

Review of Upcoming ZONING ORDINANCE AMENDMENT #17-01 (Cannabis Businesses)



Planning Commission Study Session—October 11, 2017

Kim Espinosa, Planning Manager

OVERVIEW OF TONIGHT'S MEETING

- How Did We Get Here? (Background)
- Detailed Overview of Draft Ordinance
 - Review of Land Use Table & Maps
 - Review of Regulations for Various Businesses
 - Review of Commercial Cannabis Business Permits and Selection Process
- Next Steps
- Please Feel Free to ASK Questions During The Presentation or After
- Public Comment (Optional)



BACKGROUND

- In response to 2015 changes in State Law, in January 2016, the City Council adopted a ban on all commercial medical marijuana uses in the City and prohibited cultivation for medical use.
- However, at the same time, the City Council directed staff to schedule additional study sessions to discuss options regarding medical marijuana.
- After extensive public testimony and City Council deliberation, the City Council directed City staff to prepare a draft ordinance for consideration by the Planning Commission and City Council.
- In August/Sept 2016, the City Council adopted **Ordinance #2464**, which became effective on September 15, 2016.

ORDINANCE #2464

1. Allows up to a maximum of four (4) commercial medical marijuana/cannabis dispensaries in the Professional/Commercial Office (C-O) zones and Planned Developments with Commercial Office General Plan designations by Conditional Use Permit subject to certain restrictions, including not being allowed within 600 feet of schools and 500 feet of parks, playgrounds, sports fields, youth centers, rec centers, or public libraries; and,
2. Allows commercial deliveries of medical marijuana in the City with limited hours (8am to 7pm); and,
3. Allows the cultivation of 6 plants per parcel/lot, indoors only, of marijuana/cannabis for personal medical use by a qualified patient or primary caregiver in all zones and specific plan areas in the City of Merced, with certain restrictions.

HOWEVER...

BACKGROUND (Cont.)

- ❖ Applications for medical marijuana/cannabis dispensaries would **NOT** be accepted by the City until specific regulations regarding the operations of the dispensaries and objective standards for selecting the four dispensaries were adopted by the City Council.
- ❖ In February 2017, the City entered into a contract with SCI Consulting to prepare the operating regulations for medical marijuana dispensaries and the dispensary selection process.
- ❖ From April to September 2017, several Planning Commission/City Council study sessions, stakeholder interviews, and public workshops were held, resulting in the Draft Ordinance that we will review tonight.

GENERAL OVERVIEW OF DRAFT ORDINANCE

- Land Use Table Showing Which Cannabis Businesses are Allowed in Each Zoning District.
- Regulations for Cultivation of Cannabis for Personal Use in Residential Zones
- General Regulations & Operating Standards for All Commercial Cannabis Businesses
- Additional Operating Standards for Dispensaries/Retail Sales, Delivery Services, Manufacturing, Commercial Cultivation, Testing Labs, & Distribution Businesses
- Commercial Cannabis Business Permit Selection Process for:
 - Dispensaries/Retail Sales (Limited Number of Permits Available)
 - All Other Cannabis Businesses (No Limit on Number of Permits Available)
- Fees and Taxes

GENERAL OVERVIEW OF DRAFT ORDINANCE (Cont.)

- Sections 1, 2, & 3—Findings, Authority, and Purpose and Intent on Pages 1 to 2 (Legal Stuff)
- Section 4—Amends the Land Use Tables in the Zoning Ordinance for Commercial and Industrial Zones to refer to a New Land Use Table for Commercial Cannabis Businesses (Page 3).
- **Section 5**—Repeal of Ordinance #2464 (Section 20.44.170 of the Merced Municipal Zone) and Replaces It with a New Ordinance (Section 20.44.170—“Regulation of Commercial Cannabis Activities – Commercial Cannabis Business Permit Required” as Outlined on **Pages 3 to 30**).
- Sections 6 & 7—Severability and Publication on Page 31 (More Legal Stuff).

Section 5 Will Be Our Focus Tonight.

Zoning Compliance and Commercial Cannabis Permit Requirements

Commercial Cannabis Business Activities Use Type	City of Merced Municipal Code Table 20.44-1						Additional Specific Use Standards
	Land Use Classification [4] [5]	C-C Zone	C-O Zone	C-G Zone	I-L Zone	I-H Zone	
Cultivator	Greenhouse, Type A	X	X	X	P	P	Sec. 20.44.170(I)
Cultivator	Greenhouse, Type B	X	X	X	P	P	Sec. 20.44.170(I)
Cultivator	Greenhouse, Type C	X	X	X	P	P	Sec. 20.44.170(I)
Nursery	Greenhouse, Type D	X	X	X	P	P	Sec. 20.44.170(I)
Manufacturing	Manufacturing, non-volatile	X	X	X	P	P	Sec. 20.44.170(H)
Manufacturing	Manufacturing, volatile	X	X	X	X	P	Sec. 20.44.170(H)
Dispensary [1][2]	Pharmaceutical, medical	P	P	P	X	X	Sec. 20.44.170(F)
Dispensary [1][2]	Retail, non-medical	P	X	P	X	X	Sec. 20.44.170(F)
Testing Laboratory	No Retail	P	P	P	P	P	Sec. 20.44.170(J)
Distribution [3]	Freight/Transport	X	X	P	P	P	Sec. 20.44.170(K)

Zoning Compliance & Commercial Cannabis Permit Reqts (Cont.)

Footnotes

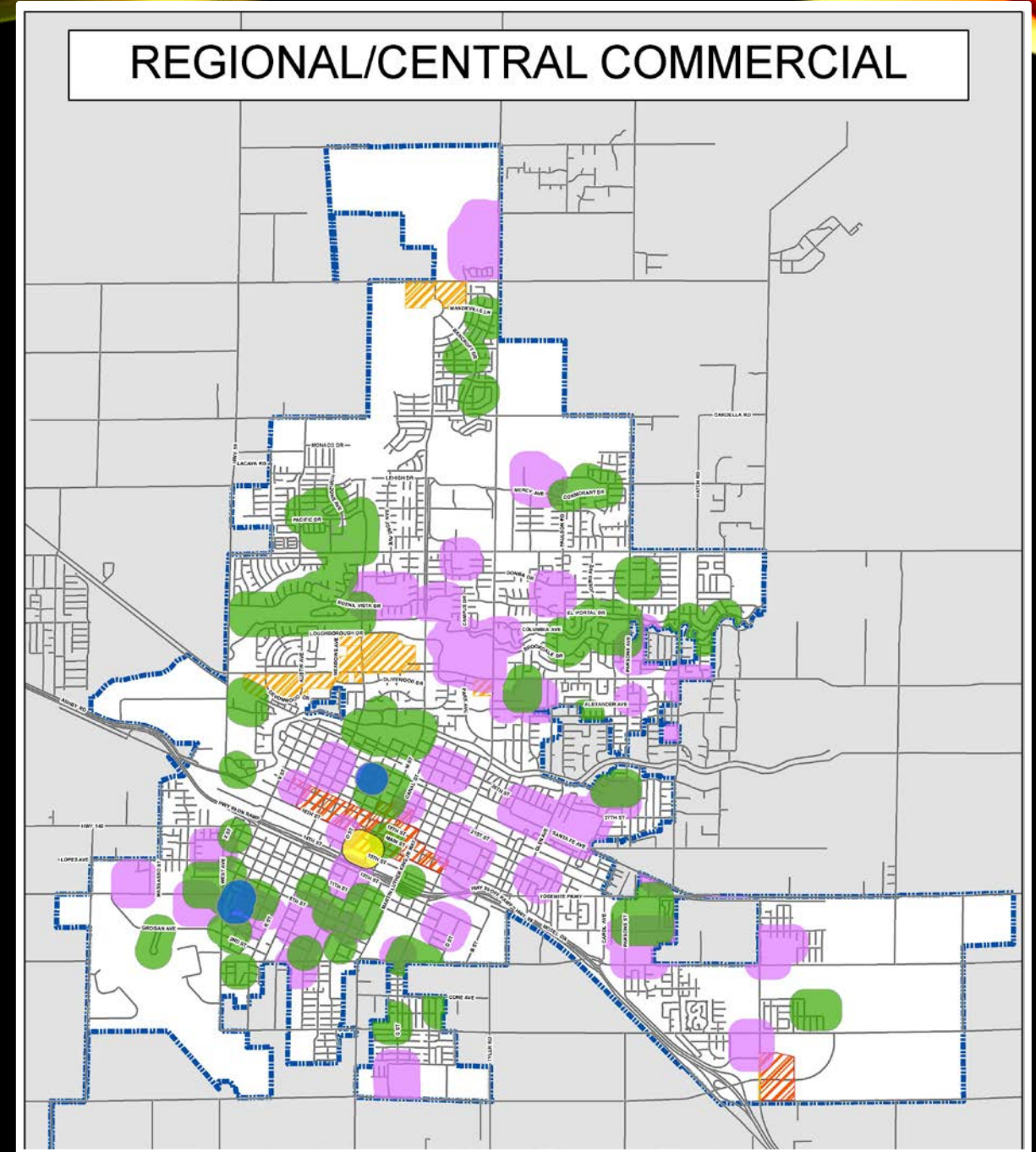
- 1 - One medical cannabis dispensary and three non-medical adult use dispensaries are permitted within the City of Merced. If State law changes to allow medical and adult use dispensaries on the same premises, the City of Merced would allow a combined use, but in no case shall more than four dispensaries of any kind be allowed within the City of Merced.
2. – Dispensaries (medical or adult use) are prohibited in the City Center area between 19th and 16th Streets and O Street and Martin Luther King Jr. Way, including properties fronting on either side of each of the above streets.
3. – Only allowed in General Commercial (C-G) zones if meet the provisions of Section 20.44.170 (K)(10).
4. – If listed as “Permitted” in a specific zone above, then that use is also “Permitted” in Planned Development (P-D) zones that have the equivalent General Plan land use designation as that zone.
5. – No Commercial Cannabis Businesses may be located within a 600 foot-radius from a school, day care center, recreational center, youth center, library or public park as required in Merced Municipal Code Section 20.44.170 (E)(3)(f).

Land Use Classifications:

- Greenhouse, commercial A - permitted cultivation area: 0 to 5,000 square feet
- Greenhouse, commercial B – permitted cultivation area: 5,001 to 10,000 square feet
- Greenhouse, commercial C – permitted cultivation area: 10,000 to 22,000 square feet
- Greenhouse, commercial D – permitted cultivation area: 22,000 square feet

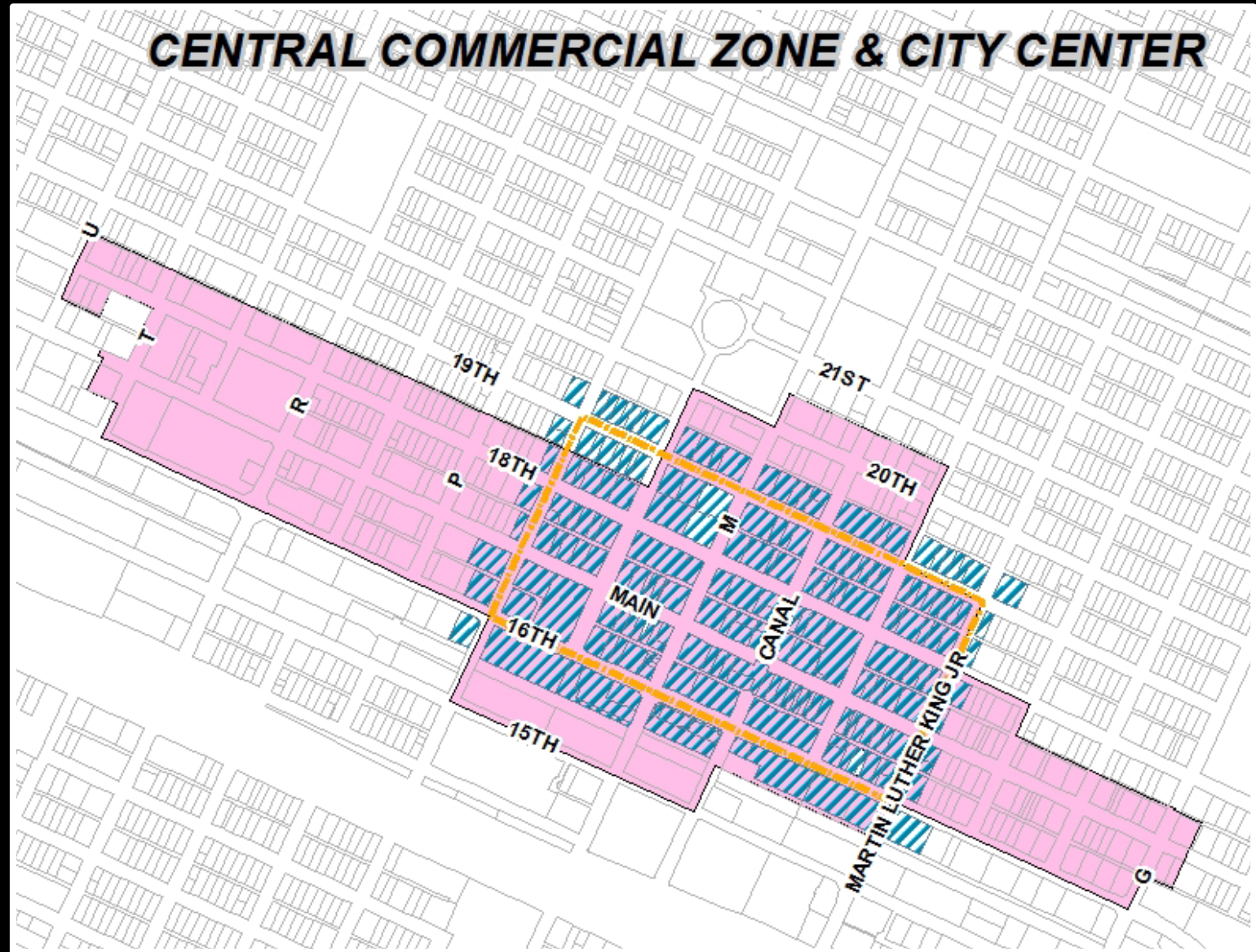
REGIONAL/CENTRAL COMMERCIAL (C-C)

- Would allow Medical or Adult Use Dispensaries/Retail Sales (4 Maximum Citywide)
- Would allow Testing Labs
- No other Commercial Cannabis Businesses would be Allowed
- Commercial Cannabis Businesses would be Prohibited in the City Center
- 600 foot buffer from sensitive uses applies.



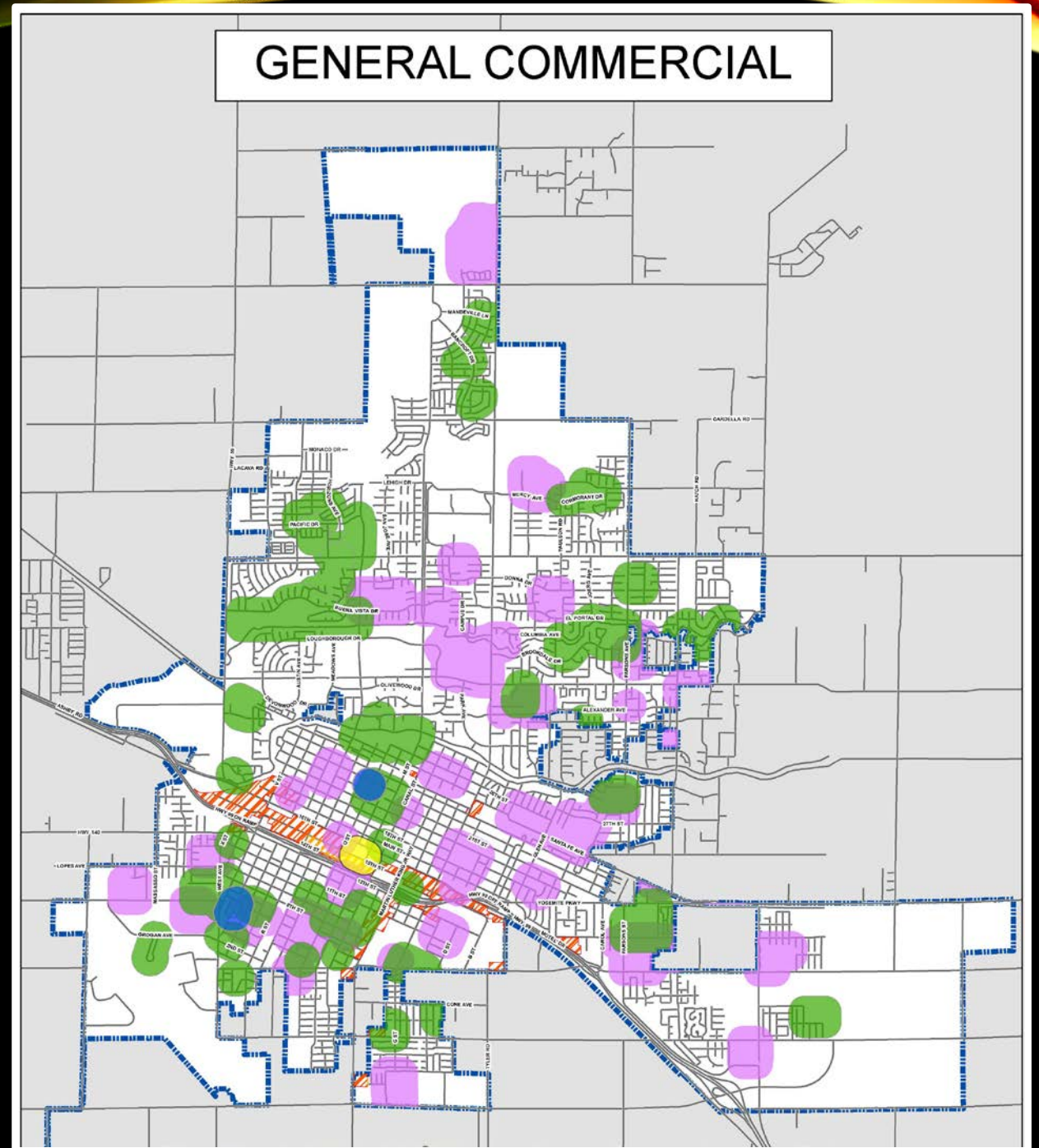
CITY CENTER (C-C)

- City Center Area is defined as the Area Between 19th and 16th Streets and O Street and Martin Luther King Jr. Way, including properties fronting on either side of each of the above streets.
- Cannabis Dispensaries/Retail Sales would be prohibited in the City Center area



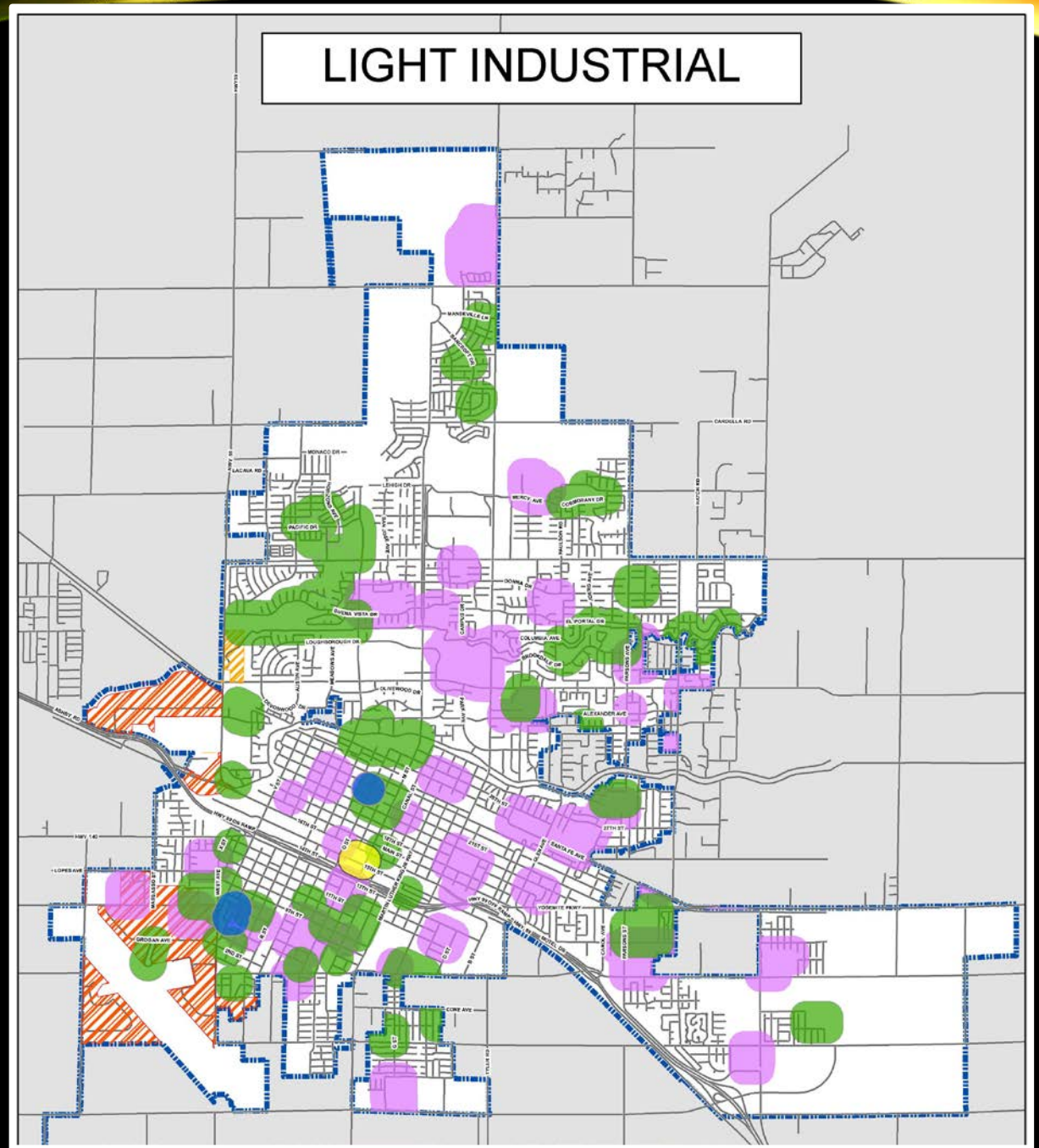
GENERAL COMMERCIAL (C-G)

- Would allow Medical or Adult Use Dispensaries/Retail Sales
- Would allow Testing Labs
- Would Allow Distribution Businesses If:
 - _____
- No other Commercial Cannabis Businesses would be Allowed
- 600 foot buffer from sensitive uses applies.



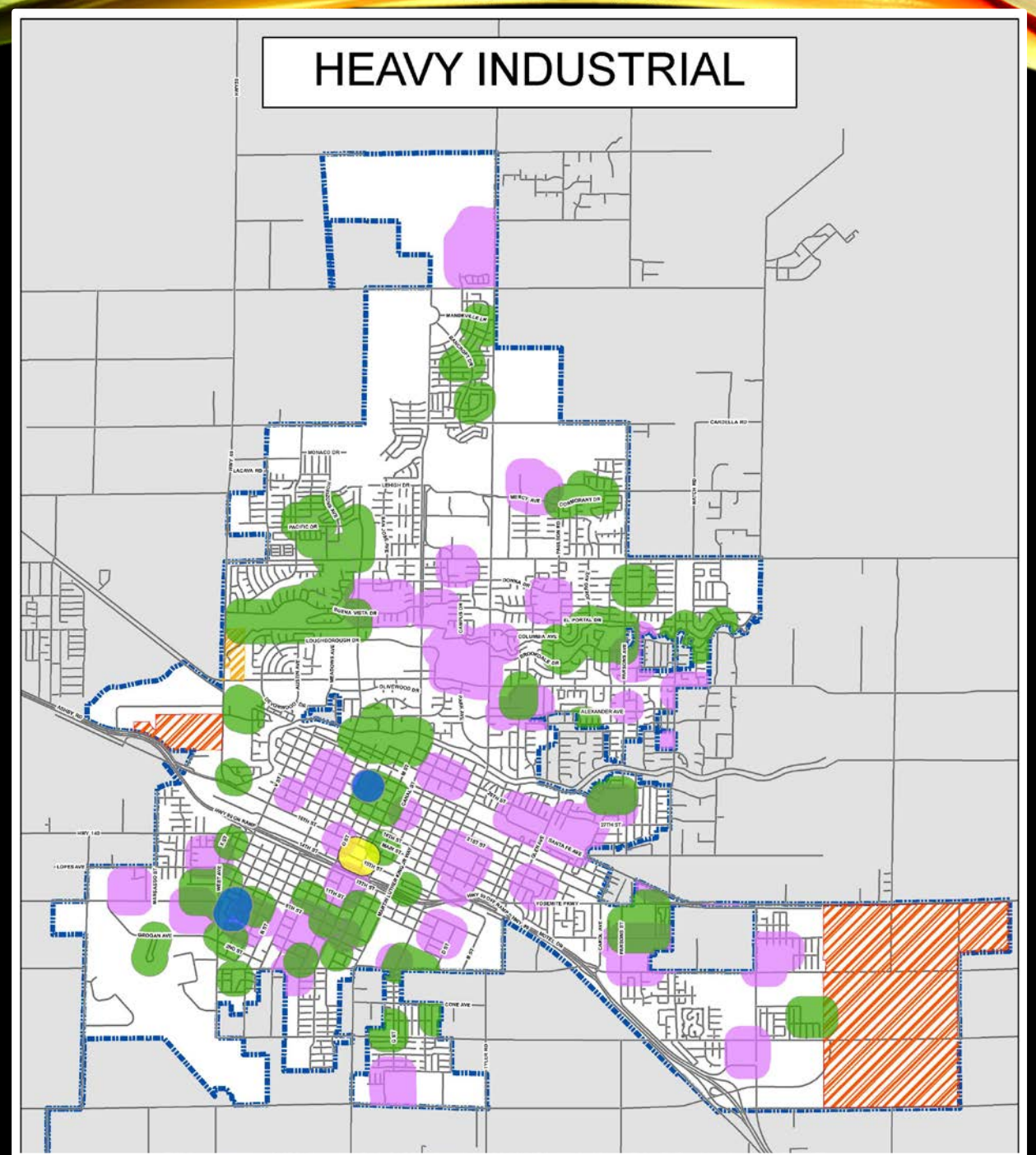
LIGHT INDUSTRIAL (I-L)

- Would allow Cultivators of all Types (Greenhouses, Types A, B, C, & D)
- Would allow Manufacturing, Non-Volatile only
- Would allow Testing Labs
- Would allow Distribution Businesses
- Would NOT allow Dispensaries/Retail Sales
- 600 foot buffer from sensitive uses applies.



HEAVY INDUSTRIAL (I-H)

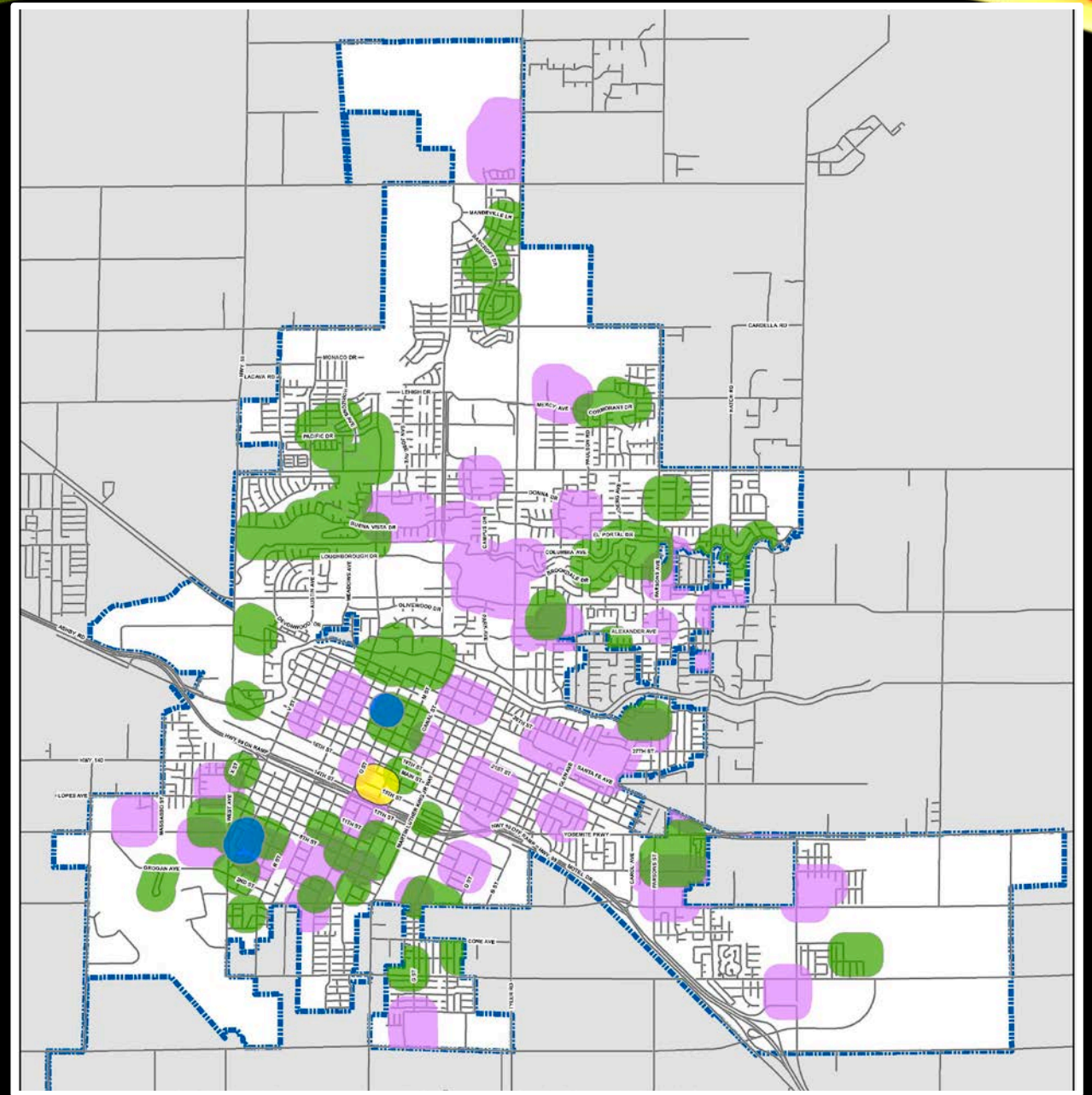
- Would allow Cultivators of all Types (Greenhouses, Types A, B, C, & D)
- Would allow Manufacturing, Non-Volatile and Volatile
- Would allow Testing Labs
- Would allow Distribution Businesses
- Would NOT allow Dispensaries/Retail Sales
- 600 foot buffer from sensitive uses applies.



COMMERCIAL CANNABIS BUSINESSES

Prohibited in All Zones IF:

1. Within **600 feet** of schools; and,
2. Within **600 feet** of public parks, not including bike paths; and,
3. Within **600 feet** of day care centers, youth centers, City rec centers, or public library; and,
4. No more than **four** dispensaries (1 medical/3 adult use) in the City at any given time;



Cultivation of Cannabis for Personal Use in Residential Zones

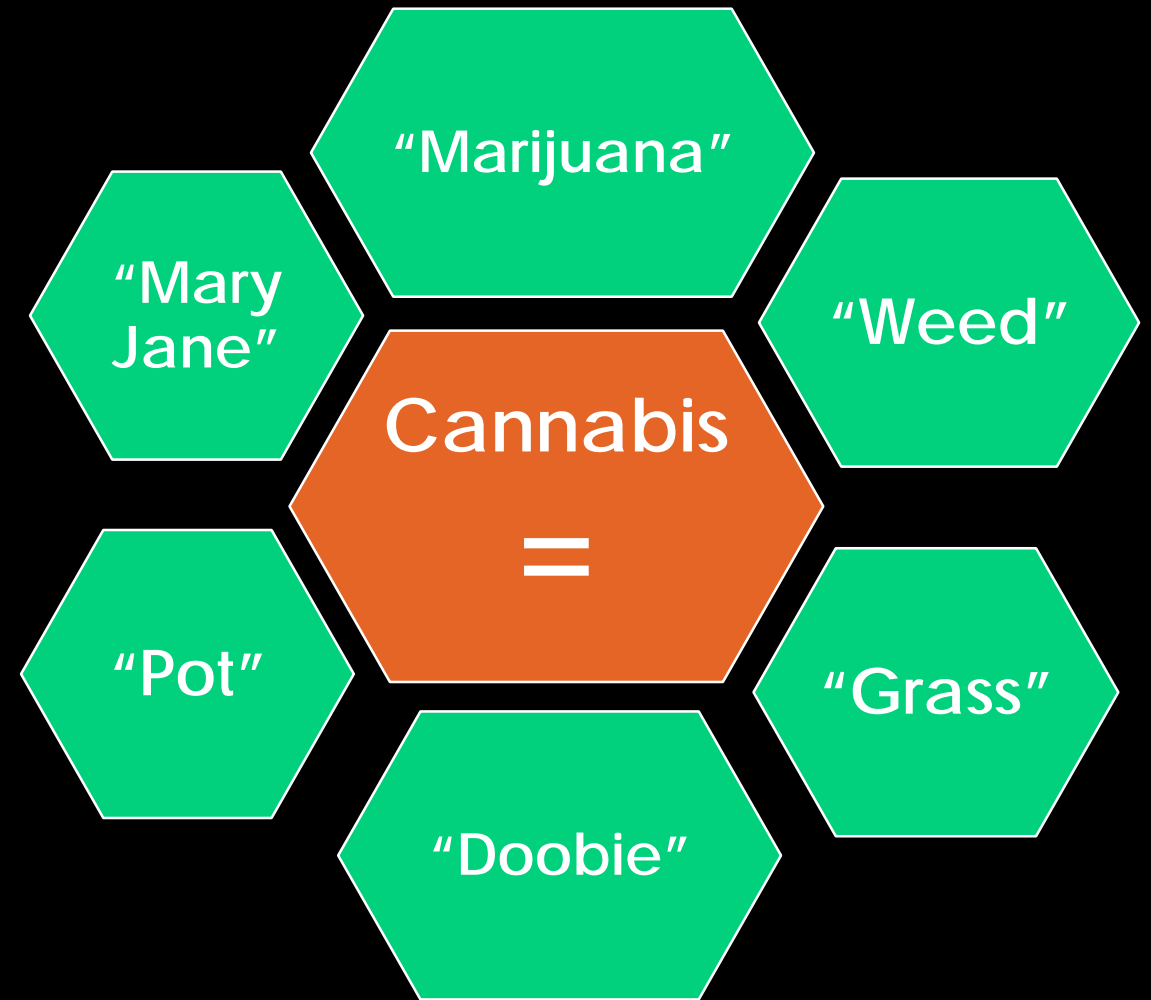
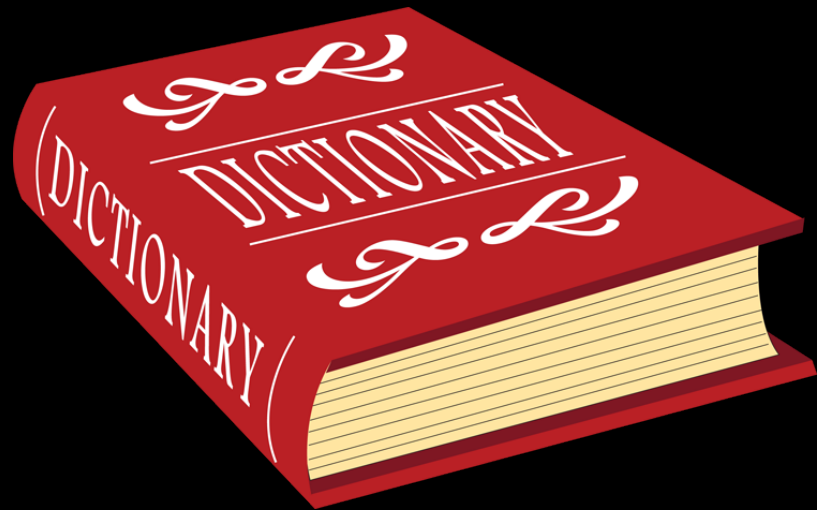
- No more than Six (6) Cannabis Plants, Mature or Immature, are Permitted Per Residence for Indoor Personal Cultivation.
- Outdoor Cultivation of Cannabis is prohibited in all zones of the City.
- Cultivation area cannot exceed 50 square feet or 10 feet in height (or be within 12 inches of the ceiling).
- Can be in any residential structure on the property, including the main house, greenhouses, or detached accessory structures, AS LONG AS the cultivation area is fully enclosed, secure, not visible from the public right-of-way, and meets all Building Code requirements.
- If the resident is not the property owner, they must have the owner's written permission.
- The resident must reside full-time on the property and the premises cannot be used exclusively for cultivation.
- Cannabis in excess of 28.5 grams must be kept in a locked space.



Pages 6 to 10

20.44.170 (C)
Definitions

- 53 Detailed Definitions
- Key Terms
 - Cannabis = Marijuana
 - Medical = Medicinal
 - Recreational Use = Adult Use
 - Dispensary = Retail Sales



Compliance with State and Local Licensing Requirements

- Requires All Commercial Cannabis Businesses to Comply with All State and Local Licensing Requirements
- Requires Cannabis Operators to Obtain a State License Once They Become Available
- Allows Multiple Licenses on One Site IF Allowed by the State and the Merced City Ordinance.



General Provisions for Commercial Cannabis Activities

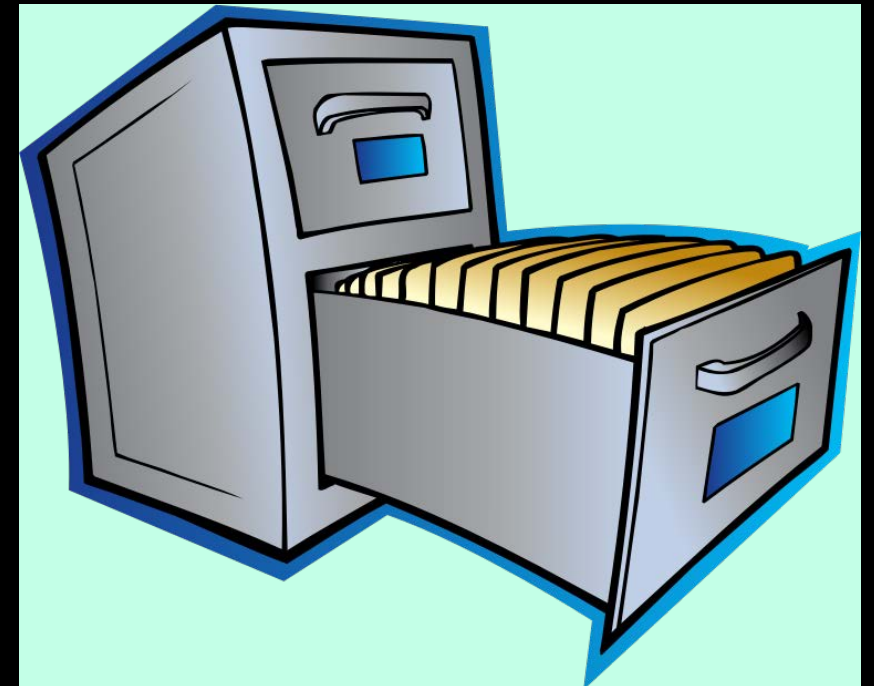
1. Commercial Cannabis Business Permit (CCBP) Required

- Each Business Must Have a Commercial Cannabis Business Permit in Order to Operate in the City of 1 of 5 Types and Display It At All Times:
 - Cultivation
 - Distribution
 - Manufacturing
 - Retail Sales (Dispensary)
 - Testing
- A CCBP is Valid For One Year or Until December 31 Of Each Year.
- A CCBP Shall NOT be Issued to Anyone who is in Violation of California Health & Safety Code Section 11590 (Includes Certain Criminal Convictions).
- The CCBP is issued to a specific person or persons on the Application.
- A CCBP is Non-Transferable except under the Terms of MMC 20.44.170(L)(4)(c) and does NOT run with the land or the business.

General Provisions for Commercial Cannabis Activities (Cont.)

2. Maintenance of Records and Reporting

- All Records Must Be Retained for At Least 7 Years and Be Available with 24 Hours of a Request by a City Official.
- All Businesses Must Obtain a Seller's Permit from the State Board of Equalization.
- Records Include:
 - Financial
 - Personnel
 - Training
 - Contracts
 - Permits/Licenses
 - Security
 - Proof of Insurance
 - Proof of Building Ownership or Landlord Ownership Acknowledging Use



General Provisions for Commercial Cannabis Activities (Cont.)

3. Operational Standards For All Commercial Cannabis Business Activities

- Interior & Exterior of the Business Property Must Be Monitored by Closed Circuit Cameras at All Times, with specific requirements for those cameras and access for the Police Dept via the Internet.
- All Controlled Access Areas, Security Rooms, All Points of Ingress/Egress, and All Point of Sale (POS) Areas shall have Fixed Camera Coverage with specific reqts.
- Must Have an Active Account with the State's "Track and Trace" System.
- No Commercial Cannabis Business May Be Located Within **600 Feet** of a School, Day Care Center, Recreational Center, Youth Center, Library, or Public Park (does not include bike paths) As Required By State Law.
- No Physical Modification of the Premises without Permission of the City.
- Adequate parking, including handicapped parking, shall be provided.
- Adequate Interior and Exterior Lighting shall be provided.
- Trash, Litter, and Graffiti shall be Minimized.
- Any and all signage, packaging, and facilities shall be "unattractive to minors" as required by State Law.

General Provisions for Commercial Cannabis Activities (Cont.)

3. Operational Standards For All Commercial Cannabis Business Activities (Cont.)

- Air Treatment System Required to Ensure Off-Site Odors Shall Not Result with certain requirements, including mold control.
- Once a CCBP is issued by the City, the business has 180 days to begin initial operations, unless otherwise approved by the City. If inoperative for more than 60 days after initial operations, it shall be deemed abandoned and forfeited. Temporary suspensions of operations for a reasonable time can be approved.
- Testing, Storage, & Labeling of Cannabis Products shall meet State/City regs.
- Disposal of all Cannabis Materials, including unsold products, shall conform with State and local regulations.
- Various requirements related to weighing devices, water usage, electrical, & plumbing
- Comprehensive General Liability Insurance of \$2 Million minimum.
- No Free Samples of any Cannabis or Cannabis Products At Any Time.
- Employees Must Wear ID Badges, with specific requirements.

General Provisions for Commercial Cannabis Activities (Cont.)

3. **Operational Standards For All Commercial Cannabis Business Activities (Cont.)**

- Centrally-Monitored Fire & Burglar Alarm System Required and Monitored by a Licensed Alarm Company licensed by the City.
- Meet All State Deadlines and Obtain State Licenses within 6 months of the State beginning to issue licenses. (May be waived if State takes longer.)
- Notify the City within 10 Days of Applying for a State License.
- Documentation of Employee Safety Practices:
 - Emergency Action Response
 - Accident Reporting
 - Fire Prevention
 - Hazard Communication
 - Materials Storage & Handling
 - Personal Protective Equipment
 - Operation Manager, Emergency Responder, & Poison Control Contacts



Additional Regulations for Dispensary & Retail Sales of Cannabis

- Only 4 Dispensaries (1 Medical and 3 Non-Medical Adult Use) Shall Operate with the City Limits At Any Time. IF State regulations change to allow medical and adult use at the same premises, the City would allow a combined use, but no more than 4 dispensaries of any kind shall be allowed.
- No Check-Cashing Activities Allowed.
- Only 1 Dispensary Permit Per Person.
- Restrooms to Be Locked During Business Hours and Shall Not Be Open to the Public.
- Display of Cannabis Products shall be limited to the amount necessary to provide visual sample for customers.
- At all times when open, at least One Security Guard (registered) shall be on duty and shall monitor the site and immediate vicinity to ensure patrons do not consume cannabis on the premises or in the vicinity. The Security Guard are permitted to carry firearms, but not mandated.
- All Cannabis Products available for sale shall be securely locked and stored.

Additional Regulations for Dispensary & Retail Sales of Cannabis
(Cont.)

- Medical Dispensaries shall maintain patient records (name, address, phone) and a copy of the physician recommendation or State-issued card.
- Video surveillance of all point-of-sale areas and areas where goods are displayed.
- Shall be Open to the Public at least **40 Hours Per Week**.
- Hours in the C-O Zone are limited to no earlier than **8 am** and no later than **7 pm**.
- Hours in All Other Zones are limited to no earlier than **8 am** and no later than **9 pm**.
- Exterior signage is limited to **1 Wall Sign** of no more than **20 Square Feet**. Interior signs may not be visible from the exterior. No temporary signs (banners, A-frames, etc.) or window signs are allowed.
- On-Site Consumption of Cannabis or Cannabis Products is Specifically Prohibited. Signs must be posted stating such.
- No one **under the age of 21** shall be allowed to enter a non-medical adult use dispensary.
- No one **under the age of 18** shall be allowed to enter a medical dispensary accompanied by a legal guardian, or as otherwise required under State law.

Additional Regulations for Dispensary & Retail Sales of Cannabis (Cont.)

- Adequate signage that the City has NOT tested or inspected any cannabis products sold.
- No recommendations from a doctor for medical cannabis to be issued on-site.
- Shipments of cannabis goods limited to regular business hours.
- No on-site sale of alcohol or tobacco products.
- No on-site consumption of food, alcohol, or tobacco by patrons.
- Inventory shall be secured using a lockable storage system during non-business hours.
- No cannabis products shall be visible from the exterior.
- All required labeling as required by the State of all products.

Pages 15 to 17



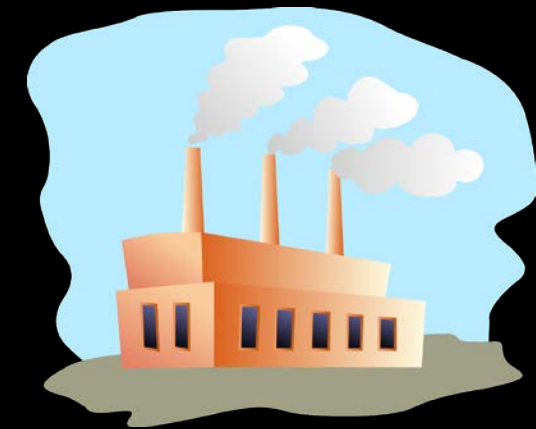
Additional Regulations for Commercial Cannabis Delivery Businesses

- Commercial Cannabis Deliveries May be Made Only from a Dispensary Permitted by the City and in Compliance with all State Regulations.
- All employees shall have valid ID and a copy of the CCBP at all times.
- Proof of Insurance for at least \$1 million required for all vehicles.
- Deliveries may only take place during the hours of **8 am** and **7 pm** daily.
- Customers must retain copies of delivery receipts if required by State law.
- May only deliver to a physical address in California, cannot leave the State.
- Maintenance of Delivery Records as required by State law.
- Compliance with State Delivery Limits regarding the amounts to be delivered.
- A Manifest of all required information to accompany any delivery person.
- Delivery vehicles shall have a dedicated GPS device to locate the vehicle as required by State law.
- Maximum limit of cannabis products carried by the delivery vehicle is \$3,000 at any time.
- Specific requirements for the delivery receipt.



Additional Requirements for Manufactured Cannabis Businesses

- Manufacturing Activities allowed by the State include Extractions (Volatile and Non-Volatile), Repackaging and Relabeling, Infusions, and Extractions.
- Any Manufacturing Activity to be conducted must be included in the application for the CCBP and no other activities can be conducted without written permission from the City.
- Must meet all State Regulations.
- Inspections by the Fire Chief may be conducted anytime during business hours.
- No Exhibition, Product Sales Area, or Retail Distribution.
- All activities must occur entirely indoors within a fully enclosed and secured building.
- An 8-foot high min. security fence with lockable gate required around the premises
- Outdoor manufacturing is prohibited.



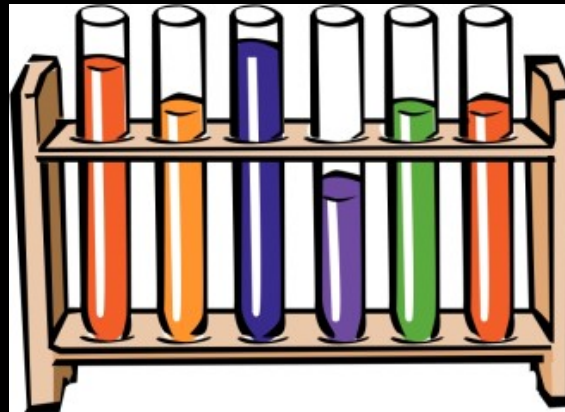
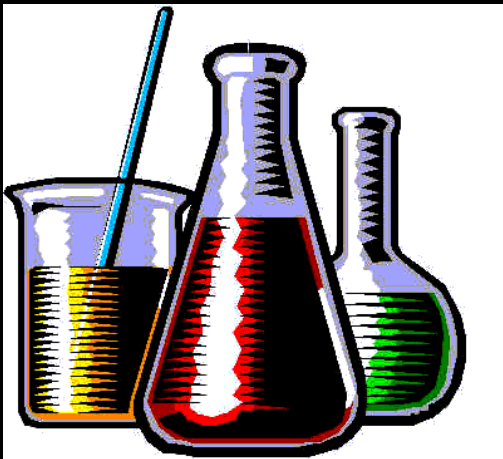
Additional Requirements for Cannabis Cultivation Businesses

- Registration with State Dept of Pesticide Regulation if Use Pesticides.
- From the public right-of-way, there shall be no public evidence of cannabis cultivation.
- Compliance with California Building & Fire Codes.
- Compliance with Sec. 13149 of State Water Code.
- All Outdoor lighting for security shall be shielded.
- The use of generators for cultivation is prohibited.
- Cannabis plants shall NOT be visible from the public right-of-way.
- All Cannabis Cultivation must occur inside a fully enclosed & Secured building and within an 8-ft high security fence around premises.
- Outdoor Cannabis Cultivation is expressly prohibited.



Additional Requirements for Cannabis Testing Laboratory Businesses

- Must follow all State Regulations for a Testing Facility.
- Maintain all Certifications Required by the State.
- A licensed testing facility business, its owners, and employees may NOT hold an interest in any other cannabis business except for another testing business.
- Inspections by the Fire Chief may be conducted at any time during regular business hours.
- Allowed in the C-C, C-O, C-G, I-L, & I-H Zones in the City.



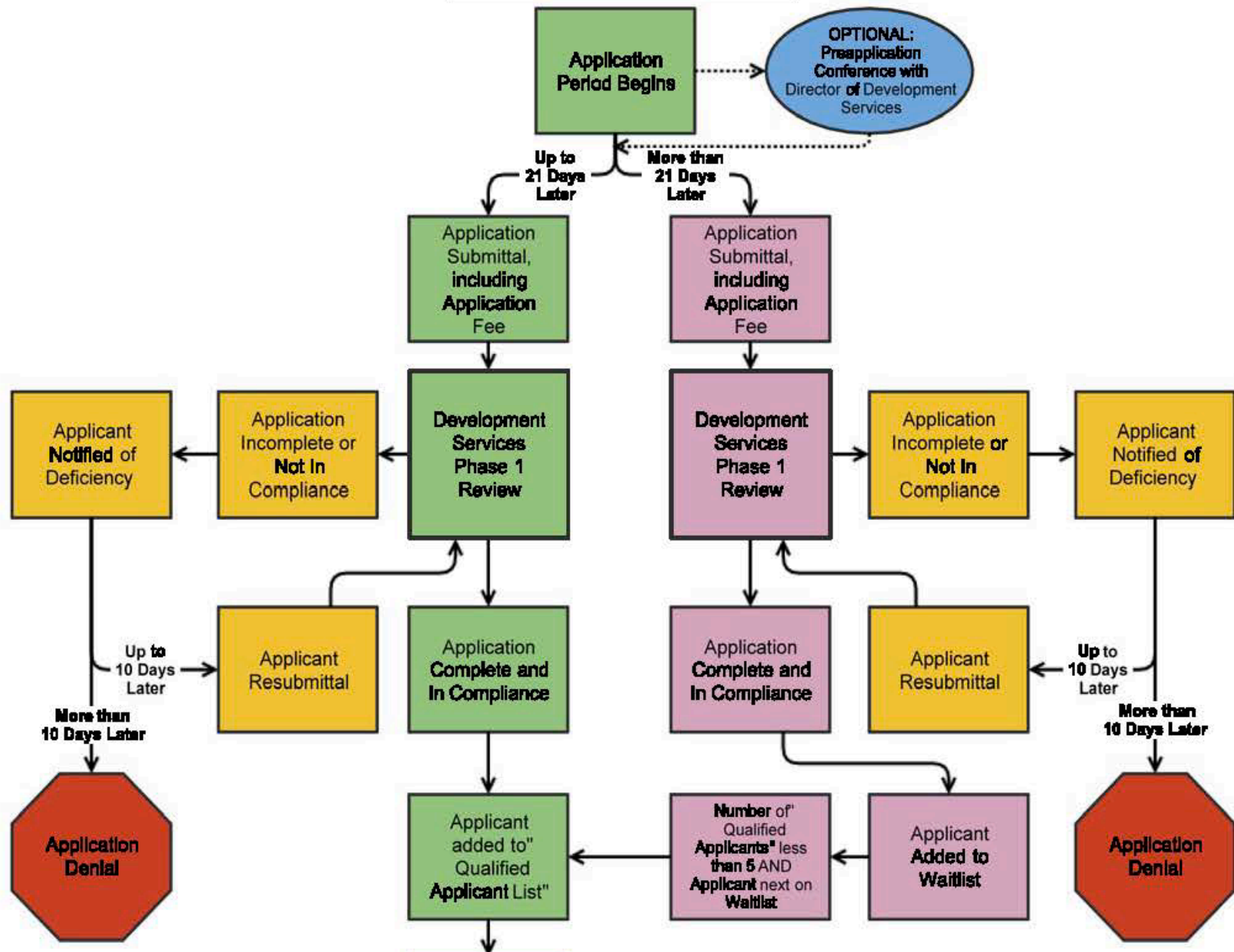
Additional Requirements For Cannabis Distribution Businesses

- Must comply with all State Regulations.
- Proof of bond for at least \$5,000 to cover cost of cannabis destruction.
- Inspections by Police Chief may be conducted during business hours.
- All Cannabis Goods Batches must be stored separately and distinctly from other batches on the premises.
- Specific Labeling requirements on all shipments.
- Harvest batches and edible products to be stored at 35 to 45 degrees Fahrenheit.
- Harvest batches must be stored in dark area with no more than 60% humidity.
- Temperature/humidity controls required. No outdoor storage.
- Employee break areas separated from storage areas.
- Must take place in fully-enclosed & secured building.
- If in a C-G zone, must be on parcel no less than 20,000 s.f.
 - All Loading and Unloading must take place within fence.



Commercial Cannabis Business Permit Selection Process

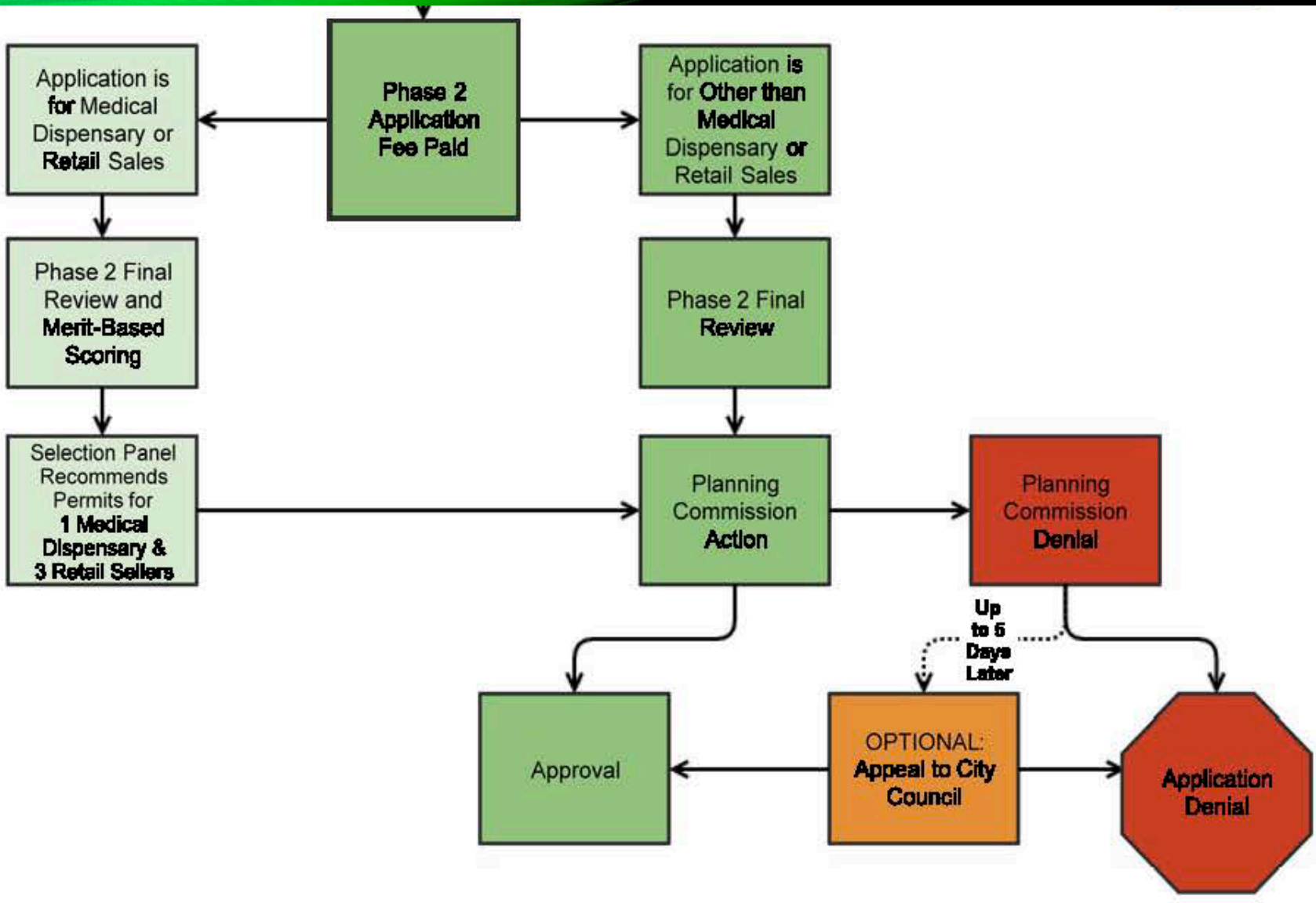
1. Selection Process for Dispensaries/Retail Sales (Limited Number of Permits Available)
2. Selection Process for All Other Commercial Cannabis Businesses (No Limits on the Number of Permits Available)
3. Appeal of Denial of Commercial Cannabis Business Permit (All Types)
4. Commercial Cannabis Business Permit Annual Renewal (All Types)
5. Appeal of Denial of Commercial Cannabis Business Permit Renewal (All Types)
6. Revocation of Commercial Cannabis Business Permit (All Types)



20.44.170 (L) Commercial Cannabis Business Permit Selection Process

Phase 1—Initial Review

Pages 21 to 28



20.44.170 (L)
Commercial Cannabis Business Permit Selection Process

Phase 2—Final Review

Pages 21 to 28

Selection Process for Dispensaries/Retail Sales
(Limited Number of Permits Available)

- CCBP Selection Process Is Conducted in 2 Phases.
- **Phase 1**
 - Initial Application Period is 21 Calendar Days and Then Application Period is Closed.
 - Director of Development Services Reviews All Applications for Completeness
 - Each Application that is deemed Complete and In Compliance with Eligibility Reqts is Placed on the "Qualified CCBP Application List—Dispensaries/Retail Sales" and notified in writing. All Qualified Applicants Enter Phase 2.
 - Any Deficient Applications shall be notified in writing within 21 calendar days and are given 10 calendar days to correct any deficiencies. If the Deficiency is not corrected, the Director may deny the permit and notify the applicant within 10 days.
 - All Applications Received After the Initial Application Period will be placed on the "Waitlist for Dispensaries/Retail Sales."
 - Applications on the Waitlist will be moved to the "Qualified List" on a 1 to 1 basis if the application passes Phase 1 and the number of Qualified Applicants Falls Below 5.
 - Same provisions apply to Deficient Applications as Above.

Selection Process for Dispensaries/Retail Sales
(Limited Number of Permits Available) (Cont.)

• **Phase 1—Initial Review**

- Minimum Requirements for “Qualified Applicant List”
 - All Application Documents Are Submitted During the Application Period
 - All Applications Were Filled Out Completely
 - Business Owners/Applicants Provide a LIVE SCAN that was conducted within 14 days
 - Phase 1 Application Fee is Paid
 - A Signed Statement That the Proposed Location Meets the City’s Zoning Requirements, including Separation Requirements from Sensitive Uses.



Selection Process for Dispensaries/Retail Sales
(Limited Number of Permits Available) (Cont.)

- **Phase 2—Final Review and Scoring**
 - **Selection Panel**, Composed of the **City Manager, Police Chief**, and **Director of Development Services** or their Designees, is Convened to Make the Final Decision Based on the **Merit-Based Scoring System** on which **Top 4** Applications to **Recommend to the Planning Commission** for the CCBP—Dispensaries/Retail Sales.
 - Phase 2 Requirements Include:
 - Phase 1 Application Documents
 - Additional Background Checks of All Owners to the Satisfaction of the Police Chief
 - Phase 2 Application Fee & Information on How the Business Meets the Merit-Based Criteria
 - Clearance of Property by Building Official
 - Zoning Clearance
 - **Planning Commission will conduct public hearings and determine if CCBP—Dispensaries/Retail Sales Should Be Issued.**

Selection Process for All Other Commercial Cannabis Business Permits (No Limits on the Number of Permits Available)

- CCBP—All Other Cannabis Businesses Process is the Same As the CCBP Selection Process for Dispensaries/Retail Sales (2 Phases) **EXCEPT**:
 - The Waitlist Process Can Be Suspended by the Director of Development Services if Deemed Not Necessary Based on the Number of Applications.
 - No Selection Panel is Convened for Phase 2; the Director of Development Services Makes the Recommendation to the Planning Commission.
- The Planning Commission makes the decision on whether the CCBP should be granted.

How to
Select?

Pages 23 to 25



Appeal of Denial of Commercial Cannabis Business Permits (All Types)

- The Planning Commission determines if a CCBP should be granted. Reasons for denial shall be supplied in writing.
- Any decision of the Planning Commission can be appealed to City Council.
 - Written appeal within 5 business days of the decision
 - Scheduled for public hearing within 30 days
 - 10-day Notice of hearing to applicant.
 - Any interested person may appear and be heard.
 - May be continued for good cause.
 - City Council's review limited to Planning Commission's decision (not "de novo review"). The Council may affirm, reverse, or modify the decision appealed.
 - The City Council's decision shall be the City's final decision, subject to judicial review.



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Commercial Cannabis Business Permit Annual Renewal (All Types)

- Applications for Renewal of a CCBP shall be filed with the Director of Development Services at least 60 calendar days prior to expiration date (Dec 31).
- Any Permittee allowing their CCBP to lapse shall be subject to new application fees and the selection process again.
- The renewal application is subject to a filing fee to defray the cost of the review. Any new or updated information should be filed with the renewal.
- A CCBP owner may file a request to transfer ownership of the business to the Development Services Director at least 60 days prior to the transfer. The Director will inform the applicant in writing of the reason for approval or denial of the transfer.
- The Development Services Director, with the assistance of the Selection Panel if required, shall approve or deny the renewal.



Appeal of Denial of Commercial Cannabis Business Permit Annual Renewal (All Types)

- If the Development Services Director determines that the CCBP renewal shall be denied, the reasons shall be provided in writing to the applicant.
- Within 14 calendar days, the applicant shall correct the reasons for denial and request written reconsideration of the renewal. Following review of the amended application, the Director will approve or deny the renewal in writing.
- Any decision of the Development Services Director may be appealed to the Planning Commission within 5 business days.
- Planning Commission shall review within 30 days with a 10-day notice to the applicant.
- The Planning Commission's decision can be appealed to the City Council within 5 business days.
- The City Council shall schedule a public hearing within 30 days.
- The City Council's decision shall be the final City decision.



Revocation of Commercial Cannabis Business Permit (All Types)

- The Director of Development Services may suspend or revoke a CCBP for the following acts:
 - Any act considered to be grounds for denial of the CCBP in the first instance.
 - Violations of City or State Regulations
 - Engages in or Permits Misconduct Related to the Qualifications, Functions, or Duties of the Permittee.
 - Conducts the Business Contrary to the Health, Safety or Welfare of the Public.
 - Fails to Take Reasonable Measures to Ensure Patron Conduct, Traffic Control Problems, or Creation of a Public Nuisance.
 - Violates any Terms of the CCBP.
- Prior to Revocation, the Director shall conduct a hearing with a 10-day notice to the Permittee.
- Any Decision of the Director may be appealed to the Planning Commission and then to the City Council based on the same provisions as the above sections.



Limitations On The City's Liability

- The City shall NOT assume any liability whatsoever with approving any CCBP under the terms of this Ordinance.
- The Applicant for a CCBP shall:
 - Execute an Indemnification Agreement
 - Maintain Insurance as acceptable to the City Attorney
 - Name the City as Additional Insured on All Policies
 - Agree to Defend, at its sole expense, any action against the City relating the CCBP.
 - Agree to Reimburse the City for any court costs and attorney fees related to any legal challenge to the City's approval of the CCBP.
 - The City may at its sole discretion participate at its own expense but that does not relieve the operator of its obligations.



Pages 29 to 30

20.44.170 (N) Enforcement

- A Violations of the Regulations of this Ordinance by any agent, officer, or employed by the Permittee shall be deemed a violation of the Permittee.
- A CCBP Permittee shall inform the Police Chief of:
 - A Discrepancy of more than \$1000 in inventory over 24 hours or \$3000 over 7 days.
 - A reason to suspect any diversion, loss, theft, or other criminal activity pertaining to the operation of the business.
 - The loss or alterations of any records.
 - Any other reason to suspect any breach of security.
- Each Violation shall constitute a separate violation subject to the remedies authorized in the Municipal Code, including revocation of the CCBP.
- City officials may enter and inspect the CCBP premises during normal business hours to ensure compliance.





20.44.170 (O) Fees And Taxes

- Applicable Fees & Taxes to Cannabis Businesses Include:
 - Initial Application Fees for Initial Review (Phase 1) and Final Review (Phase 2) (Due at Initial Application for CCBP)
 - Application Renewal Fees (Due Annually)
 - Commercial Cannabis Regulatory Fee (Due Annually) to cover the costs of enforcement and monitoring.
 - All Required Taxes, including Sales and Use Taxes, Business, Payroll, etc.
 - Additional Cannabis-Specific Gross Receipts, Excise, Cultivation, or Other Tax Approved by the Voters of Merced.

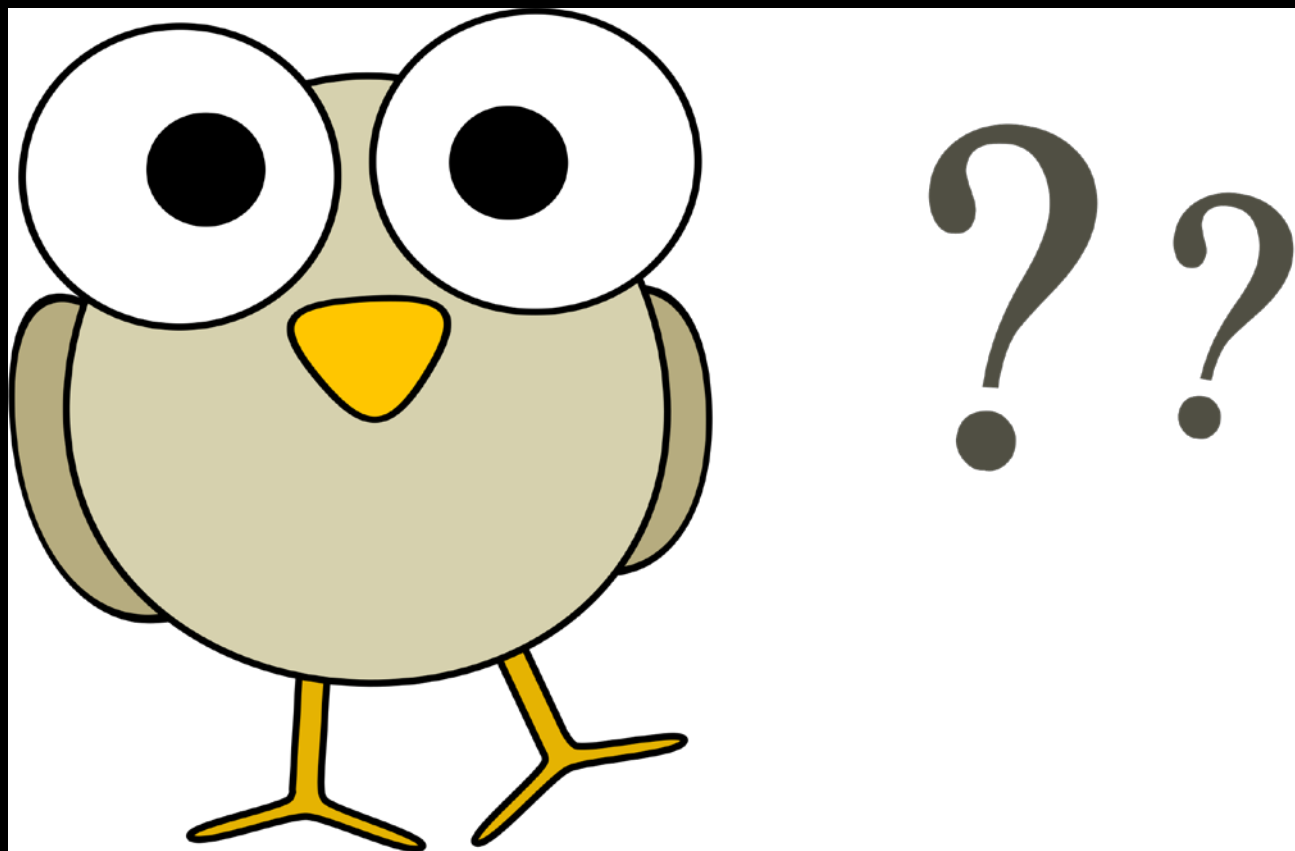




NEXT STEPS

- **Planning Commission** public hearing is scheduled for **October 18, 2017**.
- City Council public hearing is tentatively scheduled for **November 20, 2017**, with second reading on **December 4, 2017**.
- The ordinance, if approved, would become effective 30 days after that or on **January 4, 2018**.
- City Council will need to adopt application fees for Commercial Cannabis Business Permits as well as the Annual Commercial Cannabis Regulatory Fee by Resolution.
- Deadlines for the Initial Applications for Commercial Cannabis Business Permits will Need to be Established.
- Work will Need to Begin on a Tax Measure for the November 2018 ballot if that is Desired.

QUESTIONS?



PUBLIC COMMENT (OPTIONAL)

