



**TO:** Mayor and Councilmembers

**FROM:** Carmen Nichols, Deputy City Manager

**SUBJECT:** Cannabis Business License Ordinance

**RECOMMENDATION:**

Introduce and conduct the first reading (by title only), and waive further reading of Ordinance No. 18-\_\_ entitled “An Ordinance Of the City Council of the City of Goleta, California, Repealing and Replacing Chapter 5.09 of Title 5 of the Goleta Municipal Code to Establish Standards and Regulations for Commercial Cannabis Uses” (Attachment 1)

**BACKGROUND:**

With the passing of Proposition 64 by California voters in 2016, recreational adult-use cannabis became legal beginning in 2018. In response to Proposition 64, the California legislature adopted Senate Bill 94 in 2017, which outlines a state regulatory system for the various commercial operations associated with the legalization. As part of the state regulations, local jurisdictions may prohibit or allow various cannabis uses outlined in state law and, if they allow them, identify appropriate locations for and restrictions on those uses. On September 7, 2017, the City Council instructed staff to develop a cannabis ordinance that allows and regulates recreational (adult-use) cannabis uses and consolidate these regulations with the City’s existing medical cannabis uses regulations. The Cannabis Land Use Ordinance (Agenda Item E.1) is presented to the City Council for introduction and first reading, along with this Ordinance, and is referenced in the proposed Cannabis Business License Ordinance as “City Ordinance \_\_\_\_.”

At the joint workshop of April 26, 2018 including the City Council and the Planning Commission, the City Council agreed that in addition to a permit requirement under the Zoning Ordinance, a separate business license should be required.

With the shaping of the Cannabis Land Use Ordinance and determination of permissive zoning and allowable operations, City staff also worked with SCI Consulting to develop a taxation methodology in preparation of a Cannabis Business Tax ballot measure to be presented to the voters in the November 2018 General Election, and the Cannabis

Business License Ordinance (CBL) that must be adhered to by Cannabis Business Operators conducting business in the City of Goleta.

### **State Regulation**

The voters of California passed Proposition 64 entitled The Control, Regulate and Tax Adult Use of Marijuana Act (commonly known as the Adult Use of Marijuana Act or AUMA) in November 2016. AUMA legalized recreational marijuana use and personal cultivation. AUMA also allowed for the operation of recreational marijuana businesses, if a state license is obtained. AUMA allows local governments to regulate commercial cannabis operations, consistent with the state licensing scheme, or completely prohibit commercial cannabis-related businesses. If a local government allows commercial cannabis-related activity and has a permitting system in place, commercial license applicants must first obtain a local permit before the state will issue a license.

After the approval of AUMA, the state legislature passed the Medicinal and Adult-Use Cannabis Regulation and Safety Act (MAUCRSA) in June 2017. MAUCRSA established a regulatory and licensing scheme at the state level for all recreational and medicinal cannabis uses. In November 2017, the State issued emergency regulations that outline the standards and licensing procedures for both medicinal and adult-use commercial cannabis uses. Beginning in January 2018, cannabis businesses could receive temporary state operating licenses.

### **City Regulation**

In 2009, the City adopted Ordinance No. 09-08, which prohibited the establishment and operation of any new medical marijuana dispensary within the City. To date, the City has identified three medical marijuana dispensaries that have been in operation since before Ordinance No. 09-08 was adopted. As such, these three medical marijuana dispensaries are allowed to operate today as legal non-conforming uses.

In 2016, the City adopted two marijuana-related ordinances. Ordinance No. 16-01 prohibits cultivation of marijuana for commercial purposes but allows for the cultivation of up to 6 mature or 12 immature marijuana plants for each adult resident of the location of cultivation. Ordinance No. 16-01 does not distinguish between medical and recreational marijuana. Ordinance No. 16-02 requires anyone who delivers marijuana products into Goleta to obtain a City license. Finally, on December 5, 2017, the City adopted an Ordinance No. 17-03 prohibiting commercial cannabis operations in all zoning districts and directed staff to return with a draft land use ordinance that allows for cannabis operations within the City. The concurrently proposed Cannabis Land Use Ordinance, if adopted by the City Council will replace any existing ordinances related to cannabis, including Ordinance No. 17-03.

In addition to a land use component of cannabis regulation, the City Council decided to require all cannabis businesses to obtain a specific business license for each cannabis use. One of the benefits of a business license requirement is that the City could monitor and review cannabis businesses operators annually (whereas land use entitlements typically run with the land) and where there is noncompliance with the City's operational standards, the City could revoke the license or opt to not renew the license when the

license comes up for annual renewal. The goal is to establish a reliable cannabis fee structure that provides full cost recovery to the City, is supported by the community and the local cannabis industry and adheres to all state and local regulations.

## **DISCUSSION:**

On September 7, 2017, City Council directed staff to begin working on the Cannabis Land Use Ordinance that serves as the foundation document that allows and regulates recreational (adult-use) cannabis and to develop a single framework to regulate medicinal and recreational cannabis uses.

Pursuant to City Council instruction, planning staff began work on developing a regulatory framework for cannabis businesses. The draft regulations became more refined over the last several months from the input received over several public meetings and workshops with stakeholders, the Planning Commission and City Council.

As part of this regulatory framework, the Cannabis Land Use Ordinance addresses what types of cannabis operations will be allowed in the City, where these uses will go, and how cannabis uses will be permitted by providing a permit path for these uses.

The proposed Cannabis Business License Ordinance (“CBL Ordinance”) establishes the regulation and licensing of medicinal and adult-use cannabis businesses throughout the City in conformance with applicable state and local laws and regulations pertaining to medicinal and adult-use cannabis, for the purpose of controlling, and regulating cultivation, distribution, transportation of, storage, manufacturing, processing, and sales. The regulations are designed to minimize negative impacts on the City and neighboring uses, and promote the health, safety, and general welfare of residents and businesses within the City.

Staff conducted a public stakeholder workshop on June 6, 2018. The meeting was posted on the City’s Cannabis Information webpage, and an invitation was sent to members subscribed to receive related information. The meeting was attended by operators of various type of cannabis operations. Also present was a representative of the SB County Fire Department. Other agency representatives were notified but were not in attendance. The size of the group allowed SCI Consulting, serving as the facilitator, to ask each attendee various questions pertaining to the proposed regulations and business licensing process. The input received helped staff understand how rules and regulations may impact the business. After the workshop, staff updated the proposed CBL Ordinance. The CBL Ordinance includes:

**Amendment of Chapter 5.09:** the CBL repeals Section 5.09 (“Marijuana Delivery Regulations”) of the Goleta Municipal Code and replaces it with the amended section 5.09. This CBL is a more general regulation that will apply to all cannabis business, including delivery businesses.

**Land Use Reference:** The determination on a Cannabis Business License will be dependent on issuance of the required land use permit required. Any commercial

cannabis business in the City of Goleta must also operate in compliance with the City's zoning ordinance.

**General Provisions for Commercial Cannabis Activities in the City of Goleta:** List of Cannabis Business License types and requirements for obtaining a business license, and expiration and validity of a business license.

**Cannabis Business License Application Procedures and Requirement; Renewal of Permit:** A person shall apply for a Cannabis Business License by submitting an application to the City during the annual application period. The City Council will, by resolution, adopt criteria by which all applications will be reviewed, qualified, and annually renewed, including procedures by which renewal applications will be suspended and revoked, as well as submittal time frames and disqualification terms. All fees associated with the application, review, inspections and monitoring process shall be paid by the applicant.

**Appeal:** The process allows for a person to appeal denial, suspension and revocation of an application. The appeals process will be the same as that for a business license appeal as described in Goleta Municipal Code sections 5.01.670 through 5.01.720.

**Maintenance of Records and Reporting:** Recordkeeping is required for five (5) years and records are to be produced for inspection by City staff upon request as referenced in the ordinance. The purpose of recordkeeping is to ensure that operators are conforming to the regulations as outlined, including the proper state permits, contracts with other cannabis activity, financial records including purchases, sales, tax records, employee verification, proof of insurance.

**Operational Standards for All Commercial Cannabis Activities:** Standards pertain to all operations and facilities and list requirements such as security camera surveillance standards; requirements of the California Cannabis Track-and-Trace System which is a state program that is used to record the inventory and movement of cannabis and cannabis products through the commercial supply chain – from cultivation to sale. It accounts for cannabis products at each trade; requirements on floor plans especially for the safety of fire other personnel that may be required to enter a building during an emergency (requested by the Fire department, especially for manufacturing activities; storage, labeling, and testing of cannabis products; safety, security, and emergency provisions, among other general provisions for all cannabis activity.

**Additional Requirements for Dispensary and Retail Sales of Cannabis; Commercial Cannabis Delivery Services; Manufactured Cannabis Businesses; Cannabis Cultivation Businesses; Cannabis Testing Laboratory Businesses; Cannabis Distribution Businesses:** All cannabis-related operations and facilities are required to follow all State regulations along with any additional regulations listed in these sections specifically for each type of activity. The additional provisions are intended to address specific requirements due to the special activity. For example, security guards services required for retail sales, specifically because of the availability of product. Operators may provide other means of security, however, security guards may serve as a deterrent to

undesirable activity both inside and outside of a facility. Another example of activity-specific regulations is the allowance of inspections by the Fire department for manufacturing, cultivation, and testing activities, to ensure floor plans, and equipment, as well as other safety features are set up and maintained by fire code. This type of regulation is not necessary in a delivery activity.

**Suspension or Revocation of Permit:** The regulations are designed to minimize negative impacts on the City and neighboring uses, and promote the health, safety, and general welfare of residents and businesses within the City. In addition to any other penalty authorized by law, a Cannabis Business License may be suspended or revoked if the City finds, after notice to the permittee and opportunity to be heard, that the permittee or his or her agents or employees has violated any provision of the CBL Ordinance imposed pursuant to.

The CBL Ordinance was presented by the Ordinance Review Committee on Monday June 11, 2018. The Committee provided feedback on the staff report and the proposed CBL Ordinance.

At the request of the committee, staff researched whether a cannabis business also needed to obtain a CBL in addition to a general business license under Goleta Municipal Code chapter 5.01. After consulting with staff, it was determined that both licenses are not required, so as long the operation and all activity are strictly related to cannabis, unlike a tobacco license, that sell other unrelated goods. Tobacco retail licensees are required to obtain both a tobacco retail license and a general business license if they sell more than just tobacco products.

### **Pending Items**

With the approval of the Cannabis Land Use Ordinance and the CBL Ordinance, the next step is to develop the CBL application and process with applicable forms, adopted by City Council Resolution. The application will provide health and safety standards as authorized under state regulation. A compliance, monitoring and inspection schedule will also be prepared for approval. Any fees associated with the application process, monitoring, inspection, fine, penalties and appeals shall be paid by the applicant/operator.

The second reading of the CBL Ordinance is scheduled for July 17, 2018. Pending Resolutions for the application and review process, along with regulatory fees are tentatively scheduled for July 17, 2018.

### **FISCAL IMPACTS:**

There is no fiscal impact associated with this item.

**ALTERNATIVES:**

If Council does not pass this ordinance, cannabis businesses can operate in the City so long as they obtain their State license and appropriate land use permit required by the Cannabis Land Use Ordinance.

**Reviewed By:****Legal Review By:****Approved By:**

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Carmen Nichols  
Deputy City Manager

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Michael Jenkins  
City Attorney

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Michelle Greene  
City Manager

**ATTACHMENTS:**

1. City Council Ordinance No. 18-\_\_ entitled "An Ordinance Of the City Council of the City of Goleta, California Repealing and Replacing Chapter 5.09 of Title 5 of the Goleta Municipal Code to Establish Standards and Regulations for Commercial Cannabis Uses"

**ATTACHMENT:**

City Council Ordinance No. 18-\_\_ entitled "An Ordinance Of the City Council of the City of Goleta, California, Repealing and Replacing Chapter 5.09 of Title 5 of the Goleta Municipal Code to Establish Standards and Regulations for Commercial Cannabis Uses"





## **ORDINANCE 18-\_\_**

### **AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF GOLETA, CA REPEALING AND REPLACING CHAPTER 5.09 OF TITLE 5 OF THE GOLETA MUNICIPAL CODE TO ESTABLISH STANDARDS AND REGULATIONS FOR COMMERCIAL CANNABIS BUSINESSES**

**THE CITY COUNCIL OF THE CITY OF GOLETA DOES HEREBY  
ORDAIN AS FOLLOWS:**

#### **SECTION 1: Findings**

- A. In 1996, the California electorate approved Proposition 215, the Compassionate Use Act which allows a patient, with a doctor's recommendation, to use cannabis for medicinal purposes without the fear of prosecution or arrest; and
- B. In 2003, the California legislature passed Senate Bill 420 (Medical Marijuana Program Act) which amended the Health and Safety Code to permit the establishment of medicinal cannabis dispensaries for the distribution of cannabis for medicinal purposes; and
- C. In 2005, the California Board of Equalization began issuing seller's permits for sales consisting of medicinal cannabis; and
- D. In 2008, the California Attorney General issued guidelines for the security and non-diversion of cannabis grown for medical use; and
- E. In 2015, the Governor signed into law Senate Bill 643, Assembly Bill 266, and Assembly Bill 243, collectively referred to as the Medical Marijuana Regulation and Safety Act ("MMRSA") further amended by Senate Bill 837 in 2016 as the Medicinal Cannabis Regulation and Safety Act ("MCRSA"), which established regulations and a state licensing system for medical cannabis cultivation, manufacturing, delivery, and dispensing; and
- F. In 2016, the voters of the State of California approved and passed Proposition 64 also known as the Adult Use of Marijuana Act ("AUMA"); and
- G. In 2017, the Governor signed into law Senate Bill 94 also known as Medicinal and Adult-Use Cannabis Regulation and Safety Act (MAUCRSA); and
- H. Health & Safety Code Section 11362.83 provides that cities are free to adopt and enforce local ordinances that regulate the location, operation, or establishment of medicinal cannabis; and
- I. After studying various alternatives for the regulation of commercial cannabis considering input from stakeholders and a public hearing, and reviewing the legal status of cannabis under applicable law, the City Council finds that the regulation of commercial cannabis activities is necessary to protect the public

health, safety, and welfare by mitigating the adverse secondary effects from the operations of these uses; and

- J. The City of Goleta ("City") has a compelling interest in ensuring that cannabis is not distributed in an illicit manner, in protecting the public health, safety and welfare of its residents and businesses, in preserving the peace and quiet of the neighborhoods in which these uses may operate, and in providing access of cannabis to residents; and
- K. Whereas, Chapter 5.09 of Title 5 of the Goleta Municipal Code regulates and requires licensure of cannabis delivery within the City.
- L. Whereas, the City desires to regulate the licensure of all cannabis businesses with this Ordinance and subject cannabis delivery businesses to this Ordinance.
- M. The proposed Ordinance has been reviewed by City staff in accordance with the Environmental Checklist Form (Appendix G of the CEQA Guidelines) to determine if there would be any possibility that the proposed ordinance would create any significant environmental impacts, and the City has determined that the establishment of regulations for commercial cannabis businesses do not meet any of the thresholds contained in the Checklist that would trigger a significant environmental impact, and thus according to the "general rule exemption" (Section 15061(b)(3) of the CEQA Guidelines, projects which have no potential for causing a significant effect on the environment are not subject to CEQA, no further environmental analysis is required.

## **SECTION 2: Land Use Reference**

This Chapter corresponds with City Ordinance \_\_\_\_ and will be taken together with the provisions of the City Ordinance \_\_\_\_ to determine whether a cannabis business is permitted and the approval process. Any commercial cannabis business in the City must also operate in compliance with the City's zoning ordinance.

## **SECTION 3: Authority**

This Ordinance is adopted pursuant to the authority granted by State law, including but not limited to, Article IX, Section 7 of the California Constitution, the Compassionate Use Act of 1996, as amended, (Health and Safety Code Section 11362.5), the Medical Marijuana Program, as amended, (Health and Safety Code Section 11362.7 et seq.), the Medical Marijuana Regulation and Safety Act, as amended, (Business and Professions Code Section 144, 2525, 2220.05, 2241.5, 2242.1, 19302.1, 19319-19325, 19331, 19335, 19337, 19348 et seq.; AB 266, AB 243, and SB 643; hereafter "MMRSA"), the Adult Use of Marijuana Act (Business and Professions Code Section 14235.5, 11362.775, 26001, 26053, 26070, 26100, 26110, 26130; Proposition 64), and the Medicinal and Adult Use Cannabis Regulation and Safety Act (Fish and Game Code Section 1602 and 1617 et seq.; Business and Professions Code Section 26000-26220 et seq.; Food and Agricultural Code Section 37104, 54036, and 81010 et seq.; Health and Safety Code section 11006.5-11553 and 109925 et seq.; Revenue and Taxation Code

Section 34010-34021.5 et seq.; Vehicle Code Section 2429.7 et seq.; SB 94; hereafter “MAUCRSA”); and any other state statutes regulating cannabis (hereinafter collectively referred to as “State Law”).

#### **SECTION 4: Purpose and Intent**

The purpose and intent of this section is to regulate commercial cannabis business activities in order to ensure the health, safety and welfare of the residents of the City by establishing regulations necessary for a commercial cannabis business to obtain and maintain a Cannabis Business License (CBL). Any commercial cannabis businesses operating in the City shall at all times be in compliance with State Law, this chapter, and all zoning regulations.

#### **SECTION 5: Definitions**

The definitions in City Ordinance \_\_\_\_ are incorporated herein as fully set forth and are applicable to this Chapter.

1. Cannabis-Related Definitions. When used in this Chapter, the following words are defined as follows. If a word is not defined in this Section or in other provisions of the Goleta Municipal Code, the definition shall be as in the State Laws or, in cases where a definition is not provided in State Laws, as determined by the City Manager.
  1. “Cannabis business” means a person operating any or all of the activities requiring a license under this Chapter.
  2. “Cannabis Business License” means a license issued by the City under this Chapter.
  3. “Person” means any natural person, partnership, cooperative, association, corporation, personal representative, receiver, trustee, assignee, or any other legal entity.
  4. “Responsible Party” means the individual who controls, manages, or directs the entity and the disposition of the entity's funds and assets, the person who has a level of control over, or entitlement to, the funds or assets in the entity that, as a practical matter, enables the individual, directly or indirectly, to control, manage or direct the entity and the disposition of its funds and assets.
  5. “Seller's Permit” means a state business license that allows a business to make sales of tangible person property in California.
  6. “State Law” means the codified sections promulgated by the California State Legislature as referenced above in Section 3 of this Chapter.

#### **SECTION 6: Amendment of Chapter 5.09**

The City hereby repeals Section 5.09 (“Marijuana Delivery Regulations”) of the Goleta Municipal Code in its entirety and replaces it with the amended Section 5.09 as set forth below and to be numbered in accordance with the Goleta Municipal Code.

#### **SECTION 7: Compliance with State and Local Licensing Requirements**

Commercial cannabis activity as defined by the State of California or the City shall operate in conformance with all regulations and standards set forth in this section of the Municipal Code to assure that the operations of the retailer, cultivation facility, manufacturing facility, distribution facility, testing facility or any other commercial cannabis activity as defined by the State of California or allowed by the City are in compliance with local and State law and are established to mitigate any adverse secondary effects from its operations. Cannabis operators shall be required to obtain a State license and shall comply with any applicable State licensing requirements, such as operational standards and locational criteria. Multiple cannabis uses and licenses proposed on any one site shall occur only if authorized by the State and the City and only if all uses proposed are allowed under the City’s zoning regulations.

#### **SECTION 8: General Provisions for Commercial Cannabis Activities in the City**

##### **A. Cannabis Business License Required**

1. Each business shall have a Cannabis Business License specific to the business activity defined by State Law pertaining to that activity and whether the activity is medicinal or non-medicinal or any other commercial cannabis activity the State may define and as they may be amended. The following is a list of current license types:
  - i. Cultivation
  - ii. Distribution
  - iii. Manufacturing
  - iv. Nurseries
  - v. Retail
  - vi. Testing
2. It shall be unlawful for any person to engage in, conduct or carry on, in or upon any premises within the City any commercial cannabis business without a Cannabis Business License. A cannabis business shall register and obtain a Cannabis Business License from the City prior to operation. A cannabis business shall pay an annual non-refundable regulatory fee in an amount and at a frequency established by the City Council by resolution.

3. A copy of the Cannabis Business License shall be displayed at all times in a place visible to the public.
4. A Cannabis Business License shall be for a period of one year from January 1 through December 31 of each year, unless sooner revoked. No permit granted herein shall confer any vested right to any person or business for more than the above-referenced period.
5. A Cannabis Business License shall not be issued to a person with felony convictions as reported by a Department of Justice “Live Scan”, as specified in subdivision (c) of Section 667.5 of the Penal Code and subdivision (c) of Section 1192.7 of the Penal Code; with criminal convictions that substantially relate to the qualifications, functions, or duties of a business or profession, including a felony conviction involving fraud, deceit, or embezzlement, or with a criminal conviction for the sale or provision of controlled substances without specific written permission from the City.
6. A Cannabis Business License shall not employ any individuals with felony convictions as reported by a Department of Justice “Live Scan”, as specified in subdivision (c) of Section 667.5 of the Penal Code and subdivision (c) of Section 1192.7 of the Penal Code; with criminal convictions that substantially relate to the qualifications, functions, or duties of a business or profession, including a felony conviction involving fraud, deceit, or embezzlement, or with a criminal conviction for the sale or provision of controlled substances without specific written permission from the City.
7. The Cannabis Business License shall be issued only to the specific person or persons listed on the Cannabis Business License Application.
8. A Cannabis Business License may not be transferred from one person to another person. A Cannabis Business License does not run with the land. Except as provided in Goleta Municipal Code sections 5.01.300 and 5.01.310A, any change to the organizational structure or ownership of the cannabis business will require a new Cannabis Business License.

## **SECTION 9: Cannabis Business License Application Procedures and Requirements**

- A. Application. A person shall apply for a Cannabis Business License by submitting an application to the City during the annual application period. The City Council will, by resolution, adopt procedures by which all applications will be reviewed, qualified, and annually renewed, including procedures by which permits will be suspended, revoked and appealed. All applications shall demonstrate full compliance with any applicable State licensing application

requirements. Each application shall designate at least one Responsible Party. If a person is not selected to receive a Cannabis Business License, the person may reapply during the next annual application period.

- B. Each applicant and proposed employee of a Cannabis Business License shall submit a Department of Justice “Live Scan” to the Director of Neighborhood Services and Safety not more than 2 weeks prior to the date of the application.
- C. A Cannabis Business License will only be issued once the applicant has obtained the appropriate land use authorization and all building modifications have been completed and finalized. Nothing in this Chapter shall prevent a potential applicant from applying for a land use permit prior to applying for a Cannabis Business License.

#### **SECTION 10: Maintenance of Records and Reporting**

- A. All records for the commercial cannabis business of the following activities shall be maintained and available to the City for at least 5 years. Records shall be produced within 24 hours of a request by an authorized City representative:
- B. The business shall obtain and maintain a valid Seller’s Permit from the State Board of Equalization or its successor agency.
- C. Financial records include, but are not limited to: bank statements, sales invoices, receipts, tax records, and all records required by the California State Board of Equalization under Title 18 California Code of Regulations section 1968.
- D. The printed full name, date of birth, , and present address and telephone number of the licensed individual, as well as for all persons with any financial interest in the commercial cannabis business.
- E. Personnel records, including each employee’s full name, address, phone number, date of beginning employment, and date of termination of employment if applicable.
- F. Training records, including but not limited to the content of the training provided and the names of the employees that received the training.
- G. Contracts with other licensees regarding commercial cannabis activity.
- H. Permits, licenses, and other local authorizations to conduct the licensee’s commercial cannabis activity, including a valid California Seller’s Permit.
- I. Security records.
- J. Records shall be kept in a manner that allows the records to be produced for the City in either hard copy or electronic form, whichever the City requests.
- K. Proof of building ownership or written permission from landlord permitting the cannabis business type to be operated on the leased premises.
- L. Proof of insurance.

**SECTION 11: Operational Standards for All Commercial Cannabis Business Activities**

- A. Interior and exterior locations of the business property shall be monitored at all times by closed circuit cameras for security purposes. The cameras and recording system shall be of adequate quality, color rendition and resolution to allow the sufficient identification of any individual committing a crime on the location premises. Cameras shall record 24 hours a day at a minimum of 20 frames per second.
- B. The surveillance system storage device or cameras shall be transmission control protocol/TCP capable of being accessed through the internet by the City or their designee on request.
- C. All controlled access areas, security rooms and all points of ingress/egress to limited access areas and all point of sale (POS) areas shall have fixed camera coverage capable of identifying activity occurring within a minimum of twenty (20) feet. Camera video recordings shall be maintained unaltered in a secure location for a period of not less than thirty (30) calendar days and be available for inspection at any time. The City or law enforcement may request the recordings in connection with an investigation. If the recordings are not voluntarily provided, the City or law enforcement may seek a warrant or court order for the recordings.
- D. All commercial cannabis businesses shall create and maintain an active account within the State's track and trace system prior to commencing any commercial cannabis activity. In the event of system failure, the business shall keep a hard copy record and transfer the information to the track and trace system within 24 hours of the system being available.
- E. An updated floor plan consistent with State regulations must be submitted to the City.
- F. No physical modification of the permitted premises is allowed without written prior permission by the City and payment of any additional fees required by the City.
- G. The cannabis business shall comply with all State regulations regarding testing, labeling and storage of all cannabis products.
- H. The cannabis business shall meet all State and local regulations for the disposal of all cannabis materials and materials used in conjunction with processing, distributing and cultivating of cannabis as well as any unsold cannabis or cannabis products.
- I. The cannabis business shall conform to all State regulations regarding the use of appropriate weighing devices.
- J. The cannabis business shall conform to all State and local regulations regarding water usage. No liquids of any kind shall be discharged into a public or private sewage or drainage system, watercourse, body of water or into the ground, except in compliance with applicable regulations of the California

Regional Water Quality Control Board (California Administrative Code, Title 23, Chapter 27).

- K. The cannabis businesses' electrical and plumbing shall comply with State and local regulations.
- L. The cannabis business shall maintain a comprehensive general liability combined single occurrence insurance policy issued by an "A" rated insurance carrier in an amount no less than two million dollars and naming the City as additional insured.
- M. No free samples of any cannabis or cannabis product may be distributed at any time.
- N. All agents, private security officers or other persons acting for or employed by a licensee shall display a laminated identification badge at least 2" X 2" in size, issued by the licensee. The badge, at a minimum, shall include the licensee's "doing business as" name and license number, the employees first and last name, and a color photo of the employee that shows the full front of the employee's face.
- O. The commercial cannabis business shall have separate and independent centrally-monitored fire and burglar alarm systems, which shall include all perimeter entry points and perimeter windows.
- P. A licensee shall ensure a licensed alarm company operator or one or more of its registered alarm agents installs and maintains the alarm system. The alarm company shall obtain a City business license.
- Q. A licensee must meet all State deadlines for applying for and receiving a State license.
- R. All persons hiring employees to engage in commercial cannabis activities shall document compliance with the following employee safety practices:
  - 1. Emergency action response planning as necessary
  - 2. Employee accident reporting and investigation policies
  - 3. Fire prevention
  - 4. Hazard communication policies, including maintenance of material safety data sheets.
  - 5. Materials storage and handling policies
  - 6. Personal protective equipment policies
  - 7. Operation manager contacts
  - 8. Emergency responder contacts
  - 9. Poison control contacts
  - 10. Department of Justice "Live Scan" for all employees
- S. All persons with ownership interest, and all employees, agents, officers and other persons acting on behalf of a licensee must be at least 21 years of age.
- T. An emergency contact with 24/7 availability shall be made available to the City, Fire Chief, and Police Chief, and shall be updated with the agencies when such contact changes.



## **SECTION 12: Additional Requirements for Cannabis Storefront Retailers**

- A. Display of cannabis products shall be limited to only an amount necessary to provide a visual sample for customers.
- B. All cannabis products available for sale shall be securely locked and stored.
- C. At all times the cannabis retailer is open, the retailer shall provide at least one security guard who is registered with the Bureau of Security and Investigative Services and possesses a valid and current security guard registration card on their person while on-duty.
- D. The licensee shall monitor the site and the immediate vicinity of the site to ensure that patrons immediately leave the site and do not consume cannabis in the vicinity of the retailer or on the property or in the parking lot.
- E. The licensee shall comply with all State and City regulations regarding testing, labeling and storage of all cannabis products.
- F. The licensee shall maintain the full name, address and telephone number(s) of all patient members to whom the business provides medicinal cannabis, and a copy of a physician-issued recommendation card or State-issued card for all patient members.
- G. Licensees shall also record on the video surveillance system point-of-sale areas and areas where cannabis goods are displayed for sale.
- H. Hours of operation shall be established by the land use permit required by the City's zoning regulations.
- I. On-site consumption of cannabis or cannabis products is specifically prohibited on the premises at all times. The following information shall be provided on a sign posted in a conspicuous location inside the cannabis retailer: "Smoking, ingesting or consuming cannabis on this property or within 100 feet of the business is prohibited."
- J. No recommendations from a doctor for medicinal cannabis shall be issued on-site.
- K. Shipments of cannabis goods may only be accepted during regular business hours from 10:00 am to 8:00 pm.
- L. There shall be no on-site sales of alcohol or tobacco products, and no on-site consumption of alcohol or tobacco by patrons.
- M. Inventory shall be secured and locked in a room, safe, or vault, and in a manner reasonably designed to prevent diversion, theft, and loss during non-business hours.
- N. No cannabis product shall be visible from the exterior of the business.
- O. All required labelling shall be maintained on all products, as required by State regulations, at all times.
- P. The use of vending machines (i.e. a machine that dispenses articles when a coin, bill, or token is inserted) to dispense cannabis is prohibited.

**SECTION 13: Additional Requirements for Commercial Cannabis Delivery Services**

- A. Commercial cannabis deliveries may be made only from a commercial cannabis retailer permitted by the City in compliance with this Chapter, and in compliance with State Law..
- B. All employees who deliver cannabis shall have valid identification and a copy of the retailer's Cannabis Business License at all times while making deliveries.
- C. The cannabis business shall comply with State Law and the City regulations regarding testing, labeling and storage of all cannabis products.
- D. All commercial cannabis businesses shall provide proof of insurance in a minimum amount of \$1,000,000 for bodily injury liability for any and all vehicles being used to transport cannabis goods.
- E. A cannabis business shall only deliver cannabis in aggregate amounts as ordered by the customer. A cannabis business shall ensure compliance with State delivery limits as regards the amount of cannabis and cannabis products.
- F. The maximum limit of any cannabis goods carried by the delivery vehicle may not exceed the limit set by State Law.

**SECTION 14: Additional Requirements for Manufactured Cannabis Businesses**

- A. Any manufacturing activity that will be conducted by the licensee shall be included on the application. No additional manufacturing activity can be conducted without applying for and receiving written permission from the City of Goleta for that additional activity.
- B. At all times, the cannabis manufacturing facility will be compliant with all State regulations for cannabis manufacturing including Health and Safety Code 11362.775 and as it may be amended.
- C. The cannabis business shall comply with all State and City regulations regarding testing, labeling and storage of all cannabis products.
- D. The licensee must allow inspections to be done by the City or Santa Barbara County Fire Chief or designee at any time during regular business hours from 10:00 am to 8:00 pm.
- E. All cannabis manufacturing activities shall occur indoors within a fully enclosed and secured structure.
- F. Outdoor manufacturing of cannabis is expressly prohibited.

**SECTION 15: Additional Requirements for Cannabis Cultivation Businesses**

- A. The cannabis business shall register with the Department of Pesticide Regulation if using any pesticides.
- B. The Building Official may require additional specific standards to meet the California Building Code.

- C. The cannabis business shall comply with Section 13149 of Water Code as enforced by the State Water Resources Control Board.
- D. Cannabis plants shall not be visible from offsite or the public right-of-way. All cannabis cultivation activities shall occur within a fully enclosed and secured structure.
- E. The cannabis business shall comply with all State and City regulations regarding testing, labeling and storage of all cannabis products.

**SECTION 16: Additional Requirements for Cannabis Testing Laboratory Businesses**

- A. A licensed cannabis testing facility shall comply with all State regulations.
- B. Any cannabis testing facility shall maintain all certifications required by the State.
- C. A licensed cannabis testing facility business, its owners and employees may not hold an interest in any other cannabis business except another testing business.
- D. The licensee must allow inspections to be done by the City or Santa Barbara County Fire Chief or designee at any time during regular business hours from 10:00 am to 8:00 pm.
- E. Inspections by the Fire Chief or designee may be conducting anytime during the business's regular business hours.

**SECTION 17: Additional Requirements for Cannabis Distribution Businesses**

- A. Any cannabis distribution facility shall provide proof of a bond of at least five thousand dollars (\$5,000) to cover the costs of destruction of cannabis or cannabis products if necessitated by a violation of licensing requirements or cannabis or cannabis products rejected by testing.
- B. The licensee must allow inspections to be done by the City or Santa Barbara County Fire Chief or designee at any time during regular business hours from 10:00 am to 8:00 pm.
- C. A licensee shall ensure that all cannabis goods batches are stored separately and distinctly from other cannabis goods batches on the distributor's premises.
- D. A licensee shall ensure a label with the following information is physically attached to each container of each batch:
  - I. The manufacturer or cultivator's name and license number;
  - II. The date of entry into the distributor's storage area;
  - III. The unique identifiers and batch number associated with the batch;
  - IV. A description of the cannabis goods with enough detail to easily identify the batch; and
  - V. The weight of or quantity of units in the batch.
- E. A distributor shall store cannabis goods in a building designed to permit control of temperature and humidity and shall prevent the entry of environmental contaminants such as smoke and dust. A distributor may not store cannabis goods outdoors.

- F. Employee breakrooms, eating areas, changing facilities, and bathrooms shall be completely separated from storage areas.
- G. All cannabis distribution activities shall occur within a fully enclosed and secured structure and shall conform to the requirements of applicable area, community, specific and design plans.
- H. All loading and unloading activities shall take place within a secured area.

#### **SECTION 18: Cannabis Businesses License Revocation and Suspension**

- A. Any Cannabis Business License may be suspended or revoked after notice and opportunity for to be heard have been provided: based on the following reasons:
  - I. A licensee ceases to meet any of the qualifications listed in this ordinance or fails to comply with the requirements of this Chapter.
  - II. A licensee's State license for commercial cannabis operations is revoked, terminated or not renewed.
  - III. The licensee's commercial cannabis operation fails to become operative within twelve (12) months of obtaining its Cannabis Business License.
  - IV. Once operational, the business ceases to be in regular and continuous operation for ninety (90) days.
  - V. State law permitting the use for which the license was issued is amended or repealed resulting in the prohibition of such use, or the City receives credible information that the federal government will commence enforcement measures against such businesses and/or local governments that permit them.
  - VI. Circumstances under which the license was granted have significantly changed and the public health, safety and welfare require the suspension, revocation, or modification.
  - VII. The license was granted, in whole or part, on the basis of a misrepresentation or omission of a material statement in the permit application.
  - VIII. The operator/licensee business is not current on City taxes or fees.
  - IX. The licensee's State license for commercial cannabis operations is suspended. The City shall not reinstate the permit until documentation is received showing that the State license has been reinstated or reissued. It shall be up to the City's discretion whether the City reinstates any license.

#### **SECTION 19: Appeal of Denial, Suspension or Revocation**

- A. The City must give notice of intention to deny, suspend or revoke to a licensee or applicant in writing. Within five days thereafter, the licensee or applicant may request in writing a hearing before the City Manager, or designee.
- B. The City Manager, or designee, shall hold a hearing in accordance to Chapter 5.01 of this Title.
- C. After a hearing, the City Manager, or designee, shall affirm or reverse the denial, suspension or revocation in writing. If the licensee does not timely request a hearing, the notice of intention to deny, suspend or revoke shall be final.

## **SECTION 20: Limitations on the City's Liability**

To the fullest extent permitted by law, the City shall not assume any liability whatsoever, with respect to approving any Cannabis Business License pursuant to this Chapter or the operation of any cannabis facility approved pursuant to this Chapter. Before obtaining a license, a Cannabis Business License as provided in this Chapter, the applicant or its legal representative shall:

- A. Execute an agreement indemnifying the City from any claims, damages, injuries or liabilities of any kind associated with the registration or operation of the commercial cannabis facility or the prosecution of the applicant or permittee or its members for violation of federal or State laws;
- B. Maintain insurance in the amounts and types that are acceptable to the City Attorney or designee;
- C. Name the city as an additionally insured on all City required insurance policies;
- D. Agree to defend, at its sole expense, any action against the City, its agents, officers, and employees related to the approval of a Cannabis Business License; and
- E. Agree to reimburse the City for any court costs and attorney fees that the City may be required to pay as a result of any legal challenge related to the City's approval of a Cannabis Business License. The City may, at its sole discretion, participate at its own expense in the defense of any such action, but such participation shall not relieve the operator of its obligation hereunder.

## **SECTION 21: Enforcement**

- A. A violation of the regulations in this Chapter by an act, omission, or failure of an agent, owner, officer or other person acting with or employed by a licensee within the scope of their employment or office, shall be deemed the act, omission, or failure of the licensee.
- B. A licensed cannabis business shall notify the City or designee upon discovery of any of the following situations:
  - a. A discrepancy of more than \$1,000 in inventory over a period of 24 hours or \$3,000 over period of 7 days.
  - b. A reason to suspect diversion, loss, theft or any other criminal activity pertaining to the operation of the licensed cannabis business.
  - c. The loss or alteration of records related to cannabis goods, registered medicinal cannabis patients, caregivers or retailer employees or agents.
  - d. Any other reason to suspect any other breach of security.
- C. Each and every violation of this Section shall constitute a separate violation and shall be subject to all remedies and enforcement measures authorized by the Goleta Municipal Code section 5.01.250. Additionally, as a nuisance per se, any violation of this Chapter shall be subject to injunctive relief, revocation of the business's Cannabis Business License, disgorgement and payment to the City of any and all monies unlawfully obtained, costs of abatement, costs of investigation, attorney fees, and any other relief or remedy available at law or equity. The City may also pursue any and all remedies and actions available and applicable under local and state laws for any violations committed by the

cannabis business and/or any owner, agent, officer, or any other person acting with or employed by the cannabis business.

- D. City Officials or their designees may enter and inspect the location of any commercial cannabis business during normal business hours to ensure compliance with this Section. In addition, law enforcement may enter and inspect the location of any cannabis business and the recordings and records maintained as required by this Section, except that the inspection and copying of private medical records shall be made available to law enforcement only pursuant to a properly executed search warrant, subpoena, or court order. A person engaging in commercial cannabis business without a permit and associated unique identifiers required by this Chapter shall be subject to civil penalties of up to twice the amount of the permit fee for each violation, and the department, state or local authority, or court may order the destruction of cannabis associated with that violation. A violator shall be responsible for the cost of the destruction of cannabis associated with the violation, in addition to any amount covered by a bond required as a condition of licensure. Each day of operation shall constitute a separate violation of this section.

#### **SECTION 22: Fees and Taxes**

All Cannabis Operations shall pay applicable fees and taxes, which may include one or more of the following:

- A. Cannabis Business License Fees. The Business Applicant shall submit a non-refundable fee to cover the cost of processing an application for the commercial cannabis business.
- B. Application Renewal Fees. The Business Owner shall submit a non-refundable fee to cover the cost of processing an application renewal annually.
- C. All required taxes including but not limited to sales and use taxes, business, and payroll.
- D. If any fee required by this section is not paid prior to the delinquency date, in addition to such fee the applicant shall pay a penalty equal to one-half of the fee; provided, however, that such penalty shall not attach in the case of renewals of annual licenses until 30 days after the delinquency date.
- E. Additional cannabis-specific gross receipts, excise, cultivation or any other tax approved by the voters of the City.

**SECTION 23: Effective Date.** This ordinance shall take effect on the 31st day following adoption by the City Council.

INTRODUCED ON the 19th day of June, 2018.

PASSED, APPROVED, AND ADOPTED this \_\_\_\_ day of \_\_\_\_\_ 2018.

\_\_\_\_\_  
PAULA PEROTTE, MAYOR

ATTEST:

APPROVED AS TO FORM:

\_\_\_\_\_  
DEBORAH S. LOPEZ  
CITY CLERK

\_\_\_\_\_  
MICHAEL JENKINS  
CITY ATTORNEY

STATE OF CALIFORNIA                     )  
COUNTY OF SANTA BARBARA         ) ss.  
CITY OF GOLETA                         )

I, Deborah S. Lopez, City Clerk of the City of Goleta, California, do hereby certify that the foregoing Ordinance No. 18-\_\_ was introduced on June 19, 2018, and adopted at a regular meeting of the City Council of the City of Goleta, California, held on the \_\_\_\_\_ day of , 2018 by the following roll-call vote, to wit:

AYES:

NOES:

ABSENT:

(SEAL)

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DEBORAH S. LOPEZ  
CITY CLERK