

**SUBMITTAL TO THE BOARD OF SUPERVISORS
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**



ITEM
19.1
(ID # 6651)

MEETING DATE:

Tuesday, March 20, 2018

FROM : SUPERVISOR KEVIN JEFFRIES AND SUPERVISOR WASHINGTON :

SUBJECT: SUPERVISOR JEFFRIES AND SUPERVISOR WASHINGTON: County of Riverside Workshop to discuss establishing a County-Wide regulatory framework for Cannabis related uses.



RECOMMENDED MOTION: That the Board of Supervisors take one of the following actions:

1. Direct staff to continue to work on development of an ordinance that regulates and permits cannabis-related businesses in the unincorporated areas of Riverside County, and provide staff with policy direction on the regulatory requirements to be contained in the ordinance.

OR

2. Direct staff to suspend further work on development of an ordinance that regulates and allows cannabis-related businesses in the unincorporated areas of Riverside County until the Board of Supervisors provides further direction.

ACTION: Policy


Supervisor Kevin Jeffries, Vice Chairman 3/16/2018 
Supervisor Chuck Washington 3/16/2018

MINUTES OF THE BOARD OF SUPERVISORS

**SUBMITTAL TO THE BOARD OF SUPERVISORS COUNTY OF RIVERSIDE,
STATE OF CALIFORNIA**

FINANCIAL DATA	Current Fiscal Year:	Next Fiscal Year:	Total Cost:	Ongoing Cost
COST	\$ N/A	\$ N/A	\$ N/A	\$ N/A
NET COUNTY COST	\$ 150,000	\$ N/A	\$ 150,000	\$ N/A
SOURCE OF FUNDS:			Budget Adjustment: NO	
			For Fiscal Year: 2018	

C.E.O. RECOMMENDATION: [CEO use]

BACKGROUND:

Summary:

In November 2016, the voters of California and the County of Riverside approved Proposition 64, the Adult Use of Marijuana Act. Currently, adults over the age of 21 may legally possess, use, and share up to 28.5 grams of dried flowers or eight grams of concentrate, as well as cultivate up to six plants inside a private residence for personal use. However, Proposition 64 gave local governments the authority to regulate or ban outdoor cultivation, dispensaries, manufacturers, testing laboratories, delivery services, and any other cannabis-related industries. Currently, all cannabis related businesses are banned in the unincorporated areas in Riverside County.

On March 21, 2017, the Board of Supervisors appointed Supervisors Jeffries and Washington to serve as an ad hoc committee to review the county’s options to pursue an ordinance legalizing, regulating, and taxing cannabis related businesses, and on August 29, 2017, the Board voted 3-0-1 to begin preparing an ordinance that would allow for cannabis related businesses in Riverside County.

Subsequent to that vote, the State of California released its regulations for cannabis related businesses and began issuing temporary licenses in jurisdictions that permit these businesses on January 1, 2018.

The federal response to Proposition 64 (and the eight other states that have legalized adult use of marijuana and the 28 other states that have legalized medicinal marijuana) has continued to be unclear. The current US Attorney General has been emphatic in his position that cannabis use, production, and sales remain illegal under federal law, and has revoked the Obama era “Cole Memo,” which had historically provided some reassurance that the federal government largely would not intervene in states that had passed laws to legalize cannabis. That said, there has been no noticeable change in enforcement at the federal level, and no federal raids have occurred on businesses, individuals, or agencies that are otherwise following their own state laws. In his most recent remarks on the topic at Georgetown University on March 10th, the Attorney General stated that the DOJ does not

**SUBMITTAL TO THE BOARD OF SUPERVISORS COUNTY OF RIVERSIDE,
STATE OF CALIFORNIA**

have the resources to prosecute “routine” or “small” cases, and that each local US Attorney will use their own discretion as to what they are willing to pursue.

The Planning Department, in conjunction with other agencies and departments affected by this issue, has completed most of the background work on creating a cannabis related business ordinance with Riverside County, but requests further guidance from the Board before proceeding with submitting an ordinance to the Planning Commission. Attached to this Form 11 are materials developed by the Planning Department, which provide background material for the Board to consider in their deliberations.

Considerations in Moving Forward With an Ordinance:

There are various policy decisions for the Board to consider in determining a direction, including:

- If the Board of Supervisors does not create an ordinance that regulates cannabis industries, cannabis industry advocates may gather signatures to force an initiative to legalize cannabis industries onto the ballot. If this happens, and the initiative passes, the Board of Supervisors will lose the ability to control regulations and taxes/fees relating to cannabis industries *unless* the Board decides to put forth its own measure that would be more compatible with the County’s objectives.
- Illegal cultivation operations and dispensaries continue to thrive in Riverside County under the existing bans, with large scale grows in unincorporated communities continuing to be a major enforcement challenge. Regulating cannabis related businesses would allow the County to concentrate its efforts on “bad actors” rather than those who want to participate in the cannabis industry legally. Of course, it is still an option to continue the ban and prohibit cannabis industries completely.
- Imposing fees or taxes upon the cannabis industry could potentially allow the County to pay for programs to go after the unpermitted cannabis uses, and provide education and enforcement programs to keep cannabis out of the hands of people under the age of 21. It is important to note that the State is already imposing a significant tax of approximately 25% on cannabis industries. This leaves little room for the County to tax cannabis industries while still discouraging illegal cannabis industries.
- Reasons to delay further consideration of an ordinance at this time could include the continuing illegality of cannabis related businesses under federal law; the uncertainty of whether enforcement actions in states that have legalized it will eventually be

**SUBMITTAL TO THE BOARD OF SUPERVISORS COUNTY OF RIVERSIDE,
STATE OF CALIFORNIA**

launched; and the ongoing difficulties federal law has created for cannabis related businesses in finding banks or credit unions to work with them, thus forcing many to continue to rely on cash for all transactions. Furthermore, while 23 counties and many cities (including 12 cities in Riverside County) have already moved forward with ordinances that license at least some cannabis related businesses, there has not been time to evaluate the results of these ordinances in those communities or determine best practices, including whether the tax revenues and fees paid by the cannabis businesses have fully offset the enforcement costs.

Questions:

If the Board of Supervisors wishes to continue moving forward with an ordinance, the Planning Department requests guidance on several policy decisions that are more fully described in the attachments, including:

- What approach should Riverside County take in generating revenue from cannabis related businesses: Taxes, licensing fees, or development agreements? What will Riverside County do with the fees or taxes collected from cannabis related businesses in unincorporated Riverside County? If a tax, should the tax be imposed for general government purposes (a general tax) or for a specific purpose (a special tax)? Do they go into the General Fund, or will they be directed for services in unincorporated communities? Should a portion be directed into a specially designated account that will fund a cannabis task force that combats illegal activity and/or a program that keeps cannabis out of the hands of people under the age of 21? What will be the anticipated County regulatory costs associated with permitting and regulating cannabis related businesses, including operational and enforcement costs? Will the projected revenues cover these costs?
- Which types of cannabis related businesses will be allowed in the unincorporated areas of Riverside County? Licenses offered by the State of California include cultivating (indoor, mixed light/greenhouse, and outdoor), manufacturing/processing, testing, distributing, delivering, and retail sale of both medical and adult-use cannabis and cannabis products.
- Where will cannabis industries be allowed? Will there be restrictions on the number of permits given in a particular area, within each Supervisorial District, and overall within the unincorporated area? Will cannabis industries be banned near areas with high concentrations of children or cities that have not legalized cannabis industries? Are state buffers of 600 feet around schools and parks and other places children gather sufficient, or should they be expanded to 1000 feet? Should outdoor

**SUBMITTAL TO THE BOARD OF SUPERVISORS COUNTY OF RIVERSIDE,
STATE OF CALIFORNIA**

cultivation be allowed and regulated, and if so, should the standards for licensing exceed the minimum standards set by the state?

- What types of qualifications/licensing/permitting will a person need to obtain before legally participating in the cannabis industry? Will there be restrictions imposed upon those who have been previously convicted of illegally participating in the cannabis industry?
- Should a phase-in program be put in place, in the event that cannabis-related businesses are allowed and regulated, so that the County can consider and process applications in an orderly manner?

Planning staff will be prepared to provide a presentation to the Board on these and other related policy decisions, as well as provide staff recommendations based on research that they have conducted on how other jurisdictions are implementing similar programs coupled with our local landscape in the unincorporated area.

ATTACHMENT. STAFF REPORT



COUNTY OF RIVERSIDE PLANNING DEPARTMENT STAFF REPORT

**Agenda Item
No.**

Preliminary Working Draft – Regulatory Framework for Cannabis-Related Businesses

INTRODUCTION & BACKGROUND

In November 2016, California voters approved Proposition 64, the Adult Use of Marijuana Act. (“AUMA”). However, Proposition 64 gave local governments the authority to regulate or ban outdoor cannabis cultivation, dispensaries, manufacturers, testing laboratories, delivery services, and any other cannabis-related industries. Currently, all cannabis related businesses are banned in the unincorporated areas in Riverside County.

Medical cannabis draft regulations were released by the State in spring 2017, relating to the Medical Cannabis Regulation and Safety Act (“MCRSA”). On March 21, 2017, the Board of Supervisors appointed Supervisors Jeffries and Washington to serve as an ad hoc committee to review the county’s options to pursue an ordinance legalizing, regulating, and taxing cannabis related businesses. However, in June 2017, the Governor signed Senate Bill 94, the Medicinal and Adult-Use Cannabis Regulation and Safety Act (“MAUCRSA”). The MAUCRSA created one regulatory system for both medicinal and adult-use (recreational) cannabis. But distinctions between the two will remain. The MAUCRSA continues to recognize local control and the state will not approve licenses for cannabis businesses and cannabis activities if the license would not be in compliance with a local government’s ordinances or regulations.

In response to MAUCRSA, on August 29, 2017, the Riverside County Board of Supervisors directed County staff¹, to initiate the process of drafting of a new ordinance, and/or revisions to existing ordinances, to establish a proposed comprehensive regulatory framework for cannabis businesses and cannabis activities subject to approval of permits issued by the County and pursuant to standards, conditions, and requirements in the proposed ordinance amendments and new ordinances.

The State adopted emergency regulations for commercial cannabis businesses in November 2017. The State began issuing temporary commercial cannabis licenses January 1, 2018.

This working draft document is intended to provide an overview of potential cannabis regulations being formulated for the unincorporated areas of the County. This document is being used to solicit detailed board and public input on this matter.

In addition to preparation of land use regulations for commercial cannabis uses, the Board has also initiated the process of analyzing and preparing a potential taxing program for the various commercial cannabis uses. It is anticipated that no commercial cannabis uses would be permitted by the County until such time as a cannabis tax ballot measure has been approved by County voters or other means to finance required enforcement activities related to commercial cannabis activities has been adopted by the Board. A County cannabis tax initiative could be considered by voters at the next General Election in November 2018, so regulations permitting commercial cannabis uses would not be expected to become effective until that time at the earliest. If the Board adopts alternative methods to fund regulatory costs, such as license fees or developer agreements, it is assumed that any adopted regulations could be implemented soon thereafter.

¹ Staff from the following County Departments have been involved: County Administrators Office, County Counsel, Planning, Code Enforcement, Building & Safety, Fire Department, Environmental Health, Treasurer–Tax Collector, Agricultural Commissioner, Behavioral Health, Public Health and Waste Resources.

No decision has been made by the Board on the regulatory framework contemplated in this document. Currently, unless or until new regulations are approved by the Board of Supervisors, marijuana dispensaries, deliveries, and cultivation with a limited exception for small amounts of cultivation for medical purposes in specified circumstances, are prohibited in the unincorporated area of the County. For the purposes of this report, any reference to cultivation, unless specifically indicated otherwise, refers to ‘cannabis cultivation’.

PURPOSE

The purpose and intent of a proposed regulatory framework would be to provide policies to permit cannabis activities per the Medicinal and Adult-Use Cannabis Regulation and Safety Act (“MAUCRSA”) by providing a means for regulating the cultivation, manufacturing, processing, testing, transporting, delivery, and distribution of medical/nonmedical cannabis and medical/nonmedical cannabis-related products in a manner which is responsible, which protects the County’s neighborhoods, residents, and businesses from negative impacts, which protects the health, safety, and welfare of the residents of the unincorporated area of the County, and to enforce rules and regulations consistent with state law.

For the purposes herein, cannabis activities include medicinal and adult-use cannabis activities, unless specifically addressed independently.

POTENTIAL PROHIBITION ON CERTAIN USES

In order to protect the public health, safety and environmental resources, but still provide a regulatory path, in order to advance a healthy, diverse and economically viable cannabis industry that contributes to the local economy, enhance enforcement methods for unpermitted and trespass cultivation, and ensure that environmental, public health, safety and nuisance factors related to the cannabis industry are adequately addressed; the Board may choose to prohibit some activities allowed by State Law.

For instance, most California agencies have elected to not allow outdoor cultivation within their jurisdiction. Outdoor cultivation poses challenges with appropriate lot sizes, setbacks, security, odor control and controlling water runoff. However, as Riverside County may be one of the few California jurisdictions that contains appropriately sized land for outdoor cultivation; implementing appropriate lot sizes, setbacks, security measures, and water runoff ‘best management practices’, that will mitigate impacts, could be implemented for outdoor cultivation as an option.

Other uses that the Board may consider inappropriate for regulation within the unincorporated County may be manufacturing cannabis products using volatile solvents and/or Mobile dispensaries. The greatest concern is related to manufacturing cannabis products is the safety related to volatile extraction, as this requires that large quantities of volatile gases and industrial solvents be stored onsite.

RIVERSIDE COUNTY GENERAL PLAN & ZONING CONSISTENCY

The General Plan’s Land Use Element Policy LU 7.1, requires land uses to develop in accordance with the General Plan and area plans to ensure compatibility and minimize impacts. Ensuring compatibility between land uses, is directly related to the proposed ordinance amendment, (a cannabis ordinance) by requiring each commercial cannabis permit be processed through a discretionary permit. In the cases of all discretionary permits a finding must be made that the zoning is consistent with the General Plan Land Use Designation. Therefore, although the details included herein encompass zoning only as a method for determining appropriate locations for commercial cannabis businesses, during the permit process each

independent case will be required to prove that the land on which the permit is being sought conforms to the General Plan Land Use. In some cases, depending on the General Plan Land Use, this may exclude a property that is zoned appropriately from obtaining a permit or could require the need to process a General Plan Amendment.

REGULATORY APPROACH – TIMELINE & PROCESS

In December 2017, California began accepting applications for temporary business permits. Temporary permits will be good for four months (120 days) for cannabis businesses, which may be extended for two 90-day extensions (only if the temporary licensee has applied for an annual license). In addition, cannabis businesses will need local approval for conducting commercial cannabis activities, which must be demonstrated to the State, in order to receive a temporary permit.

Since September 2017, at the direction of the Board, Staff has been collecting data, reviewing existing ordinances and uses, analyzing the legal climate and preparing a draft cannabis land use ordinance for the Board’s consideration. It is anticipated that, upon the Board’s concurrence of the current course that staff has taken, a draft ordinance can be presented to the Planning Commission in May, 2018. Given that, and anticipating a minimum of two Planning Commission Meetings, a proposed ordinance could be presented to the Board in July, 2018.

TYPES OF CANNABIS ACTIVITIES FOR CONSIDERATION

The Board is considering regulating and permitting the establishment of various commercial cannabis activities. No decisions have been made and it is possible that some or all categories of use will not be permitted. Each activity brings unique challenges, concerns and impacts. The discussion below highlights many of these unique challenges, concerns and impacts, as well as examples of regulatory tools that may be considered to address them. The State cannabis license types are independent from each other as well as the County land use permits. Thus, if the Board chooses to regulate commercial cannabis, for each separate land use activity the Board can choose to prohibit, allow a certain activity, or continue consideration of an activity. Types of activities under consideration include:

- **Cultivation** – Cultivation refers to the growing of cannabis for commercial use, including natural light, artificial light and, mixed light cultivation (i.e. outdoor, indoor, and greenhouse).
- **Retail Sales/Delivery** – Retail sales of cannabis refers to the sale of cannabis to retail customers from a storefront that sells only cannabis products. Retail delivery refers to deliveries from a storefront or other permitted site to customers.
- **Microbusiness** – A microbusiness license allows a licensee to conduct multiple commercial cannabis activities under one license. With a Type 12 State License an operator is allowed to cultivate 10,000 square feet or less of indoor cannabis, perform manufacturing activities with non-volatile solvents, act as a licensed distributor and a retailer.
- **Manufacturing/Processing** – Involves the processing of cannabis or cannabis products into various marketable forms, including edibles, oils, tinctures, etc. The County may be well-positioned to attract and retain these types of businesses because the County has significant industrial land and a strong industrial base.

- **Distribution** – A distributor is responsible for transporting cannabis goods between licenses, arranging for testing of cannabis goods, and conducting quality assurance review of cannabis goods to ensure they comply with all packaging and labeling requirements. In addition to transporting inventory between licenses, distribution companies are responsible to ensure the examination of inventory at a testing laboratories and the collection of the State’s Excise Taxes, before releasing the product to a retailer.
- **Testing** – A cannabis testing facility is a facility where cannabis and cannabis products are tested for potency, quality, and health and safety requirements.

CULTIVATION

Cultivation refers to any activity that involves the planting, growing, harvesting or processing (drying, curing, grading, trimming) of cannabis. The California Department of Food and Agriculture (“CDFA”) is the licensing authority for cannabis cultivation in California. The cannabis growing categories, that can be considered include:

- **Outdoor Cultivation (natural light)** – The cultivation of mature cannabis with the use of natural light. Outdoor cultivation uses natural lighting for plant growth. It may be grown in fabric pots, grow bags, planters, or raised beds; directly in the ground (natural soils).
- **Indoor Cultivation (artificial light)** – The cultivation of cannabis within a permanent structure, using exclusively, artificial light or within any type of structure using artificial light at a rate above 25 watts per square foot.
- **Mixed-light Cultivation (both artificial & natural light)** – The cultivation of mature cannabis in a greenhouse, hoop-house, glasshouse, conservatory, hothouse, or other similar structure using light deprivation and/or using artificial light at a rate of less than six watts per square foot (Tier 1) or greater than six watts square foot or less than 25 watts per square foot (Tier 2). Cultivation in greenhouses, hoop houses or similar structures will be considered mixed-light cultivation even if no artificial light is used. Operations may also have other support structures for drying, trimming, and storage.
- **Nursery** – A site that produces only clones, immature plants, seeds, or other agricultural products used specifically for the planting, propagation, and cultivation of cannabis. Cultivation as a cannabis nursery may be considered outdoor, indoor or mixed-light cultivation.

The (CDFA) is responsible for licensing cannabis cultivation. Each type of CDFA licensed cultivation category allows for a maximum cultivation canopy area or number of plants. The maximum cultivation canopy size that the CDFA is currently licensing to a single person is an outdoor grow of 43,560 sf (one acre) or 22,000 sf of Indoor or mixed-light cultivation. The State has limited the cultivation canopy size for a single person to 43,560 sf until at least the year 2023 when they may be issuing large cultivation licenses.

Each type of Distributor category is licensed by the CDFA, as follows:

Outdoor Cultivation (Natural-Light)		
Land Use Type	State License Type (CDFA)	Maximum Cultivation Canopy Area per Lot (SF)
Specialty Cottage	1C	-
Specialty	1	Up to 5,000
Small	2	5,001 to 10,000
Medium	3	10,001 to 43,560
Wholesale Nursery	4	No size limit (no canopy)
Indoor Cultivation		
Land Use Type	State License Type (CDFA)	Maximum Cultivation Canopy Area per Lot (SF)
Specialty Cottage	1C	Up to 500
Specialty	1A	Up to 5,000
Small	2A	5,001 to 10,000
Medium	3A	10,001 to 22,000
Wholesale Nursery	4	No size limit (no canopy)
Mixed-Light Cultivation		
Land Use Type	State License Type (CDFA)	Maximum Cultivation Canopy Area per Lot (SF)
Specialty Cottage	1C	Up to 2,500
Specialty	1B	Up to 5,000
Small Tier	2B	5,001 to 10,000
Medium Tier	3A	10,000 to 22,000
Wholesale Nursery	4	No size limit (no canopy)

Issues related to Cannabis Cultivation – Allowing commercial cannabis cultivation could cause compatibility issues with other land uses, particularly residential uses. Un-regulated cultivation in the unincorporated County area, outdoor and mixed light, has been a continued quality of life impact and has historically garnered a large amount of public comment, complaints and opposition. The odor produced, as well as water usage, water quality, energy used and impacts from pesticides are the most stated concerns related to cultivation. Careful consideration should be given to the direct and indirect impacts when considering allowing a new type of land use, especially one that carries with it, unique characteristics related to security, access to children and potential to cause conversion of land use due

the high value of the product. Options to aid in minimizing cannabis cultivation concerns can be implemented in a regulatory scheme.

Regulatory Considerations:

- Zoning incompatibility
- Number of potential permits, processing and enforcement
- Impacts of cultivation canopy size
- Separation distances for sensitive uses
- Sensitive downward facing lights/shields
- Odor control
- Tracking product
- Crime/access to youth
- Water management
- Appropriate locations for various uses
- Energy management
- Security
- Aesthetics

Although the State has implemented many regulations to protect the public as well and the cultivator, local agencies have the authority to supplement those regulations. In an effort to manage commercial cannabis uses at the local level, Staff believes that those State Regulations can be strengthened.

The following sample range of recommendations are related to cannabis cultivation:

- **Staff recommends that the Board consider prohibiting outdoor (natural-light) cultivation of mature plants.** – Cultivation that is not within a greenhouse, hoop-house, glasshouse, conservatory, hothouse, or other similar structure would not be permitted.
- To address concerns with potential impacts of commercial cannabis activities on sensitive receptors the State requires a 600-foot minimum radius separation of all cannabis activities to K-12 schools, day care centers, and youth centers. **Staff will be further analyzing if an increase in the separation radius and adding additional uses to the list of sensitive uses is warranted for some or all cultivation activities.**
- For cultivation, further consideration could be given to a minimum distance requirement from a cultivation use to existing residences. Distances could vary depending on license type. **A minimum setback may be warranted for some cultivation uses and staff will be analyzing this further.**
- Consider a cannabis cultivation cap on any one parcel. **Staff recommends a one-acre cannabis cultivation limit on any one parcel.** This option would allow cultivation up to one acre as considered in the CDFA’s Environmental Impact Report. In order to reach this maximum canopy size it would require a minimum of two licensees with medium licenses or one licensee with multiple small (about four) licenses or a combination of several licenses. If the Board considers allowing outdoor cultivation then a one acre maximum site would require two medium licenses by two distinct licensees.

- Staff will be reviewing potential amendments to Ordinance No. 509 and Ordinance 625 indicating, specifically, that cannabis will not be considered protected as an agricultural crop with respect to 'Right-to-farm' regulations or be considered a qualifying agricultural use for a reduction in property taxes within Agricultural Preserves.

Sample recommended development standards include:

- All cultivation permit request shall be accompanied by an odor management plan that includes details for an exhaust air filtration system or other method(s) with odor control that prevents internal odors from being emitted externally.
- Cannabis cultivation operations employing the use of pesticides shall obtain the appropriate pesticide use permit(s) from the Riverside County Agricultural Commissioner's Office.
- All small and medium indoor cultivation sites or small and medium mixed-light mixed light cultivation should be required to provide a minimum of 40 percent of required energy through the implementation of renewable energy. (Staff will be studying this further)
- Except for live growing plants which are being cultivated at a cultivation facility, all cannabis products shall be stored in a secured and locked structure or behind a secured and locked fence, and all cannabis products in a secured and locked safe room, safe, or vault, and in a manner as to present diversion, theft, and loss.
- Each owner and all permittees of all cannabis activities requiring land use permit approval shall maintain clear, adequate records and documentation demonstrating that all cannabis or cannabis products have been obtained from and are provided to other permitted and licensed cannabis operations. The County shall have the right to examine, monitor, and audit such records and documentation, which shall be made available to the County upon request.
- Cannabis cultivation sites shall be subject to regular inspections by the County Sealer of Weights and Measures for scales used in commercial transactions and by the Agricultural Commissioner's Office pesticide use and field worker safety.

If the Board elects to continue on a path to adopt a regulatory framework a key policy question is not only how to regulate commercial cannabis cultivation but where it should be permitted, and at what scale and intensity. Given the potential environmental and quality of life impacts, allowable zones should be carefully considered. To evaluate potential zones for cannabis cultivation Planning Staff first evaluated allowable uses in all zones Classifications, eliminating zones where agriculture operations is not an existing allowable use. Data was collected to define locations of sensitive receptors, separation buffers from sensitive receptors and zones that could possibly accommodate a cultivation use. Maps will be available for use as work continues through the process of creating regulatory framework. Furthermore, these maps will be for reference in creating an ordinance but will not reflect specific parcels that will be considered for permits. All prospective properties will require detailed review upon the submittal of an application.

The following is a summary of staff's findings and recommendations for potential cultivation locations.

Staff Recommendations Related to Location:

- **Staff recommends that cannabis cultivation of any type be prohibited in all residential zones, R-1, R-1A, R-A, R-R, R-2, R-2A, R-3, R-3A, R-T, R-T-R, R-4, R-5, R-6, R-7, R-D, MU, W-2-M Zones.**
- **Staff recommends that cultivation of any type be prohibited in the Temecula Valley Wine Country Policy Area Zones, WC-W, WC-WE, WC-E, WC-R, C/V AND C-C/V**
- **Staff recommends that cannabis cultivation of any type be prohibited in the Commercial Office Zone (C-O), Wind Energy Zone (W-E), Watercourse / Watershed / Conservation Areas Zone (W-1), the Controlled Development Zone (W-2) and the Natural Assets Zone (N-A).**
- **Staff recommends that indoor cannabis cultivation be considered on property exhibiting the following zones subject to a discretionary land use permit being obtained:**
 - Commercial Zones (C-1/C-P and the C-P-S)
 - Industrial Park Zone (IP)
 - Manufacturing Zones (M-SC, M-M, M-H)
 - Agricultural Zones (A-1, A-P, A-2, A-D)
- **Staff recommends that Mixed-Light cultivation be considered on property exhibiting the following Zones and subject to a discretionary land use permit being obtained:**
 - Agricultural Zones (A-1, A-P, A-2, A-D)

The following table summarizes the recommended zones for consideration of cannabis cultivation permits.

Land Use Type	State License Type	Maximim Cultivation Canopy Area per Lot (SF)/No. of Plants	Zones												
			Commercial					Ind.	Manufacturing			Agricultural			
			General Commercial	Tourist commercial	Scenic Hwy. Commercial	Rural Commercial	Commercial Office	Industrial Park	Manufact. Serv. Comm.l	Manufacturing-Medium	Manufacturing-Heavy	Light Agriculture	Light Agriculture w/ Poultry	Heavy Agriculture	Agriculture - Dairy
C-1 / C-P	CT	C-P-S	C-R	C-O	I-P	M-SC	M-M	M-H	A-1	A-P	A-2	A-D			
Outdoor Cultivation															
Specialty Cottage	1C	NA/25	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialty	1	5,000/50	-	-	-	-	-	-	-	-	-	-	-	-	-
Small	2	5,001 to 10,000	-	-	-	-	-	-	-	-	-	-	-	-	-
Medium	3	10,001 to 43,560	-	-	-	-	-	-	-	-	-	-	-	-	-
Wholesale Nursery	4	Per Use Permit	-	-	-	-	-	-	-	-	-	LUP	LUP	LUP	LUP
Indoor Cultivation															
Specialty Cottage	1C	500	LUP	-	LUP	-	-	LUP	LUP	LUP	LUP	LUP	LUP	LUP	LUP
Specialty	1A	501 to 5,000	LUP	-	LUP	-	-	LUP	LUP	LUP	LUP	LUP	LUP	LUP	LUP
Small	2A	5,001 to 10,000	LUP	-	LUP	-	-	LUP	LUP	LUP	LUP	LUP	LUP	LUP	LUP
Medium	3A	10,001 to 22,000	-	-	-	-	-	LUP	LUP	LUP	LUP	-	-	-	-
Wholesale Nursery	4	Per Use Permit	-	-	-	-	-	LUP	LUP	LUP	LUP	-	-	-	-
Mixed Light Cultivation															
Specialty Cottage	1C	2,500	-	-	-	-	-	-	-	-	-	LUP	LUP	LUP	LUP
Specialty	1B	2,501 to 5,000	-	-	-	-	-	-	-	-	-	LUP	LUP	LUP	LUP
Small	2B	5,001 to 10,000	-	-	-	-	-	-	-	-	-	LUP	LUP	LUP	LUP
Medium Tier	3A	10,000 tp 22,000	-	-	-	-	-	-	-	-	-	LUP	-	LUP	-
Wholesale Nursery	4	Per Use Permit	-	-	-	-	-	-	-	-	-	LUP	-	LUP	-

RETAIL SALES

Refers to a license to sell cannabis goods to customers as a retailer (dispensary), microbusiness (combination of permits) or nonprofit sales (medical). This represents the final product of the cannabis industry supply chain. The product that has been grown, harvested, tested, packed and labeled for sale. Retail cannabis sites are highly visible to the public. Retail sales locations should be permitted in areas that exhibit zoning compatibility, are able to achieve appropriate separations to sensitive uses and sites that can provide appropriate security, property setbacks and onsite parking, including but not limited to ADA required parking.

The categories of cannabis retail sales, that can be considered include:

- **Non-Storefront Retailer** – The retail sales of cannabis exclusively by delivery. The delivery must be performed by a delivery employee of a licensed retailer, must be made to a physical address, and must be made using an enclosed motor vehicle. In no case shall a non-storefront cannabis dispensary be open to the public for retail sales.
- **Retail sales/Delivery (Dispensary)** - The sale of cannabis to retail customers from a storefront. Deliveries of cannabis products may occur from a storefront location. Retail sales storefronts may be permitted for delivery also. Delivery must be performed by an employee of the licensed retailer.
- **Microbusiness** - A microbusiness license allows a licensee to conduct multiple commercial cannabis activities under one license. With a Type 12 State License an operator is allowed to cultivate 10,000 square feet or less of indoor cannabis, perform manufacturing activities with non-volatile solvents, and act as a licensed distributor and a retailer. Every microbusiness is required to perform, at minimum three of the four activities (cultivation manufacturing (non-volatile or no solvents), distribution, and retail sales) in order to be issued a Type 12 license. The microbusiness licensee has an option to welcome customers to consume onsite, with a permit from the local jurisdiction. The State's microbusiness license is a unique designation for a small vertically integrated business and is intended to relieve some of the permitting pressure and cost on those small businesses.

Each type of Distributor category is licensed by the California Bureau of Cannabis Control (“BCC”) as follows:

Retail Sales	
Land Use Type	State License Type (BCC)
Delivery - Non-Storefront	9
General - Storefront	10
Microbusiness	
Land Use Type	State License Type (BCC)
Microbusiness	12

Potential Issues related to Retail Sales – In the past few years the County has experienced a high concentration of illegal cannabis commercial retail sales establishments (dispensaries) in certain neighborhoods. If permitted, retail sites should be thoughtfully allowed within the proper zones, with appropriate buffers, minimum separation distance requirements to sensitive receptors and other cannabis uses. Consideration should also be given to limiting the number of permits of such a use. This may inherently happen given the allowable zones and separation requirements, but further consideration could be given to allowing for a maximum number of dispensaries and/or separation criteria between such uses in order to avoid an oversaturation in a single area. Areas of concern include inventory tracking, point of sale/inventory control, loitering, theft and volume of product on display at any given time.

Regulatory Considerations:

- Zoning incompatibility
- Number of potential permits, processing and enforcement
- Impacts of loitering
- On-site consumption
- Controlling volume of inventory on display at any given time
- Separation distances for sensitive uses
- Inventory tracking and control
- Crime/access to youth
- Appropriate locations for each use
- Security
- Delivery control

Although the State has implemented many regulations to protect the public as well and the cannabis retail sales business, local agencies have the authority to supplement those regulations. In an effort to manage commercial cannabis uses at the local level, Staff believes that those State Regulations can be strengthened.

The following sample range of recommendations are related to cannabis retail sales:

- To address concerns with potential impacts of commercial retail activities on sensitive receptors the State requires a 600-foot minimum radius separation of all cannabis activities to K-12 schools, day care centers, and youth centers. **Staff will be further analyzing if an increase in the separation radius and adding additional uses to the list of sensitive uses is warranted for retail activities.**
- For cannabis retail sales uses, further consideration could be given to a minimum distance requirement from a retail sales use to existing residences. Distances could vary depending on license type. **A minimum setback may be warranted for some or all retail uses and staff will be analyzing this further.**
- **On-site consumption of cannabis should be prohibited with any County land use permit for cannabis retail sales.** This prohibition could aid in common issues related to loitering, noise, odor and nefarious activity.
- **On-site live entertainment should be prohibited with any County land use permit for cannabis retail sales.** This prohibition would aid in common issues related to loitering, noise, odor and nefarious activity.

Sample recommended development standards include:

- All cannabis retail sales businesses shall be required to keep cannabis plants or product secured and out of the view from a public or private road, sidewalk, park or common public viewing area.

Securing cannabis product from public view will assist in deterring children and thieves from nefarious activities.

- The sale of non-cannabis goods on the premises of a cannabis retail business should be prohibited.
- Cannabis retail businesses shall be required to secure all product in a locked secured safe room at the end of every business day.
- Each owner and all permittees of all cannabis activities requiring land use permit approval shall maintain clear and adequate records and documentation demonstrating that all cannabis or cannabis products have been obtained from and are provided to other permitted and licensed cannabis operations. The County shall have the right to examine, monitor, and audit such records and documentation, which shall be made available to the County upon request.
- No outdoor storage of cannabis or cannabis products is permitted at any time.

If the Board elects to continue on a path to adopt a regulatory framework a key policy question is not only how to regulate cannabis retail sales but where it should be permitted, and at what scale and intensity. Given the potential for quality of life impacts, allowable zones should be carefully considered. To evaluate potential zones for cannabis retail sales Planning Staff first evaluated allowable uses in all Zoning Classifications, eliminating zones where retail sales is not an existing allowable use. Data was collected to define locations of sensitive receptors, separation buffers from sensitive receptors and zones that could possibly accommodate a retail use. Maps will be available for use as work continues through the process of creating regulatory framework. Furthermore, these maps will be for reference in creating an ordinance but will not reflect specific parcels that will be considered for permits. All prospective properties will require detailed review upon the submittal of an application.

The following is a summary of staff's findings and recommendations for potential cannabis retail sales locations.

Staff Recommendations Related to Location:

- **Staff recommends that cannabis retail sales of any type be prohibited in all residential zones, R-1, R-1A, R-A, R-R, R-2, R-2A, R-3, R-3A, R-T, R-T-R, R-4, R-5, R-6, R-7, R-D, MU, W-2-M Zones.**
- **Staff recommends that cannabis retail sales of any type be prohibited in the Temecula Valley Wine Country Policy Area Zones, WC-W, WC-WE, WC-E, WC-R, C/V AND C-C/V.**
- **Staff recommends that cannabis retail sales of any type be prohibited in the Rural Commercial (C-R), Commercial Tourist (C-T), Commercial Office Zone (C-O), Wind Energy Zone (W-E), Watercourse / Watershed / Conservation Areas Zone (W-1), the Controlled Development Zone (W-2) and the Natural Assets Zone (N-A).**
- **Staff recommends that non-storefront cannabis retail sales be considered within the following zones subject to obtaining a discretionary land use permit:**
 - Commercial Zones (C-1/C-P and the C-P-S)
 - Industrial Park Zone (IP)
 - Manufacturing Zones (M-SC, M-M, M-H)

- **Staff recommends that storefront cannabis retail sales be considered within the following zones subject to obtaining a discretionary land use permit:**
 - Commercial Zones (C-1/C-P and the C-P-S)
 - Industrial Park Zone (IP)
 - Manufacturing Zones (M-SC, M-M, M-H)

- **Staff recommends that cannabis microbusinesses be considered within the following zones subject to obtaining a discretionary land use permit:**
 - Commercial Zones (C-1/C-P and the C-P-S)
 - Industrial Park Zone (IP)
 - Manufacturing Zones (M-SC, M-M, M-H)

The following table summarizes recommended zones for considerations of cannabis retail sales permits.

		Zones										
		Commercial			Industrial	Manufacturing			Agricultural			
Land Use Type	State License Type	General Commercial	Scenic Hwy. Commercial	Commercial Office	Industrial Park	Manufacturing-Service Commercial	Manufacturing-Medium	Manufacturing-Heavy	Light Agriculture	Light Agriculture w/ Poultry	Heavy Agriculture	Agriculture - Dairy
		C-1/C-P	C-P-S	C-O	I-P	M-SC	M-M	M-H	A-1	A-P	A-2	A-D
Retail Sales												
Non-storefront Retailer - Delivery	9	LUP	LUP	-	LUP	LUP	LUP	LUP	-	-	-	-
General Retailer	10	LUP	LUP	-	LUP	LUP	LUP	LUP	-	-	-	-
Microbusiness												
Microbusiness	12	LUP	LUP	-	LUP	LUP	LUP	LUP	-	-	-	-

DISTRIBUTION

The Distribution model is a fundamental component of the cannabis supply chain. Under state law, cannabis distributors are the only licensed business type that can transport inventory between licensed cannabis businesses. In addition to transporting inventory between licenses, distribution companies are responsible to provide required quality assurance services and arrange for (but do not perform) lab testing and the collection of the State’s Excise Taxes, before releasing the product to a retailer. Cultivators, manufacturers, and retailers also have the opportunity hold a distribution licenses as well, provided the distributors licensed premises are “separate and distinct”. This is to ensure that the various administrative privileges and inventory tracking requirements are strictly adhered to. A Distributor may also provide ‘storage only’ services only to a licensed cultivator, manufacturer, microbusiness, nonprofit or another distributor. Licensed Distributors will be required to establish comprehensive security measures to ensure the inventory is secured during transit, and accounted for with manifest documentation. The retail sale of cannabis or cannabis products is not permitted from cannabis distribution facility.

The categories of cannabis distribution uses, that can be considered include:

- **Distributor (Type 11 License)** – A facility engaged in the storage of cannabis or cannabis products, for later distribution to permitted and licensed cannabis manufacturing facilities, cannabis testing facilities or dispensaries. A distributor is responsible for arranging for laboratory testing at a Type 8 licensed cannabis testing facility and for conducting quality assurance review of cannabis goods to ensure they comply with all packaging and labeling requirements. In no case shall a cannabis distribution facility be open to the public for retail sales.
- **Distributor Transport Only (Type 13 License)** - A facility engaged in the storage of cannabis or cannabis products, for later distribution to permitted and licensed cannabis manufacturing facilities and cannabis testing facilities. Cannabis distribution/transport only activities do not include transport of cannabis goods to retailers except for immature live plants and seeds being transported from a licensed nursery. A transport only distributor is not permitted to arrange for laboratory or for conducting quality assurance review of cannabis or for labeling requirements. In no case shall a cannabis distribution facility be open to the public for retail sales.

Each type of Distributor category is licensed by the California Bureau of Cannabis Control (BCC) as follows:

Distribution	
Land Use Type	State License Type (BCC)
Distributor	11
Distributor Transport Only	13

Issues related to Distribution – Because distributors are responsible for transporting and securing large quantities of inventory and collecting taxes prior to delivery to a licensed business, tracking and preventing theft of these large quantities of inventory and money are potential issues to review when considering regulations related to cannabis distribution. Banking availability and cash handling procedures should also be carefully reviewed. Regulations should include adequate security measures to control inventory while being stored and transported, as well as cash handling procedures and banking availability.

Regulatory Considerations:

- Delivery and transport management.
- Security, inventory tracking and control while being transported.
- Security, inventory tracking and control while being stored on-site.
- Cash handling procedures and availability to banking.
- Delivery of taxes, payments, and fees.

Although the State has implemented many regulations to protect the public as well and the distributor, local agencies have the authority to supplement those regulations. In an effort to manage commercial cannabis uses at the local level, Staff believes that those State Regulations can be strengthened.

Sample recommended development standards include:

- Cannabis distribution facilities should be designated as a limited access facility. This will prevent visitors from entering without an escort by a designated manager.
- Cannabis distribution sites shall be required to secure all product in a locked secured safe, vault or room and that that security method be approved and inspected prior to final occupant being release.
- Cannabis distribution transport vehicles are to be equipped with onboard GPS and a locked/secure place for inventory and money.
- Each owner and all permittees of all cannabis activities requiring land use permit approval shall maintain clear and adequate records and documentation demonstrating that all cannabis or cannabis products have been obtained from and are provided to other permitted and licensed cannabis operations. The County shall have the right to examine, monitor, and audit such records and documentation, which shall be made available to the County upon request.

If the Board elects to continue on a path to adopt a regulatory framework a key policy question is not only how to regulate cannabis distribution but where it should be permitted, and at what scale and intensity. Given the potential for quality of life impacts, allowable zones should be carefully considered. To evaluate potential zones for cannabis distribution facilities Planning Staff first evaluated allowable uses in all Zoning Classifications, eliminating zones where this type of operation is not an existing allowable use, or a similar in nature use. Data was collected to define locations of sensitive receptors, separation buffers from sensitive receptors and zones that could possibly accommodate a distribution business use. Maps will be available for use as work continues through the process of creating regulatory framework. Furthermore, these maps will be for reference in creating an ordinance but will not reflect specific parcels that will be considered for permits. All prospective properties will require detailed review upon the submittal of an application.

The following is a summary of staff’s findings and recommendations for potential distribution locations.

Staff Recommendations Related to Location:

- **Staff recommends that cannabis distribution sites of any type be prohibited in all residential zones, R-1, R-1A, R-A, R-R, R-2, R-2A, R-3, R-3A, R-T, R-T-R, R-4, R-5, R-6, R-7, R-D, MU, W-2-M Zones.**
- **Staff recommends that cannabis distribution sites of any type be prohibited in the Temecula Valley Wine Country Policy Area Zones, WC-W, WC-WE, WC-E, WC-R, C/V AND C-C/V.**
- **Staff recommends that cannabis distribution sites be considered within the following zones, subject to obtaining a discretionary land use permit:**
 - Commercial Zones (C-1/C-P and the C-P-S)
 - Industrial Park Zone (IP)
 - Manufacturing Zones (M-SC, M-M, M-H)

The following table summarizes the recommended zones for consideration of cannabis distribution permits.

		Zone					
		Commercial		Industrial	Manufacturing		
Land Use Type	State License Type	General Commercial	Scenic Hwy. Commercial	Industrial Park	Manufacturing-Service Commercial	Manufacturing-Medium	Manufacturing-Heavy
		C-1/C-P	C-P-S	I-P	M-SC	M-M	M-H
Distribution							
Distributor	11	LUP	LUP	LUP	LUP	LUP	LUP
Distributor Transport Only	13	LUP	LUP	LUP	LUP	LUP	LUP

MANUFACTURING / PROCESSING FACILITIES

Manufacturing facilities involve the processing, production, preparation, holding, storing, packaging, and labeling of cannabis or cannabis products (edibles/topicals) either directly or indirectly or by extraction and/or infusion methods, that packages or repackages cannabis or cannabis products, or labels or relabels its containers. Cannabis manufacturing also includes any holding, or storing of components and ingredients. For cannabis extraction State law requires that manufacturers use a professional engineered,

certified, closed-loop extraction system specifically designed to prevent any volatile solvents from being released into the atmosphere.

The categories of cannabis manufacturing that can be considered include:

- **Type 6 License** – Manufacturing that involves nonvolatile solvents or the utilization of any solvent used in the cannabis extraction process that is non-volatile, generally including water (dry ice), butter/oil, heat press, Carbon Dioxide (CO₂) and ethanol.
- **Type 7 License** – Manufacturing that involves volatile solvents or the use of any solvent that gives off vapors or fumes at room temperature and is, or produces, a flammable gas or vapor that, when present in the air in sufficient quantities, will create explosive or ignitable mixtures. These volatile substances, related to cannabis manufacturing include, butane, hexane and propane.
- **Type N** – Manufacturing that involves the production of edible products or topical products using infusion methods but that do not conduct extractions.
- **Type P** – Manufacturers that only package or repackage cannabis products or label or relabel the cannabis product container.

Each type of manufacturing category is licensed by the California Department of Public Health (CDPH) as follows:

Manufacturing	
Land Use Type	State License Type (CDPH)
Level 1- Non-Volatile Solvents	6
Level 2 - Volatile solvents	7
Infusion Only	N
Packaging & Labeling Only	P

Concerns related to the Manufacturing of Cannabis Products – Infused products, concentrates and edibles are the fastest growing consumer desired product and account for almost 50% of cannabis sales in states that have legalized cannabis. It is expected that cannabis manufacturing will be a highly sought after use due to the growing popularity of infused products and edibles. Of greatest concern related to cannabis manufacturing is the risk of explosion and fire related to volatile extraction which requires that large quantities of volatile gases and industrial solvents be stored and handled onsite. Other concerns include, employee exposure to CO₂ and cannabis dust, harmful vapors, theft by employees, which can become a source of unpermitted sales or contaminated production of products that are harmful to consumers.

Regulatory Considerations:

- Safety during the extraction process
- Product contaminations
- Pest Control/fumigation
- Potential asphyxiation hazards
- Airspace contaminates

The following sample range of recommendations are related to cannabis manufacturing:

- State law requires that all extraction be performed with closed-loop extraction equipment certified by a licensed California Professional Engineer, which is intended to increase safety during the process. **Staff recommends that the required certification of the closed loop system be submitted to the Department of Environmental Health.**

Sample recommended development standards include:

- Prior to commencing operations, a cannabis manufacturing business shall be subject to a mandatory building inspection, and must obtain all required permits and approvals which would otherwise be required for any business of the same size and intensity operating in that zone. This includes but is not limited to obtaining any required building permit(s), Fire Department approvals, Environmental Health Department review and inspections and other zoning and land use permit(s) and approvals, as deemed needed per the permit entitlement conditions.
- All employees of cannabis manufacturing facilities shall be required to certify in food handling
- All extraction technicians employed by a cannabis manufacturing facility shall be trained and certified.
- The installation of flammable gas detection devices and fire suppression systems shall be required on all cannabis manufacturing buildings.
- All cannabis manufacturing facilities that perform extraction processes should be required to perform those activities in a room dedicated to extraction activities.
- Each owner and all permittees of all cannabis activities requiring land use permit approval shall maintain clear and adequate records and documentation demonstrating that all cannabis or cannabis products have been obtained from and are provided to other permitted and licensed cannabis operations. The County shall have the right to examine, monitor, and audit such records and documentation, which shall be made available to the County upon request.

Staff Recommendations Related to Location:

- **Staff recommends that cannabis manufacturing facilities of any type be prohibited in all residential zones, R-1, R-1A, R-A, R-R, R-2, R-2A, R-3, R-3A, R-T, R-T-R, R-4, R-5, R-6, R-7, R-D, MU, W-2-M Zones.**
- **Staff recommends that cannabis manufacturing facilities of any type be prohibited in the Temecula Valley Wine Country Policy Area Zones, WC-W, WC-WE, WC-E, WC-R, C/V and C-C/V.**

- **Staff recommends that cannabis manufacturing facilities be considered on property exhibiting the following zones subject to a discretionary land use permit being obtained:**
 - Industrial Park Zone (IP)
 - Manufacturing Zones (M-SC, M-M, M-H)

The following table summarizes the recommended zones for consideration of cannabis manufacturing permits.

		Zones			
		Industrial	Manufacturing		
Land Use Type	State License Type	Industrial Park	Manufacturing-Service Commercial	Manufacturing-Medium	Manufacturing-Heavy
		I-P	M-SC	M-M	M-H
Manufacturing					
Level 1- Non-Volatile Solvents	6	LUP	LUP	LUP	LUP
Level 2 - Volatile solvents	7	LUP	LUP	LUP	LUP
Type N	N	LUP	LUP	LUP	LUP
Type P	P	LUP	LUP	LUP	LUP

TESTING / LABORATORIES

Cannabis testing facilities are a facilities where cannabis and cannabis products are tested for potency, quality, and health and safety requirements. These facilities are integral to the cannabis regulation network, as every cannabis-related product must be tested and certified before it can be ultimately sold to the end users. Most State commercial cannabis licensees must hold an A-license to engage in recreational commercial cannabis activity and an M-license to engage in medicinal commercial cannabis activity and in most cases an A-licensees may only do business with A-licensees, and M-licensees may only do business with M-licensees. The exception is testing laboratories, which may test cannabis goods for both types. A licensee holding a commercial cannabis testing license may not hold another State license. A testing laboratory must only intake a product from a person who is employed by a facility that possesses a distribution license.

The categories of cannabis testing facilities, that can be considered include:

- **Testing/laboratories (Type 8 License)** – Testing laboratories that test cannabis for THC, cannabinoids, contaminants, impurities and other compounds. Testing laboratories will be

an integral part of the cannabis regulation network, as every cannabis-related product and batch must be tested and certified before it can be transferred to distributors for ultimate sale to end users. To ensure independent, unbiased results, testing license (Type 8) holders may not hold any other license type.

Cannabis testing laboratories are licensed by the California Bureau of Cannabis Control (BCC) as follows:

Testing	
Land Use Type	State License Type (BCC)
Testing/laboratories	8

Concerns related to the Testing of Cannabis Products:

The BCC’s has placed a strict oversight of Type 8, testing/laboratory licenses, along with the strict requirements that cannabis testing laboratories be independent. Beyond that, the activities performed at cannabis testing laboratories are similar in nature to other laboratories. Staff believes that there is a relatively low risk associated with such uses. Additionally, due to the supply chain structure established by the State, there is not likely to be a proliferation of cannabis testing laboratories, as they will typically be located in close proximity to other cannabis uses such as cultivation and manufacturing.

Regulatory Considerations:

- Safety during testing process
- Disposal of tested product
- Security and product transfer
- Product on-site security

Sample recommended development standards include:

Each application shall include an operations plan detailing how cannabis will be received, secured, tested, and destroyed upon completion.

- Requiring permitted facilities to be closed to the general public; prohibiting distributor deliveries and pick-ups between the hours of, for example, 7:00 p.m. and 8:00 a.m.
- Require that in no case shall cannabis plants or product be visible from a public or private road, sidewalk, park or and common public viewing area.
- Require applicants to submit a detailed security plan to include, background checks for all employees, lighting, security video cameras, alarm systems, and secure area for cannabis storage, surveillance video (that captures both inside and outside images).
- Require applicants requesting permits to provide an operation management plan(s) to include inventory control measures, tracking methods and a principal inventory tracking assignment.

- Each owner and all permittees of all cannabis activities requiring land use permit approval shall maintain clear and adequate records and documentation demonstrating that all cannabis or cannabis products have been obtained from and are provided to other permitted and licensed cannabis operations. The County shall have the right to examine, monitor, and audit such records and documentation, which shall be made available to the County upon request.
- Cannabis testing laboratories shall obtain a Hazardous Waste Handler Permit from the Riverside County Department of Environmental Health.

Staff Recommendations Related to Location:

- **Staff recommends that cannabis testing facilities of any type be prohibited in all residential zones, R-1, R-1A, R-A, R-R, R-2, R-2A, R-3, R-3A, R-T, R-T-R, R-4, R-5, R-6, R-7, R-D, MU, W-2-M Zones.**
- **Staff recommends that cannabis testing facilities of any type be prohibited in the Temecula Valley Wine Country Policy Area Zones, WC-W, WC-WE, WC-E, WC-R, C/V AND C-C/V.**
- **Staff recommends that cannabis testing facilities be considered on property exhibiting the following zones subject to a discretionary land use permit being obtained:**
 - Commercial Zones (C-1/C-P and the C-P-S)
 - Industrial Park Zone (IP)
 - Manufacturing Zones (M-SC, M-M, M-H)

The following table summarizes the recommended zones for cannabis testing permits.

		Zone					
		Commercial		Industrial	Manufacturing		
Land Use Type	State License Type	General Commercial	Scenic Hwy. Commercial	Industrial Park	Manufacturing-Service Commercial	Manufacturing-Medium	Manufacturing-Heavy
		C-1/C-P	C-P-S	I-P	M-SC	M-M	M-H
Testing							
Testing/Laboratories	8	LUP	LUP	LUP	LUP	LUP	LUP

LAND USE PERMIT IMPLEMENTATION

Should the County move forward with implementing a regulatory approach to permit cannabis-related business, it is staff's recommendation that we do so in a measured way that provides for a "ramp-up" period, and an opportunity to re-evaluate the program on annual basis. We are recommending an approach that sets initial caps on certain types of cannabis-related businesses, which can then be re-assessed and adjusted over time as the County gains practical experience in implementing a program.

From staff's perspective, cannabis cultivation and cannabis retail sales pose greater potential impacts to the communities where they would be located, and therefore, should garner some consideration of a cap on the number of permits. Other cannabis business uses such manufacturing, distribution and testing are similar in intensity and use to other currently permitted land uses and it is not anticipated that, once development standards are applied, influences of these uses will be a negative impact to the community. Options for capping permits for cannabis cultivation and retail sales businesses could include a countywide cap (in the unincorporated area) or a per District cap.

Considerations on potential caps for each of the use types are as follows:

Retail Sales - Given the potential a concentration of retail sales cannabis businesses in the unincorporated County area care should be taken in order to avoid land use incompatibility and conversion of much needed diverse retail services. Options for the Board's consideration related to a cap on the number of permits include:

- A. **No limit on cannabis retail sales permits.** This would allow an open door for any number of permit seekers.
- B. **A consistent maximum number of cannabis retail sales permits in each District.** – Placing a cap on cannabis retail sales permits, one set number in each District.
- C. **A maximum number of cannabis retail sales permits County wide.** – Placing a cap on the number of retail sales permits in the entire County unincorporated area. This cap would be for the initial phase-in and would be re-evaluated annually. This could be based on the population in the unincorporated county area in each District, or other considerations.
- D. **A maximum number of retail sales permits based on cannabis retail sales type (license).** – Permits could be capped based on the type of license. For example, a maximum number of Type 10 licenses (Storefront) could be allowed, while not placing a cap on the Type 9 (non-storefront, delivery only) retailer.

Commercial Cultivation - Given the potential for a vast amount potential cannabis cultivation permits being sought and due to the large amount of available acreage in the unincorporated County area, care should be taken in order to avoid land use conversion, negative community impacts and to allow for staff to ramp up efforts for permitting and enforcement. Options for the Board's consideration related to a cap on the number of cultivation permits include:

- E. **No limit on cannabis cultivation permits.** This would allow an open door for any number of permit seekers.
- F. **A consistent maximum number of cannabis cultivation permits in each District.** – Placing a cap on cannabis cultivation permits, a set number in each District. This cap would be for the initial phase-in and would be re-evaluated annually.
- G. **A maximum number of cannabis cultivation permits County wide.** – Placing a cap on the number of cultivation permits in the entire County unincorporated area. This cap would be for the initial phase-in and would be re-evaluated annually.
- H. **A maximum number of cannabis cultivation permits based on cultivation type (license).** – Permits could be capped based on the type of license. For example, a maximum number of Type 2 (Small) and Type 3 licenses (Medium), could be allowed, while not placing a cap on the Specialty and nursery licenses. This cap would be for the initial phase-in and would be re-evaluated annually.

Manufacturing, Distribution & Testing - Given that the County could have competitive advantages in the sectors of manufacturing, distribution and testing, and that community impacts may be well addressed with proper siting and development standards, staff suggests the Board consider no ultimate cap on these sectors.

Analysis on Dispensaries – Staff reviewed several options related to implementation of the new, highly sought after, commercial cannabis permits. The unknown number of applicants that will be seeking a permit, the potential for a large number applicants that may seek a permit shortly upon an ordinance adoption and the unknowns related to actual impacts of a regulated scheme were all considerations. Not capping the number of allowable permits could lead to a large influx of applications required to be processed at once. Also, issues related to concentration of use, staff’s ability to process an assumed large number of permits for this use, while continuing the completion of other land use cases were also considered.

Staff reviewed agencies that have already, or are, in the process of creating a regulatory scheme and compared allowable or proposed allowable dispensary permits per the applicable area population. The table below reflects much of that research:

Dispensaries by Population

City	Population	Maximum Permitted Dispensaries	Max. No. Dispensaries to Population
Berkeley, CA	121,230	4	1:30,310
Blythe	19,660	2	1:9,830
Coachella	45,550	4	1:11,388
Denver, CO	682,540	204	1:3,346

Kern County	311,010	32	1:9,719
Lake Elsinore	62,090	10	1:6,209
Los Angeles	1,053,030	100	1:10,530
Moreno Valley	206,750	10	1:20,675
Oakland, CA	426,070	8	1:53,259
Palm Desert	50,740	6	1:8,457
Sacramento, CA	493,020	30	1:16,434
San Francisco,	874,220	28	1:31,222
San Jose, CA	1,046,080	16	1:65,380
Seattle, WA	704,352	198	1:3,557
Sonoma County	151,370	9	1:16,819
Stanislaus County	114,890	7	1:16,413
		Mean Ave.+/-	1:19,600

This table reflects an average yield of about one dispensary per 19,600 persons. Riverside County’s unincorporated population is estimated at 379,000 for 2017. Applying the same average ratio to Riverside County yields about 19 dispensaries. Considering only the Riverside County agencies yields a ratio of about one dispensary per about 9,500 persons. Applying that ratio to the unincorporated population of the County yields about 38 dispensaries.

Analysis on Cultivation – As stated above, it is anticipated that there is great potential for a vast amount of cannabis cultivation permits being sought. Staff believes that due to the large amount of available acreage in the unincorporated County area, in order to avoid land use conversion, negative community impacts and to allow for staff to ramp up efforts for permitting and enforcement a cap on cannabis cultivation permits should be considered. HdL Companies, the County’s consultant has prepared potential permitting scenarios, a low number (22), a moderate number (44) and a high number (55) of cultivation permits. Additionally considered was the CDFA survey of potential permit seekers, by type of permit, in the State. That survey projected about 27 permits for the unincorporated County area. Because Riverside County has a potential for many areas where cultivation could be appropriate, it is recommended that the number of cultivation permits be capped at 50, County wide.

Staff Recommendation on Dispensary & Cultivation Cap:

Staff recommends Option C - A maximum number of cannabis retail sales permits, based on population, of 19 and Option G, - A maximum number of cultivation permits County wide of 50. – Staff reviewed several options related to capping permits and determined that these options would be the most reasonable. **Staff further recommends this as a “ramp-up” implementation.** It is recommended that this total cap be held for the first year of regulation. After the initial year Staff will have collected permit data and will be able to make further recommendations to the Board at that time.

APPLICANT SELECTION PROCESS

As described above, to ensure the establishment of safe and accessible commercial cannabis uses, all applications for commercial cannabis uses would be subject to the County’s land use permitting process and any other applicable regulations (e.g. Environmental Health permits and building permits). If the Board establishes ultimate or interim caps on the number of businesses to be permitted for any use, it is

anticipated that the County may need to establish a selection process to determine how available permits will be allocated. If a selection process is needed, below are samples of options for the Board's consideration:

- A. **Utilizing the RFP and scoring process.** Under this scenario, the County would solicit proposals for establishment of a commercial cannabis use. The proposals would be vetted for completeness and only accepted for qualifying properties located outside of any Board approved buffer areas. The proposals would then be scored utilizing a pre-defined and approved scoring system. The proposals with the highest scores would then be invited to submit a formal land use permit application, the application would be processed under the County land use permit process and would be subject to denial, or conditional approval, by the hearing body. If a permit was denied, the highest ranked proposal just below the initial cut-off could be invited to apply until the cap on permits is reached.

The screening process could be done in phases. For instance, the County could initially invite submission of concise and simple pre-proposals (less detailed and costly to complete than full proposals), review and rank the pre-proposals, then invite the proponents with the highest ranking pre-proposals to submit full proposals which would be screened again to determine who would be invited to submit a formal land use permit application

- B. **Utilizing a 'First-in' process.** Under this scenario applicants would submit entitlement applications and staff would process normally. If site locations conflict with separation development standards (if adopted by the Board) then the completed application package that came in first would be able to be considered for a permit, while the conflicting one would not be recommended for approval. That second applicant could, however, wait until the first application's permit is deemed approved or denied and if denied, then that second application could be considered.
- C. Some agencies have opted for using a **lottery system**. Under this scenario, the County would solicit proposals for establishment of a commercial cannabis use. The proposals would be vetted for completeness and only accepted for qualifying properties located outside of any Board approved buffer areas. Applications that are deemed complete would enter the lottery and selected within the cap imposed by the Board.

Staff Recommendation:

Staff recommends option A – This option allows for a fair and unbiased point system and allows the land use decisions to be thoughtfully considered.