

City of La Palma

Agenda Item No. 9



MEETING DATE: June 19, 2018

TO: CITY COUNCIL

FROM: Laurie A. Murray, City Manager

SUBMITTED BY: Scott A. Hutter, Planning Manager
Kathy Graham, Community Development Consultant

AGENDA TITLE: An Ordinance of the City Council of the City of La Palma, California Adding a New Chapter 15.00 to the La Palma Municipal Code Regulating Commercial Cannabis Activity

CEQA: Statutory Exemption Section 15061(b) (3) of the CEQA Guidelines.

RECOMMENDATION:

It is recommended that the City Council take the following actions:

- a) Receive and file the report; and
- b) Introduce an Ordinance of the City Council of the City of La Palma, California adding a new Chapter 15.00 to the La Palma Municipal Code regulating commercial cannabis activity.

SUMMARY:

This Ordinance will create a new Chapter 15.00 in the City of La Palma Municipal Code to regulate Commercial Cannabis activity within the City. Specifically, Chapter 15.00 will regulate the cultivation, processing, manufacturing, testing, sale, delivery, distribution, and transportation of cannabis and cannabis products in a responsible manner to protect the health, safety, and welfare of the residents of the City of La Palma and to enforce the rules and regulations consistent with State of California law.

Zoning and land use criteria and site specific requirements pertaining to the location and operation of cannabis businesses will be addressed within a separate amendment to the City's Zoning Ordinance regulating the permitting of cannabis business land uses in the GI General Industrial Zone and the IO Industrial Overlay in the northern portion of the City.

BACKGROUND:

The City of La Palma Municipal Code currently prohibits any commercial activities related to either medical or non-medical marijuana. The City Council established a Goal at the 2018 Strategic Planning and Goal Setting Session to investigate the fiscal and land use impacts to the City of permitting legal cannabis business uses within the Industrial Zoning District.

On June 5, 2018, the City Council held a study session to discuss cannabis policy within the City of La Palma. The City's Consultant, HdL Companies and David McPherson, HdL's Cannabis Compliance Director presented an overview of State of California cannabis regulations and the potential range of fiscal impact of properly regulated cannabis businesses within our jurisdiction.

The discussion included a summary of the 2015 California legislation entitled the Medical Cannabis Regulation and Safety Act ("MCRSA"), Proposition 64 that California voters approved in 2016, and the 2017 law that created the Medicinal and Adult-Use Cannabis Regulation Safety Act ("MAUCRSA"). The MAUCRSA legislation reconciled MCRSA and AUMA to establish a single system of administration for cannabis laws in California, for both medicinal and adult-use. However, the State will not issue any cannabis license or approval to any commercial enterprise within City boundaries unless such entity first obtains local approval.

Following discussion, the City Council directed staff to bring forward an Ordinance regulating legal Commercial Cannabis businesses, with the exclusion of store front dispensaries. Additional Zoning regulations are being brought forward under a separate Ordinance to establish appropriate Zoning Districts and land use regulations for Commercial Cannabis businesses.

NEW CHAPTER FOR CITY MUNICIPAL CODE:

A new Chapter for the City's Municipal Code has been drafted to address potential COMMERCIAL CANNABIS ACTIVITY within the City. Draft Chapter 15.00 has been developed in concert with the City's Consultant HdL Companies, David McPherson, HdL's Cannabis Compliance Director, the City Attorney, and City staff.

The intent of Draft Chapter 15.00 (provided as Attachment 1 to this report) is to regulate the cultivation, processing, manufacturing, testing, sale, delivery, distribution, and transportation of cannabis and cannabis products in a responsible manner to protect the health, safety, and welfare of the residents of the City of La Palma and to enforce the rules and regulations consistent with State of California law.

The Draft Chapter 15.00 includes fifty (50) specific Sections addressing a wide range of regulatory requirements for Commercial Cannabis Activity including Purpose and Intent, Regulatory Compliance, Business Permits, Personnel Criteria and Qualifications, Permittee Selection Process, Maximum Number of Permittees, Revocation of Licenses, Limitations on City's Liability, Fees, Charges, Records and Security to highlight a few. Pursuant to Council direction, Store Front Retail Cannabis Dispensary Businesses are specifically excluded and not permitted within the City of La Palma. The entire listing of all fifty (50) Draft Chapter 15.00 Section Titles is provided at the beginning of the new Chapter.

ENVIRONMENTAL REVIEW:

The City Council finds that this ordinance is exempt from the requirements of the California Environmental Quality Act (CEQA) and the guidelines thereunder, pursuant to Section 15061(b) (3) of the CEQA Guidelines, which is the general rule that CEQA applies only to projects that have the potential for causing a significant effect on the environment.

CONCLUSION:

Adoption of this Ordinance will allow the City to establish a new Chapter in the La Palma Municipal Code to effectively regulate Commercial Cannabis Activity and businesses within the City of La Palma.

FISCAL IMPACT:

Adoption of the Ordinance creating City of La Palma Municipal Code Chapter 15.00 Commercial Cannabis Activity will create the regulatory foundation to permit Commercial Cannabis Businesses. Depending on the number of businesses that are permitted, the City could see an increase in annual revenues of between \$500,000 to \$1.5 Million. These additional revenues would further enhance and diversify the City's revenue stream.

APPROVED:



Planning Manager



City Manager

- Attachments:** 1. Proposed Ordinance with Exhibit A, Chapter 15.00

ORDINANCE NO. 2018- __

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF LA PALMA, CALIFORNIA ADDING A NEW CHAPTER 15.00 TO THE LA PALMA MUNICIPAL CODE REGULATING COMMERCIAL CANNABIS ACTIVITY

WHEREAS, the City Council of the City of La Palma wishes to protect and preserve the quality of the residential and commercial areas of the City, as well as the quality of life throughout the City, through regulations contained within the La Palma Municipal Code; and,

WHEREAS, the City Council on January 19, 2016, adopted Ordinance 2016-02 amending and adding provisions to the La Palma Municipal Code Chapter 44 (Zoning) concerning prohibiting cannabis related uses and commercial cannabis activities; and,

WHEREAS, in Ordinance 2016-02 the City Council stated that this prohibition was done with the understanding that the City Council may, at a future period in time, revisit the regulation of cannabis related uses and commercial cannabis activities as authorized under the “Medical Marijuana Regulation and Safety Act” (“MMRSA”); and,

WHEREAS, on June 5, 2018, the City Council revisited the City’s cannabis regulations during a City Council study session and provided staff direction to prepare the documents necessary for City Council consideration of amending the City of La Palma Municipal Code to establish standards, requirements and regulations for the licensing and permitting of commercial cannabis activity within the General Industrial (GI) Zone and properties to which the Industrial Overlay (IO) has been applied; and,

WHEREAS, a new Chapter for the City of La Palma Municipal Code has been prepared to establish standards, requirements and regulations for the licensing and permitting of commercial cannabis activity and regulating the cultivation, processing, manufacturing, testing, sale, delivery, distribution, and transportation of cannabis and cannabis products in a responsible manner to protect the health, safety, and welfare of the residents of the City of La Palma and to enforce rules and regulations consistent with state law; and

WHEREAS, The City Council finds that this ordinance is exempt from the requirements of the California Environmental Quality Act (CEQA) and the guidelines thereunder, pursuant to Section 15061(b) (3) of the CEQA Guidelines, which is the general rule that CEQA applies only to projects that have the potential for causing a significant effect on the environment; and

WHEREAS, on June 19, 2018, the City Council of the City of La Palma introduced and conducted a first reading of this Ordinance at a duly noticed City Council meeting and considered testimony and evidence at during the discussion of this Agenda Item; and,

WHEREAS, on July 17, 2018, the City Council of the City of La Palma conducted a second reading and adoption of the Ordinance.

NOW, THEREFORE, the City Council of the City of La Palma ordains as follows:

SECTION 1. The foregoing Recitals are incorporated herein and made a part hereof.

SECTION 2: The City Council finds that this ordinance is exempt from the requirements of the California Environmental Quality Act (CEQA) and the guidelines thereunder, pursuant to

Section 15061(b) (3) of the CEQA Guidelines, which is the general rule that CEQA applies only to projects that have the potential for causing a significant effect on the environment.

SECTION 3: In accordance with La Palma Municipal Code, the City Council of the City of La Palma finds as follows:

- (a) Proposed Chapter 15.00 (“Commercial Cannabis Activity”) to the La Palma Municipal Code is hereby added to read as set forth in Exhibit “A” attached hereto and incorporated herein by reference.
- (b) Proposed Chapter 15.00 to the La Palma Municipal Code shall not be detrimental to the public convenience, health, safety, or general welfare of the City.
- (c) Proposed Chapter 15.00 to the La Palma Municipal Code is in compliance with the provisions of the California Environmental Quality Act (CEQA).
- (d) Proposed Chapter 15.00 to the La Palma Municipal Code is internally consistent with other applicable provisions of the City’s Municipal Code.

SECTION 4. City staff is hereby authorized and directed to file a Notice of Exemption with respect to the adoption of this Ordinance.

SECTION 5: If any section, subsection, subdivision, sentence, clause, phrase, or portion of this Ordinance is, for any reason, held to be invalid by a final judgment of a court of competent jurisdiction, such decision shall not affect the validity of the remaining portions of this Ordinance. The City Council hereby declares that it would have adopted this Ordinance and each section, subdivision, sentence, clause, phrase, or portion of this Ordinance irrespective of the fact that one or more sections, subdivisions, sentences, clauses, phrases, or portions of this Ordinance be declared invalid.

SECTION 5: All required proceedings and consideration precedent to the adoption of this Ordinance have been regularly taken in accordance with applicable law.

SECTION 6: The City Clerk is authorized and directed to publish this Ordinance or a summary thereof in the manner provided by law and in accordance with procedures normally taken.

SECTION 7: The City Clerk shall certify to the passage of this Ordinance and cause the same to be published as required by law, and the Ordinance shall take effect thirty (30) days after adoption.

SECTION 8: Upon the effective date of this Ordinance, all former ordinances or parts thereof conflicting or inconsistent with the provisions of this Ordinance are hereby repealed and declared to be of no further force and effect.

APPROVED AND ADOPTED by the City Council of La Palma at a regular meeting on the 17th day of July 2018.

Gerard Goedhart
Mayor

ATTEST:

Kimberly Kenney
Deputy City Clerk

STATE OF CALIFORNIA)
COUNTY OF ORANGE) SS.
CITY OF LA PALMA)

I, KIMBERLY KENNEY, Deputy City Clerk of the City of La Palma, California, DO HEREBY CERTIFY that the foregoing Ordinance was adopted by the City Council of said City at a regular meeting of said City Council held on the ___ day of _____ 2018, and that it was so adopted by called vote as follows:

AYES:

NOES:

Kimberly Kenney
Deputy City Clerk

EXHIBIT "A"
ORDINANCE NO. 2018-__
CHAPTER 15.00
COMMERCIAL CANNABIS ACTIVITY

Chapter 15.00 Commercial Cannabis Activity

Section 15.01	Purpose and Intent
Section 15.02	Legal Authority
Section 15.03	Cannabis Cultivation and Commercial Cannabis Activities Prohibited Unless Specifically Authorized by this Chapter
Section 15.04	Compliance with State and Local Laws
Section 15.05	Definitions
Section 15.06	Commercial Cannabis Business Permit Required to Engage in Commercial Cannabis Business
Section 15.07	Cannabis Employee Permit Required
Section 15.08	Maximum Number and Type of Authorized Commercial Cannabis Businesses Permitted
Section 15.09	Initial Application Procedure
Section 15.10	Personnel Prohibited from Holding a License or Employee Work Permit
Section 15.11	Expiration of Commercial Cannabis Business Permits
Section 15.12	Reserved for Future Use
Section 15.13	Reserved for Future Use
Section 15.14	Effect of State License Suspension, Revocation or Termination
Section 15.15	Appeals
Section 15.16	Written request for Appeal
Section 15.17	Appeal Hearing
Section 15.18	Permittee Selection Process
Section 15.19	Change in location; updated registration form
Section 15.20	Transfer of Cannabis Business Permit
Section 15.21	City Business License
Section 15.22	Building Permits and Inspection
Section 15.23	Certification from the Community Development Director
Section 15.24	Right to Occupy and to Use Property
Section 15.25	Location and Design of Cannabis Businesses
Section 15.26	Limitations on City's Liability
Section 15.27	Records and Recordkeeping
Section 15.28	Security Measures
Section 15.29	Restriction on Alcohol & Tobacco Sales
Section 15.30	Compliance with Laws
Section 15.31	Fees and Charges
Section 15.32	Miscellaneous Operating Requirements
Section 15.33	Other Operational Requirements
Section 15.34	Operating Requirements for Non-Store Front Retailer
Section 15.35	Non-Store Front Retailer Vehicle Requirements
Section 15.36	Permissible Delivery Locations and Customers
Section 15.37	Retailer Store Front Services shall not be permitted
Section 15.38	Operating Requirements for cultivation Facilities.
Section 15.39	Operating Requirements for Testing Labs
Section 15.40	Cannabis Manufacturing: Edibles and Other Cannabis Products; Sale or Distribution of Edible and Other Cannabis Products.
Section 15.41	Promulgation of regulations, Standards and Other legal Duties
Section 15.42	Community Relations.
Section 15.43	Fees Deemed Debt to the City of La Palma
Section 15.44	Permit Holder Responsible for Violations.
Section 15.45	Inspection and Enforcement
Section 15.46	Compliance with State Regulation.
Section 15.47	Violations declared a public Nuisance

Section 15.48 Each Violation a separate offense
Section 15.49 Criminal Penalties
Section 15.50 Remedies cumulative and not exclusive.

Chapter 15.00. COMMERCIAL CANNABIS ACTIVITY.

Section 15-01. Purpose and Intent.

It is the purpose and intent of this Chapter to implement the provisions of the Medicinal and Adult Use Cannabis Regulation and Safety Act (“MAUCRSA”) to accommodate the needs of medically-ill persons in need of and provide access to cannabis for medicinal purposes as recommended by their health care provider(s), and to provide access to adult-use for persons over the age of 21 as authorized by the Control, Tax & Regulate the Adult Use Cannabis Act (“AUMA” or “Proposition 64” passed by California voters in 2016), while imposing sensible regulations on the use of land to protect the City’s residents, neighborhoods, and businesses from disproportionately negative impacts. As such, it is the purpose and intent of this Chapter to regulate the cultivation, processing, manufacturing testing, sale, delivery, distribution and transportation of cannabis and cannabis products in a responsible manner to protect the health, safety, and welfare of the residents of the City of La Palma and to enforce rules and regulations consistent with state law. It is the further purpose of intent of this Chapter to require all commercial cannabis operators to obtain and renew annually a permit to operate within the City of La Palma. Nothing in this Chapter is intended to authorize the possession, use, or provision of cannabis for purposes that violate state law. The provisions of this Chapter are in addition to any other permits, licenses and approvals which may be required to conduct business in the City, and are in addition to any permits, licenses and approval required under state, City, or other law.

Section 15-02. Legal Authority.

Pursuant to Sections 5 and 7 of Article XI of the California Constitution, the provisions of the Medicinal and Adult Use Cannabis Regulation and Safety Act (hereinafter “MAUCRSA”), any subsequent state legislation and/or regulations regarding same, the City of La Palma is authorized to adopt ordinances that establish standards, requirements and regulations for the licensing and permitting of commercial cannabis activity. Any standards, requirements, and regulations regarding health and safety, security, and worker protections established by the State of California, or any of its departments or divisions, shall be the minimum standards applicable in the City of La Palma to all commercial cannabis activity.

Section 15-03. Cannabis Cultivation and Commercial Cannabis Activities Prohibited Unless Specifically Authorized by this Chapter.

Except as specifically authorized in this Chapter, the commercial cultivation, manufacture, processing, storing, laboratory testing, labeling, sale, delivery, distribution or transportation (other than as provided under Bus. & Prof. Code Section 26090(e)), of cannabis or cannabis product is expressly prohibited in the City of La Palma.

Section 15.04. Compliance with State and Local Laws.

It is the responsibility of the owners and operators of the commercial cannabis business to ensure that it is, always, operating in a manner compliant with all applicable state and local laws, and any regulations promulgated thereunder. Nothing in this Chapter shall be construed as authorizing any actions that violate state or local law with respect to the operation of a commercial cannabis business. It shall be the responsibility of the owners and the operators of the commercial cannabis business to ensure that the commercial cannabis business is, at all times, operating in a manner compliant with all applicable state and local laws, including the Medicinal and Adult Use Cannabis Regulation and Safety Act (“MAUCRSA”), and any subsequently enacted state law or regulatory, licensing, or certification requirements, and any specific, additional operating procedures or requirements which may be imposed as conditions of approval of the commercial cannabis business permit. Nothing in this Chapter shall be construed as authorizing any actions that violate state law regarding the operation of a commercial cannabis business.

Section 15-05. Definitions.

Section 15-05. When used in this Chapter, the following words shall have the meanings ascribed to them as set forth herein. Any reference to California statutes includes any regulations promulgated thereunder and is deemed to include any successor or amended version of the referenced statute or regulatory provision.

(a) “A-license” means a state license issued by the Bureau of Cannabis Regulation for cannabis or cannabis products that are intended for adults 21 years of age and over and who do not possess physician’s recommendations.

(b) “A-licensee” means any person holding a license under this division for cannabis or cannabis products that are intended for adults 21 years of age and over and who do not possess physician’s recommendations.

(c) “Applicant” means an owner applying for a city license pursuant to this Chapter.

(d) “Batch” means a specific quantity of homogeneous cannabis or cannabis product that is one of the following types:

(1) "Harvest batch" means a specifically identified quantity of dried flower or trim, leaves, and other cannabis plant matter that is uniform in strain, harvested at the same time, and, if applicable, cultivated using the same pesticides and other agricultural chemicals and harvested at the same time.

(2) "Manufactured cannabis batch" means either of the following:

(A) An amount of cannabis concentrates or extract that is produced in one production cycle using the same extraction methods and standard operating procedures.

(B) An amount of a type of manufactured cannabis produced in one production cycle using the same formulation and standard operating procedures.

(e) "Bureau" means the Bureau of Cannabis Control within the Department of Consumer Affairs, formerly named the Bureau of Marijuana Control, the Bureau of Medical Cannabis Regulation, and the Bureau of Medical Marijuana Regulation.

(f) "Cannabis" means all parts of the *Cannabis sativa* Linnaeus, *Cannabis indica*, or *Cannabis ruderalis*, whether growing or not; the seeds thereof; the resin, whether crude or purified, extracted from any part of the plant; and every compound, manufacture, salt, derivative, mixture, or preparation of the plant, its seeds, or resin. "Cannabis" also means the separated resin, whether crude or purified, obtained from cannabis. "Cannabis" does not include the mature stalks of the plant, fiber produced from the stalks, oil or cake made from the seeds of the plant, any other compound, manufacture, salt, derivative, mixture, or preparation of the mature stalks (except the resin extracted therefrom), fiber, oil, or cake, or the sterilized seed of the plant which is incapable of germination. For the purpose of this Chapter, "cannabis" does not mean "industrial hemp" as defined by Section 11018.5 of the Health and Safety Code.

(g) "Cannabis accessories" has the same meaning as in Section 11018.2 of the Health and Safety Code.

(h) "Cannabis Innovation Zone" is defined as a park or campus which is one contiguous commercial area of land which has many cannabis related businesses grouped together. Each individual business would be clearly defined, which has a unique entrance and immovable physical barriers between uniquely licensed premises.

(i) "Cannabis concentrate" means cannabis that has undergone a process to concentrate one or more active cannabinoids, thereby increasing the product's potency. Resin from granular trichomes from a cannabis plant is a concentrate for purposes of this division. A cannabis concentrate is not considered food, as defined by Section 109935 of the Health and Safety

Code, or drug, as defined by Section 109925 of the Health and Safety Code.

(j) "Cannabis product" means a product containing cannabis or cannabis, including, but not limited to, manufactured cannabis, - intended to be sold for use by cannabis patients in California pursuant to the Compassionate Use Act of 1996 (Proposition 215), found at Section 11362.5 of the California Health and Safety Code (as the same may be amended from time-to-time) or pursuant to the Adult Use of Cannabis Act. For purposes of this Chapter, "cannabis" does not include industrial hemp as defined by Section 81000 of the California Food and Agricultural Code or Section 11018.5 of the California Health and Safety Code.

(k) "Cannabis products" has the same meaning as in Section 11018.1 of the Health and Safety Code.

(l) "Canopy" means the designated area(s) at a licensed premise, except nurseries that will contain mature plants at any point in time. (1) Canopy shall be calculated in square feet and measured using clearly identifiable boundaries of all areas(s) that will contain mature plants at any point in time, including all of the space(s) within the boundaries; (2) Canopy may be noncontiguous but each unique area included in the total canopy calculation shall be separated by an identifiable boundary which include, but are not limited to: interior walls, shelves, greenhouse walls, hoop house walls, garden benches, hedgerows, fencing, garden beds or garden plots; and if mature plants are being cultivated using a shelving system, the surface area of each level shall be included in the total canopy calculation.

(m) "Caregiver" or "primary caregiver" has the same meaning as that term is defined in Section 11362.7 of the California Health and Safety Code.

(n) "Child resistant" means designed or constructed to be significantly difficult for children under five years of age to open, and not difficult for normal adults to use properly

(o) "City" means the City of La Palma, a General Law City.

(p) "Commercial cannabis activity" includes the cultivation, possession, manufacture, distribution, processing, storing, laboratory testing, packaging, labeling, transportation, delivery or sale of cannabis and cannabis products as provided for in this division.

(q) "Commercial cannabis business" means any business or operation which engages in medicinal or adult-use commercial cannabis activity.

(r) "Commercial cannabis business permit" means a regulatory permit issued by the City of La Palma pursuant to this Chapter to a commercial

cannabis business and is required before any commercial cannabis activity may be conducted in the City. The initial permit and annual renewal of a commercial cannabis business permit is made expressly contingent upon the business' ongoing compliance with all of the requirements of this Chapter and any regulations adopted by the City governing the commercial cannabis activity at issue.

(s) "Cultivation" means any activity involving the planting, growing, harvesting, drying, curing, grading, or trimming of cannabis.

(t) "Cultivation site" means a location where cannabis is planted, grown, harvested, dried, cured, graded, or trimmed, or a location where any combination of those activities occurs.

(u) "Customer" means a natural person 21 years of age or over, or a natural person 18 years of age or older who possesses a physician's recommendation, or a medical marijuana identification card.

(v) "Day care center" has the same meaning as in Section 1596.76 of the Health and Safety Code.

(w) "Delivery" means the commercial transfer of cannabis or cannabis products to a customer. "Delivery" also includes the use by a retailer of any technology platform owned and controlled by the retailer.

(x) "Director" means the Director of Consumer Affairs.

(y) "Dispensing" means any activity involving the retail sale of cannabis or cannabis products from a retailer.

(z) "Distribution" means the procurement, sale, and transport of cannabis and cannabis products between licensees.

(aa) "Distributor" means a person holding a valid commercial cannabis business permit for distribution issued by the City of La Palma, and, a valid state license for distribution, required by state law to engage in the business of purchasing cannabis from a licensed cultivator, or cannabis products from a license manufacturer, for sale to a licensed retailer.

(ab) "Dried flower" means all dead cannabis that has been harvested, dried, cured, or otherwise processed, excluding leaves and stems.

(ac) "Edible cannabis product" means cannabis product that is intended to be used, in whole or in part, for human consumption, including, but not limited to, chewing gum, but excluding products set forth in Division 15 (commencing with Section 32501) of the Food and Agricultural Code. An edible cannabis product is not considered food, as defined by Section 109935 of the Health and Safety Code, or a drug, as defined by Section 109925 of the Health and Safety Code.

(ad) “Fund” means the Cannabis Control Fund established pursuant to Section 26210.15

(ae) “Greenhouse” means a fully enclosed permanent structure that is clad in transparent material with climate control, such as heating and ventilation capabilities and supplemental artificial lighting, and that uses a combination of natural and supplemental lighting for cultivation.

(af) “Kind” means applicable type or designation regarding a particular cannabis variant or cannabis product type, including, but not limited to, strain name or other grower trademark, or growing area designation.

(ag) “Labeling” means any label or other written, printed, or graphic matter upon a cannabis product, upon its container.

(ah) “License” means a state license issued under this division, and includes both an A-license and an M-license, as well as a testing laboratory license.

(ai) “Licensee” means any person holding a license under this division, regardless of whether the license held is an A-license or an M-license, and includes the holder of a testing laboratory license.

(aj) “Licensing authority” means the state agency responsible for the issuance, renewal, or reinstatement of the license, or the state agency authorized to take disciplinary action against the licensee.

(ak) “Limited-access area” means an area in which cannabis is stored or held and is only accessible to some licensee and authorized personnel.

(al) “Live plants” means living cannabis flowers and plants, including seeds, immature plants, and vegetative stage plants.

(am) “Local jurisdiction” means a city, County, or city and County.

(an) “Lot” means a batch or a specifically identified portion of a batch.

(ao) “M-license” means a state license issued under this division for commercial cannabis activity involving medicinal cannabis.

(ap) “M-licensee” means any person holding a license under this division for commercial cannabis activity involving medicinal cannabis.

(aq) “Manufacture” means to compound, blend, extract, infuse, or otherwise make or prepare a cannabis product.

(ar) “Manufactured cannabis” means raw cannabis that has undergone a process whereby the raw agricultural product has been transformed into a

concentrate, extraction, or other manufactured product intended for internal consumption through inhalation, oral ingestion, or for topical application.

(as) “Manufacturer” means a licensee that conducts the production, preparation, propagation, or compounding of cannabis or cannabis products either directly, indirectly, or by extraction methods, or independently by means of chemical synthesis, or by a combination of extraction and chemical synthesis at a fixed location that packages or repackages cannabis or cannabis products or labels or container.

(at) “Manufacturing site” means a location that produces, prepares, propagates, or compounds cannabis or cannabis products, directly or indirectly, by extraction methods, independently by means of chemical synthesis, or by a combination of extraction and chemical synthesis, and is owned and operated by a person issued a valid commercial cannabis business permit for manufacturing from the City of La Palma and, a valid state license as required for manufacturing of cannabis products.

(au) “Medicinal cannabis” or “medicinal cannabis product” means cannabis or a cannabis product, respectively, intended to be sold for use pursuant to the Compassionate Use Act of 1996 (Proposition 215), found at Section 11362.5 of the Health and Safety Code, by a medicinal cannabis patient in California who possesses a physician’s recommendation.

(av) “Nonvolatile solvent” means any solvent used in the extraction process that is not a volatile solvent. For purposes of this division, a nonvolatile solvent includes carbon dioxide (CO₂) used for extraction and ethanol used for extraction or post-extraction processing.

(aw) “Microbusiness” means the cultivation of cannabis on an area less than 10,000 square feet, by an entity authorized to act as a licensed distributor, Level 1 manufacturer, and retailer under state law, provided such licensee can demonstrate compliance with all requirements imposed by state law on licensed cultivators, distributors, Level 1 manufacturers, and retailers to the extent the licensee engages in such activities. Microbusiness licenses that authorize cultivation of cannabis shall include the license conditions described in subdivision (b) of Section 26060.1 of the Business and Professions Code.

(ax) “Nursery” means a licensee that produces only clones, immature plants, seeds, and other agricultural products used specifically, for the propagation and cultivation of cannabis.

(ay) “Operation” means any act for which licensure is required under the provisions of this division, or any commercial transfer of cannabis or cannabis products.

(az) “Owner” means any of the following:

(1) A person with an aggregate ownership interest of 20 percent or more in the person applying for a license or a licensee, unless the interest is solely a security, lien, or encumbrance.

(2) The Manager of a nonprofit or other entity.

(3) A member of the board of directors of a nonprofit.

(4) An individual who will be participating in the direction, control, or management of the business applying for a license, or who has a financial interest in the business other than a fixed lease of real property.

(ba) “Package” means any container or receptacle used for holding cannabis or cannabis products.

(bb) “Patient” or “qualified patient” shall have the same definition as California Health and Safety Code Section 11362.7 et seq., as it may be amended, and which means a person who is entitled to the protections of California Health & Safety Code Section 11362.5.

(bc) “Person” includes any individual, firm, partnership, joint venture, association, corporation, limited liability company, estate, trust, business, business trust, receiver, syndicate, or any other group or combination acting as a unit, and the plural as well as the singular.

(bd) “Person with an identification card” shall have the meaning given that term by California Health and Safety Code Section 11362.7.

(be) “Physician’s recommendation” means a recommendation by a physician and surgeon that a patient use cannabis provided in accordance with the Compassionate Use Act of 1996 (Proposition 215), found at Section 11362.5 of the Health and Safety Code.

(bf) “Premises” means the designated structure or structures and land specified in the application that is owned, leased, or otherwise held under the control of the applicant or licensee where the commercial cannabis activity will be or is conducted. The premises shall be a contiguous area and shall only be occupied by one licensee unless the operator is granted a M-License and a A-License for the same type of activity and such operation is lawful under state and local laws, rules and regulations.

(bg) “Purchaser” means the customer who is engaged in a transaction with a licensee for purposes of obtaining cannabis or cannabis products.

(bh) “Retailer” means a commercial cannabis business facility where cannabis, cannabis products, or devices for the use of cannabis or cannabis products are offered, either individually or in any combination, for retail sale, including an establishment (whether fixed or mobile) that

delivers, pursuant to express authorization, cannabis and cannabis products as part of a retail sale, and where the operator holds a valid commercial cannabis business permit from the City of La Palma authorizing the operation of a retailer, and a valid state license as required by state law to operate a retailer.

(bi) "Sell," "sale," and "to sell" include any transaction whereby, for any consideration, title to cannabis or cannabis products are transferred from one person to another, and includes the delivery of cannabis or cannabis products pursuant to an order placed for the purchase of the same and soliciting or receiving an order for the same, but does not include the return of cannabis or cannabis products by a licensee to the licensee from whom the cannabis or cannabis product was purchased.

(bj) "State License" means a permit or license issued by the State of California, or one of its departments or divisions, under MAUCRSA and any subsequent State of California legislation regarding the same to engage in commercial cannabis activity.

(bk) "Testing laboratory" means a laboratory, facility, or entity in the state that offers or performs tests of cannabis or cannabis products and that is both of the following:

(1) Accredited by an accrediting body that is independent from all other persons involved in commercial cannabis activity in the state.

(2) Licensed by the Bureau.

(bl) "Topical cannabis" means a product intended for external application and/or absorption through the skin. A topical cannabis product is not considered a drug as defined by Section 109925 of the California Health and Safety Code.

(bm) "Transport" means the transfer of cannabis products from the permitted business location of one licensee to the permitted business location of another licensee, for the purposes of conducting commercial cannabis activity authorized by MAUCRSA which may be amended or repealed by any subsequent State of California legislation regarding the same.

(bn) "Unique identifier" means an alphanumeric code or designation used for reference to a specific plant on a licensed premises and any cannabis or cannabis product derived or manufactured from that plant.

(bo) "Youth center" means any public or private facility that is primarily used to host recreation or social activities for minors, including, but not limited to, private youth membership organizations or clubs, social service teenage club facilities, video arcades where 10 or more video games or game

machines or devices are operated, and where minors are legally permitted to conduct business, or similar amusement park facilities. It shall also include a park, playground or recreational area specifically designed to be used by children which has play equipment installed, including public grounds designed for athletic activities such as baseball, softball, soccer, or basketball or any similar facility located on a public or private school grounds, or on city, county or state parks. This definition shall not include any private martial arts, yoga, ballet, music or similar studio of this nature nor shall it include any private athletic training facility or pizza parlor, dentist office or doctor's office primarily serving children.

(bp "Volatile solvent" means any solvent that is or produces a flammable gas or vapor that, when present in the air in sufficient quantities, will create explosive or ignitable mixtures. Examples of volatile solvents include, but are not limited to, butane, hexane, and propane.

Section 15-06. Commercial Cannabis Business Permit Required to Engage in Commercial Cannabis Business.

- (a) No person may engage in any commercial cannabis business or in any commercial cannabis activity within the City of La Palma including cultivation, manufacture, processing, laboratory testing, transporting, dispensing, distribution, or sale of cannabis or a cannabis product unless the person (1) has a valid commercial cannabis business permit from the City of La Palma; (2) has a valid State of California Seller's Permit; and (3) is currently in compliance with all applicable state and local laws and regulations pertaining to the commercial cannabis business and the commercial cannabis activities, including the duty to obtain any required state licenses.

Section 15-07. Cannabis Employee Permit Required.

- (a) Any person who is an employee or who otherwise works within a commercial cannabis business must be legally authorized to do so under applicable state law.
- (b) Any person who is an employee or who otherwise works within a commercial cannabis business must obtain a commercial cannabis employee work permit from the City prior to performing any work at any commercial cannabis business.
- (c) Applications for a commercial cannabis employee work permit shall be developed, made available, and processed by the City Manager or his/her

designee(s), and shall include, but not be limited to, the following information:

- (1) Name, address, and phone number of the applicant;
 - (2) Age and verification of applicant. A copy of a birth certificate, driver's license, government issued identification card, passport or other proof that the applicant is at least twenty-one (21) years of age must be submitted with the application;
 - (3) Name, address of the commercial cannabis business where the person will be employed, and the name of the primary manager of that business;
 - (4) A list of any crimes enumerated in California Business and Professions Code Section 26057(b)(4) for which the applicant or employee has been convicted;
 - (5) Name, address, and contact person for any previous employers from which the applicant was fired, resigned, or asked to leave and the reasons for such dismissal or firing;
 - (6) The application shall be accompanied by fingerprints and a recent photograph of the applicant in a form and manner as required by the City Manager or his/her designee(s).
 - (7) A signed statement under penalty of perjury that the information provided is true and correct.
 - (8) If applicable, verification that the applicant is a qualified patient or primary caregiver.
 - (9) A fee paid in an amount set by resolution of the City Council in an amount necessary to cover the costs of administering the employee work permit programs. The fee is non-refundable and shall not be returned in the event the work permit is denied or revoked.
- (d) The City Manager or his/her designee(s) shall review the application for completeness, shall conduct a background check to determine whether the applicant was convicted of a crime or left a previous employer for reasons that show the applicant:
- (1) Has committed any act involving dishonesty, fraud, or deceit, as defined in Section 480 of the Business and Professions Code.

- (2) Has committed a felony or misdemeanor involving fraud, deceit, embezzlement; or
- (3) Was convicted of a violent felony, a crime of moral turpitude; or
- (4) The illegal use, possession, transportation, distribution or similar activities related to controlled substances, as defined in the Federal Controlled Substances Act, except for cannabis related offenses for which the conviction occurred after the passage of the Compassionate Use Act of 1996.

Discovery of these facts showing that the applicant is dishonest or has been convicted of those types of crimes are grounds for denial of the permit. Where the applicant's sentence (including any term of probation, incarceration, or supervised release) for possession of, possession for sale, sale, manufacture, transportation, or cultivation of a controlled substance is completed, such underlying conviction shall not be the sole ground for denial of a commercial cannabis work permit. Furthermore, an applicant shall not be denied a permit if the denial is based solely on any of the following: (i) a conviction for any crime listed in subsection (d) (4) above for which the applicant has obtained a certificate of rehabilitation pursuant to Chapter 3.5 (commencing with Section 4852.01) of Title 6 of Part 3 of the California Penal Code or (ii) a conviction that was subsequently dismissed pursuant to Sections 1203.4, 1203.4a, or 1203.41 of the California Penal Code or any other provision of state law allowing for dismissal of a conviction.

- (e) The City Manager or his/her designee(s) shall issue the commercial cannabis work permit or a written denial to the applicant within thirty (30) days of the date the application was deemed complete. In the event the cannabis work permit cannot be issued within this time period, then the City Manager or his/her designee(s) may issue a temporary work permit for an employee upon completing a preliminary background check and if the business can demonstrate to the City Manager or his/her designee(s) that the employee is necessary for the operation of the business. The temporary permit may be immediately revoked by the City Manager or his/her designee(s) upon determination that the applicant has failed the background check or upon the issuance of the permanent work permit.
- (f) A work permit shall be valid for a twelve (12) month period and must be renewed on an annual basis. Renewal applications shall contain all the information required in subsection (b) above including the payment of a renewal application fee in an amount to be set by resolution of the City Council.

- (g) In the event a person changes employment from one commercial cannabis business in the City to another, the work permit holder shall notify the City Manager or his/her designee(s) in writing of the change within ten (10) days, or the work permit shall be suspended or revoked, and such person shall not be permitted to work at any commercial cannabis business in the City.
- (h) The City may immediately revoke the commercial cannabis work permit should the permit holder be convicted of a crime listed in subsection (c) and (d) above or if facts become known to the City Manager or his/her designee(s) that the permit holder has engaged in activities showing that he or she is dishonest.
- (i) The City Manager or his/her designee(s) is hereby authorized to promulgate all regulations necessary to implement the work permit process and requirements.
- (j) The applicant may appeal the denial or revocation of a commercial cannabis work permit by filing a notice of appeal with the City Clerk within ten (10) days of the date the applicant received the notice of denial; which appeal shall be conducted as set forth in Section 15-14 of this Chapter.
- (k) The City Manager or his/her designee(s) shall issue a permit in the form of a personal identification card that can be worn in a prominent and visible location. The identification card shall be maintained in good and readable condition at all times.

Section 15-08. Maximum Number and Type of Authorized Commercial Cannabis Businesses Permitted.

The number of each type of commercial cannabis business that shall be permitted to operate in the City shall be established by resolution by the City Council.

- (a) Section 15-08 is only intended to create a maximum number of commercial cannabis businesses that may be issued permits to operate in the City under each category. Nothing in this Chapter creates a mandate that the City Council must issue any or all of the commercial cannabis business permits if it is determined that the applicants do not meet the standards which are established in the application requirements or further amendments to the application process or that the City Council upon further deliberation determines that the issuance of any or all commercial cannabis business permits will impact the public safety, welfare or other policy concerns which may be detrimental in the issuance of these permits.
- (b) Each year following the City Council's initial award of permits, if any, or at any time in the City Council's discretion, the City Council may reassess the number of commercial cannabis business permits which are authorized for

issuance. The City Council in their discretion, may determine that the number of commercial cannabis permits should stay the same, or be expanded.

Section 15-09. Initial Application Procedure.

- (a) The City Manager shall adopt the procedures to govern the application process, and the manner in which the decision will ultimately be made regarding the issuance of any commercial cannabis business permit(s), which shall include or require the City Manager to provide detailed objective review criteria to be evaluated on a point system or equivalent quantitative evaluation scale tied to each set of review criteria (“Review Criteria”). The City Manager or his/her designee(s) shall be authorized to prepare the necessary forms, adopt any necessary rules to the application, regulations and processes, solicit applications, conduct initial evaluations of the applicants.
- (b) At the time of filing, each applicant shall pay an application fee established by resolution of the City Council, to cover all costs incurred by the City in the application process.
- (c) After the initial review, ranking, and scoring under the Review Criteria, the City Manager or his/her designee(s) will make a final determination in accordance with this section.

(d) **THE CITY'S RESERVATION OF RIGHTS:**

The City reserves the right to reject any or all applications. Prior to permit issuance, the City may also modify, postpone, or cancel any request for applications, or the entire program under this Chapter, at any time without liability, obligation, or commitment to any party, firm, or organization, to the extent permitted under California state law. Persons submitting applications assume the risk that all or any part of the program, or any particular category of permit potentially authorized under this Chapter, may be cancelled at any time prior to permit issuance. The City further reserves the right to request and obtain additional information from any candidate submitting an application. In addition to any other justification provided a failure to comply with other requirements in this Chapter, an application **RISKS BEING REJECTED** for any of the following reasons:

- (1) Proposal received after designated time and date.
- (2) Proposal not containing the required elements, exhibits, nor organized in the required format.

- (3) Proposal considered not fully responsive to this request for permit application.

Section 15-10. Personnel Prohibited from Holding a License or Employee Work Permit.

(a) Any person, including but not limited to any individual, firm, partnership, joint venture, association, corporation, limited liability company, estate, trust, business trust, receiver, syndicate, or any other group or combination acting as a unit, and the plural as well as the singular in which any of the following actions or notices have been issued in non-compliance, shall be prohibited from holding a cannabis commercial license or employee work permit in the City of La Palma. In addition, the following shall be grounds for denial of a local license or employee work permit:

- (1) The applicant has been denied a license or has had a license suspended or revoked by any city, county, city and county or any other state cannabis licensing authority;
- (2) The applicant was notified that they were conducting commercial cannabis activity in non-compliance with Chapter 44 or other City of La Palma ordinances, codes and requirements in which they failed to discontinued operating in a timely manner;
- (3) Evidence that the applicant was in non-compliance of properly paying federal, state or local taxes and/or fees when notified by the appropriate agencies;
- (4) As of September 1, 2018, applicant was conducting commercial cannabis activity in the City of La Palma in violation of local and state law.
- (5) No person shall be issued a commercial cannabis permit to operate who enters into an agreement to lease, sublease or any other agreement, regardless of whether it is verbally or in writing to any terms of use of the premises from a property owner, commercial broker or any third party, that is in violation of Section 15-10 unless that property is leased at fair market value and such lease, sublease or agreement does not have any terms or conditions for the cannabis permit licensee to pay the property owner, commercial broker, or any third party a percentage of gross receipts, royalties, equity, or other unreasonable compensation as determined by the City. In addition, all leases, subleases, or other agreements must be based on a monthly rate.

Section 15-11. Expiration of Commercial Cannabis Business Permits.

Each commercial cannabis business permit issued pursuant to this Chapter shall remain in effect unless and until revoked by the City due to:

- (a) The permittee's State license is revoked, cancelled or nonrenewed; ; or
- (b) The permittee materially violates a provision of this Chapter; or
- (c) The permittee loses its right to operate its business in accordance with the City's General Plan and Zoning Code.

Section 15-12. Reserved for Future Use.

Section 15-13. Reserved for Future Use.

Section 15-14. Effect of State License Suspension, Revocation, or Termination.

Suspension of a license issued by the State of California, or by any of its departments or divisions, shall immediately suspend the ability of a commercial cannabis business to operate within the City, until the State of California, or its respective department or division, reinstates or reissues the State license. Should the State of California, or any of its departments or divisions, revoke or terminate the license of a commercial cannabis business, such revocation or termination shall also revoke or terminate the ability of a commercial cannabis business to operate within the City of La Palma.

Section 15-15. Appeals.

Unless specifically provided elsewhere to the contrary, whenever an appeal is provided for in this Chapter from a decision of the City Manager or his/her designee(s), the appeal shall be conducted as prescribed in this Chapter.

Section 15-16. Written request for Appeal.

- (a) Within ten (10) calendar days after the date of a decision of the City Manager or his/her designee(s) to revoke, suspend or deny a permit, or to add conditions to a permit, an aggrieved party may appeal such action by filing a written appeal with the City Clerk setting forth the reasons why the decision was not proper.
- (b) At the time of filing the appellant shall pay the designated appeal fee, established by resolution of the City Council from time to time.

Section 15-17. Appeal Hearing.

- (a) Upon receipt of the written appeal, the City Clerk shall set the matter for a hearing before the City Manager or his/her designee. The City Manager or his/her designee shall hear the matter de novo and shall conduct the hearing pursuant to the procedures set forth by the City.
- (b) The appeal shall be held within a reasonable time after the filing the appeal, but in no event later than ninety (90) days from the date of such filing. The City shall notify the appellant of the time and location at least ten (10) days prior to the date of the hearing.
- (c) At the hearing, the appellant may present any information they deem relevant to the decision appealed. The formal rules of evidence and procedure applicable in a court of law shall not apply to the hearing.
- (d) The decision of the City Manager or his/her designee shall be final.

Section 15-18. Permittee Selection Process.

- (a) The City Manager shall adopt a procedure guideline and Review Criteria by which the top applicants in each category of each commercial cannabis business shall be evaluated in a final determination by the City Manager. Official issuance of the commercial cannabis business permit(s) is conditioned upon the prevailing candidate(s) obtaining all required land use approvals.
- (b) The City Manager shall either deny or approve the final candidates and shall select the top candidates in each category of the commercial cannabis businesses pursuant to the criteria established in a Request for Qualifications Process and subject to the execution of a Development Agreement. The City Manager's decision as to the selection of the prevailing candidates shall be final.
- (c) Issuance of a commercial cannabis business permit does not create a land use entitlement. Furthermore, no permittee may begin operations, notwithstanding the issuance of a permit, unless all of the state and local laws and regulations, including but not limited to the requirements of this Chapter and of the permit, have been complied with. Until a state license is available and obtained by the permitted operator as set forth in Section 15-16.
- (f) Notwithstanding anything in this Chapter to the contrary, the City Manager reserves the right to reject any or all applications for failure to meet the criteria established in a Request for Proposal Process or if the City Manager determines based upon the evidence that it would be in the best interest of

the City, taking into account any health, safety and welfare impacts on the community. Applicants shall have no right to a commercial cannabis business permit until a permit is actually issued, . Each applicant assumes the risk that, at any time prior to the issuance of a permit, the City Council may terminate or delay the program created under this Chapter.

- (g) If an application is denied, a new application may not be filed for one (1) year from the date of the denial.
- (h) Each person granted a commercial cannabis business permit shall be required to pay the permit fee established by resolution of the City Council, to cover the costs of administering the commercial cannabis business permit program created in this Chapter.

Section 15-19. Change in location; updated registration form.

- (a) Any time the dispensing, cultivation, manufacturing, transportation and distribution location specified in the regulatory permit is changed, the applicant shall re-register with the City Manager or his/her designee(s). The process and the fees for re-registration shall be the same as the process and fees set forth for registration in Sections 15-13 and 15-19
- (b) Within fifteen (15) calendar days of any other change in the information provided in the registration form or any change in status of compliance with the provisions of this Chapter, including any change in the commercial cannabis business ownership or management members, the applicant shall file an updated registration form with the City Manager or his/her designee(s) for review along with a registration amendment fee, as set forth in Sections 15-13 and 15-19.

Section 15-20. Transfer of Cannabis Business Permit.

- (a) The owner of a cannabis business permit shall not transfer ownership or control of the permit to another person or entity unless and until the transferee obtains an amendment to the permit from the City Manager or his/her designee stating that the transferee is now the permittee. Such an amendment may be obtained only if the transferee files an application with the City Manager or his/her designee in accordance with all provisions of this Chapter (as though the transferee were applying for an original cannabis business permit) accompanied by a transfer fee in an amount set by resolution of the City Council (or if not set, shall be the same amount as the application fee), and the City Manager or his/her designee determines, after hearing, in accordance with this section that the transferee passed the background check required for permittees and meets all other requirements of this Chapter.

- (b) Commercial cannabis business permits issued through the grant of a transfer by the City Manager or his/her designee shall be valid for a period of one year beginning on the day the City Manager or his/her designee approves the transfer of the permit. Before the transferee's permit expires, the transferee shall apply for a renewal permit in the manner required by this Chapter.
- (c) Changes in ownership of a permittee's business structure or a substantial change in the ownership of a permittee business entity (changes that result in a change of more than 51% of the original ownership), must be approved by the City Manager or his/her designee through the transfer process contained in this subsection (a). Failure to comply with this provision is grounds for permit revocation.
- (d) A permittee may change the form of business entity without applying to the City Manager or his/her designee for a transfer of permit, provided that either:
 1. The membership of the new business entity is substantially similar to original permit holder business entity (at least 51% of the membership is identical), or
 2. If the original permittee is an unincorporated association, mutual or public benefit corporation, agricultural or consumer cooperative corporation and subsequently transitions to or forms a new business entity as allowed under the MAUCRSA and to comply with Section 15-06, subdivision (b), provided that the Board of Directors (or in the case of an unincorporated association, the individual(s) listed on the City permit application) of the original permittee entity are the same as the new business entity.

Although a transfer is not required in these two circumstances, the permit holder is required to notify the City Manager in writing of the change within ten (10) days of the change. Failure to comply with this provision is grounds for permit revocation.
- (e) No commercial cannabis business permit may be transferred when the City Manager or his/her designee has notified the permittee that the permit has been or may be suspended or revoked.
- (f) Any attempt to transfer a commercial cannabis business permit either directly or indirectly in violation of this section is hereby declared void, and such a purported transfer shall be deemed a ground for revocation of the permit.

Section 15-21. City Business License.

Prior to commencing operations, a commercial cannabis business shall obtain a City of La Palma business license.

Section 15-22. Building Permits and Inspection.

Prior to commencing operations, a commercial cannabis 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), the Fire Department approvals, Health Department approvals and other zoning and land use permit(s) and approvals.

Section 15-23. Certification from the City Manager.

Prior to commencing operations, a commercial cannabis business must obtain a certification from the City Manager or his/her designee(s) certifying that the business is located on a site that meets all of the requirements of Chapter 15 of the City Ordinance.

Section 15-24. Right to Occupy and to Use Property.

As a condition precedent to the City's issuance of a commercial cannabis business permit pursuant to this Chapter, any person intending to open and to operate a commercial cannabis business shall provide sufficient evidence of the legal right to occupy and to use the proposed location. In the event the proposed location will be leased from the property owner, the applicant shall be required to provide a signed and notarized statement from the owner of the property, acknowledging that the property owner has read this Chapter and consents to the operation of the commercial cannabis business on the owner's property.

Section 15-25. Location and Design of Cannabis Businesses.

Cannabis businesses permitted to engage in Cultivation, Distribution, Manufacturing, Microbusinesses, Testing Labs, and Retail Non-Storefront, for cannabis and cannabis products are subject to the zoning and locational requirements set forth in Chapter 44 of this Code.

Section 15-26. Limitations on City's Liability.

To the fullest extent permitted by law, the City of La Palma shall not assume any liability whatsoever with respect to having issued a commercial cannabis business permit

pursuant to this Chapter or otherwise approving the operation of any commercial cannabis business. As a condition to the approval of any commercial cannabis business permit, the applicant shall be required to meet all of the following conditions before they can receive the commercial cannabis business permit:

- (a) They must execute an agreement, in a form approved by the City Attorney, agreeing to indemnify, defend (at applicant's sole cost and expense), and hold the City of La Palma, and its officers, officials, employees, representatives, and agents, harmless, from any and all claims, losses, damages, injuries, liabilities or losses which arise out of, or which are in any way related to the City's issuance of the commercial cannabis business permit, the City's decision to approve the operation of the commercial cannabis business or activity, to process used by the City in making its decision, or the alleged violation of any federal, state or local laws by the commercial cannabis business or any of its officers, employees or agents.
- (b) Maintain insurance at coverage limits, and with conditions thereon determined necessary and appropriate from time to time by the City Manager.
- (c) Reimburse the City of La Palma for all costs and expenses, including but not limited to legal fees and costs and court costs, which the City of La Palma may be required to pay as a result of any legal challenge related to the City's approval of the applicant's commercial cannabis business permit, or related to the City's approval of a commercial cannabis activity. The City of La Palma may, at its sole discretion, participate at its own expense in the defense of any such action, but such participation shall not relieve any of the obligations imposed hereunder.

Section 15-27. Records and Recordkeeping.

- (a) Each owner and operator of a commercial cannabis business shall maintain accurate books and records in an electronic format, detailing all of the revenues and expenses of the business, and all of its assets and liabilities. On no less than an annual basis (at or before the time of the renewal of a commercial cannabis business permit issued pursuant to this Chapter), or at any time upon reasonable request of the City, each commercial cannabis business shall file a sworn statement detailing the number of sales by the commercial cannabis business during the previous twelve-month period (or shorter period based upon the timing of the request), provided on a per-month basis. The statement shall also include gross sales for each month, and all applicable taxes paid or due to be paid. On an annual basis, each owner and operator shall submit to the City a financial audit of the business's operations conducted by an independent certified public accountant. Each permittee shall be subject to a regulatory compliance

review and financial audit as determined by the City Manager or his/her designee(s).

- (b) Each owner and operator of a commercial cannabis business shall maintain a current register of the names and the contact information (including the name, address, and telephone number) of anyone owning or holding an interest in the commercial cannabis business, and separately of all the officers, managers, employees, agents, and volunteers currently employed or otherwise engaged by the commercial cannabis business. The register required by this paragraph shall be provided to the City Manager or his/her designee(s) upon a reasonable request.
- (c) Prior to state licensing, each commercial cannabis business shall maintain a record of all persons, patients, collectives and primary caregivers served by the commercial cannabis business, for a period of no less than four (4) years. Once a state license is obtained, the commercial cannabis business must maintain such records only to the extent permitted or required by the MAUCRSA.
- (d) All commercial cannabis businesses shall maintain an inventory control and reporting system that accurately documents the present location, amounts, and descriptions of all cannabis and cannabis products for all stages of the growing and production or manufacturing, laboratory testing and distribution processes until purchase as set forth MAUCRSA.
- (e) Each commercial cannabis business shall allow the City of La Palma officials to have access to the business's books, records, accounts, together with any other data or documents relevant to its permitted commercial cannabis activities, for the purpose of conducting an audit or examination. Books, records, accounts, and any and all relevant data or documents will be produced no later than twenty-four (24) hours after receipt of the City's request, unless otherwise stipulated by the City. The City may require the materials to be submitted in an electronic format that is compatible with the City's software and hardware.

Section 15-28. Security Measures.

Regulations regarding security measures shall be subject to the terms and conditions set forth in Chapter 44 of this Code.

Section 15-29. Restriction on Alcohol & Tobacco Sales.

(a) No person shall cause or permit the sale, dispensing, or consumption of alcoholic beverages on or about the premises of the commercial cannabis business.

(b) No person shall cause or permit the sale, dispensing, or use of tobacco products on or about the premises of the commercial cannabis business.

Section 15-30. Compliance with Laws.

It is the responsibility of the owners and operators of the commercial cannabis business to ensure that it is, at all times, operating in a manner compliant with all applicable state and local laws, and any regulations promulgated thereunder. Nothing in this Chapter shall be construed as authorizing any actions that violate state law or local law with respect to the operation of a commercial cannabis business. It shall be the responsibility of the owners and the operators of the commercial cannabis business to ensure that the commercial cannabis business is, at all times, operating in a manner compliant with all applicable state and local laws, the Medical and Adult Use Cannabis and Regulation Act (MAUCRSA) any subsequently enacted state law or regulatory, licensing, or certification requirements, and any specific, additional operating procedures or requirements which may be imposed as conditions of approval of the commercial cannabis business permit. Nothing in this Chapter shall be construed as authorizing any actions which violate state law with regard to the operation of a commercial cannabis business.

Section 15-31. Fees and Charges.

(a) No person may commence or continue any commercial cannabis activity in the City, without timely paying in full all fees and charges required for review and processing of the permits, approvals and entitlements required by the La Palma City Code for the operation of a commercial cannabis activity, and any other fees and charges associated with the operation of the commercial cannabis activity. Fees and charges associated with the operation of a commercial cannabis activity shall be established by resolution of the City Council which may be amended from time to time.

(b) All commercial cannabis businesses authorized to operate under this Chapter shall pay all sales, use, business and other applicable taxes, and all license, registration, and other fees required under federal, state and local law. Each commercial cannabis business shall cooperate with City with respect to any reasonable request to audit the commercial cannabis business' books and records for the purpose of verifying compliance with this section, including but not limited to a verification of the amount of taxes required to be paid during any period.

(c) Prior to operating in the City and as a condition of issuance of a regulatory permit, the operator of each cannabis facility shall apply for and obtain a conditional use permit and precise plan, and enter into a development

agreement with the City, setting forth the terms and conditions under which the cannabis facility will operate that are in addition to the requirements of this chapter, including, but not limited to, public outreach and education, community service, payment of fees and other charges as mutually agreed, and such other terms and conditions that will protect and promote the public health, safety and welfare.

Section 15-32. Miscellaneous Operating Requirements.

- (a) Commercial cannabis businesses may operate only during the hours specified in the commercial cannabis business permit issued by the City.
- (b) Restriction on Consumption. Cannabis shall not be consumed by any employee on the premises of any commercial cannabis business.
- (c) No cannabis or cannabis products or graphics depicting cannabis or cannabis products shall be visible from the exterior of any property issued a commercial cannabis business permit, or on any of the vehicles owned or used as part of the commercial cannabis business. No outdoor storage of cannabis or cannabis products is permitted at any time.
- (d) Reporting and Tracking of Product and of Gross Sales. Each commercial cannabis business shall have in place a point-of-sale or management inventory tracking system to track and report on all aspects of the commercial cannabis business including, but not limited to, such matters as cannabis tracking, inventory data, gross sales (by weight and by sale) and other information which may be deemed necessary by the City. The commercial cannabis business shall ensure that such information is compatible with the City's record-keeping systems. In addition, the system must have the capability to produce historical transactional data for review. Furthermore, any system selected must be approved and authorized by the City Manager or his/her designee(s) prior to being used by the permittee.
- (e) All cannabis and cannabis products sold, distributed or manufactured shall be cultivated, manufactured, and transported by licensed facilities that maintain operations in full conformance with the State and local regulations.
- (f) Emergency Contact. Each commercial cannabis business shall provide the City Manager or his/her designee(s) with the name, telephone number (both land line and mobile, if available) of an on-site employee or owner to whom emergency notice can be provided at any hour of the day.
- (i) Signage and Notices.

Regulations regarding signage and notices shall be subject to the terms and conditions set forth in Chapter 44 of this Code.

- (j) Minors.
 - (1) Persons under the age of twenty-one (21) years shall not be allowed on the premises of a commercial cannabis business and shall not be allowed to serve as a driver for a mobile delivery service. It shall be unlawful and a violation of this Chapter for any person to employ any person at a commercial cannabis business who is not at least twenty-one (21) years of age.
 - (2)
- (k) Odor Control.

Regulations regarding odor control shall be subject to the terms and conditions set forth in Chapter 44 or other City of La Palma ordinances, codes and requirements.
- (l) Display of Permit and City Business License. The original copy of the commercial cannabis business permit issued by the City pursuant to this Chapter and the City issued business license shall be posted inside the commercial cannabis business in a location readily-visible to the public.
- (m) Background Check. Pursuant to California Penal Code Sections 11105(b)(11) and 13300(b)(11), which authorizes City authorities to access state and local summary criminal history information for employment, licensing, or certification purposes; and authorizes access to federal level criminal history information by transmitting fingerprint images and related information to the Department of Justice to be transmitted to the Federal Bureau of Investigation, every person listed as an owner, manager, supervisor, employee or volunteer, of the commercial cannabis business must submit fingerprints and other information deemed necessary by the Police Chief or his/her designee(s) for a background check by the City of La Palma's Police Department. Pursuant to California Penal Sections 11105(b)(11) and 13300(b)(11), which requires that there be a requirement or exclusion from employment, licensing or certification based on specific criminal conduct on the part of the subject of the record. No person shall be issued a permit to operate a commercial cannabis business or a related work permit unless they have first cleared the background check, as determined by the Police Chief or his/her designee(s), as required by this section. A fee for the cost of the background investigation, which shall be the actual cost to the City of La Palma to conduct the background investigation as it deems necessary and appropriate, shall be paid at the time the application for a commercial cannabis business permit is submitted.

- (n) Loitering. The owner and/or operator of a commercial cannabis business shall prohibit loitering by persons outside the facility both on the premises and within fifty (50) feet of the premises.
- (o) Permits and other Approvals. Prior to the establishment of any commercial cannabis business or the operation of any such business, the person intending to establish a commercial cannabis business must first obtain all applicable planning, zoning, building, and other applicable permits from the relevant governmental agency which may be applicable to the zoning district in which such commercial cannabis business intends to establish and to operate.

Section 15-33. Other Operational Requirements.

The City Manager or his/her designee may develop other commercial cannabis business operational requirements or regulations as are determined to be necessary to protect the public health, safety and welfare.

Section 15-34. Operating Requirements for Non-Store Front Retailer.

- (a) Non-Store Front Retailer License Owners and Operators are required to verify the age and the necessary documentation of each medical customer to ensure the customer is not under the age of eighteen (18) years, and to verify that the potential customer has a valid doctor's recommendation. Doctor recommendations are not to be obtained or provided at the retail location.
- (b) Operating hours of the Non-Store Front Retailer M-type License shall be limited between the hours of 6:00 a.m. through 10:00 p.m., seven days a week.
- (c) The commercial Non-Store Front Retailer shall only sell cannabis or cannabis products to a natural person 21 years of age or older, or a natural person 18 years of age or older who possesses a physician's recommendation for cannabis medical use only.
- (d) The commercial cannabis Non-Store Front Retailer may only have on-site that quantity of cannabis and cannabis products reasonably anticipated to meet the weekly demand for which they may need to be readily available for sale.

Section 15-35. Non-Store Front Retailer Vehicle Requirements.

Prior to commencing operations, a cannabis Non-Store Front Retailer shall provide the following information to the City.

- (a) Proof of ownership of the vehicle or a valid lease for any and all vehicles that will be used to deliver cannabis or cannabis products.
- (b) The year, make, model, license plate number, and numerical Vehicle Identification Number (VIN) for any and all vehicles that will be used to deliver cannabis goods.
- (c) Proof of insurance as required in section 15-26 (b) for any and all vehicles being used to deliver cannabis goods.
- (d) The licensee shall provide the City with the information required by this section in writing for any new vehicle that will be used to deliver cannabis goods prior to using the vehicle to deliver cannabis goods.
- (e) The licensee shall provide the City with any changes to the information required by this section in writing within thirty (30) calendar days.

Section 15-36. Permissible Delivery Locations and Customers.

Non-Store Front businesses permitted to engage in delivery of cannabis and cannabis products are subject to the following requirements:

- (a) A cannabis business must be authorized by the City of La Palma to deliver cannabis goods to a residential address in the City of La Palma and/or to other jurisdictions in which it is not prohibited to conduct deliveries of cannabis goods;
- (b) A licensed cannabis business shall not deliver cannabis goods to an address located on publicly owned land or any address on land or in a building leased by a public agency.
- (c) A licensed cannabis business shall comply with all requirements of state and local law pertaining to the cannabis permit and all subsequent policies, procedures and regulations which may be amended by the City Manager from time to time in order to enforce this Chapter.

Section 15-37. Retailer Store Front Services shall not be permitted.

- (a) It shall be unlawful for any person, limited liability company, corporation, collective, cooperative or any other entity to manage or operate a store front facility in which customers are permitted on the premises for which it will sell, exchange, barter, transfer, and/or promote, any cannabis or cannabis products in the City for commercial purpose unless they have been issued a commercial cannabis permit pursuant to this Chapter and authorized to conduct such activities.

Section 15-38. Operating Requirements for Cultivation Facilities.

Regulations regarding operating requirements for cultivation facilities shall also be subject to the terms and conditions set forth in this Chapter and in Chapter 44 of the City Code.

- (a) Outdoor Cultivation Prohibited. The cultivation of all cannabis must occur indoors. All outdoor cultivation is prohibited.

(b)

Section 15-39. Operating Requirements for Testing Labs.

Regulations regarding operating requirements for testing labs shall be subject to the terms and conditions set forth in Chapter 44 or other City of La Palma ordinances, codes and requirements.

Section 15-40. Cannabis Manufacturing: Edibles and Other Cannabis Products; Sale or Distribution of Edible and Other Cannabis Products.

Regulations regarding Cannabis Manufacturing: Edibles and Other Cannabis Products; Sale or Distribution of Edible and Other Cannabis Products shall be subject to the terms and conditions set forth in Chapter 44 or other City of La Palma ordinances, codes and requirements.

Section 15-41. Promulgation of Regulations, Standards and Other Legal Duties.

- (a) In addition to any regulations adopted by the City Council, the City Manager or his/her designee is authorized to establish any additional rules, regulations and standards governing the issuance, denial or renewal of commercial cannabis business permits, the ongoing operation of commercial cannabis businesses and the City 's oversight, or concerning any other subject determined to be consistent with and necessary to carry out the purposes of this Chapter.
- (b) Regulations shall be published on the City's website.
- (c) Regulations promulgated by the City Manager shall become effective upon date of publication. Commercial cannabis businesses shall be required to comply with all state and local laws and regulations, including but not limited to any rules, regulations or standards adopted by the City Manager or his/her designee.
- (d) Testing Labs, Distribution facilities and Special Events shall be subject to state law and shall be subject to additional regulations as determined from time to time as more regulations are developed under Section 15-41 (a) of

this Chapter and any subsequent State of California legislation regarding the same.

Section 15-42. Community Relations.

- (a) Each commercial cannabis business shall provide the name, telephone number, and email address of a community relations contact to whom notice of problems associated with the commercial cannabis business can be provided. Each commercial cannabis business shall also provide the above information to all businesses and residences located within one hundred (100) feet of the commercial cannabis business.
- (b) During the first year of operation pursuant to this Chapter, the owner, manager, and community relations representative from each commercial cannabis business holding a permit issued pursuant to this Chapter shall attend meetings with the City Manager or his/her designee(s), and other interested parties as deemed appropriate by the City Manager or his/her designee(s), to discuss costs, benefits, and other community issues arising as a result of implementation of this Chapter. After the first year of operation, the owner, manager, and community relations representative from each such commercial cannabis business shall meet with the City Manager or his/her designee(s) when and as requested by the City Manager or his/her designee(s).
- (a) Commercial cannabis businesses to which a permit is issued pursuant to this Chapter shall develop a city approved public outreach and educational program for youth organizations and educational institutions that outlines the risks of youth addiction to cannabis, and that identifies resources available to youth related to drugs and drug addiction.

Section 15-43. Fees Deemed Debt to the City of La Palma.

The amount of any fee, cost or charge imposed pursuant to this Chapter shall be deemed a debt to the City of La Palma that is recoverable via an authorized administrative process as set forth in the City ordinance, or in any court of competent jurisdiction.

Section 15-44. Permit Holder Responsible for Violations.

The person to whom a permit is issued pursuant to this Chapter shall be responsible for all violations of the laws of the State of California or of the regulations and/or the ordinances of the City of La Palma, whether committed by the permittee or any employee or agent of the permittee, which violations occur in or about the premises of the commercial cannabis business whether or not said violations occur within the permit holder's presence.

Section 15-45. Inspection and Enforcement.

- (a) The City Manager, or his/her designee(s) charged with enforcing the provisions of the City of La Palma Code, or any provision thereof, may enter the location of a commercial cannabis business at any time, without notice, and inspect the location of any commercial cannabis business as well as any recordings and records required to be maintained pursuant to this Chapter or under applicable provisions of State law.
- (b) It is unlawful for any person having responsibility over the operation of a commercial cannabis business, to impede, obstruct, interfere with, or otherwise not to allow, the City to conduct an inspection, review or copy records, recordings or other documents required to be maintained by a commercial cannabis business under this Chapter or under state or local law. It is also unlawful for a person to conceal, destroy, deface, damage, or falsify any records, recordings or other documents required to be maintained by a commercial cannabis business under this Chapter or under state or local law.
- (c) The City Manager, or his/her designee(s) charged with enforcing the provisions of this Chapter may enter the location of a commercial cannabis business at any time during the hours of operation and without notice to obtain samples of the cannabis to test for public safety purposes. Any samples obtained by the City of La Palma shall be logged, recorded, and maintained in accordance with established procedures by the City of La Palma City Manager or these regulations.

Section 15-46. Compliance with State Regulation.

It is the stated intent of this Chapter to regulate commercial cannabis activity in the City of La Palma in compliance with all provisions MAUCRSA and any subsequent state legislation.

Section 15-47. Violations declared a public nuisance.

Each and every violation of the provisions of this Chapter is hereby deemed unlawful and a public nuisance.

Section 15-48. Each violation a separate offense.

Each and every violation of this Chapter shall constitute a separate violation and shall be subject to all remedies and enforcement measures authorized by the City of La Palma. Additionally, as a nuisance per se, any violation of this Chapter shall be subject to injunctive relief, any permit issued pursuant to this Chapter being deemed null and void, disgorgement and payment to the City for any monies unlawfully obtained, costs of

abatement, costs of investigation, attorney fees, and any other relief or remedy available at law or in equity. The City of La Palma may also pursue any and all remedies and actions available and applicable under state and local laws for any violations committed by the commercial cannabis business or persons related to, or associated with, the commercial cannabis activity. Additionally, when there is determined to be an imminent threat to public health, safety or welfare, the City Manager, or his/her designee(s), may take immediate action to temporarily suspend a commercial cannabis business permit issued by the City, pending a hearing before the City Manager, or his/her designee(s).

Section 15-49. Criminal Penalties.

Each and every violation of the provisions of this Chapter may in the discretion of the District Attorney or City Attorney be prosecuted as a misdemeanor and upon conviction be subject to a fine not to exceed one thousand dollars (\$1,000) or imprisonment in the County jail for a period of not more than twelve (12) months, or by both such fine and imprisonment. Each day a violation is committed or permitted to continue shall constitute a separate offense.

Section 15-50. Remedies cumulative and not exclusive.

The remedies provided herein are not to be construed as exclusive remedies. The City is authorized to pursue any proceedings or remedies provided by law.