lost economic and local tax benefits of allowing 14 properties to be developed, 14 businesses to create jobs, and local vendors to benefit – choosing instead to recommend cutting that number to just 7 stores, operated by 4 ownership groups. Rather than taking a forward-thinking approach, in line with State law and its past well-considered decisions, the City is undermining its own ordinance's stated goals and the City's economic growth based on seemingly contrived agendas and irrational biases that have long been debunked. (See Exhibits 7-15: Recent Studies and Publications on Cannabis Crime, Healthy and Safety issues.)

[5] The Riverside City Attorney's Office published an impartial analysis of Measure B, estimating $2,000,000 in annual tax revenue assuming the operation of 14 dispensaries City wide; thus a 50% reduction would logically result in a 50% reduction in estimated revenues. There is no related analysis about anticipated City tax revenue were when all licenses are to be controlled by just 4 entities.

B. <u>The City Had a Ministerial Duty to Complete the Permit Process, Make a Final Decision and Issue Each Ranked Applicant a Building Permit and Business Activities Permit After Proper Submission and Review 2.3 of the Site Materials.</u>

Under the circumstances of this case, the issuance of a building permit by the City following its cannabis merit-based application process is a ministerial duty, constituting a mandatory and non-discretionary act that the City is legally obligated to perform once applicants have satisfied all of the City's specific legal requirements, as the Ranked Applicants have done here. (*Munns v. Stenman* (1957) 152 Cal.App.2d 543, 557.) A ministerial duty is one in which a public official or agency is required to act according to a prescribed legal framework, without exercising personal judgment or discretion; execution and verification pursuant to already established policy are ministerial acts.

In the context of the City's merit-based cannabis application process, once a selected applicant has adhered to all established requirements, met filing deadlines, and paid the necessary fees imposed by the City, the issuance of a building permit is mandatory. (*McCombs v. Larson* (1959) 176 Cal.App.2d 105, 108-109.) As its staff has previously acknowledged, the City's role at this stage is solely to verify compliance with objective criteria. Because the applicant has already demonstrated eligibility through the structured merit-based process, the City lacks discretion to deny or delay the permit absent a clear legal basis. As such, the City must issue the permit in accordance with applicable laws and regulations.

C. <u>The City Must Immediately Terminate Its Ongoing Moratorium on Processing and Issuing Permits, Which Is Patently Unlawful Under the State Planning and Zoning Law, and if the Proposed RMC Chapter 5.77 Amendments Are Adopted They Will Be Invalid and Void for that Additional Reason.</u>

At some point prior to January 7, 2025 (on which date the City Council formally voted to adopt the unlawful moratorium), City staff, presumably under direction from the Council and/or City Manager, "paused" the entire cannabis business activities permitting process, placing a de facto moratorium on all further processing or issuance of building permits and operational permits for storefront retail uses. The purpose of the moratorium was to allow the Council to consider the proposed amendments to RMC Chapter 5.77; it is unclear whether the Council or City staff intended to, or believe the City did, formally further extend the moratorium by Council action or direction of the Council on March 25, 2025, but what is crystal clear is that the City is treating the permit processing and issuance moratorium as continuing in effect, as it has plainly not resumed the permitting program pursuant to the provisions of its currently effective Cannabis ordinances. The City's continuing moratorium is illegal and in violation of Government Code section 65858, which provides in relevant part as follows:

(a) Without following the procedures otherwise required prior to the adoption of a zoning ordinance, the legislative body of a county, city, including a charter city, or city and county, to protect the public safety, health, and welfare, may adopt as an urgency measure an interim ordinance prohibiting any uses that may be in conflict with a contemplated general plan, specific plan, or zoning proposal that the legislative body, planning commission or the planning department is considering or studying or intends to study within a reasonable time. That urgency measure shall require a four-fifths vote of the legislative body for adoption. The interim ordinance shall be of no further force and effect 45 days from the date of adoption. After notice pursuant to Section 65090 and public hearing, the legislative body may extend the interim ordinance for 10 months and 15 days and subsequently extend the interim ordinance for one year. Any extension shall also require a four-fifths vote for adoption. Not more than two extensions may be adopted.

(b) Alternatively, an interim ordinance may be adopted by a four-fifths vote following notice pursuant to Section 65090 and public hearing, in which case it shall be of no further force and effect 45 days from its date of adoption. After notice pursuant to Section 65090 and public hearing, the legislative body may be a four-fifths vote extend the interim ordinance for 22 months and 15 days.

(c) The legislative body shall not adopt or extend any interim ordinance pursuant to this section unless the ordinance contains legislative findings that there is a current and immediate threat to the public health, safety, or welfare, and that the approval of additional subdivisions, use permits, variances, building permits, or any other applicable entitlement for use which is required in order to comply with a zoning ordinance would result in that threat to public health, safety, or welfare.

. . . .

(d) Ten days prior to the expiration of that interim ordinance or any extension, the legislative body shall issue a written report describing the measures taken to

> alleviate the condition which led to the adoption of the ordinance.
>
> (e) When an interim ordinance has been adopted, every subsequent ordinance adopted pursuant to this section, covering the whole or a part of the same property, shall automatically terminate and be of no further force or effect upon the termination of the first interim ordinance or any extension of the ordinance as provided in this section.
>
> (f) Notwithstanding subdivision (e), upon termination of a prior interim ordinance, the legislative body may adopt another interim ordinance pursuant to this section provided that the new interim ordinance is adopted to protect the public safety, health, and welfare from an event, occurrence, or set of circumstances different from the event, occurrence, or set of circumstances that led to the adoption of the prior interim ordinance.
>
> . . . .

(Gov. Code, § 65858(a)-(f).)

As stated in *California Charter Schools Association v. City of Huntington Park* (2019) 35 Cal.App.5th 362, 368: "The general purpose of Section 65858 is to allow a local legislative body to adopt interim urgency zoning ordinances prohibiting land uses that may conflict with a contemplated general plan amendment or another land use measure proposal which the legislative body is studying or intends to study within a reasonable period of time." (*Id*., quoting *216 Sutter Bay Associates v. County of Sutter* (1997) 58 Cal.App.4th 860, 869.) While such an interim urgency zoning ordinance is within a City's police power, the legislative body cannot adopt or extend such an ordinance "unless [it] contains legislative findings that there is a current and immediate threat to the public health, safety, or welfare, and that the approval of additional subdivisions, use permits, variances, building permits, or any other applicable entitlement for use which is required to comply with a zoning ordinance would result in that threat to public health, safety, or welfare." (*Id.* at 368-369, quoting Gov. Code, § 65858, subd. (c).)

The "current and immediate threat" required by the statute to support a moratorium ordinance must arise from facts showing an *approval* of an entitlement is *imminent*, and mere *processing* of a development application does not constitute or qualify as a "current or immediate threat." (*Id.* at pp. 369-370; see also *Building Industry Legal Defense Foundation v. Superior Court* (1999) 72 Cal.App.4th 1410, 1413; Gov. Code, §§ 65858, subds. (a), (c).) The plain language of the statute

precludes a city from adopting an interim ordinance prohibiting the processing of development applications. (*Building Industry Legal Defense Foundation, supra,* 72 Cal.App.4th at 1412, 1415-1418; *see id.* at pp. 1418-1419 ["Although the Legislature could have tied adoption of an interim ordinance to the submission or processing of a development application, it chose to set the bar higher, restricting its application to situations where an approval of an entitlement for use was imminent."].)

Here, the City has instituted a patently illegal moratorium on both processing and issuance of permits, without complying either in form or substance with any of the requirements or limitations of the controlling state law. The City's failure to comply with Government Code section 65858's requirements prior to instituting its moratorium has prejudiced the Ranked Applicants, who would have been able to successfully oppose any moratorium ordinance – on the grounds that City could not make the required findings, inter alia – had City followed the proper procedures prior to instituting it, thus compelling the City to continue to timely process and issue permits under the current law. The delays resulting from City's unlawful conduct have not only resulted in withholding of the permits to which the Ranked Applicants are ministerially entitled, but have caused the Ranked Applicants substantial monetary damages in the form of additional rents, mortgage payments and carrying costs while being prevented from opening and operating their businesses. The City must immediately terminate its unlawful moratorium and resume processing and granting permits under the current law's standards.

D. The City Is Estopped to Adopt or Apply the Proposed Amendments to the Ranked Applicants.

Under California law, the doctrine of promissory estoppel precludes a party from reneging on commitments upon which others have reasonably and foreseeably relied to their detriment. The elements of promissory estoppel are well established:

1. A clear and unambiguous promise;

2. Reasonable and foreseeable reliance by the promisee;

3. Actual reliance on the promise, leading to substantial detriment; and

4. Injustice that can be avoided only by enforcing the promise. (See Restatement (Second) of Contracts § 90; *Kajima/Ray Wilson v. Los Angeles Cty. Metro. Transp. Auth.* (2000) 23 Cal.4th 305, 310.)

In the words of the California Supreme Court:

> The doctrine of equitable estoppel is founded on concepts of equity and fair dealing. It provides that a person may not deny the existence of a state of facts if he intentionally led another to believe a particular circumstance to be true and to rely upon such belief to his detriment. The elements of the doctrine are

> that (1) the party to be estopped must be apprised of the facts; (2) he must intend that his conduct shall be acted upon, or must so act that the party asserting the estoppel has a right to believe it was so intended; (3) the other party must be ignorant of the true state of facts; and (4) he must rely upon the conduct to his injury.

(*Strong v. County of Santa Cruz* (1975) 15 Cal.3d 720, 725.)

Equitable estoppel is applied against the government where justice and right require it and "in the considered view of a court of equity, the injustice which would result from a failure to uphold an estoppel is of sufficient dimension to justify any effect upon public interest or policy which would result from the raising of an estoppel." (*City of Long Beach v. Mansell* (1970) 3 Cal.3d 462.) Its application to a public agency such as the City "rests upon the belief that government should be held to a standard of 'rectangular rectitude' in dealing with its citizens." (*People v. Department of Housing & Community Dev.* (1975) 45 Cal.App.3d 185, 196.)

Of particular relevance here is *Kieffer v. Spencer* (1984) 153 Cal.App.3d 954, in which the City of San Gabriel changed the rules midstream on applicants seeking to open video game arcades. As the court concluded in that case:

> The record reveals a picture which offends ordinary concepts of fairness and justice. Petitioners were simply exercising their rights as citizens to commence and operate legitimate business entities within RPI. Insofar as the records show, they attempted to cooperate with officials of RPI. They relied, not only to their immediate detriment, but to the continuing detriment which invariably results when wrongdoing, whether intentional or not, is not faced squarely but is reinforced and ratified by continuous efforts to clothe it in legal respectability. We conclude that RPI was estopped from depriving petitioners of the permits which had in effect been granted July 9, 1981, at the time RPI chose to pursue a course of conduct (for reasons not entirely clear) not only detrimental to petitioners but to public trust in local government.

(*Id*. at p. 964.) The same is true here. As in the *Kieffer* case, here the City of Riverside required applicants to proceed through a structured, multi-phase licensing process. In Phase 1 and Phase 2, applicants were required to:

- Pay over $30,000 ***each*** in non-refundable fees to participate in the process;
- Secure real estate suitable for cannabis operations;
- Engage in planning and compliance efforts to meet City requirements;

- Prepare for eventual licensure based on successful completion of these steps.

The City's explicit representations and established process created not merely a reasonable expectation, but a binding commitment that applicants who fully complied with these requirements, as the Ranked Applicants have demonstrably done would be granted all necessary approvals, beginning with a building permit and culminating in a cannabis business license. By adopting the Guidelines, the City effectively induced Ranked Applicants to seek the requisite permits under its auspices. Moreover, by limiting the application period to thirty days (see Guidelines, section III.A), the City effectively forced Ranked Applicants to commit to the process extremely quickly, which naturally limited their ability to assess and mitigate against risk. That procedural choice on the City's part necessarily entailed a concomitant commitment by the City to adhere to the protocols as set forth in the Guidelines and the City's cannabis ordinances and not change them mid-stream. The City's current and proposed actions constitute a clear breach of this legal and ethical commitment.

Given the unique and multidimensional nature of the permitting process for cannabis businesses in the City, the injustice suffered by the businesses slated to be eliminated from the process is astronomical and far outweighs any adverse effect on public policy that would result from raising an estoppel.

The Ranked Applicants, acting in good faith and in reasonable reliance on the City's explicit representations and established process, invested substantial and irrecoverable resources that they would not have expended had they known the City would act in bad faith and fail to honor its commitments. These financial burdens include, but are not limited to:

- Leasing or purchasing commercial properties in reliance on the City's requirements;

- Investing in site documents, including architectural plans, engineering plans, and renderings;

- Paying City-imposed, non-refundable fees, by designated deadlines to remain compliant with and preserve rights under application process requirements; and
- Lost business opportunities in being an early mover and the ability to open quickly.

The Ranked Applicants justifiably and detrimentally relied on the City's explicit representations and promises by securing leases or purchasing property, thereby assuming substantial and ongoing financial obligations—including rent, mortgage payments, and other carrying costs—that they would not have otherwise undertaken, as part of Step 2.1. In addition, the Ranked Applicants incurred substantial additional costs associated with the preparation of site plan materials, as required in Step 2.3.

The Ranked Applicants also paid multiple non-refundable fees to the sum of tens of thousands of dollars each, all due by City imposed deadlines, in addition to lost business opportunities and revenues as a result of these unreasonable and illegal delays.

Should the City Council amend the current ordinance, reducing the number of cannabis licenses from 14 to 7, each of the Ranked Applicants that are denied permits under the unlawful ordinance amendments will suffer both irreparable harm in the form of business licenses and opportunities of which they will be deprived, and substantial harm in the form of out-of-pocket and lost profits monetary damages. As provided for above, each of the Ranked Applicants paid mandatory, non-refundable fees of $13,842.00 (Application Fee) and $17,864.00 (Site Review Fee) to the City, as well as other expenses totaling $100,000+ per applicant, such as legal fees, architectural fees, and real property expenses (acquisition, insurance, taxes, rent, maintenance and improvement, etc.). This list is not meant to be exhaustive and Represented Applicants in no way limit or waive any claim to damages they may have now or in the future.

Under the relevant facts here, the City's failure to issue the requisite permits and licenses, despite the Ranked Applicants' full and documented compliance with all stipulated requirements, constitutes a clear case of detrimental reliance under California law and represents a breach of the City's duty of fair dealing. (See *HPT IHG-2 Properties Trust v. City of Anaheim* (2015) 243 Cal.App.4th 188.) It would be grossly inequitable and constitute unjust enrichment for the City to retain and benefit from collected fees and compel applicant expenditures while failing to provide the promised regulatory pathway to licensure, particularly given the City's role as a public entity with a duty to "turn square corners" and act in good faith in dealing with its citizens. Finally, to the extent the City's Guidelines and ordinances regulate Ranked Applicants as opposed to the use of real property, the City cannot rely on its police power to regulate land use in justifying its suddenly revised approach. (See *The Park at Cross Creek, LLC v. City of Malibu* (2017) 12 Cal.App.5th 1196, 1209.) It is therefore clear that the City can be estopped from changing the rules on Ranked Applicants in the middle of the process.

E. The City Must Fully Comply With CEQA Prior To Adopting The Proposed Amendments To RMC Chapter 5.77 And Cannot Claim An Exemption On The Factual Record Before It

The City also has thus far utterly failed to comply with the California Environmental Quality Act ("CEQA": Pub. Resources Code, § 21000 et seq.) in its consideration of the proposed ordinance amendments, which are clearly a "project" subject to CEQA review. (*Union of Medical Marijuana Patients, Inc. v. City of San Diego* (2019) 7 Cal.5th 1171 [holding cannabis ordinance due to its nature was "project" subject to CEQA review]). Further, the City cannot rely on the so-called "common sense" exemption (CEQA Guidelines, § 15061(a)(3)) – as it did with initial adoption of the ordinance in 2023 – because that exemption is only applicable

"[w]here it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment" (*ibid.*; *Muzzy Ranch Co. v. Solano County Airport Land Use Com.* (2007) 41 Cal.4th 372, 380), and the burden is on the party asserting the exemption to show it applies as a factual matter based evidence in the record. (*Rominger v. County of Colusa* (2014) 229 Cal.App.4th 690, 704.) The City here cannot show based on the limited factual evidence in the record that it can be seen with certainty that the proposed ordinance amendments will not have any significant environmental impacts (such as causing retail construction, related noise, changes in traffic patterns and impacts, changes in law enforcement patterns and resources, etc.). Full CEQA review and, depending on the resulting evidence and analysis, a Negative Declaration, Mitigated Negative Declaration, or EIR will be required as CEQA compliance here before the proposed ordinance amendments could be adopted. If the Ranked Applicants succeed in voiding the City's ordinance amendments on CEQA grounds, they will also be entitled to all their reasonable attorneys' fees incurred in that effort. (Code Civ. Proc., § 1021.5.)

IV. CONCLUSION AND DEMAND

The Ranked Applicants demand that the City immediately terminate its unlawful processing and permitting moratorium, proceed with the licensing process under its current ordinance and regulations, and refrain from making the proposed changes to the cannabis provisions of RMC Chapter 5.77. The City must honor the governing law and its commitments and provide the necessary approvals to the Applicants, who have demonstrably met all requirements and invested significant resources in reliance on the City's own established process and representation. Should it fail to do so, the Ranked Applicants will pursue all legal avenues of relief to compel the City's compliance with the law.

Very truly yours,

MILLER STARR REGALIA

Arthur F. Coon

enclosures
cc: City Clerk (clerk@riversideca.gov, w/encls.)
Community and Economic Development Department
(econdev@riversideca.gov, w/encl.)
Cannabis Facilitator (cannabis@riversideca.gov, w/encls)

Exhibit B

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May 5, 2025

VIA E-MAIL

Riverside Planning Commission
City of Riverside
City Hall
3900 Main Street
Riverside, CA 92522
Email: PC@riversideca.gov

Re: May 8, 2025 Planning Commission Meeting Agenda Item 4,
Case No. PR-2025-001795 (Also Referred to as File No. 25-1637)

Dear Honorable Members of the Planning Commission:

This letter is sent with respect to the above-referenced agenda item for the Planning Commission's pending May 8, 2025 meeting.[1] As set forth in a letter to the City dated April 23, 2025, this office represents three of the applicants for the City's storefront retail cannabis business operating permits. The purpose of this letter is to correct several errors in the Memorandum prepared for the above-agendized item.

First, the Memorandum misrepresents the City Council's actions on March 25, 2025. The Memorandum states, "The City Council voted to modify the [Storefront Retail Commercial Cannabis Business] program." That is incorrect. The minutes for the meeting clearly demonstrate that the Council directed staff to draft an ordinance and resolution making modifications to the program. That ordinance and resolution will be subject to a separate vote, which has not yet occurred. Thus, the Memorandum suggests that the City Council has taken a final action that it has not in fact taken. This mischaracterization misleads the public, jeopardizes public faith in the City's actions, suggests a precommitment by the City to an outcome without a fair public hearing, and potentially violates the Brown Act.

Second, the Memorandum states that "Staff has not received public comments regarding this project." This is also incorrect. My partner Arthur Coon submitted an extensive comment letter, with exhibits, to the City on April 23, 2025, directed at the changes the City has proposed with respect to the Storefront Retail Commercial

[1] The item is on the agenda as Case No. PR-2025-001795, but is elsewhere referred to in the online materials as File No. 25-1637. This letter is thus directed at and should be included in both file/case numbers.

Cannabis Business program. Obviously those changes extend to the matters the Planning Commission will be considering on May 8. Accordingly, we hereby request that the letter and exhibits be included in the file for Case No. PR-2025-001795/File No. 25-1637 (see footnote one) and to also be included as part of the administrative record for any action the Planning Commission and/or City Council may take with respect to the same. We have received confirmation from the Office of the City Clerk that the letter and attachments have been received; if this is incorrect, please notify me and I will have copies provided immediately.

Please do not hesitate to contact me if any of the foregoing is unclear or if you have any questions.

Very truly yours,

MILLER STARR REGALIA

Matthew C. Henderson

MCH:klw
cc: City Clerk (city_clerk@riversideca.gov)
City Manager Mike Futrell (mfutrell@riversideca.gov)
Interim City Attorney Rebecca McKee-Reimbold, Esq. (rmckee@riversideca.gov)
Principal Planner Matthew Taylor (mtaylor@riversideca.gov)
Arthur F. Coon, Esq. (arthur.coon@msrlegal.com)
Dana Cisneros, Esq. (dana@cannabiscorplaw.com)

Exhibit C

CITY OF RIVERSIDE

Planning Commission Memorandum

Community & Economic Development Department **Planning Division**
3900 Main Street, Riverside, CA 92522 | Phone: (951) 826-5371 | **RiversideCA.gov**

PLANNING COMMISSION HEARING DATE: MAY 8, 2025
AGENDA ITEM NO.: 4

SUMMARY

Case Number	PR-2025-001795 (Zoning Text Amendment)
Request	**PLANNING CASE PR-2025-001795 (AMD):** Proposal by the City of Riverside to consider an amendment to Article V (Base Zones and Related Use and Development Provisions) of Title 19 (Zoning) and Chapter 5.77 of Title 5 of the Riverside Municipal Code (RMC) for consistency with recent changes to the City's Storefront Retail Commercial Cannabis Business Program.
Applicant	City of Riverside Community and Economic Development Department
Project Location	Citywide
Ward	Citywide
Staff Planner	Matthew Taylor, Principal Planner 951-826-5944 mtaylor@riversideca.gov

RECOMMENDATIONS

That the Planning Commission:

1. **Recommend** that the City Council determine that Planning Case PR-2025-001795 is exempt from further California Environmental Quality Act (CEQA) review pursuant to Section 15061(b)(3) (General Rule), as it can be seen with certainty that approval of the project will not have an effect on the environment; and
2. **Recommend approval** of Planning Case PR-2025-001795 (Zoning Text Amendment) as outlined in the staff report and summarized in the Findings section of this report.

BACKGROUND

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 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. Over the course of 2022 the EDPBM provided direction on development of the ordinance including necessary amendments to the Riverside Municipal Code (RMC) 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.

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.

The proposal was presented to the City Council on March 14, 2023, and Ordinance 7628 was adopted 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. These Ordinances established specific requirements for the permissible locations of retail cannabis businesses in relation to sensitive uses including schools, childcare facilities and community centers, as well as establishing a maximum number of 14 permits Citywide for retail cannabis businesses. For the purposes of land use and zoning, the Ordinances treat retail cannabis businesses as a general retail use permissible in any Zoning District that permits retail sales.

Over the course of 2023 and 2024 the Storefront Retail Commercial Cannabis Business (CCB) Program was developed and implemented consistent with the adopted Ordinances. Concerns emerged through the application review process regarding the location and concentration of proposed CCBs as well as the overall number of permits under consideration. On January 7, 2025, the City Council postponed the application review process for 90 days and directed Staff to return with options to address concerns about density of CCBs, proximity to other types of sensitive receptors and other health and safety concerns (Exhibits 1 and 2).

On March 25, 2025, Staff presented several options for modifications to the CCB program in response to these concerns. The City Council voted to modify the program to:

1. Reduce the overall number of CCB permits from 14 to seven Citywide;
2. Limit CCB permits to no more than one per Council Ward;
3. Prohibit establishment of CCBs within designated "placemaking areas;"
4. Establish a minimum separation between CCBs of 1,000 feet; and
5. Establish a minimum separation between a CCB and a public park of 600 feet.

The March 25, 2025 City Council staff report and minutes are attached as Exhibits 3 and 4.

PROPOSAL

Minor amendments to Title 19 are required to achieve consistency with changes to the CCB program approved by the City Council on March 25, 2025. In addition, although the Planning Commission's jurisdiction is generally focused on Title 19, changes to RMC Chapter 5.77 are also being presented for review and recommendation because the changes establishing new distance and location requirements for CCBs affect land use as discussed in a relevant court decision.

TITLE 19 UPDATE

Current Code: Table 19.150.020.A – Base Zones Permitted Land Uses contains a list of all defined land uses and identifies whether they are permitted, conditionally permitted or prohibited within each of the City's Base Zones. Storefront retail CCBs are listed individually within the table but are treated identically to any other general retail use in terms of which Zones permit them.

Proposed Change: A note is added to the Notes Column of Table 19.150.020.A indicating that additional locational restrictions apply to storefront retail CCBs pursuant to Chapter 5.77 of the RMC (Exhibit 5).

	RC**	RA-5**	RR	RE	R-1	R-3	R-4	O	CR	CG	CRC*	MU-N	MU-V*	MU-U*	BMP	I	AI	AIR	PF	RWY	NC Overlay	
Cannabis Cultivation	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	See Also Incidental Uses Table
Cannabis, Microbusiness	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	
Cannabis Storefront Retail																						See Retail Sales. Additional location restrictions apply. See Chapter 5.77 – Cannabis Business Activities

Effect: The user is made aware that additional restrictions apply to storefront retail CCBs beyond those that apply to other general retail uses and that these additional restrictions are enumerated in RMC Chapter 5.77.

OTHER MUNICIPAL CODE CHANGES

Per direction of the City Council, amendments to Chapter 5.77 – Cannabis Business Activities have been developed to refine the CCB program and are presented here (Exhibit 8).

1. *Number of CCB permits*: The maximum number of CCB permits that may be issued Citywide is reduced from 14 to seven.
2. *Ward-based limit*: No more than one CCB permit may be issued in each of the seven City Council Wards.
3. *"Placemaking areas"*: No CCB permits may be issued for storefront retail CCBs within two "placemaking areas" where long-term economic revitalization and reinvestment efforts are ongoing. These areas are:
    a. The entirety of the Downtown Neighborhood as defined in the Land Use Element of the General Plan 2025, generally bounded by State Route 91 on the east; State Route 60 on the north; the Santa Ana River on the west; and Tequesquite Avenue and the Riverside City College campus on the south (Exhibit 6); and
    b. "Midtown," an undesignated sub-area of the Magnolia Center

Neighborhood encompassing the mixed residential and commercial district generally bounded by State Route 91 on the east; Jurupa Avenue on the north; Palm Avenue on the west; and Arlington Avenue and Nixon Street on the south (Exhibit 7).

4. *Minimum CCB separation*: Retail storefront CCBs may not locate within 1,000 feet of another CCB as measured from the property line of the parcel with a proposed CCB and the nearest property line of a parcel an existing permitted CCB. A CCB also may not locate closer than 1,000 feet from another CCB if both are located on the same parcel, such as in the case of a large commercial complex.
5. *Minimum park separation*: Retail storefront CCBs may not locate within 600 feet of any park as measured from the property line of the parcel with a proposed CCB and the nearest park property line.

PUBLIC NOTICE AND COMMENT

Notice of the proposed Zoning Code Text Amendment was published in the Press Enterprise on April 13th, 2025. At the time of writing this report, Staff has not received public comments regarding this project. Changes to Title 5 of the RMC were considered and approved by the City Council at an open public meeting on March 25, 2025, with the requisite ordinance amending that Title introduced and approved at the City Council hearing of May 6, 2025.

ENVIRONMENTAL REVIEW

The proposed amendments are exempt from additional California Environmental Quality Act (CEQA) review pursuant to Section 15061(b)(3) of the CEQA guidelines, as it can be seen with certainty that the proposed text amendments will not have an effect on the environment.

FINDINGS

Zoning Code Amendment Findings pursuant to Chapter 19.810.040:

1) The proposed Zoning Code Text Amendment is generally consistent with the goals, policies, and objectives of the General Plan;
2) The proposed Zoning Code Text Amendment will not adversely affect surrounding properties; and
3) The proposed Zoning Code Text Amendment will promote public health, safety, and general welfare and serves the goals and purposes of the Zoning Code.

ENVISION RIVERSIDE 2025 STRATEGIC PLAN ALIGNMENT

The proposed amendment aligns with Strategic Priority No. 5 – High Performing Government by demonstrating adaptivity as an organization, and more specifically with Goal 5.3 – Enhance communication and collaboration with community members to improve transparency, building public trust, and encourage shared decision making. In addition, the project aligns with the five Cross-Cutting Threads as follows:

1. **Community Trust** – The proposed amendments are a proactive measure to respond to the changing needs of the community through a transparent public process.
2. **Equity** – The proposed amendments promote reasonable and equitable regulation of CCBs throughout the City.
3. **Fiscal Responsibility** – The proposed amendments do not incur costs to the City.
4. **Innovation** – The proposed amendments represent a balanced, forward-looking approach to expanding economic opportunity while managing public safety concerns.
5. **Sustainability & Resiliency** – The amendments as proposed reduce environmental, visual, and aesthetic impacts on surrounding communities.

APPEAL INFORMATION

Actions by the City Planning Commission, including any environmental findings, may be appealed to the City Council within ten calendar days after the decision. Appeal filing and processing information may be obtained from the Planning Department Public Information Section, 3rd Floor, City Hall.

EXHIBITS LIST

1. Council Report – January 7, 2025
2. Council Minutes – January 7, 2025
3. Council Report – March 25, 2025
4. Council Minutes – March 25, 2025
5. Proposed Amendment – Table 19.150.020.A
6. Map – Downtown Neighborhood
7. Map – Midtown Area
8. Proposed Amendment – Chapter 5.77

Prepared by: Matthew Taylor, Principal Planner
Reviewed and Approved by: Maribeth Tinio, City Planner

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 sensitives 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 shar 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.

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. 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

CITY COUNCIL

MINUTES

TUESDAY, JANUARY 7, 2025, 3:00 P.M.
ART PICK COUNCIL CHAMBER
3900 MAIN STREET

PRESENT: Mayor Lock Dawson and Councilmembers Falcone, Cervantes, Robillard, Conder, Mill, Perry, and Hemenway

ABSENT: None

Mayor Lock Dawson called the meeting to order at 3:00 p.m.

PUBLIC COMMENT IN PERSON/TELEPHONE

Errol Koschewitz spoke regarding City's pension obligation. Jason Hunter spoke regarding Gage Canal shareholder bylaws. Aurora Chavez thanked the Fire Department for their assistance and spoke regarding senior meal programs and undergrounding of the Riverside Transmission Reliability Project (RTRP).

MAYOR/COUNCILMEMBER COMMUNICATIONS

Councilmember Falcone wished everyone a Happy New Year and reported on Neighbors of the Wood Street meeting. Councilmember Cervantes wished everyone a Happy New Year and reported on the Swearing in Ceremony of Riverside County Supervisor Jose Medina, Ward 2 Newsletter, Civil Rights Institute of Inland Southern California Pop-up Exhibition, and Women's March. Councilmember Robillard wished everyone a Happy New Year and reported on the Hannukah Festival, and looking forward to the year ahead. Councilmember Conder wished everyone a Happy New Year and reported on grand opening of Panera Bread in Mission Grove, and 20th Hannukah Festival. Councilmember Mill wished everyone a Happy New Year and reported on the Hannukah Festival, the Swearing in Ceremony of Riverside County Supervisor Jose Medina, President Jimmy Carter Memorial Service at Habitat for Humanity, and honoring Dr. Ron Ellis Bruce for 30 years of service at California Baptist University. Councilmember Perry thanked everyone that participated in the Sledding Under the Stars event. Councilmember Hemenway announced that La Sierra Senior Center is looking for volunteers for food distribution. Mayor Lock Dawson reported on Point in Time Count, the end of the Festival of Lights, and the State of the City event.

COMMUNICATIONS

CITY MANAGER UPDATE

There were no updates from the City Manager's Office.

CITY COUNCIL

MINUTES

TUESDAY, JANUARY 7, 2025, 3:00 P.M.
ART PICK COUNCIL CHAMBER
3900 MAIN STREET

COUNCILMEMBERS DECLARATION OF CONFLICTS OF INTEREST
Mayor Pro Tem Perry announced that the Closed Session item regarding the City of Riverside v. Councilmember Charles Conder and former Councilmember Steven R. Adams will not be heard during Closed Session.

Councilmembers Conder and Mill recused themselves from the Closed Session item regarding Phaedra Norton citing conflict of interest.

PRESENTATION

Mayor Lock Dawson presented a plaque to Councilmember Perry for his dedicated service as Mayor Pro Tem from July through December 2024.

MAYOR PRO TEM APPOINTMENT
Following discussion, it was moved by Councilmember Falcone and seconded by Councilmember Conder to appoint Councilmember Mill as Mayor Pro Tem for January through June 2025. The motion carried unanimously.

CLOSED SESSIONS
The City Council adjourned to closed sessions at 3:28 p.m. pursuant to Government Code (1) §54956.9(d)(2)/54956.9(e)(3) to confer with and/or receive advice from legal counsel concerning Phaedra Norton Claim No.: 24-09-28; (2) §54956.9(d)(1) to confer with and/or receive advice from legal counsel concerning OG Riverside LLC v. City of Riverside, Riverside County Superior Court Case No. CVRI2407093; (3) §54956.9(d)(1) to confer with and/or receive advice from legal counsel concerning RD Riverside Retail LLC v. City of Riverside, Riverside County Superior Court Case No. CVRI2407089; (4) §54956.9(d)(1) to confer with and/or receive from legal counsel concerning Steven Thompson v. City of Riverside Claim No.(s): 220300; (5) §54956.9(d)(1) to confer with and/or receive from legal counsel concerning Gabriel Sanchez v. City of Riverside Claim No: 250004; (6) §54956.8 to instruct City's Negotiator, Charles M. Futrell, regarding price and terms of payment for the purchase, sale, exchange, or lease of property located the Northwest Corner Intersection of Central Avenue and Victoria Avenue; Assessor's Parcel Number: 223-092-028 by Orin L. Williams, Assistant Superintendent, RUSD-Facilities, Planning & Development, Negotiator; (7) §54956.9(d)(2) to confer with and/or receive advice from legal counsel concerning anticipated litigation regarding one case; (8) §54956.9(d)(4) to confer with and/or receive advice from legal counsel concerning the City Council deciding whether to initiate litigation regarding two cases; (9) §54957(a) for consultation with Larry

Gonzalez, Riverside Chief of Police, or his respective deputy, and George Khalil, Chief Information Officer regarding threat to public services or facilities; and (10) §54957.6 to review the City Council's position and instruct designated representatives regarding salaries, salary schedules, or compensation paid in the form of fringe benefits of all Executive Management employees except the City Manager, City Attorney, and City Clerk, all Management and Confidential employees as defined by PERS, Fire Management Unit, Riverside City Firefighters Association, Riverside Police Officers Association (Police and Police Supervisory Units), Service Employees International Union #721, International Brotherhood of Electrical Workers #47, and Riverside Police Administrators Association.

The City Council reconvened at 6:25 p.m. with Mayor Lock Dawson presiding and all Councilmembers present.

Rev. Paul Munford of New Joy Baptist Church gave the Invocation.

Mayor Lock Dawson and led the pledge of allegiance.

PUBLIC COMMENT IN PERSON/TELEPHONE
One caller spoke regarding the sound on the live meeting broadcast.

CONSENT CALENDAR
It was moved by Councilmember Hemenway and seconded by Councilmember Perry to approve the Consent Calendar as presented affirming the actions appropriate to each item. The motion carried unanimously.

MINUTES
The minutes of the meeting of December 10 and 17, 2024, were approved as presented.

REQUEST FOR PROPOSAL NOS. 2275, 2338, 2296, AND 2280 - USE OF MASTER AGREEMENTS PANEL - GENERAL ABATEMENT - WEED ABATEMENT - ABANDONED VEHICLE ABATEMENT ON AN AS NEEDED BASIS - VARIOUS CITY LOCATIONS
The City Council approved utilization of Master Agreements panel to perform abatements at various City locations on a rotational as-needed basis as requested by the Code Enforcement Division for the award of specific project work under the Community & Economic Development Department Code Enforcement Division Contractors Master Agreements Panel with R&R B Inc., E&S Towing Enterprises, Inc., Twin

Builders, California Building Maintenance, Master Landscape & Maintenance, Inc., and Twin Builders for abatement work from Request for Proposals (RFP) RFP 2275 and 2338 for General Abatement, RFP 2296 for Weed Abatement, and RFP 2280 for Abandoned Vehicle Abatement at various City locations on an as-needed rotational basis for exigent circumstances and for projects not-to-exceed $50,000 each.

FISCAL YEAR 2024 URBAN AREA SECURITY INITIATIVE GRANT PROGRAM - SUPPLEMENTAL APPROPRIATION - RESOLUTION
The City Council (1) adopted a resolution authorizing a grant application for the Department of Homeland Security's 2024 Urban Area Security Initiative (UASI) grant in the amount of $2,894,900; (2) authorized the acceptance of the UASI funding from the Department of Homeland Security California Office of Emergency Services in the amount of $2,894,900; (3) authorized the Chief Financial Officer, or designee, to record an increase in revenue in the amount of $2,894,900, or the actual amount awarded, and appropriate expenditures in the same amount in the UASI Fund, UASI 2024 program revenue and expenditure accounts; and (4) authorized the City Manager, or designee, to execute all necessary documents, including but not limited to applications, payment requests, agreements, and amendments necessary to secure funds and implement the approved grant projects, and making minor and non-substantive changes; whereupon, the title having been read and further reading waived, Resolution No. 24206 of the City Council of the City of Riverside, California, Authorizing the Submission of Application and Acceptance of Grant Award from the U.S. Department of Homeland Security through the California Office of Emergency Services for the Fiscal Year 2024 Urban Area Security Initiative (UASI) Grant Program and Authorizing the Execution of the Necessary Documents by the City Manager, or his Designee and Amending the Budget for Fiscal Year 2024-2025, Accordingly, was presented and adopted.

CALIFORNIA GOVERNOR'S OFFICE OF EMERGENCY SERVICES MOBILIZATION AND TRAINING GRANT - MULTIJURISDICTIONAL TRAINING AND MOBILIZATION EXERCISE - CALIFORNIA URBAN SEARCH AND RESCUE TEAM 6 - SUPPLEMENTAL APPROPRIATION
The City Council (1) accepted a grant awarded from the California Governor's Office of Emergency Services (Cal OES) in the amount of $519,000; (2) authorized the Chief Financial Officer, or designee, to record an increase in revenue in the amount of grant award and appropriate an equal amount of expenditures in the Grants and Restricted Programs Fund, 2024 Cal OES Mobilization Program revenue and expenditure accounts; and (3) authorized the City Manager, or designee, to sign Cal OES Mobilization Exercise and Training agreement, including making minor and non-substantive changes.

CALIFORNIA FIRE FIGHTER JOINT APPRENTICESHIP COMMITTEE REIMBURSEMENT - FIRE TRAINING SUPPORT - SUPPLEMENTAL APPROPRIATION
The City Council authorized the (1) acceptance of training reimbursement funds from California Fire Fighter Joint Apprenticeship Committee in the amount of $50,000; and (2) Chief Financial Officer, or his designee, to record an increase in revenue in the amount of the grant award, and appropriate expenditures in an equal amount in the Grants and Restricted Programs Fund, California Fire Fighter Joint Apprenticeship Committee revenue and expenditure accounts.

SERVICE AGREEMENT AMENDMENT - TERM EXTENSION - AUTOMATED SCHEDULING AND DISPATCHING SOFTWARE SUPPORT AND MAINTENANCE - SPECIAL TRANSPORTATION DIVISION
The City Council (1) approved the Service Agreement amending Agreement for Total Support and Maintenance Program with Trapeze Software Group, Inc., Dallas, Texas, for the RouteMatch TS™ Software used by the Special Transportation Division in the amount of $130,117.25 for Fiscal Year 2023-24 and an additional seven months of support until January 31, 2025, in the amount of $71,727.13; and (2) authorized the City Manager, or his designee, to execute the Service Agreement Amending Agreement for Total Support and Maintenance Program with Trapeze Software Group, Inc., for RouteMatch TS™ Software, including making minor and non-substantive changes.

DECLARATION AND DISPOSITION OF POLICE SERVICE DOG "RICC-VIGO" AS RETIRED AND SURPLUS PROPERTY
The City Council (1) declared Police Service Dog "Ricc-Vigo" as retired and surplus property to the needs of the Police Department; and (2) approved the donation of Police Service Dog "Ricc-Vigo" to his current handler, Officer Joseph Cleary, at no cost to the City.

RIVERSIDE MUNICIPAL CODE AMENDMENT - UNLAWFUL POSSESSION OF CATALYTIC CONVERTERS - ORDINANCE ADOPTED
The City Council adopted an ordinance to amend the Riverside Municipal Code to add Chapter 9.29 prohibiting the unlawful possession of catalytic converters in the City of Riverside; whereupon, the title having been read and further reading waived, Ordinance No. 7695 of the City of Riverside, California, Adding Chapter 9.29 to the Riverside Municipal Code Regarding Unlawful Possession of Catalytic Converters, was presented and adopted.

REQUEST FOR PROPOSAL 2360 - AGREEMENT - LA COLINA SUBSTATION UPGRADE PROJECT
The City Council (1) approved a Professional Consultant Services Agreement for Request for Proposal 2360 for La Colina Substation Upgrade Project with Leidos Engineering, LLC, Reston, Virginia, for a term of 3.5 years from date specified in the Notice to Proceed once issued by City, in a not-to-exceed amount of $1,292,028, with the option to extend for one additional two-year term; (2) authorized the City Manager, or his designee, to issue change orders, if needed, in an amount not-to-exceed 15 percent, or $193,804, to the contract with Leidos Engineering, LLC, for Request for Proposal 2360 La Colina Substation Upgrade Project, and (3) authorized the City Manager, or his designee, to execute the Professional Consultant Services Agreement with Leidos Engineering, LLC, including making minor and non-substantive changes.

TRANSPORTATION UNIFORM MITIGATION FEE PROGRAM AGREEMENT AMENDMENT - THIRD STREET GRADE SEPARATION PROJECT - SUPPLEMENTAL APPROPRIATION
The City Council (1) approved Amendment No. 2 to Transportation Uniform Mitigation Fee (TUMF) Program Agreement with the Western Riverside Council of Governments (WRCOG) to increase the funding amount by $3.0 million from $8.25 million to not-to-exceed $11.25 million for the Third Street Grade Separation Project; (2) authorized the Chief Financial Officer, or designee, to record an increase in revenue in the amount of $3.0 million and appropriate an equal amount in expenditures in the TUMF Fund, Third Street/Burlington Northern Santa Fe (BNSF) Grade Separation Project revenue and expenditure accounts; and (3) authorized the City Manager, or designee, to execute the Second Amendment to Agreement with WRCOG, including making minor and non-substantive changes.

BID 8072 - COOLIDGE AVENUE STORM DRAIN IMPROVEMENTS
The City Council (1) awarded Bid 8072 for Coolidge Avenue Storm Drain Improvements to Dominguez General Engineering, Inc., Pomona, in the amount of $358,600 and a 10 percent contingency of $35,860; and (2) authorized the City Manager, or designee, to execute the construction contract, including making minor and non-substantive changes.

FINAL TRACT MAP 31930 - SINGLE-FAMILY RESIDENTIAL LOTS - CRESTHAVEN/CENTURY HILL - RESOLUTION ADOPTED
The City Council (1) adopted the Resolution of Acceptance for final approval of Tract Map 31930; (2) approved the Subdivision Improvement Agreement and accompanying deed of trust which provide the security for the installation of public and private

improvements in accordance with the plans for the development of Tract Map 31930; and (3) authorized the City Manager, or designee, to execute the Subdivision Improvement Agreement, including making minor and non-substantive changes; whereupon, the title having been read and further reading waived, Resolution No. 24207 of the City Council of the City of Riverside, California, Accepting the Final Map of Tract No. 31930, was presented and adopted.

VEHICLE MILES TRAVELED MITIGATION BANK PROGRAM - ORDINANCE ADOPTED
The City Council adopted an Ordinance amending Title 16 of the Riverside Municipal Code by adding Chapter 16.80 regarding the Vehicle Miles Traveled Mitigation Bank Program; whereupon, the title having been read and further reading waived, Ordinance No. 7696 of the City of Riverside, California, Amending Title 16 of the Riverside Municipal Code by Adding Chapter 16.80 Regarding the Vehicle Miles Traveled Mitigation Bank Program, was presented and adopted.

DISCUSSION CALENDAR

COMMUNITY FACILITIES DISTRICT (CFD) NO. 2021-2 (RIVERPOINTE/PARK PLACE) - ISSUANCE OF SPECIAL TAX BONDS SERIES 2025A - SUPPLEMENTAL APPROPRIATIONS - RESOLUTION
Following discussion, it was moved by Councilmember Falcone and seconded by Councilmember Hemenway to (1) adopt a Resolution authorizing the issuance of the Community Facilities District No. 2021-2 (Riverpointe/Park Place) Special Tax Bonds, Series 2025A (Tax Exempt) in an aggregate principal amount not-to-exceed $4,100,000; (2) approve the financing team, as identified in the staff report, for this transaction and authorize the City Treasurer or any duly authorized designee, to pay the costs of such firms in connection with this financing from CFD 2021-2 Series 2025A bond proceeds; (3) authorize the City Manager and Chief Financial Officer, or designees to execute all documents related to the issuance of the Special Tax Bonds for Community Facilities District No. 2021-2 (Riverpointe/Park Place) and the ability to make minor changes to these documents as required to carry out the financing; and (4) authorize the Chief Financial Officer, or designee, to record supplemental appropriations in the CFD 2021-2 Riverpointe/Park Place Fund related to the issuance of the Community Facilities District No. 2021-2 (Riverpointe/Park Place) Special Tax Bonds, Series 2025A (Tax Exempt). The motion carried unanimously.

Whereupon, the title having been read and further reading waived, Resolution No. 24208 of the City Council of the City of Riverside, California, Acting as the Legislative Body of

Community Facilities District No. 2021-2 (Riverpointe/Park Place) of the City of Riverside, Authorizing the Issuance of its Special Tax Bonds, Series 2025a in an Aggregate Principal Amount not to exceed Four Million One Hundred Thousand Dollars ($4,100,000) in One or More Series of Bonds and Approving Certain Documents and Taking Certain Other Actions in Connection Therewith, was presented and adopted.

STOREFRONT RETAIL COMMERCIAL CANNABIS BUSINESS PERMIT PROCEDURE GUIDELINES AND APPLICATION REVIEW

Following discussion, it was moved by Councilmember Cervantes and seconded by Councilmember Falcone to (1) adopt a Resolution postponing the permitting process under Riverside Municipal Code (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; (2) proceed with the potential storefront retail permit locations in Ward 2; (3) continue this item for 60-90 days to meet and discuss with each Councilmember to determine how many storefront retail permit will be issued in each ward; (4) clean up the permit transfer language to include a timeline; and (5) look into additional safety measures as identified by the Police Department.

Following further discussion, a substitute motion was made by Councilmember Perry and seconded by Councilmember Conder to (1) direct staff research for City Council consideration 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, including but not limited to retail access by residents and/or protection of health and safety of the residents from negative impacts: (a) instituting a two Cannabis Permit per Ward limit, (b) explore limiting Cannabis uses to Industrial/Manufacturing zones, (c) establishing a minimum distance requirement between cannabis business storefronts, (d) establishing new and/or additional sensitive use categories and associated minimum distance requirements, (e) explore the number of cannabis business permits which are authorized for issuance to a number less than 14, pursuant to RMC 5.77.100, and (e) crime analysis of the aforementioned research for the health and safety of the residents; (2) postpone and direct staff to return to City Council within 90 days to receive a report and recommendations; and (3) review the permit transfer process. The motion carried with Councilmembers Robillard, Mill, Conder and Perry voting aye and Councilmember Falcone, Cervantes, and Hemenway voting no.

CITY COUNCIL

MINUTES

TUESDAY, JANUARY 7, 2025, 3:00 P.M.
ART PICK COUNCIL CHAMBER
3900 MAIN STREET

City of Arts & Innovation

COMMUNICATIONS

CITY ATTORNEY REPORT ON CLOSED SESSIONS
Interim City Attorney Liu announced that no reportable action was taken during closed session.

ITEMS FOR FUTURE CITY COUNCIL CONSIDERATION
There were no future items requested at this time.

The Mayor adjourned the meeting at 10:58 p.m. in honor of Pete Courson.

Respectfully submitted,

DONESIA GAUSE
City Clerk

City of Arts & Innovation

City Council Memorandum

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

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

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."

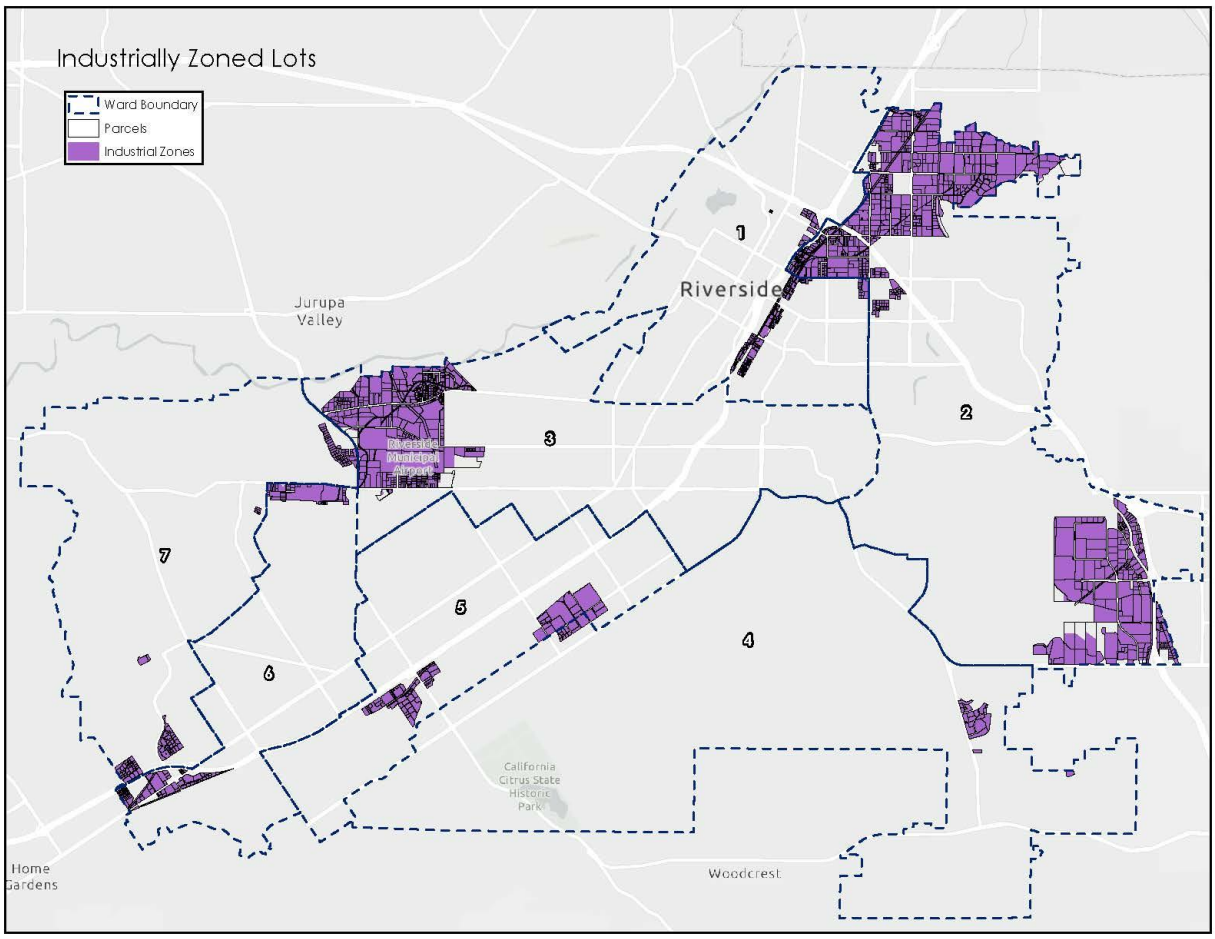
3. Locations

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).

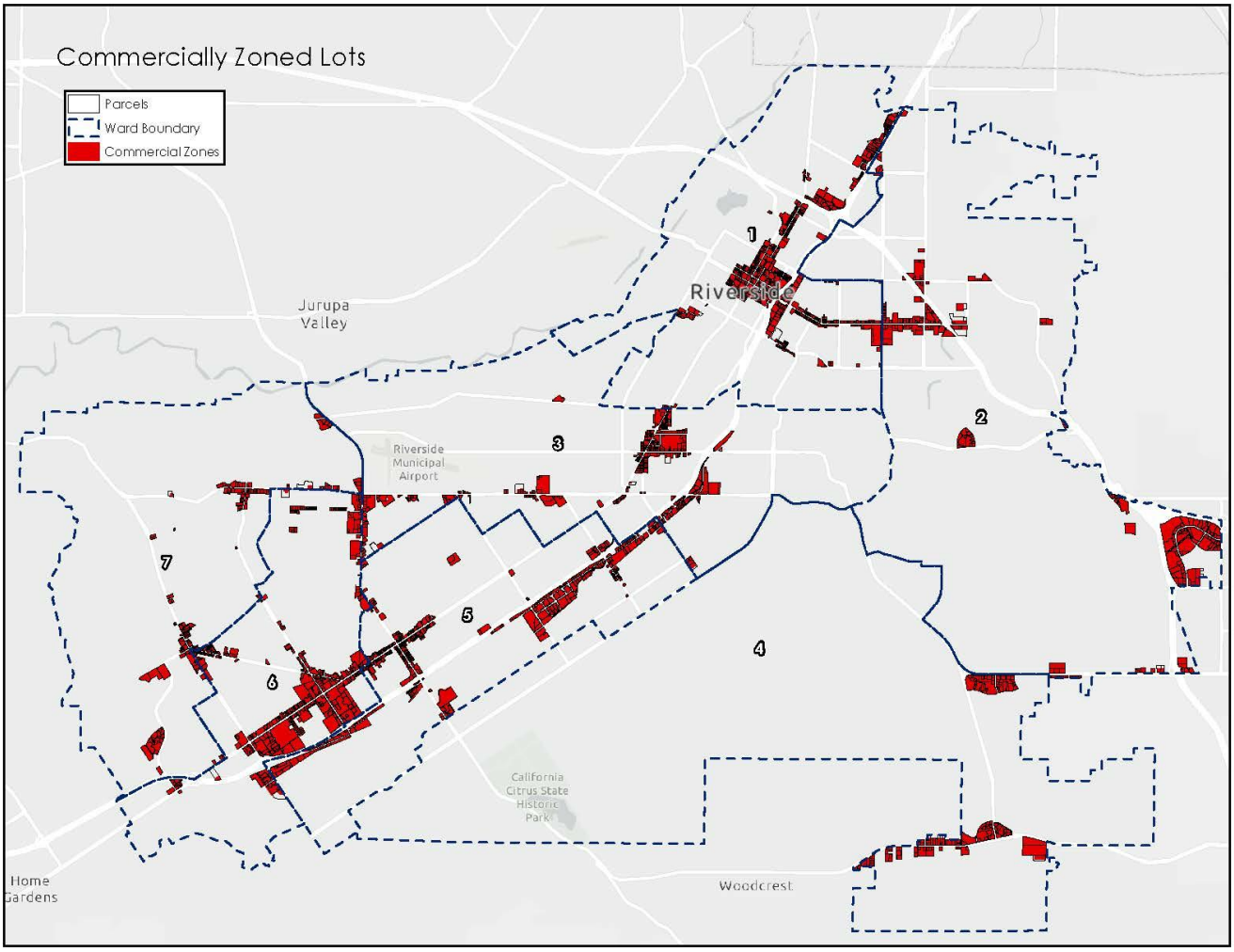


When mapping CCB Permits in Industrial and BMP Zones, staff found this change in zoning may result in increased concentration of CCB Permits as there are fewer Industrial zones throughout the City. The two largest industrial zones are located in Ward 2, with the third largest area with industrial zoning 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.

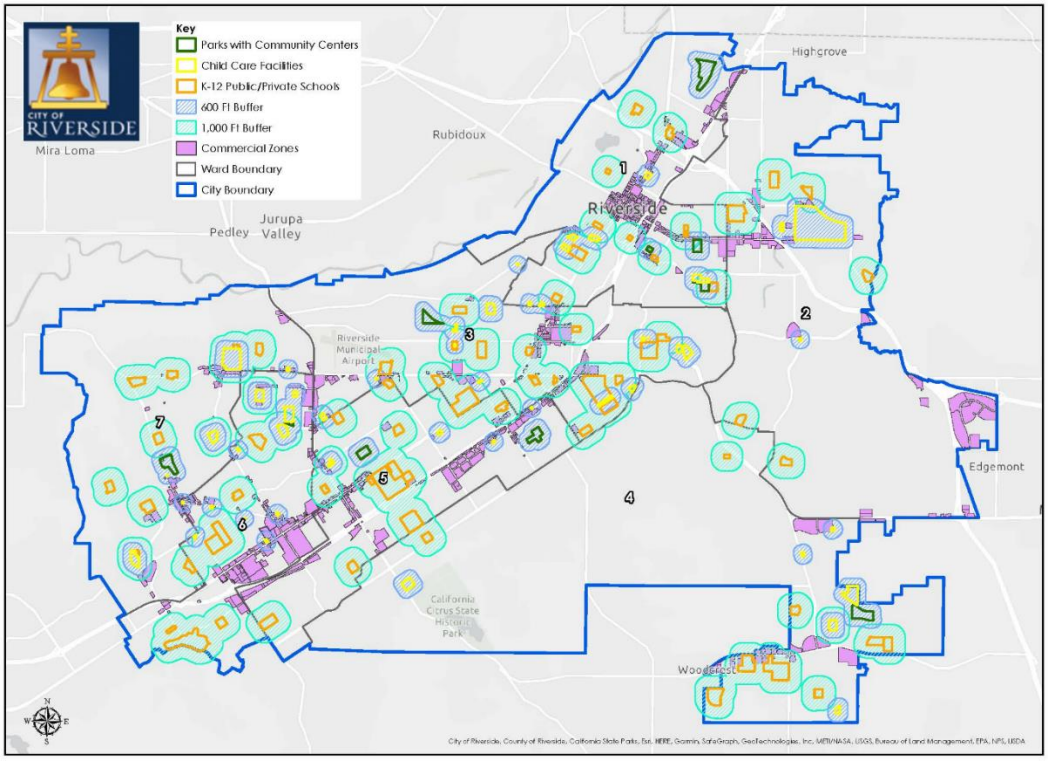
4. Concentration of Cannabis Storefronts

The City Council directed staff to research options and provide recommendations to address the high concentration of permits in certain areas of the City. Topics to research included: designating new sensitive use categories and corresponding minimum separation distances, establishing a minimum distance between CCB Permits, establishing a maximum number of permits per ward, and amending the maximum number of permits in the City.

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

- Schools – K-12 (1,000 feet)
- Community Centers (600 feet)
- Licensed Daycare Facilities (600 feet)

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.

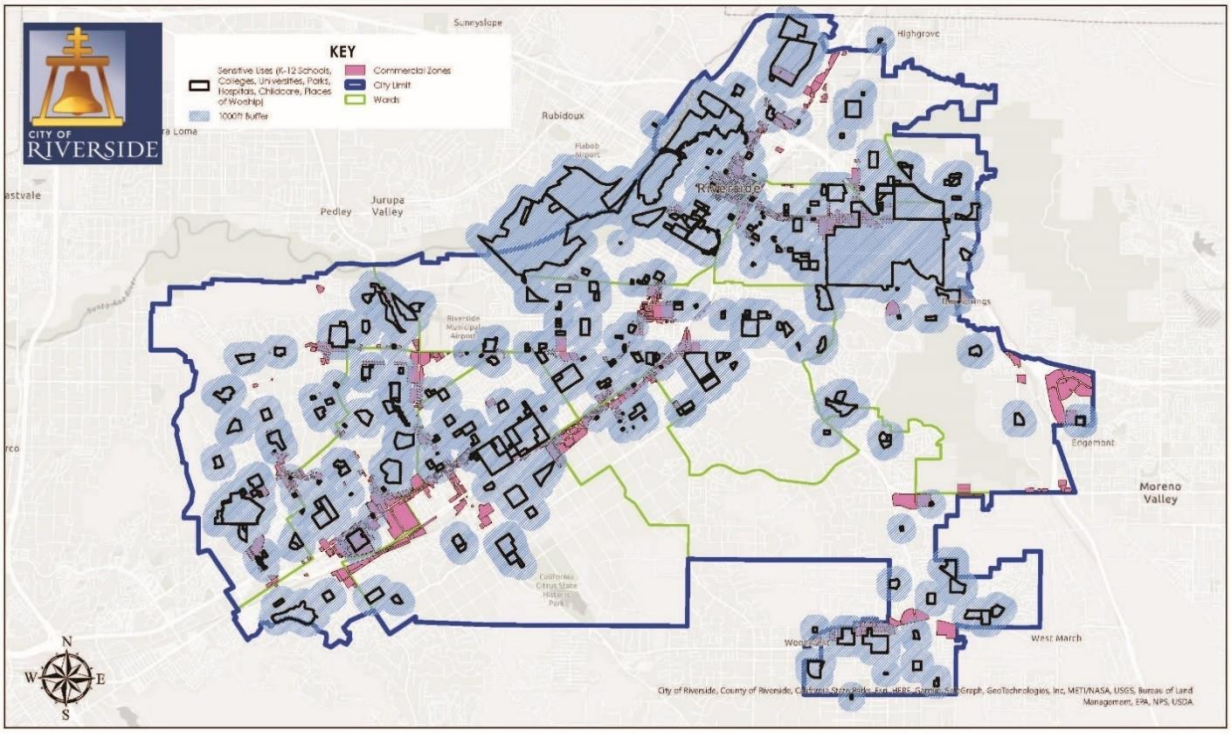


The City Council requested staff to review additional information to consider adding the following sensitive use categories:

- 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.

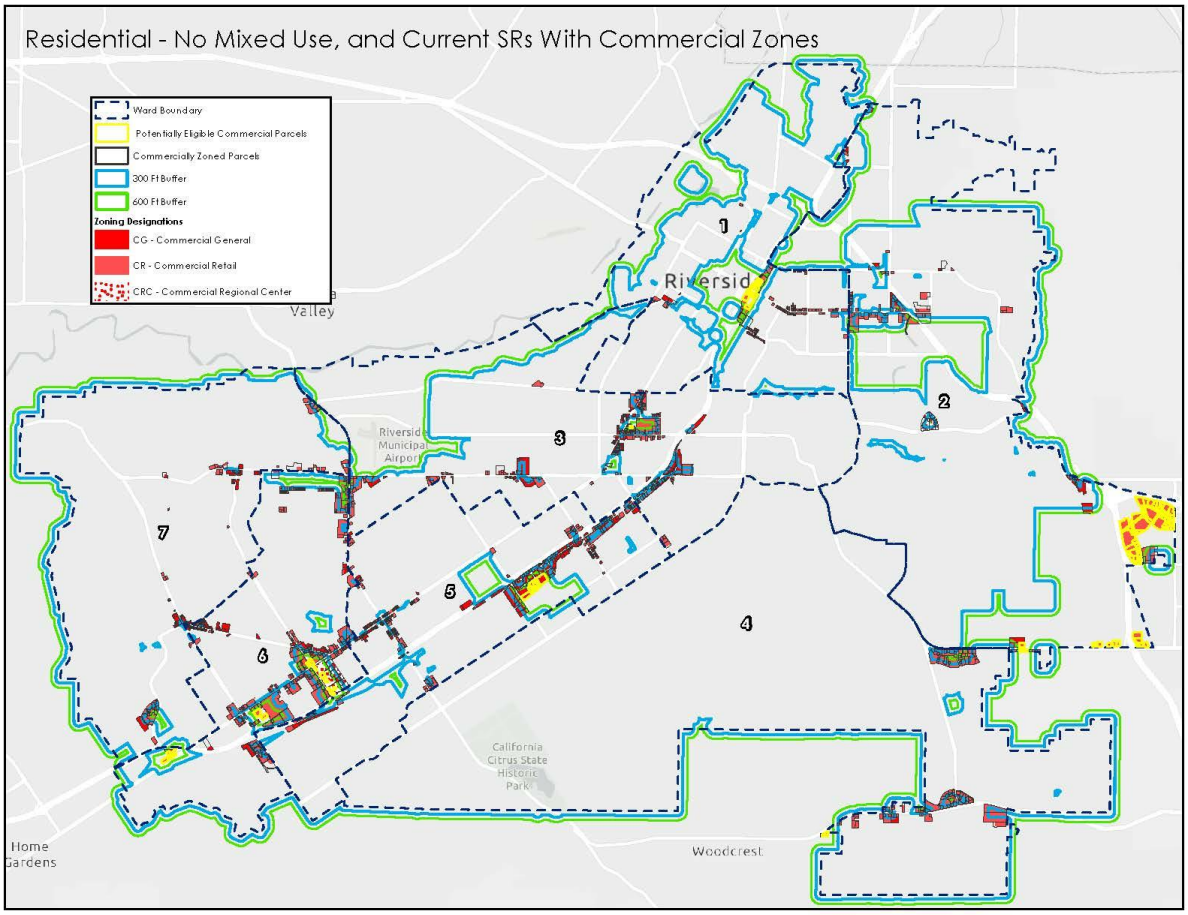
City	Schools	Daycare	Community Center	Place of Worship	Park	Library	Residential	Youth Center	Hospital
Corona	1000'	1000'	0'	0'	1000'	0'	1000'	0'	0'
Costa Mesa	1000'	1000'	0'	0'	0'	0'	250'	600'	0'
Jurupa Valley	600'	600'	0'	0'	0'	0'	0'	0'	0'
Long Beach	600'	600'	600'	0'	600'	600'	0'	0'	0'
Moreno Valley	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 mi²
Costa Mesa	35	108,354	3,096	15.81 mi²
Jurupa Valley	7	107,321	15,332	43.51 mi²
Long Beach	32	444,095	13,878	50.7 mi²
Moreno Valley	25	214,196	8,568	51.51 mi²
Palm Springs	26	54,500	2,096	94.98 mi²
Perris	No Limit	80,603	N/A	31.68 mi²
San Bernardino	17	222,101	13,065	78.15 mi²
Santa Ana	30	310,304	10,343	27.52 mi²
West Hollywood	8	34,349	4,294	1.88 mi²
Riverside	14	319,190	22,799	77.99 mi²

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

CITY COUNCIL

MINUTES

TUESDAY, MARCH 25, 2025, 1:00 P.M.
ART PICK COUNCIL CHAMBER
3900 MAIN STREET

City of Arts & Innovation

PRESENT: Mayor Lock Dawson and Councilmembers Falcone, Cervantes, Robillard, Conder, Mill, Perry, and Hemenway

ABSENT: None

Mayor Lock Dawson called the meeting to order at 1:00 p.m.

PUBLIC COMMENTS IN PERSON/TELEPHONE

Aurora Chavez spoke regarding senior programs. Ruben Soto spoke regarding Constitutional and Women Rights and religion. Hector Ruiz Romo spoke regarding animal shelters and euthanasian crisis.

CLOSED SESSIONS

The Mayor and City Council adjourned to closed sessions at 1:10 p.m. pursuant to Government Code (1) § §54956.9(d)(1) to confer with and/or receive from legal counsel concerning James Brandt v. City of Riverside, WCAB Claim No.(s): 110137-LTM, 220306/ADJ16017434, 230126; (2) §54956.9(d)(1) to confer with and/or receive advice from legal counsel concerning Mission Grove Neighborhood Alliance v. City of Riverside, Riverside Superior Court Case No. CVRI2500122; (3) §54957 for appointment/employment of Inspector General by City Council; (4) §54956.9(d)(2) to confer with and/or receive advice from legal counsel concerning anticipated litigation regarding one case; (5) §54956.9(d)(4) to confer with and/or receive advice from legal counsel concerning the City Council deciding whether to initiate litigation regarding one case; (6) §54957(a), for consultation with Larry Gonzalez, Riverside Chief of Police, or his respective deputy, and George Khalil, Chief Information Officer regarding threat to public services or facilities; and (7) §54957.6 to review the City Council's position and instruct designated representatives regarding salaries, salary schedules, or compensation paid in the form of fringe benefits of all Executive Management employees except the City Manager, City Attorney, and City Clerk, all Management and Confidential employees as defined by PERS, Fire Management Unit, Riverside City Firefighters Association, Riverside Police Officers Association (Police and Police Supervisory Units), Service Employees International Union #721, International Brotherhood of Electrical Workers #47, and Riverside Police Administrators Association.

The Mayor and City Council returned to open session at 2:11 p.m. with Mayor Lock Dawson presiding and all Councilmembers present.

DISCUSSION CALENDAR

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (CalPERS) - RETIREMENT COST-SHARING AMENDMENT - ORDINANCE ADOPTED
The City Council received a report on the adoption of an Ordinance authorizing an Amendment to the Contract between the City of Riverside and the Board of Administration of the California Public Employees' Retirement System. No one spoke on the matter.

Following discussion, it was moved by Councilmember Mill and seconded by Councilmember Falcone to waive reading and adopt an Ordinance to amend the contract between CalPERS and the City of Riverside to implement an additional retirement cost-sharing provision of one-half percent (.5%) of pensionable income for all Classic, CalPERS Level 1 & 2 Police Safety members hired before June 13, 2012, in the Unrepresented Police Management Group. The motion carried unanimously.

Whereupon the title having been read and further reading waived, Ordinance No. 7707 of the City of Riverside, California, Authorizing an Amendment to the Contract Between the City of Riverside and the Board of Administration of the California Public Employees' Retirement System, was presented and adopted.

BID 8144 - MUSEUM OF RIVERSIDE REHABILITATION AND EXPANSION - 3580 MISSION INN
The City Council received a report on Bid 8144 for Museum of Riverside rehabilitation and expansion to BNBUILDERS, Irvine, California. No one spoke on the matter.

Following discussion, it was moved by Councilmember Mill and seconded by Councilmember Falcone to continue the award of Bid 8144 for Museum of Riverside rehabilitation and expansion to BNBuilders, Irvine, to the City Council meeting on April 8, 2025. The motion carried unanimously.

Following discussion, it was moved by Councilmember Perry and seconded by Councilmember Cervantes to proceed with the (1) Mayor/Councilmembers communication; (2) Communications, and (3) Councilmembers declaration of Conflicts of Interest items prior to the 3 p.m. time on the agenda. The motion carried unanimously.

CITY COUNCIL

MINUTES

TUESDAY, MARCH 25, 2025, 1:00 P.M.
ART PICK COUNCIL CHAMBER
3900 MAIN STREET

City of Arts & Innovation

MAYOR/COUNCILMEMBER COMMUNICATIONS

Councilmember Falcone announced Ward 1 office hours at City Hall. Councilmember Cervantes reported on Bordwell Park Advisory meeting, Sycamore Canyon meeting, grand opening of the Farmhouse Collective, and Cesar Chavez holiday events throughout the City. Councilmember Robillard reported on Ohmio grand opening, a compass rose installed at the Municipal Airport, Magnolia Center Business Council, Sweet Moments at Mid-Town popup, and the Aerospace Expo. Councilmember Conder reported on Annual Chief's luncheon, 125th Inaugural Chamber of Commerce event, Major Howard Celebration of Life event, and March Air Force Base Annual Air show. Councilmember Mill reported on Community Connection meeting at Villegas Park, Latino Network meeting, Anti Racist Riverside Summit, Arlington Park Pickleball groundbreaking, Casa Blanca Community cleanup, and Community Connection at Hunt Park. Councilmember Hemenway reported on Riverside Reads at La Sierra Community Center, Third Annual Prom Dress and Suit giveaway at La Sierra Community Center, and tree planting in Ward 7. Mayor Lock Dawson inquired about prom dress donations, and reported on Riverside Reads event and Women of Distinction Luncheon hosted by Supervisor Jose Medina.

COMMUNICATIONS

CITY MANAGER UPDATE

The City Council received updates on (1) Severity Zone Maps; (2) Riverside 2050 General Plan; and (3) Emerging Leaders Academy.

COUNCILMEMBERS DECLARATION OF CONFLICTS OF INTEREST

Councilmember Mill recused himself from the agenda item regarding the Eminent Domain for the Third Street Grade Separation Project citing financial conflict of interest. Councilmember Hemenway recused from the agenda item regarding the Storefront Retail Commercial Cannabis Business Permit Procedure Guidelines.

PUBLIC HEARING

TAX EQUITY AND FISCAL RESPONSIBILITY ACT - CAL BAPTIST UNIVERSITY (CBU) SOFTBALL AND BASEBALL CLUBHOUSE - 8432 MAGNOLIA - RESOLUTION

Public Hearing was called under the Tax and Equity Fiscal Responsibility Act in connection with the proposed issuance of revenue bonds by the California Municipal Finance Authority, a Joint Exercise of Powers Authority and Public Entity of the State of California, in an amount not-to-exceed $100,000,000, to finance and refinance the 2014A CBU

Bonds, 2013 Lancer Plaza Bonds, and the construction, equipping and furnishing of CBU's Softball and Baseball Clubhouse. No one spoke regarding the matter. The public hearing was officially closed.

Following discussion, it was moved by Councilmember Mill and seconded by Councilmember Conder to (1) adopt a resolution to authorize the issuance of revenue or refunding bonds in an amount not-to-exceed $100,000,000 by the California Municipal Finance Authority on behalf of California Baptist University, (the "Borrower"), a California nonprofit corporation; and (2) authorize the City Manager, or his designee, to execute all the required documents, including making minor and non-substantive changes. The motion carried unanimously.

Whereupon, the title having been read and further reading waived, Resolution No. 24235 of the City Council of the City of Riverside, California, Approving the Issuance of Tax-Exempt and/or Taxable Revenue Bonds pursuant to a plan of Finance in a Maximum Aggregate Principal Amount not to exceed $100,000,000 by the California Municipal Finance Authority for the Purpose of Financing, Refinancing and/or Reimbursing one or more projects of California Baptist University, and Certain Other Matters Relating Thereto, was presented and adopted.

TAX EQUITY AND FISCAL RESPONSIBILITY ACT - RESIDENTIAL RENTAL PROJECT - MULBERRY GARDENS - RESOLUTION

Public Hearing was called under the Tax and Equity Fiscal Responsibility Act in connection with the proposed issuance of revenue bonds by the California Municipal Finance Authority, a Joint Exercise of Powers Authority and Public Entity of the State of California, in an amount not-to-exceed $65,000,000, to finance and refinance the acquisition, construction, development and equipping of a 150-unit qualified residential project (the "Project"), which is located at 2560 Mulberry Street within the City of Riverside, California, and authorize the City Manager or his designee to execute all required documents. No one spoke regarding the matter. The public hearing was officially closed.

Following discussion, it was moved by Councilmember Falcone and seconded by Councilmember Cervantes to (1) adopt a resolution to authorize the issuance of revenue or refunding bonds in an amount not-to-exceed $65,000,000 by the California Municipal Finance Authority on behalf of Mulberry Gardens Family, L.P., (the "Borrower"); and (2) authorize the City Manager, or his designee, to execute all the required documents, including making minor and non-substantive changes. The motion carried unanimously.

Whereupon, the title having been read and further reading waived, Resolution No. 24236 of the City Council of the City of Riverside, California, approving a Plan of Finance of the California Municipal Finance Authority to Issue and Reissue Revenue Bonds for a Qualified Residential Rental Project for the Benefit of Mulberry Gardens Family, L.P., and Certain Other Matters Relating Thereto, was presented and adopted.

Councilmember Mill recused himself from the following item and left the dais.

EMINENT DOMAIN - THIRD STREET GRADE SEPARATION PROJECT - RESOLUTIONS
Public Hearing was called to consider conducting a hearing to adopt resolutions of the City of Riverside finding and determining the public interest and necessity for acquiring and authorizing the condemnation of certain real property interests within the City of Riverside and authorizing the City Attorney to file complaints in eminent domain, and the taking of all other actions required under the City's eminent domain authority - Third Street Grade Separation Project, Federal Project No. STPL-5058 (081) and provide all parties that have an interest in the affected properties, or their representatives, an opportunity to be heard on the issues related to the Resolutions of Necessity. Three people spoke regarding the matter. The public hearing was officially closed.

Following discussion, it was moved by Councilmember Cervantes and seconded by Councilmember Falcone to (1) make the following findings described in the staff report: (a) the public interest and necessity require the proposed public project described in the staff report; (b) the proposed public project is planned and located in a manner to be most compatible with the greatest public good and the least private injury; (c) the real property interests being sought to be acquired as described in the Resolutions are necessary for the proposed public project; and (d) that the offers required by Government Code 7267.2 have been made to the owners of record; (2) adopt the Resolutions, in the forms presented at this meeting, declaring that the City Council's formal decision has been made relative to each of the foregoing findings to acquire the subject real property interests through eminent domain proceedings; (3) authorize the City Attorney to prepare and file the complaints in eminent domain and take all other actions necessary to acquire the subject real property interests; and (4) except on matters involving policy determinations to be made by the City Council, authorize the City Manager, or his designee, to prepare and execute the appropriate documents and take all other actions as required under the City's eminent domain authority. The motion carried with Councilmembers Falcone, Cervantes, Robillard, Perry, and Hemenway voting aye, Councilmember Conder voting no, and Councilmember Mill recusing.

Whereupon, the title having been read and further reading waived, Resolution No. 24237 of the City Council of the City of Riverside, California, Establishing the Public Use and Necessity for which Certain Legally Described Real Property is to be Acquired by Eminent Domain, Stating the Statutory Authority for Such Acquisition, and Authorizing Proceedings in Eminent Domain for the Purpose of the Third Street Grade Separation Project, Owner: LR Miller, APNs: 210-190-013, 023, 2665 and 2675 Third Street; Resolution No. 24238 of the City Council of the City of Riverside, California, Establishing the Public Use and Necessity for which Certain Legally Described Real Property is to be Acquired by Eminent Domain, Stating the Statutory Authority for Such Acquisition, and Authorizing Proceedings in Eminent Domain for the Purpose of the Third Street Grade Separation Project, Owner: Condor/Sun Trust, APN: 211-021-024, Vacant Land, APN: 211-021-001, 3069 Fourth Street: Resolution No. 24239 of the City Council of the City of Riverside, California, Establishing the Public Use and Necessity for which Certain Legally Described Real Property is to be Acquired by Eminent Domain, Stating the Statutory Authority for Such Acquisition, and Authorizing Proceedings in Eminent Domain for the Purpose of the Third Street Grade Separation Project, Iron Lofts, APN: 211-022-026, Vacant Land; Resolution No. 24240 of the City Council of the City of Riverside, California, Establishing the Public Use and Necessity for which Certain Legally Described Real Property is to be Acquired by Eminent Domain, Stating the Statutory Authority for Such Acquisition, and Authorizing Proceedings in Eminent Domain for the Purpose of the Third Street Grade Separation Project, Owner: Blue Banner, APNs: 210-190-014, 016, 020, 025 & 027, 2509 Third Street; Resolution No. 24241 of the City Council of the City of Riverside, California, Establishing the Public Use and Necessity for which Certain Legally Described Real Property is to be Acquired by Eminent Domain, Stating the Statutory Authority for Such Acquisition, and Authorizing Proceedings in Eminent Domain for the Purpose of the Third Street Grade Separation Project, Owner: County of Riverside, APNs: 211-021-003 thru 005, 022, 027, 2530, 2544, 2570 & 2580 Third Street & 3315 Park Avenue; Resolution No. 24242 of the City Council of the City of Riverside, California, Establishing the Public Use and Necessity for which Certain Legally Described Real Property is to be Acquired by Eminent Domain, Stating the Statutory Authority for Such Acquisition, and Authorizing Proceedings in Eminent Domain for the Purpose of the Third Street Grade Separation Project, Owner: CLPH BF (Cube Smart), APN: 213-060-026, Vacant Land; Resolution No. 24243 of the City Council of the City of Riverside, California, Establishing the Public Use and Necessity for which Certain Legally Described Real Property is to be Acquired by Eminent Domain, Stating the Statutory Authority for Such Acquisition, and Authorizing Proceedings in Eminent Domain for the Purpose of the Third Street Grade Separation Project, Owner: Realty Income, (a) Smart & Final, APN: 213-142-015, 3310 Vine Street, and (b) Office Max, APN: 213-142-028, 3350 Vine

Street; and Resolution No. 24244 of the City Council of the City of Riverside, California, Establishing the Public Use and Necessity for which Certain Legally Described Real Property is to be Acquired by Eminent Domain, Stating the Statutory Authority for Such Acquisition, and Authorizing Proceedings in Eminent Domain for the Purpose of the Third Street Grade Separation Project, Owner: Gilmore Trust, APN: 211-022-003, 3496 Commerce Street (vacant land), were presented and adopted.

The Mayor and City Council recessed at 3:50 p.m. and reconvened at 6:15 p.m. with Mayor Lock Dawson presiding and all Councilmembers present.

Councilmember Hemenway gave the invocation and led the Pledge of Allegiance.

PUBLIC COMMENTS IN PERSON/TELEPHONE

Patrick Maloney spoke regarding the passing of Gino Mateo, parking enforcement downtown, and cannabis. Jason Hunter spoke regarding Fire Severity Zone, and Riverside Transmission Reliability Project (RTRP). Elizabeth Atkinson spoke regarding Laundry of Love Riverside Community Support Grant Program.

PRESENTATIONS

NATIONAL CRIME VICTIMS' RIGHTS WEEK

Mayor Lock Dawson presented a Proclamation to Riverside County Director of Victims' Services Melissa Donaldson recognizing National Crime Victims' Rights Week, April 6-10, 2025.

ZERO WASTE DAY

Mayor Lock Dawson presented a Proclamation to City of Riverside Public Works Solid Waste Division, Keep Riverside Clean and Beautiful, and Repeat Reuse recognizing March 30, 2025, as Zero Waste Day.

CESAR CHAVEZ DAY

Mayor Lock Dawson presented a Proclamation to Arturo Alcaraz of the Latino Network recognizing March 31, 2025, as Cesar Chavez Day.

RIVERSIDE PROSPERS SUCCESS REPORT

Councilmember Falcone gave a report on Dapper Dine and Lounge.

CITY COUNCIL

MINUTES

TUESDAY, MARCH 25, 2025, 1:00 P.M.
ART PICK COUNCIL CHAMBER
3900 MAIN STREET

City of Arts & Innovation

CONSENT CALENDAR

It was moved by Councilmember Hemenway and seconded by Councilmember Perry to approve the Consent Calendar as presented affirming the actions appropriate to each item. The motion carried with Mayor Lock Dawson voting aye on the Board and Commissions appointments and resignation.

LEGAL SERVICES AGREEMENT - SPECIALIZED LEGAL SERVICES FOR WATER RIGHTS ISSUES

The City Council added Wanger Jones & Helsley PC to the panel of approved attorneys for the City, approved a three-year legal services agreement with the law firm of Wanger Jones & Helsley PC and authorized the City Attorney or designee to execute the legal services agreement.

RECORDS RETENTION SCHEDULE - CITYWIDE STANDARDS – AUTHORIZE DESTRUCTION OF CERTAIN CITY RECORDS AND REPEAL RESOLUTION NO. 23548 - RESOLUTION

The City Council adopted a Resolution adopting the Records Retention Schedule: Citywide Standards for all City departments, authorizing the destruction of certain City records, and repealing Resolution No. 23548; whereupon, the title having been read and further reading waived, Resolution No. 24245 of the City Council of the City of Riverside, California, Adopting the Records Retention Schedule: City-Wide Standards for all City Departments and Authorizing the Destruction of Certain City Records and Repealing Resolution No. 23548, was presented and adopted.

BOARD AND COMMISSION APPOINTMENTS AND RESIGNATION

The Mayor and City Council (1) appointed Steven Herrera to the Cultural Heritage Board Ward 2 seat for a term through March 1, 2028; (2) appointed Judy Teunissen to the Planning Commission Ward 4 seat for a term through March 1, 2029; and (3) filed the resignation of Jamal Myrick from the Human Relations Commission Citywide seat effective immediately.

MINUTES

The minutes of the meetings on February 25, March 4, and 11, 2025

2023-24 ANNUAL AUDIT REPORT FROM EXTERNAL INDEPENDENT AUDITOR

The City Council approved the City Council Finance Committee recommendation to receive and ordered filed the annual audit reports from external independent auditor CliftonLarsonAllen LLP, on City of Riverside financial results for 2023-2024, as required by Riverside City Charter.

2025 COMMUNITY SUPPORT GRANT PROGRAM
The City Council approved the Human Relations Commission recommendation to approve the award of two one-thousand-dollar grants to Adrian Dell and Carmen Roberts Foundation and Laundry of Love Riverside as part of the Community Support Grant program.

LOCAL HAZARD MITIGATION PLAN 2023 ANNEX - FEDERAL DISASTER MITIGATION AND COST REDUCTION ACT OF 2000 - RESOLUTION
The City Council adopted a Resolution authorizing the acceptance of the City of Riverside Local Hazard Mitigation Plan Annex from the Riverside County Operational Area Multi-Jurisdictional Local Hazard Mitigation Plan; whereupon, the title having been read and further reading waived, Resolution No. 24246 of the City Council of the City of Riverside, California, Adopting the City of Riverside Local Hazard Mitigation Plan 2023 Annex from the Riverside County Operational Area Multi-Jurisdictional Local Hazard Mitigation Plan as Required by the Federal Disaster Mitigation and Cost Reduction Act of 2000, was presented and adopted.

EMERGENCY OPERATIONS PLAN 2025 - REPEALING RESOLUTION NO. 22151 - EMERGENCY SUPPORT FUNCTION - RESOLUTION
The City Council (1) adopted a resolution approving the City of Riverside's Emergency Operations Plan, Basic Plan; (2) authorized the City Manager as the Director of Emergency Services of the City of Riverside or his/her designee to amend the Emergency Operations Plan to make those changes which may become necessary in the future to keep the plan current, functional, and in accordance with State and Federal guidelines; (3) authorized the City Manager as the Director of Emergency Services to approve new and updated Emergency Support Function (ESF) Annexes, Hazard Annexes to the Emergency Operations Plan, and subsidiary plans as needed to keep plans current, functional, and in accordance with State and Federal Guidelines; whereupon, the title having been read and further reading waived, Resolution No. 24247 of the City Council of the City of Riverside, California, Approving the City of Riverside Emergency Operations Plan 2025; and Repealing Resolution No. 22151, was presented and adopted.

PERMANENT LOCAL HOUSING ALLOCATION PROGRAM SUBRECIPIENT AGREEMENTS - FOR AT-RISK INDIVIDUALS EXPERIENCING HOMELESSNESS CASE MANAGEMENT SERVICES - AFFORDABLE HOUSING UNITS DEVELOPMENT - 11049 BOGART - RESOLUTION - SUPPLEMENTAL APPROPRIATION

The City Council (1) approved of a Permanent Local Housing Allocation Program Subrecipient Agreement with Kingdom Causes, Inc., dba City Net for $1,384,133.83 for case management services for those at risk or experiencing homelessness; (2) approved of a Permanent Local Housing Allocation Program Loan Agreement with Sunrise at Bogart, L.P. for $380,562 of Permanent Local Housing Allocation Program funds for the development of 22 affordable housing units and a manager's unit located at 11049 Bogart Street in Ward 7; (3) approved of a Second Amendment to Permanent Local Housing Allocation Program Loan Agreement with The Aspire, L.P. for $501,887.75 of Permanent Local Housing Allocation Program funds for the development of 32 affordable housing units and a manager's unit located at 3861 Third Street in Ward 1; and (4) adopted a Resolution authorizing the City Manager, or designee, to submit a Senate Bill 2 Permanent Local Housing Allocation Program application for $2,456,50 to the California Department of Housing and Community Development, and authorizing the City Manager, or designee, to accept and receive such funds and to execute any documents necessary to secure such award and administer the grant; whereupon, the title having been read and further reading waived, Resolution No. 24248 of the City Council of the City of Riverside, California, Authorizing the Application for, and Receipt, of Permanent Local Housing Allocation Funds under the SB 2 Permanent Entitlement Jurisdiction Component from the Building Homes and Jobs Trust Fund, was presented and adopted.

SUBRECIPIENT AGREEMENT - HOMELESS HOUSING, ASSISTANCE AND PREVENTION PROGRAM ROUND 3 - MOTEL ROOMS CONVERSION INTO STUDIO UNITS - 1590 UNIVERSITY

The City Council (1) approved a Subrecipient Agreement for the Homeless Housing, Assistance and Prevention Program Round 3 with Riverside Housing Development Corporation to provide $250,000 in grant funds to cover the predevelopment costs for the acquisition and conversion of 114 motel rooms into studio units; and (2) authorized the City Manager, or designee, to execute the Subrecipient Agreement with Riverside Housing Development Corporation, including making minor and non-substantive changes.

JOINT APPLICATION - DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT - HOMEKEY+ PROGRAM FUNDS - SUNRISE AT BOGART LIMITED PARTNERSHIP AFFORDABLE HOUSING PROJECT - RESOLUTION

The City Council (1) adopted a Resolution authorizing the City Manager, or designee, to submit a joint application between the City of Riverside and Sunrise at Bogart L.P. to the State of California Department of Housing and Community Development for $4,400,000 of Homekey+ Program funds for the development of the Sunrise at Bogart Affordable Housing project; (2) authorized the City Manager, or designee, to sign any documents that may be required to apply for and receive Homekey+ funds, including making minor or non-substantive changes; and (3) authorized the Chief Financial Officer, or designee, to record an increase in revenue in the amount of $4,400,000, or the amount of the grant award, and appropriate expenditures in the same amount in the Grants and Restricted Programs Fund, Homekey+ project revenue and expenditure accounts; whereupon, the title having been read and further reading waived, Resolution No. 24249 of the City Council of the City of Riverside, California, Authorizing the Submission of a Joint Application to the Department of Housing and Community Development for Homekey Plus Funding for the Sunrise at Bogart Limited Partnership Affordable Housing Project and Authorizing the Execution of all Required Documents by the City Manager or his Designee and Related Participation, was presented and adopted.

PURCHASE - 16-PASSENGER PARATRANSIT VEHICLES

The City Council (1) approved the purchase of twelve 16-passenger paratransit vehicles for the Special Transportation Division in the amount of $2,485,114.41 with A-Z Bus Sales, Inc., in accordance with Purchasing Resolution No. 24101, Section 602 (f); and (2) authorized the City Manager, or designee, to execute the purchase orders and all change orders with A-Z Bus Sales, Inc., including making minor and non-substantive changes.

BID AWARD 8110 - - NICHOLS PARK PLAYGROUND, SHADE STRUCTURE, AND RESILIENT SURFACING INSTALLATION PROJECT - SUPPLEMENTAL APPROPRIATION - INTERFUND TRANSFER

The City Council(1) rescinded award of Bid 8110 with Zeco, Inc., Santa Ana, in the amount of $234,850; (2) authorized the Chief Financial Officer, or designee, to record a supplemental appropriation and interfund transfer in the amount of $10,772.28 from the General Fund to the Capital Outlay Fund, and appropriate the same amount in the Capital Outlay Fund for the Citywide Park Improvements Project – Nichols Park Playground Project revenue and expenditure accounts; (3) awarded Bid 8110 to Pacific

Tide Construction, Northridge, in the amount of $222,867.20 for the Nichols Park Playground, Shade Structure, and Resilient Surfacing Installation Project; (4) authorized 10 percent change order authority in an amount up to $22,286.72 for project changes including, but not limited to, unforeseen conditions or necessary design changes, for a total contract amount not-to-exceed $245,153.92; and (5) authorized the City Manager, or designee, to execute a Construction Agreement with Pacific Tide Construction of Northridge, a including making minor and non-substantive changes.

PURCHASE - DRONES AND ADVANCED TRAINING COURSE - SMALL UNMANNED AIRCRAFT SYSTEMS PILOTS - ILLEGAL FIREWORKS ENFORCEMENT

The City Council authorized the Chief Financial Officer, or designee, to record a supplemental appropriation from Measure Z available fund balance in the amount of $86,106.93 to the Measure Z, Police Field Operations, Special Department Supplies account for the purchase of drones and an advanced training course for small, unmanned aircraft systems pilots to enhance illegal fireworks enforcement.

RIVERSIDE MUNICIPAL CODE AMENDMENTS - UNIFORM APPEAL PROCEDURE FOR BUSINESSES AND PERMITS – ORDINANCE ADOPTED

The City Council adopted an ordinance to amend Chapters 1.17, 5.28, 5.40, 5.52, 5.80, 5.90, 5.95, 6.24, 9.40, 9.42, and 9.60 of the Riverside Municipal Code to include a uniform appeal procedure for various types of businesses and their permits, including the extraordinary police response bill procedure; whereupon, the title having been read and further reading waived, Ordinance No. 7708 of the City of Riverside, California, Amending Chapters 1.17, 5.28, 5.40, 5.52, 5.80, 5.90, 5.95, 6.24, 9.40, 9.42, and 9.60 of the Riverside Municipal Code to Include a More Uniform Appeal Procedure for Various Types of Businesses and their Permits, as Well as the Extraordinary Police Response Bill Process Pursuant to Chapter 9.60. with Amendments Thereto, was presented and adopted.

RESIDENTIAL HEAT PUMP REBATE PROGRAM INCREASE

The City Council approved (1) increasing the heat pump program annual budget from $375,000 to $2,000,000; and (2) maintaining the current rebate amount of $750 per ton for future years.

AGREEMENT AMENDMENT - POWER PLANT CONTROL SYSTEM ENGINEERING AND CONSULTING SERVICES - RIVERSIDE ENERGY RESOURCE CENTER AND SPRINGS POWER PLANT

The City Council (1) approved the fourth amendment to the Professional Consultant Services Agreement with Wunderlich-Malec Engineering, Inc., Gilbert, Arizona, for power plant control system engineering and consulting services at the Riverside Energy Resource Center and Springs Power Plant for a three-year term ending June 30, 2028, in the amount of $180,000, for a total agreement amount of $630,000; and (2) authorized the City Manager, or designee, to execute the fourth amendment to the Professional Consultant Services Agreement with Wunderlich-Malec Engineering, Inc., including the ability to make non-substantive changes.

MOBILE BARRIERS, TRAILERS, BEAM GATE SYSTEM, RELATED EQUIPMENT, AND CERTIFIED DEPLOYMENT TRAINING - SPECIAL EVENT TRAFFIC SAFETY MEASURES

The City Council approved a purchase with Meridian Rapid Defense Group for mobile barriers, trailers and related equipment in the amount of $750,000, for special event traffic safety measures.

DISCUSSION CALENDAR

WAIVE ATTORNEY-CLIENT PRIVILEGE REGARDING THE SECOND LEGAL OPINION - REAFFIRM POLICY EXCEPTING CERTAIN TYPES OF PROJECTS FROM SECTION 1109 OF CITY CHARTER

The City Council received a report to consider waiving the attorney-client privilege for discussion of second legal opinion from outside counsel regarding the adoption of a resolution reaffirming the policy excepting certain types of projects from Section 1109 of the Riverside City Charter as authorized by Resolution No. 24224. One person spoke on the matter.

Following discussion, it was moved by Councilmember Mill and seconded by Councilmember Falcone to waive attorney-client privilege regarding the second legal opinion provided by outside counsel firm Redwood Public Law LLP, regarding the adoption of a resolution reaffirming the policy excepting certain types of projects from Section 1109 of the Riverside City Charter as authorized by Resolution No. 24224. The motion carried unanimously.

STOREFRONT RETAIL COMMERCIAL CANNABIS BUSINESS PERMIT PROCEDURE GUIDELINES AND APPLICATION REVIEW

The City Council received a report to consider amending the Riverside Municipal Code Chapter 5.77 and Storefront Retail Commercial Cannabis Business Permit Procedure Guidelines. Twenty-five people spoke on the matter.

Following discussion, it was moved by Councilmember Cervantes and seconded by Councilmember Falcone to (1) 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; (2) 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; (3) hold on any action for transfer of sales; (4) prohibit the transfer of permits for the first year; (5) final authority to approve or deny permit transfer process be brought to the City Council; (6) amend the zoning code to prohibit CCB storefronts in Downtown and Midtown; and (7) not proceed with adding any other residential zoning or sensitive uses other than what has already been identified. The motion carried with Councilmembers Falcone, Cervantes, Robillard, and Mill voting aye, Councilmembers Conder and Perry voting no, and Councilmember Hemenway recusing.

CITY COUNCIL

MINUTES

TUESDAY, MARCH 25, 2025, 1:00 P.M.
ART PICK COUNCIL CHAMBER
3900 MAIN STREET

City of Arts & Innovation

COMMUNICATIONS

CITY ATTORNEY REPORT ON CLOSED SESSIONS
Interim City Attorney Liu announced that there were no reportable actions taken during closed sessions.

ITEMS FOR FUTURE CITY COUNCIL CONSIDERATION
Councilmember Falcone requested a report on Smoke Shops referred to the Land Use Committee within 4 – 6 months.

The City Council adjourned the meeting at 9:18 p.m.

Respectfully submitted,

DONESIA GAUSE
City Clerk

Chapter 19.150 BASE ZONES PERMITTED LAND USES

…

19.150.020 Permitted land uses.

Table 19.150.020 A. (Permitted Uses Table), Table 19.150.020 B. (Incidental Uses Table) and Table 19.150.020 C. (Temporary Uses Table) in Chapter 19.150 (Base Zones Permitted land uses) identify permitted uses, permitted accessory uses, permitted temporary uses, and uses permitted subject to the approval of a minor conditional use permit (Chapter 19.730 - Minor Conditional Use Permit), or conditional use permit (Chapter 19.760 - Conditional Use Permit), or uses requiring some other permit. Table 19.150.020 A. also identifies those uses that are specifically prohibited. Uses not listed in tables are prohibited unless the Community & Economic Development Department Director, or his/her designee, pursuant to Chapter 19.060 (Interpretation of Code), determines that the use is similar and no more detrimental than a listed permitted or conditional use. Any use which is prohibited by state and/or federal law is also strictly prohibited.

Chapter 19.149 - Airport Land Use Compatibility includes additional Airport Land Use Compatibility Plan requirements for discretionary actions proposed on property located within an Airport Compatibility Zone. When located within an Airport Land Use Compatibility Zone, greater land use, restrictions for airport compatibility may apply per the applicable Airport Land Use Compatibility Plan.

(Ord. 7630 § 3, 2023; Ord. 7573 § 1(Exh. A), 2021; Ord. 7552 §6, 2021; Ord. 7431, § 1(Exh. A), 2-20-2018; Ord. 7331 §12, 2016; Ord. 7273 §1, 2015; Ord. 7222 § 3, 2013; Ord. 7110 §§2, 3, 4, 2011; Ord. 7109 §§4, 5, 2010; Ord. 7072 §1, 2010; Ord. 7064 §9, 2010; Ord. 6966 §1, 2007)

19.150.020.A Permitted Uses Table

This table identifies permitted uses and uses requiring approval of other permits by zoning designation. In addition to these uses, other incidental and temporary uses may also be permitted as noted in the Incidental Uses Table and the Temporary Uses Table.

Use	Zones																				Location of Required Standards in the Municipal Code
	Residential Zones (Residential Conservation (RC), Residential Agricultural (RA-5), Rural Residential (RR), Residential Estate (RE), Single-Family Residential (R-1), Multiple Family Residential (R-3 and R-4))							Office & Commercial Zones (Office, Commercial Retail, Commercial General, Commercial Regional Center)				Mixed Use Zones (Neighborhood, Village, Urban)			Industrial Zones (Business Manufacturing Park, General Industrial, Airport Industrial, Airport)				Other Zones (Public Facilities, Railroad, Neighborhood Commercial Overlay)			
	RC**	RA-5**	RR	RE	R-1	R-3	R-4	O	CR	CG	CRC*	MU-N	MU-V*	MU-U*	BMP	I	AI	AIR	PF	RWY	NC Overlay	
Cannabis Cultivation	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	See Also Incidental Uses Table
Cannabis, Microbusiness	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	
Cannabis Storefront Retail																						See Retail Sales. Additional location restrictions apply. See Chapter 5.77 – Cannabis Business Activities
Cannabis Testing Laboratory																						See Laboratories - Research
Cannabis Warehouse/Distribution																						See Warehouse & Distribution Facilities

* = For CRC, MU-U and MU-V Zones a Site Plan Review Permit (Chapter 19.770) is required for any new or additions/changes to existing buildings or structures.

** = For a more detailed listing of the permitted land uses in the RA-5 and RC Zones, refer to Sections 19.100.030.A (RA-5 Zone Permitted Uses) and 19.100.030.B (RC Zone Permitted Uses). If any conflict between this Table and Sections 19.100.030.A and 19.100.030.B exists, the provisions of Sections 19.100.030.A and 19.100.030.B shall apply.

*** = Refer to Chapter 19.149 - Airport Land Use Compatibility and applicable Airport Land Use Compatibility Plan for airport land use compatibility zones where use may be strictly prohibited.

C = Subject to the granting of a conditional use permit (CUP), Chapter 19.760

MC = Subject to the granting of Minor Conditional Use Permit (MCUP), Chapter 19.730

P = Permitted

PRD = Planned Residential Development Permit, Chapter 19.780

SP = Site Plan Review Permit, Chapter 19.770

sq. ft. = Square Feet

RCP = Recycling Center Permit, Chapter 19.870

X = Prohibited

[1] Commercial Storage Facilities are permitted in all zones with the Commercial Storage Overlay Zone (Chapter 19.190).

[2] Legal, existing duplexes built prior to the adoption of this Zoning Code are permitted in the R-1-7000 Zone see 19.100.060 D.

[3] Allowed with a Planned Residential Development (PRD) Permit, Chapter 19.780.

[4] One single-family detached dwelling allowed on one legal lot 0.25 acres in size or less in existence prior to January 1, 2018 subject to the development standards of the R-1-7000 Zone.

[5] Permitted or conditionally permitted on sites that do not include a residential use.

[6] For Clean Energy Uses and associated Outdoor Storage (Chapter 19.510) and/or Indoor Vehicle Repair (Chapter 19.420), permitted with a Minor Conditional Use Permit.

[7] Allowed for Two-Unit Developments pursuant to Chapter 19.443.

(Ord. 7683, § 9(Exh. F), 2024; Ord. 7660, § 1(Exh. A), 2024; Ord. 7652 § 3(Exh. B), 2023; Ord. 7630 § 4(Exh. A), 2023; Ord. 7592 § 4(Exh. D), 2022; Ord. 7587, § 2(Exh. A), 2022; Ord. 7573 § 1(Exh. A), 2021; Ord. 7552 §7(Exh. C), 2021; Ord. 7541, § 6(Exh. C), 2020; Ord. 7528 § 1(Exh. A), 2020; Ord. 7520 § 1(Exh. A); Ord. 7505 § 1(Exh. A), 2020; Ord. 7487 § 13(Exh. D), 11-5-2019; Ord. 7462, § 2(Exh. A), 2019; Ord. 7431 § 3(Exh. A), 2018)

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SR-60
FAIRGROUNDS ST
LA CADENA DR
I-215
SR-91
BUENA VISTA AVE
BROCKTON AVE
SECOND ST
Downtown
PINE ST
SIXTH ST
MARKET ST
THIRD ST
TENTH ST
ELEVENTH ST
THIRTEENTH ST
FOURTEENTH ST
FIFTEENTH ST
UNIVERSITY AVE
GREGORY RD
TEQUESQUITE AVE
PALM AVE
NORTON PL
MAGNOLIA AVE
TERRACINA DR
0
0.5
1
Miles
NORTH


JURUPA AVE
ELENOR ST
ELIZABETH ST
TIPPERARY WAY
GARDENA DR
DEWEY AVE
MERRILL AVE
SUNNYSIDE DR
SR-91
CENTRAL AVE
MIDTOWN
MAGNOLIA AVE
BROCKTON AVE
PALM AVE
EL MOLINO AVE
ARLINGTON AVE
RIVERSIDE AVE
MC MAHON ST
MC KINLEY ST
WASHINGTON ST
INDIANA AVE
MARGUERITA AVE
MARY ST
0
0.25
0.5
Miles
NORTH

ORDINANCE NO.

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF RIVERSIDE, CALIFORNIA, AMENDING CHAPTER 5.77 THE RIVERSIDE MUNICIPAL CODE REGARDING CANNABIS BUSINESS ACTIVITIES.

The City Council of the City of Riverside does ordain as follows:

Section 1: Section 5.77.100.C of the Riverside Municipal Code is amended as follows:

"Section 5.77.100 Maximum number and type of authorized cannabis businesses permitted.

C. The maximum number of cannabis storefront retail uses that shall be permitted to operate in the City shall be no more than fourteen (14) permittees. A maximum of one (1) permit per ward."

Section 2: Section 5.77.140A of the Riverside Municipal Code is amended as follows:

"Section 5.77.140 Exercise of a ~~c~~Cannabis ~~b~~Business ~~p~~Permit.

A. A ~~c~~Cannabis ~~b~~Business ~~p~~Permit shall be exercised within 12 months of the final selection process, as defined by the procedure guideline and review criteria. A ~~c~~Cannabis ~~b~~Business ~~p~~Permit shall be considered exercised shall be when ~~any~~all of the following occur:"

Section 3: Section 5.77.270 of the Riverside Municipal Code is amended as follows:

"Section 5.77.270 Transfer of ~~c~~Cannabis ~~b~~Business ~~p~~Permit.

A. The owner of a ~~c~~Cannabis ~~b~~Business ~~p~~Permit ("transferor") shall not transfer ownership or control of the permit to another person or entity ("transferee") unless and until the transferee obtains an amendment to the permit from the City ~~Manager~~Council stating that the transferee is now the permittee.

1. Such an amendment may be obtained only if the transferee files an application with the City Manager in accordance with the provisions of this chapter (as though the transferee were applying for an original ~~c~~Cannabis ~~b~~Business ~~p~~Permit).

2. The transferee's application must demonstrate that the transferor has exercised its Cannabis Business Permit as provided in Section 5.77.140 and been in continuous operation with the full ownership team/structure as identified in the transferor's Cannabis Business Permit application for a minimum of one year before the transfer application was submitted.

~~2~~3. The proposed transferee's application shall be accompanied by a transfer fee in an amount set by resolution of the City Council (or if not set, shall be the same amount as the application fee).

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3750 UNIVERSITY AVE., STE. 250
RIVERSIDE, CA 92501
(951) 826-5567

~~3~~4. The transferee's application will be treated as a new application and will be evaluated according to procedures adopted by the City Manager, pursuant to Section 5.77.~~440~~450, and must result in a score equal to or greater than the score received by the transferor.

B. Cannabis ~~b~~Business ~~p~~Permits issued through the grant of a transfer by the City ~~Manager~~ Council shall be valid for a period of one year beginning on the day the City ~~Manager~~Council approves the transfer of the permit.

. . ."

Section 4: Section 5.77.320 of the Riverside Municipal Code is amended as shown on Exhibit "A" attached hereto and incorporated herein.

Section 5: Section 5.77.340.D of the Riverside Municipal Code is amended as follows:

"Section 5.77.340 Records and recordkeeping.

D. 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 ~~upon request~~for review on April 15 and December 15 of each year."

Section 6: The City Council has reviewed the matter and, based upon the facts and information contained in the staff reports, administrative record, and written and oral testimony, hereby finds that this ordinance is not subject to CEQA pursuant to Section 15061(b)(3) (General Rule), as it can be seen with certainty that approval of the project will not have an effect on the environment.

Section 7: The City Clerk shall certify to the adoption of this ordinance and cause publication once in a newspaper of general circulation in accordance with Section 414 of the Charter of the City of Riverside. This ordinance shall become effective on the 30th day after the date of its adoption but shall not be operative and enforced by the City of Riverside until approved by the voters of the City of Riverside in compliance with California law.

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CITY ATTORNEY'S OFFICE
3750 UNIVERSITY AVE., STE. 250
RIVERSIDE, CA 92501
(951) 826-5567

ADOPTED by the City Council this _____ day of _____, 2025.

_____
PATRICIA LOCK DAWSON
Mayor of the City of Riverside

Attest:

_____
DONESIA GAUSE
City Clerk of the City of Riverside

I, Donesia Gause, City Clerk of the City of Riverside, California, hereby certify that the foregoing ordinance was duly and regularly introduced and adopted at a meeting of the City Council on the _____ day of _____, 2025, by the following vote, to wit:

Ayes:

Noes:

Absent:

Abstain:

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the City of Riverside, California, this _____ day of _____, 2025.

_____
DONESIA GAUSE
City Clerk of the City of Riverside

\\Rc-citylaw\cycom\WPDOCS\D017\P043\00934528
22-2104.82 TAT 04/17/25

EXHIBIT "A"

"Section 5.77.320 Location and design of cannabis businesses.

A. A cannabis business must meet land use and building standards pursuant to Title 16, Title 17, Title 18, and Title 19 of this Code, including:

1. Conform with the City's general plan, any applicable specific plan, master plan, and design requirements.

. . .

4. A cannabis business shall not be located on a parcel that is within 1,000 feet of another parcel containing a cannabis business, measured in a straight line from the closest property line of the proposed location to the closest property line of the parcel containing the other cannabis business. In addition, no cannabis business shall be located within 1,000 feet on another cannabis business, measured from entrance to entrance, even if located on the same parcel.

5. The located and design of a cannabis business shall be compatible with a business operating under the Alcoholic Beverage Control (ABC) rules and regulations rendering an existing ABC business non-compliant.

6. A cannabis business is prohibited from operating within the boundaries of the Downtown and Midtown areas as identified of the following figures.

Figure 5.77.320.A.6-1: Downtown Boundary Map

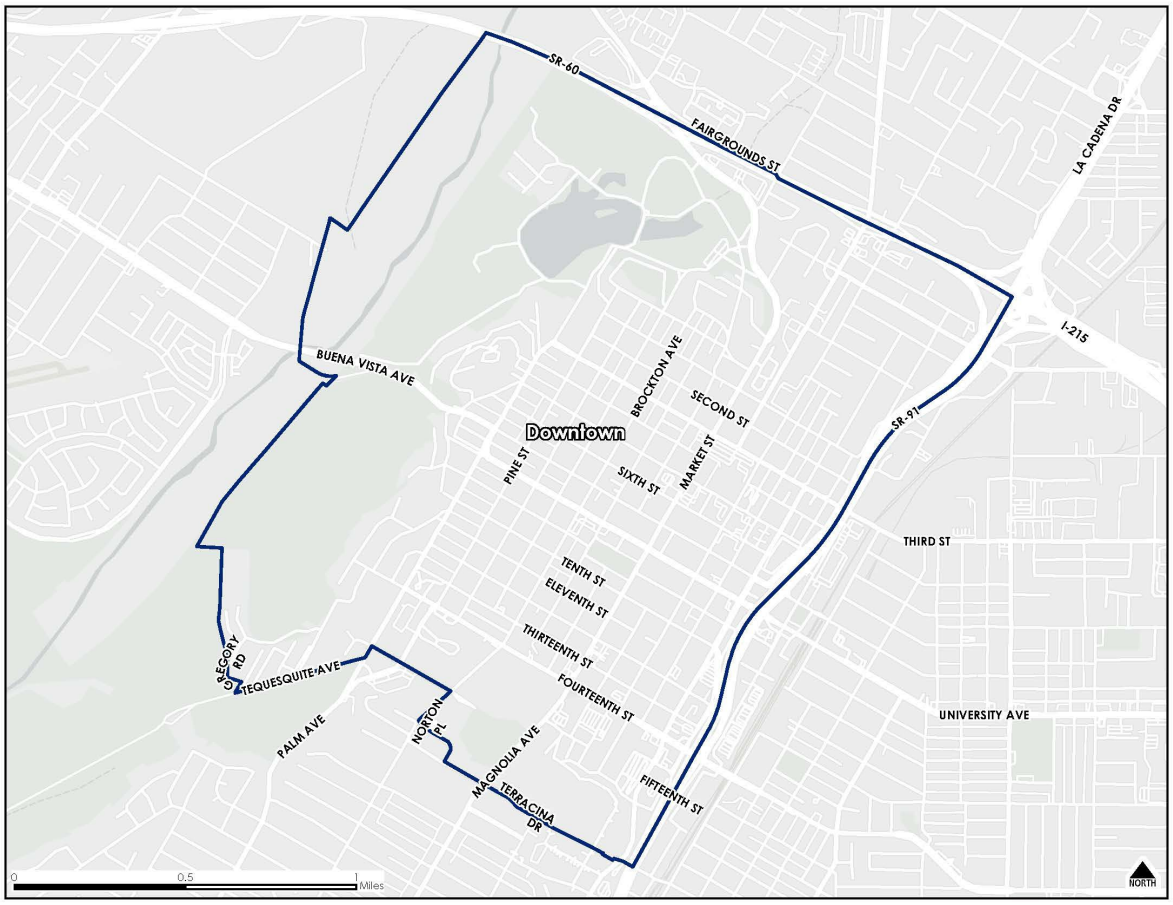
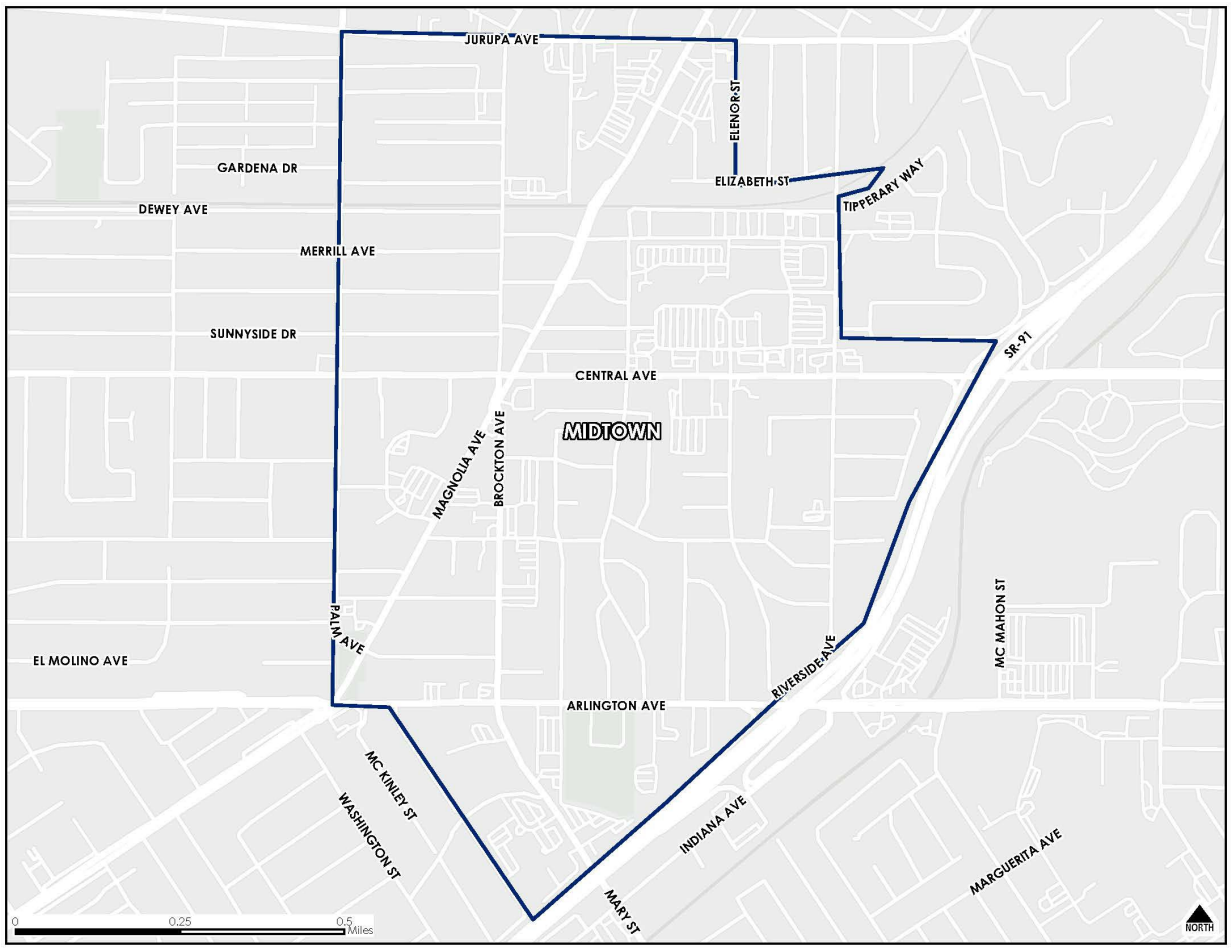


Figure 5.77.320.A.6-2: Midtown Boundary Map



B. A cannabis business must meet the following rules relating to proximity to sensitive uses:

1. The use shall be no closer than 600 or 1,000 feet from any parcel in the City designated as a sensitive use under this section that is in existence at the time the permit is issued.

. . .

3. Sensitive uses and corresponding minimum separation distances include:

a. A school providing instruction in kindergarten or any grades 1 through 12, (whether public, private, or charter, including pre-school, transitional kindergarten, and K-12) (1,000 feet).

. . .

d. A park (600 feet).

4. Exceptions.

a. Pursuant to its authority under California Business and Professions Code Section 26054, the City hereby establishes a zero-foot radius buffer for youth centers for cannabis businesses permitted under this chapter.

. . .

c. During the annual Cannabis Business Permit renewal process, a permitted Cannabis Business shall not be deemed non-compliant as a result of sensitive uses that came into existence after the issuance of the Cannabis Business Permit that is being renewed."

Exhibit D

CITY OF RIVERSIDE STOREFRONT RETAIL COMMERCIAL CANNABIS BUSINESS PERMIT – PREFERRED LOCATIONS

Satisfaction of Preferred Location

Pursuant to Section III.D.2.a(ii)(b) of the City of Riverside Storefront Retail Commercial Cannabis Business Permit Procedure Guidelines and Application Review Criteria, below is a list of the preferred locations for the 14 top ranked Cannabis Business Permit Applicants.

Beginning with the applicant that is ranked number one (1) during Phase 1, the Independent Facilitator reviewed the applicants' preferred locations and confirmed that the locations have not been identified and selected as a preferred location by a higher ranked applicant.

The posting of this notice on the City's website does not constitute written evidence of permission given by the City of Riverside or any of its officials to operate a Cannabis Business at the listed preferred locations, nor does it establish a "permit" within the meaning of the Permit Streamlining Act, nor does it create an entitlement or vested right under the Zoning or Building Code.

RANK	BUSINESS NAME	PREFERRED SITE LOCATION	WARD
1	STIIIZY Riverside LLC	**Preferred Location Unavailable** Resubmittal due October 16th, 2024	**TBD**
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**

Exhibit E

From: Biggerstaff, Connor <CBiggerstaff@riversideca.gov>
Sent: 3/21/2024 11:43:38 AM
To: Christopoulos, Chris
Cc:
Subject:

Let me know if you need my participation in any other cannabis meeting, happy to help. In my opinion, Frank's concern is warranted, but if, say, Stiiizy had submitted three applications for three locations in the City, and all were well-received and are high-end, I don't see an ethical issue; they went through the same scoring system, they shouldn't be penalized for high-performing proposals. With that said, we should keep an eye out for shenanigans.

Exhibit F

The New York Times https://www.nytimes.com/2025/05/10/nyregion/new-york-cannabis-vapes-investigation.html

New York Pauses Sales of Popular Cannabis Vapes Amid Investigation

Regulators are looking into whether several cannabis companies are making illegal products for sale in New York. The products may be worth more than $10 million.

Listen to this article · 5:47 min Learn more

By Ashley Southall

May 10, 2025

New York State has paused sales of millions of dollars of top-selling cannabis vapes and pre-rolled joints amid an investigation into whether they were made with legally approved ingredients produced in the state, according to documents obtained by The New York Times.

In a series of orders issued on April 23, the Office of Cannabis Management, which oversees businesses that grow and sell cannabis in the state, directed dispensaries to remove from their shelves mostly vapes and pre-rolled joints from the companies Stiiizy and mfused, among other products.

The orders offered a window into the cannabis agency's investigation of companies accused of pumping weed from unlicensed growers into licensed dispensaries, which is illegal. The Times obtained two of the documents through a public records request and another order from two people with whom they were shared.

The strategy of using unlicensed growers, known as “inversion,” undercuts promises that legalization offers consumers a safe supply of cannabis products that can be traced back to local farms. It is a federal crime to transport marijuana across state lines, so legal weed has to be grown and sold in the same state through licensed businesses.

According to the orders, investigators were questioning the origin of cannabis oil that was used to fill the vapes and the accuracy of lab tests that certified all of the mfused varieties as safe. Stiiizy, based in Los Angeles, and mfused, based in Seattle, are two of the biggest cannabis brands in America.

Their vapes were among the 10 best sellers in New York in April, according to Headset, a data firm that crunches cannabis sales numbers. The quarantined products, which are being held in factory warehouses and dispensary vaults, have a retail value exceeding $10 million, according to batch records and retail pricing.

If investigators find evidence of inversion, the products could be seized and destroyed in a recall. In the most severe case, regulators could revoke the license of the processing company that made the vapes and ban the brands from New York. If the investigation finds no wrongdoing, the products could be released for sale.

In a statement, mfused said that it stood by the integrity of its products, while Stiiizy said it was confident the investigation would find no evidence of inversion on its part. Kaycha Labs, a state-licensed laboratory that did the testing for mfused, did not respond to an email seeking comment.

The brands each have contracts with Omnium Health, a state-licensed processing company that makes their vapes in New York. Omnium records reviewed by inspectors with the Office of Cannabis Management, or O.C.M., in connection with an audit on April 7 indicated that the vapes were filled with oil that had been extracted at a site associated with Omnium that hadn’t been approved for processing of the oil, the order said. Officials barred Omnium from using the oil until it could prove it was extracted legally.

An order served on a different processor, Adonis Distribution in Gloversville, N.Y., also froze sales of some pre-rolled joints infused with terpenes, the compounds that give cannabis its smell and flavor, that were not properly logged.

In a statement, Omnium said the situation boiled down to a clerical error.

“The confusion arose from the address listed on the document being Omnium’s corporate address rather than the actual site of extraction,” the company said. “It was confirmed that all extraction occurred at an approved location, which was inspected by the O.C.M. and verified to have proper extraction equipment on site.”

The O.C.M. said in a statement that its investigation was still active, adding that Omnium had submitted a plan for correcting the issues outlined in the orders. The quarantine remained in effect on Thursday.

Thousands of the vapes have already been sold to consumers, particularly around April 20, the date of the unofficial annual celebration of cannabis that is typically the biggest sales day for retailers.

In an email to retailers on April 23, Omnium said the quarantine order also applied to products under the brands Animal, Bodega Boyz, Muha Meds, Smoke and To The Moon.

The quarantine has left the state’s licensed dispensaries in a lurch.

Brandon Carter, a co-owner of Trends in Long Island City, Queens, said that dispensaries place larger orders ahead of April 20, expecting to conduct more sales on the day and as the weather warms. The quarantine has forced them to hold onto weed they can’t sell to customers who are looking for it, he said.

“That’s a lot of extra inventory that people have to sit on that we can’t make any money on,” he said.

At The Flowery on the Upper West Side of Manhattan, a chunk of shelf space that housed mfused’s product display sat empty last Sunday. The brand had been a best seller. Lenox Hill Cannabis on the Upper East Side said the quarantine affected about 15 percent of the store’s inventory.

Wei Hu, a co-owner of Lenox Hill Cannabis, said his store put in a big order for Stiiizy's vapes and pre-rolled joints after they were released in New York in February. He said he expected the brand to sell well because it was already popular on the West Coast and in the street market. Half the order was sold by the time the quarantine went into effect, he said, but the other half is stashed in a vault.

Customers "are asking for Stiiizy," he said. "They're wondering why it's not on the menu."

Ashley Southall writes about cannabis legalization in New York.

A version of this article appears in print on , Section A, Page 21 of the New York edition with the headline: State Pauses Sales of Popular Cannabis Vapes

tures in this message.

These files are linked here in the record as Comment Letter: