



REGULATION OF CANNABIS



Ad Hoc Committee Report

February 19, 2020



COUNCIL'S PRIOR DIRECTION

June 26, 2019 Study Session

COUNCIL'S PRIOR DIRECTION

→ Ad Hoc Committee

- Mayor Steiner & CM Scott
- Work Closely With Staff
- Return With Recommendations

→ Staff

- Research/Draft Ordinance & Policy Docs

→ Big Picture Issues . . .



BIG PICTURE ISSUES

→ Allowed Businesses

- Manufacturing
- Distribution
- Testing Labs
- Retailers (Storefront)
- Retailers (Non-Storefront)

~~CULTIVATION~~



BIG PICTURE ISSUES

→ Allowed Land Use Zones

→ Manufacturing Zones

- M-1
- M-2
- M-3
- M-4

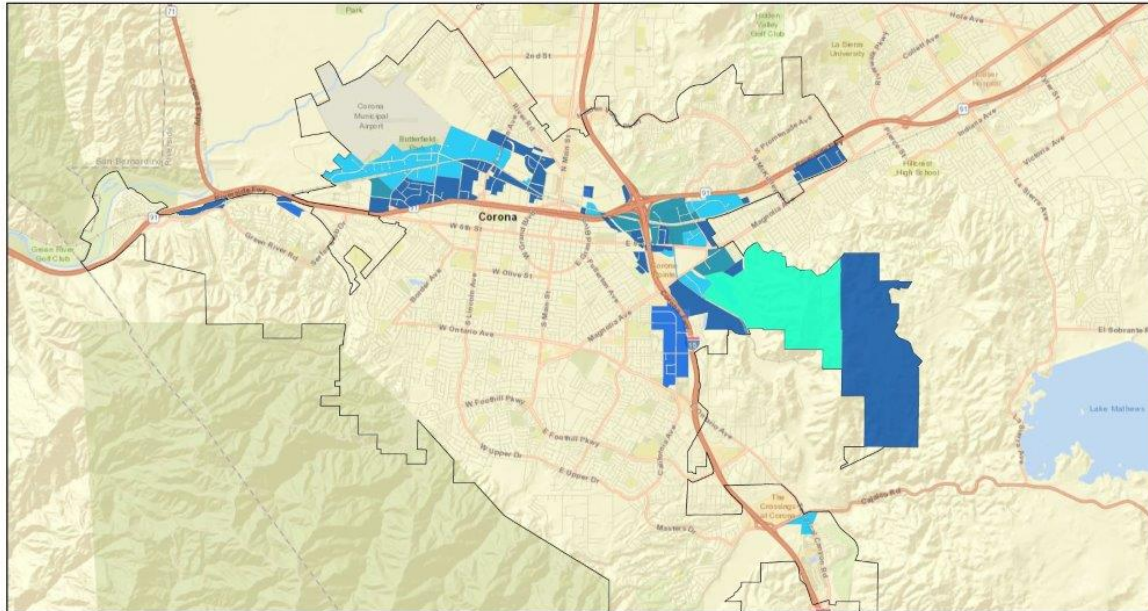
→ Specific Plans Not Included Unless They Simply Cross-Reference to Allowed Uses In M-Zones



BIG PICTURE ISSUES

→ Allowed Land Use Zones

Cannabis Zoning Map



BIG PICTURE ISSUES

→ Limit Number of Permits

→ Committee To Explore Based Upon The Following Limiting Factors

- Number Possible in M Zones
- Separation Requirements



BIG PICTURE ISSUES

→ Lottery vs. Merit-Based Qualifications

→ Use Merit-Based for Retailers



BIG PICTURE ISSUES

- **Administrative vs. Legislative Approval Process**
 - **Pursue Administrative Process**



BIG PICTURE ISSUES

- **Cannabis Taxation Ballot Measure vs. Agreements**
 - **Pursue Agreements**
 - Possibility of Future Ballot Measure





AD HOC COMMITTEE WORK

Staff Cannabis Team

COMMITTEE WORK

→ Cannabis Team

- **Management Services**
- **Community Development**
 - Planning - Building – Code Enforcement
- **Police**
- **Fire**
- **Administrative Services**
 - Finance
- **DWP**
- **Legal & Risk Management**
 - City Attorney's Office



COMMITTEE WORK

→ Cannabis Team

- **Met Regularly July Thru January**
- **Research/Develop Regulatory Framework**
- **Topics Addressed**
 - Maximum Number of Businesses
 - Separation Requirements
 - Regulatory Permit Application Process
 - Merit-Based Evaluation Criteria
 - Operational Requirements
 - Operational Agreement & Operating Fee
 - Restrictions on Regulatory Permits

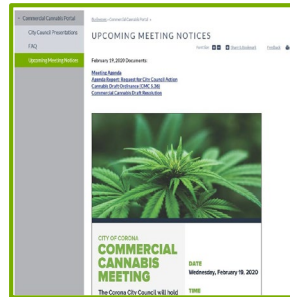
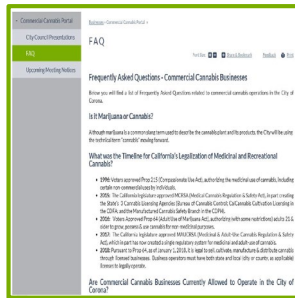


COMMITTEE WORK

→ Cannabis Team

→ Developed Commercial Cannabis Portal

- Type “Cannabis” Into City Search Bar
- Communicate & Disseminate Information
- Email Questions: CannabisInfo@CoronaCA.gov
- FAQ's



COMMITTEE WORK

→ Cannabis Team

→ Drafts Presented Today

- Ordinance (New CMC 5.36)
- Resolution (Rules & Regulations)

→ Goals for Today

- Public & Full Council Input
- Direction

→ With Direction . . . Future Docs to Prepare

- Zoning Ordinance
- Fee Resolution
- Administrative Policy
- Application & Related Docs
- Operational Agreement



COMMITTEE WORK

→ Predicted Schedule

→ Ordinance Development

→ 6 - 9 Months (March 2020)

→ Application Development & Process

→ 3 - 6 Months (June – Sept 2020)

→ Build-Out & Opening

→ 1 – 2 Years (2021 – 2022)





DRAFT ORDINANCE

New CMC Chapter 5.36

ORDINANCE

- **Separation Requirements**
- **Cap – Storefront Retailers**
 - Including Storefront Retail Microbusinesses
 - What is a Microbusiness?
 - Unless Stated, Assume We Are Referring to SR & SRM When Say Storefront Retailers
- **Operational Requirements**
- **Permit Restrictions**
 - Transfers, Changes & Alterations



ORDINANCE

→ Separation Requirements

→ Radius Distances

→ 600 Feet - State Min for All Businesses From

- Public & Private Schools (K-12)
- Youth Centers
- Day Care Centers

→ Committee Recommends

- Adding
 - Public & Private Parks
 - Residential Zones
 - Other Storefront Retailers (For SR Only)



ORDINANCE

→ Separation Requirements

→ Committee Recommends

→ 1,000 Feet - - - Storefront Retailers

→ Measured From Public Entrance of Retailer to Perimeter of the Following . . .

→ From

- Public & Private Schools (K-12)
- Youth Centers
- Day Care Centers
- Public & Private Parks
- Residential Zones
- Other Storefront Retailers



ORDINANCE

→ Separation Requirements

→ Committee Recommends

→ 600 Feet (State Min) - - - Manufacturers, Distributors & Testing Labs

→ Measured From Primary Entrance of Cannabis Business to Perimeter of the Following . . .

→ From

- Public & Private Schools (K-12)
- Youth Centers
- Day Care Centers
- Public & Private Parks
- Residential Zones



ORDINANCE

→ Separation Requirements

→ Committee Recommends

→ SR-91 & I-15 Freeways

- Stop Measurements at Freeways
- Except for Purposes of Meeting State Minimum Requirements



ORDINANCE

→ Cap – Storefront Retailers

- Committee Asked to Explore If Necessary
- Committee Analysis

DISTANCE FROM SENSITIVE USES	DISTANCE FROM EACH OTHER	POSSIBLE NUMBER OF BUSINESSES
600	500	220
600	1,000	100
1,000	500	80
1,000	1,000	35



ORDINANCE

→ Cap – Storefront Retailers

→ **Committee Favored 1,000 Feet From Other Sensitive Uses & Each Other**

→ **35 Theoretically Possible**

→ Does Not Account for Availability, Suitability, Etc.

→ Even though Not Likely, No Cap Could Cause Unnecessary Concern

→ **Commonly Referred to Reasonable Range for Storefront Retailers**

→ 1 for Every 10K – 15K in Population



ORDINANCE

- **Cap – Storefront Retailers**
 - **Committee Recommends**
 - **17**
 - 1 for Every 10K in Population



ORDINANCE

→ Operational Requirements

→ Committee Recommends

→ All Commercial Cannabis Businesses

→ CMC § 5.36.170

→ Additional For Storefront Retailers

→ CMC § 5.36.180

→ Additional For Manufacturers, Distributors
& Testing Labs

→ CMC § 5.36.190



ORDINANCE

→ Operational Requirements

→ CMC § 5.36.170 Examples (All Businesses)

- No Cannabis Use on Premises
- No Visible Cannabis
- No Outdoor Storage or Operations (OK = Screened Outside Storage of Non-Cannabis)
- State Track & Trace System
- Manager On Premises When Operating
- Emergency Contact
- Age Restriction = 21 (Except Customer Can Be 18 With M-License Use)
- Odor Control = Contain on Premises



ORDINANCE

→ Operational Requirements

→ CMC § 5.36.170 Examples (All Businesses)

- Employee ID's = Issued by Corona PD
- Annual Live Scan/Background Check (Owners, Officers, Managers, Employees & Volunteers)
- No Temporary Cannabis Events
- Video Surveillance System (Corona PD Accessible Remote & Real Time; Monitored by Alarm Company With Live Access)
- Security Plan
- Labor Peace Agreement
- No Liability for City (Defense, Indemnify & Insurance)
- CM May Adopt Additional Requirements



ORDINANCE

→ Operational Requirements

→ CMC § 5.36.180 Examples (Additional For Storefront Retailers)

- Hours = 6AM – 10PM (Unless State Allows Less)
- Age Restriction Signs
- Video Surveillance Signs
- No Permanent Window Bars
- At Least 1 Armed Security Guard When Operating
- Panic Buttons (Silent Alarm)
- Approved Exterior Lighting
- Opaque Cover - No More Than 25% of Windows



ORDINANCE

→ Operational Requirements

→ CMC § 5.36.190 Examples (Additional For Manufacturers, Distributors & Testing Labs)

- No Exterior Evidence of Cannabis Operation From Public ROW (Except Approved Signage)
- No General Public Access
- Approved Haz Mat Plan
- Approved Haz Waste Disposal
- Cannabis Waste – No Packaging & Must Be Unusable & Unrecognizable



ORDINANCE

→ Permit Restrictions

→ Committee Analysis

- Reasonable Middle Ground - Flexibility
- Retains Basis for Merit-Based Evaluation

LOCAL RESTRICTIONS ON TRANSFERRING CANNABIS PERMITS		
Agency	Transfer to New Location Y = 2 N = 5 ? = 6	Transfer to New Owner Y = 1 N = 6 ? = 4 Conditional = 2
State of California	Not transferable	Not transferable
Banning	Code does not specify	Not transferable
Chula Vista	Transferable with CM approval, according to process to be established by the CM; requires same level of review as new site	Only the following transfers are permitted: <ul style="list-style-type: none"> ✓ Less than 50% ownership interest with CM approval ✓ Change in form of business entity if ownership is same and with notice to City ✓ Change in name of business with notice to City ✓ Other transfers not permitted for first 12 months of operation
Costa Mesa	Code does not specify	Not transferable if 51% controlling interest is transferred
Desert Hot Springs	Not transferable (CUP)	Not transferable (Permit)
Jurupa Valley	"Permit" ¹ is transferable with amended application	Code is not clear, but there is language that appears to allow
Lake Elsinore	Code does not specify	Code does not specify
Moreno Valley	Not transferable; new application required	Transferable with amended application
Perris	Code does not specify	Not transferable; new application required
Riverside	Not transferable	Not transferable
Riverside County	Requires a new CUP	Code does not specify ²
San Jacinto	Code does not specify	Code does not specify
Santa Ana	Code does not specify	Not transferable

Cities in rows highlighted in blue expressly allow a transfer of one owner's interest in the business to *another owner listed on the permit*.



ORDINANCE

→ Permit Restrictions

→ Committee Recommends

→ City Permit & Permittee

- May Transfer Less Than 50% Ownership (With City Approval)
- May Change Name of Business Form (With Notice & Permit Amendment)
- No Transfer In First 12 Months of Operation
- Can Only Operate Using Name On Permit
- No Transfer of Suspended Permit
- No Transfer of Certificate of Occupancy

→ Violation

- Grounds for Suspension or Revocation



ORDINANCE

→ Permit Restrictions

→ Committee Recommends

→ Business Premises

- Prohibited to Transfer to New Location Within Building or To A New Location Without City Manager Approval
- City Manager to Adopt Admin Policy For Transfer Process
- New Location Must Meet All Requirements of State and Local Law (Including Separation & Other CMC 5.36 Provisions)





DRAFT RESOLUTION

Rules & Regulations

RESOLUTION

- **Application**
- **Merit-Based Evaluation**
- **Application Process**
 - Merit-Based Process (Storefront Retailers)
 - Non Merit-Based Process (All Others)
- **Operating Agreement & Fee**



RESOLUTION

→ Application

→ Committee Recommends

→ Application Packet

- Very Detailed
- 100 Page Max (75 Text; 25 Images)
- Includes . . . Application Form, Premises Info, Business Plan, Operations Plan, Security Plan & Site/Floor Plan
- Merit-Based Info (If Applicable)
- Live Scan/Background Check Submittal
- More As Stated

→ Application Form

- Also Very Detailed



RESOLUTION

→ Merit-Based Evaluation

→ Committee Recommends

→ Storefront Retailers Only

→ Not Non-Storefront Retailers



RESOLUTION

→ Merit-Based Evaluation

→ Attachment “A” of Rules & Regs

STOREFRONT RETAIL MERIT-BASED EVALUATION CRITERIA

All applications for a City of Corona regulatory permit for a storefront retail cannabis business will be evaluated using the merit criteria outlined below to ensure that the most qualified and experienced businesses are authorized to operate within the City. The evaluation process will be conducted by **[TO BE INSERTED]**.

QUALIFICATIONS OF OWNERS/OPERATORS	POTENTIAL POINTS
CANNABIS BUSINESS EXPERIENCE – Proposal demonstrates Owner’s experience in owning, managing and operating a legally permitted or licensed retail cannabis business in the United States.	50
CANNABIS INDUSTRY KNOWLEDGE – Proposal demonstrates Owner’s overall knowledge of the cannabis industry (as demonstrated throughout the application), including identification of how industry best practices and state regulations have been incorporated in valid/prior legal businesses outside the City of Corona.	40
COMPLIANCE RECORD – Proposal demonstrates record of operating a compliant commercial cannabis or other business with more points awarded for operating a cannabis business. A compliant business operation does not have a documented history of local or state level violations relating, but not limited to, business code, public safety, environmental impacts, employment, and financial payments.	40
OTHER BUSINESS OWNERSHIP EXPERIENCE – Proposal demonstrates Owner’s experience and successful management of a permitted or licensed non-cannabis retail business within the City of Corona.	20
SUBTOTAL	150

BUSINESS PLAN / FINANCIAL INVESTMENT	POTENTIAL POINTS
FINANCIAL PLAN – Proposal includes a financial statement that demonstrates sufficient financial capacity to capitalize, start-up, and sustain business operations, with more points awarded for including a valid pro forma financial statement for at least 3 years of operation.	40
FUNDING / SOURCE OF CAPITALIZATION – Proposal demonstrates or identifies access to operational capital and/or an ongoing line of credit once business is operational.	40
OPERATION ABILITY – Proposal demonstrates Owner’s ability to commence business operations quickly upon City approval and to sustain operations in a highly regulated industry.	30
INVESTMENT IN UNDERDEVELOPED SITE – Proposal demonstrates Owner’s commitment to major improvements, facade rehabilitation, building expansion, site improvements or other investments in an underutilized/underdeveloped site that is zoned for commercial use.	20
SUPPLY AGREEMENTS – Proposal demonstrates that Owner has documented agreements with cannabis distributors to supply products to Owner’s business.	20
SUBTOTAL	150

OPERATIONS PLAN	POTENTIAL POINTS
AIR QUALITY/ODOR CONTROL – Quality of ventilation and air purification system, including demonstrated effectiveness (proposal may include examples of where a similar system has worked effectively).	25
CUSTOMER EDUCATION PLAN – Quality and detail of plan for educating customers regarding cannabis products, include the potency and effects of products.	20
RESPONSIBLE USE MESSAGING – Proposal includes a coherent strategy to keep adult-use cannabis products out of the hands of consumers under the age of 21 and business plans to use “responsible use” language on packaging and messaging.	20
RECORDS SOFTWARE – Standard operating procedures include electronic tracking and storage of required records of sales, delivery manifests, and inventory (over and above that required by the state’s “track and trace” requirements).	20
DAILY INSPECTION – Proposal includes a plan for daily inspection to ensure maintenance of the interior and exterior of the facility (i.e. fire of trash, graffiti, etc.).	15
EMPLOYEE TRAINING PLAN – Overall quality of proposed employee training, including training on differences in products, potency of products, customer service, and laws governing personal use.	10
GREEN PRACTICES – Proposal includes “green” business practices relating to energy and climate water conservation, and materials/waste storage and disposal.	10
MARKETING PLAN – Overall quality and detail of marketing strategy.	5
STANDARD OPERATING PROCEDURES – Overall quality and detail of proposed operating procedures for all aspects of the proposed business, including the extent to which the applicant incorporates industry best practices into the operating procedures.	5
SUBTOTAL	130

SECURITY PLAN	POTENTIAL POINTS
SECURITY GUARDS – Quality of proposed security guard plan for the business, including number of guards, hours, protocols, and day-to-day procedures/operations (over and above that required by the state).	25
VIDEO CAMERA SURVEILLANCE – Proposal includes video camera surveillance. Consideration to be given to the overall quality of Owner’s plan to use cameras, including number of cameras, locations, resolution, how long footage is saved, and whether live feed is proposed for law enforcement (over and above that required by the state).	25

PRODUCT ACCESS PROTOCOLS – Proposal includes a separate check-in area where identification is checked to ensure that only qualified persons gain access to where cannabis products are displayed.	25
CASH MANAGEMENT PLAN – Quality and detail of cash management plan, including cash counting/reconciliation procedures, cash storage, cash transport, depositing into a banking institution, and employee training.	15
PRODUCT DELIVERIES – Quality of plan for securing product deliveries to the business (i.e. from delivery vehicle to building).	15
EMPLOYEE SAFETY EDUCATION PLAN – Quality of employee safety education plan, including training regarding product handling, burglary/lootery protocols, and other potential hazards of the cannabis business.	10
EMPLOYEE THEFT REDUCTION MEASURES – Quality and extensiveness of employee theft reduction measures, including audits and check-in/out.	10
SECURITY PROCEDURES – Overall quality and detail of proposed security plan and measures contained therein.	5
SUBTOTAL	130

COMMUNITY BENEFIT	POTENTIAL POINTS
COMMUNITY BENEFIT – Proposal includes some form of community benefit (sponsor of community events, public improvements, donations to youth programs, etc.).	40
LOCAL HIRING PRACTICES – Proposal includes plan to promote local hiring or provides incentives for local residents to work with the business.	20
LOCAL SOURCING PRACTICES – Proposal includes plan to secure supplies and equipment from local sources.	20
EMPLOYEE RELATIONS – Owner proposes to provide employee health benefits for all employees.	20
LOCAL EXPERIENCE – Owner or principals in the proposed business have resided in the City of Corona and/or the County of Riverside for at least 5 years.	20
SUBTOTAL	120

TOTAL POTENTIAL POINTS	600
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RESOLUTION

→ Merit-Based Evaluation

→ Committee Recommends

→ Storefront Retail Merit-Based Evaluation Criteria (Attachment "A")

- 150 PTS = Qualifications of Owners/Operators
- 150 PTS = Business Plan/Financial Investment
- 130 PTS = Operations Plan
- 130 PTS = Security Plan
- 120 PTS = Community Benefit



RESOLUTION

→ Merit-Based Evaluation

→ Relative Distribution of Points

→ 50 Points

- Cannabis Business Experience (Qualifications)

→ 40 Points

- Cannabis Industry Knowledge (Qualifications)
- Compliance Record (Qualifications)
- Financial Plan (Plan/Investment)
- Funding/Capitalization (Plan/Investment)
- Community Benefit (Community Benefit)



RESOLUTION

→ Application Process

→ Merit-Based (Storefront Retail)

Phase I – Preliminary Approval

Application Clearance (20-30 Business Days)

Merit-Based Evaluation Process (45-60 Calendar Days)

Phase II – Conditional Approval

Preferred Premises (5 Business Days; Repeat?)

Premises Control (3 Business Days; Repeat?)

Operational Agreement (14 Calendar Days)

Phase III – Final Approval

State Licenses (12-18 Months)

City Business License (5 Business Days)

Building Permits & Occupancy (6-8 Months)



RESOLUTION

→ Application Process

→ Merit-Based Evaluation Process

- Objectivity & Integrity Are Critical
- Even Perceived

→ Merit Review Panel – Make-Up

- 3 - 5 Panelists Selected By City Manager
- No Financial Conflicts
- No City Members
- At Least 1 Planner
- At Least 1 PD or Public Safety
- At Least 1 Corona Business Community



RESOLUTION

→ Application Process

- **Merit Review Panel – Confidentiality**
 - City Manager Discretion (Extent & Duration)
- **Merit Review Panel – Facilitator**
 - Independent Consultant
 - Coordinate & Facilitate Panel
- **Merit: Evaluation Criteria**
 - Discussed Above



RESOLUTION

→ Application Process

→ Merit: Evaluation Period

→ Goal = 45 - 60 Calendar Days

→ Merit: Written Ranking

→ Highest To Lowest - Using Combined Points

→ Signed By Facilitator

→ Merit: Notice of Ranking

→ Delivered & Posted Online

→ No Appeal

→ Merit: Ranking Expiration

→ 12 – 24 Months



RESOLUTION

→ Application Process

→ Non Merit-Based (All Others)

Phase I – Preliminary Approval

Application Clearance (20-30 Business Days)

Phase II – Conditional Approval

Premises Control (3 Business Days)

Operational Agreement (14 Calendar Days)

Phase III – Final Approval

State Licenses (12-18 Months)

City Business License (5 Business Days)

Building Permits & Occupancy (6-8 Months)



RESOLUTION

→ Operating Agreement & Fee

→ Committee Recommends

→ Agreement

- Approved by City Manager
- Minimum Provisions
 - Insurance
 - Indemnification
 - Operating Fee



RESOLUTION

→ Operating Agreement & Fee

→ Operating Fee Ranges

- Based On Gross Receipts (Not Sq/Ft)
- Storefront Retailer (0-9%)
- Non-Storefront Retailers (0-9%)
- Manufacturing (0-7%)
- Distribution (0-7%)
- Testing Labs (0-3%)
- Microbusinesses (Based on Business Components)

→ Operating Fees

- Consistent With Council Direction
- Set in Operating Agreement
- Can Agree to Change Over Time



RESOLUTION

→ Operating Agreement & Fee

→ Operating Fees

- Staffing & Enforcement Costs Well Discussed
- Recall Last Year's Discussion – Regulate For Policy Reasons & Not Money

→ Operating Fee Audits

- City Can Audit Upon Request
- If Underpayments = 5% or More, Permittee Reimburses With Interest and Pays Audit Cost





QUESTIONS?



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