

ORDINANCE NO. 215

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF CANYON LAKE, CALIFORNIA, REPEALING CHAPTER 9.03 OF THE CANYON LAKE MUNICIPAL CODE AND ADDING CHAPTER 4.20 REGARDING COMMERCIAL CANNABIS BUSINESSES

THE CITY COUNCIL OF THE CITY OF CANYON LAKE DOES ORDAIN AS FOLLOWS:

SECTION 1. MUNICIPAL CODE AMENDMENT.

Chapter 4.20 of the Canyon Lake Municipal Code is hereby added to read as follows:

“CHAPTER 4.20 – Commercial Cannabis Businesses”

Sec. 4.20.010 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 cannabis for medicinal purposes as recommended by their health care provider(s), and to provide access to same. It is also the purpose and intent of this Chapter to provide access to adult-use cannabis for persons aged 21 and over as authorized by the Control, Regulate and Tax Adult Use of Marijuana Act (“AUMA” or “Proposition 64” approved by California voters in 2016), while imposing sensible regulations on the conduct of business and 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 sale and delivery of cannabis and cannabis products in a responsible manner to protect the health, safety, and welfare of the residents of the City of Canyon Lake and to enforce rules and regulations consistent with state law. It is the further purpose and intent of this Chapter to require all commercial cannabis operators to obtain and renew annually a permit to operate within the City of Canyon Lake. Nothing in this Chapter is intended to authorize the possession, use, or provision of cannabis in a manner that violates 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 City, state, or other law.

Sec. 4.20.020 Legal Authority.

Pursuant to Sections 5 and 7 of Chapter XI of the California Constitution, the provisions of the MAUCRSA, any subsequent state legislation and/or regulations regarding same, the City of Canyon Lake 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 Canyon Lake to all commercial cannabis activity.

Sec. 4.20.030 Cannabis Cultivation and Commercial Cannabis Activities Prohibited Unless Specifically Authorized by this Chapter.

- (a) Except as specifically authorized in this Chapter, the commercial sale and delivery (other than as provided under Business and Professions Code Section 26090(e)), of cannabis or cannabis product is expressly prohibited in the City of Canyon Lake.
- (b) The commercial cultivation, manufacture, processing, storing, laboratory testing, labeling, distribution or transportation (other than as provided under Business and Professions Code Section 26090(e)), of cannabis or cannabis product is expressly prohibited in the City of Canyon Lake.

Sec. 4.20.040 Compliance with State and Local Laws and Regulations.

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. In the event of a conflict between applicable state and local laws and regulations, the more stringent provision shall control. 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, including the 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 City or state law regarding the operation of a commercial cannabis business. It is the stated intent of this Chapter to regulate commercial cannabis activity in the City of Canyon Lake in compliance with all provisions of the MAUCRSA and any subsequent state legislation and implementing regulations.

Sec. 4.20.050 Definitions.

For purposes of this Chapter, all definitions pertaining to cannabis regulation that appear in Business and Professions Code Section 26001, as it may be amended from time to time, are hereby incorporated by reference. In addition, the following definitions apply:

- (a) “Caregiver” or “primary caregiver” has the same meaning as that term is defined in Section 11362.7 of the California Health and Safety Code.
- (b) “Distributor” shall have the same meaning as that appearing in Section 26070 of the Business and Professions Code.
- (c) “Commercial cannabis business” means any business or operation which engages in medicinal or adult-use commercial cannabis activity.
- (d) “Commercial cannabis business permit” means a regulatory permit issued by the City of Canyon Lake 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 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.

- (e) "Dispensing" means any activity involving the retail sale of cannabis or cannabis products from a retailer.
- (f) "Limited-access area" means an area in which cannabis is stored or held and is only accessible to some licensee and authorized personnel.
- (g) "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 topical application.
- (h) "Manufacturing site" means a location where a manufacturer manufactures cannabis products.
- (i) "Microbusiness" shall have the same meaning as that contained in Section 26070(a)(3) of the Business and Professions Code.
- (j) "Non-volatile solvent" means any solvent used in the extraction process that is not a volatile solvent as defined by state law. For purposes of this Chapter, a nonvolatile solvent includes carbon dioxide (CO₂) used for extraction and ethanol used for extraction or post-extraction processing.
- (k) "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 11362.22.
- (l) "Person with an identification card" shall have the meaning given that term by California Health and Safety Code Section 11362.7.
- (m) "Processing" means a cultivation site that conducts only trimming, drying, curing, grading, packaging, or labeling of cannabis and nonmanufactured cannabis products.
- (n) "Retailer" shall have the same meaning as the definition appearing in Section 26070(a)(1) of the Business and Professions Code.
- (o) "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. A state license alone will not authorize the holder to operate a cannabis business, as state law also requires a permit or other authorization issued by a local jurisdiction.

- (p) “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.
- (q) “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. Transport can only be performed by licensed distributors and does not include deliveries of cannabis or cannabis products.
- (r) "Volatile solvent" means a solvent as defined by Health and Safety Code Section 11362.3(b)(3) as of the effective date of this Chapter and as subsequently amended.
- (s) “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, art studio or similar studio of this nature nor shall it include any private gym, athletic training facility, pizza parlor, dentist office, doctor’s office primarily serving children or a location which is primarily utilized as an administrative office or facility for youth programs or organizations.
Canyon Lake.

Sec. 4.20.060 Commercial Cannabis Business Permit Required to Engage in Commercial Cannabis Business.

No person may engage in any commercial cannabis business or in any commercial cannabis activity within the City of Canyon Lake unless the person (1) has a valid commercial cannabis business permit from the City of Canyon Lake; (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.

Sec. 4.20.070 Evidence of Cannabis Owners, Managers and Employee Background Check Required.

- (a) Any person who is an owner, manager, employee or who otherwise works within a commercial cannabis business must be legally authorized to do so under applicable state law.

- (b) Commercial cannabis business owners and operators shall be required to provide the Chief of Police or their designee with evidence of the completion of a criminal background check for all owners, managers, and employees in their employment including contract employees prior to working in the cannabis business.
- (c) The criminal background checks completed by commercial cannabis business owners, managers, employees must at a minimum identify the following:
 - 1) Whether the individual applying for cannabis owner, manager or employee has ever been convicted of a violent felony as defined by California Penal Code 667.5, or equivalent offenses in other states;
 - 2) Whether the individual applying for cannabis owner, manager, employee has ever been convicted of a crime involving dishonesty, fraud or deceit, including but not limited to fraud, forgery, theft, or embezzlement as those offenses are defined in California Penal Code Sections 186.11, 470, 484, and 504a, respectively; or equivalent offenses in other states; or
 - 3) Whether the individual applying for cannabis owner, manager, or employee has ever been convicted of the illegal use, possession, transportation, distribution or similar activities related to controlled substances, as defined in the federal Controlled Substances Act, not including cannabis-related offenses for which the conviction occurred after the passage of the Compassionate Use Act of 1996.
- (d) Evidence of a conviction of any the offenses enumerated in Section 4.20.070(c) shall be grounds for denial of cannabis owner, manager or employee. Employers who wish to hire an individual notwithstanding this rule shall appeal to the City Manager, or their designee, who at their sole discretion may issue a written waiver.
- (e) Violation of this section shall be grounds for immediate suspension of the business' operating permit, pending a hearing before the City Manager or their designee within 30 days for a final determination of the status of the permit.

Sec. 4.20.080 Personnel Prohibited from Holding a License or from Employment with a Cannabis Business Permittee.

- (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, in which any of the following actions or notices have been issued for non-compliance, shall be prohibited from holding a commercial cannabis business permit or from employment with a commercial cannabis business permittee in the City of Canyon Lake:
 - (1) The person 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 person was notified that it was conducting commercial cannabis activity in violation of City of Canyon Lake ordinances, codes and requirements, and failed to cure the violation in a timely manner;
 - (3) Evidence that the person is delinquent in payment of federal, state or local taxes and/or fees, and took no steps to cure the delinquency when notified by the appropriate agencies; or
 - (4) As of July 1, 2021, applicant was conducting commercial cannabis activity in the City of Canyon Lake in violation of local and state law.
- (b) No person shall be issued a commercial cannabis business permit to operate who enters into either a verbal or written agreement to lease, sublease, or any other agreement for any terms of use of the premises granted by a property owner, commercial broker or any third party, when such property owner, commercial broker, or other third party is in violation of Section 4.20.080(a), unless that property is leased at fair market value. Any such lease, sublease or agreement shall not contain terms or conditions requiring 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 a monthly rate.

Sec. 4.20.090 Maximum Number and Type of Authorized Commercial Cannabis Businesses Permitted.

- (a) The number of each type of commercial cannabis business that shall be permitted to operate in the City may be established by resolution of the City Council.
- (b) Section 4.20.090(a) 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 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.
- (c) 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.

Sec. 4.20.100 Initial Application Procedure.

- (a) The City Council may adopt by resolution the procedures governing the application process, and the manner in which the decision will ultimately be made regarding the issuance of any commercial cannabis business permits, which shall include:

- (1) An initial review that requires the City Manager or their designee to evaluate each application using detailed objective review criteria and an accompanying point system or equivalent quantitative evaluation scale tied to each set of review criteria (“Review Criteria”).
 - (2) A determination by the City Manager on whether an applicant is qualified based on meeting a threshold minimum points or equivalent quantitative evaluation established by the City Council by resolution.
 - (3) A noticed public meeting to discuss community concerns regarding those applications determined to be qualified by the City Manager.
 - (4) A final determination on the issuance of commercial cannabis business permits by the City Manager following an evaluation of which qualified applicant is proposing the most community benefits to the City.
- (b) The City Manager or their designee 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, hold public meetings, and issue commercial cannabis business permits as authorized by this Chapter.
- (c) 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 and enter into a credit and reimbursement agreement with the City for the costs of establishing the commercial cannabis business program.
- (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 application process, 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 a failure to comply with other requirements in this Chapter, an application **RISKS BEING REJECTED** for any of the following reasons:
- (1) The application was received after the designated time and date of the deadline.
 - (2) The application did not contain the required elements, exhibits, or was not organized in the required format.
 - (3) The application was considered not fully responsive to the request for a permit application, i.e. was substantially incomplete.
- (e) The City reserves the right for the City Manager to waive minor informalities or irregularities, which are merely a matter of form and not of substance, or immaterial defect

in an application or variation of an application from the exact requirements of the process that can be corrected or waived without being prejudicial to other applicants. The City Manager shall give the applicant an opportunity to cure any deficiency resulting from a minor informality or irregularity in an application or waive the deficiency.

Sec. 4.20.110 Permittee Selection Process.

- (a) The applicants shall be evaluated utilizing the Review Criteria by the City Manager or their designee.
- (b) After the initial review and scoring under the Review Criteria, the City Manager or their designee will make a final determination whether an applicant has met the minimum threshold established by the City Council based on the points awarded. The City Manager shall notify each applicant of the determination on their application.
- (c) Each application and the determination on qualification shall be published on the City's website following the determination on qualification. The City Clerk shall also make available as a public record each application and determination on qualification to any person requesting the same.
- (d) A public meeting shall then be set before the City Manager, or their designee, where the concerns of residents and affected businesses alike may be brought before the City Manager or their designee regarding the applicants determined to be qualified. At least ten (10) days prior to the public meeting, notice of the public meeting shall be:
 - (1) Sent to all property owners located within three hundred (300) feet of the proposed business locations;
 - (2) Posted on the City's website; and
 - (3) Published in a local newspaper.
- (e) The City Manager shall thereafter enter into negotiations with each qualified applicant on a Community Benefit Agreement, which shall ensure that the private benefits received by an applicant who is awarded a commercial cannabis business permit are balanced by commensurate public benefits to the community. In addition, the City Manager shall negotiate with each qualified applicant on additional conditions to ensure neighborhood compatibility based on the public input at the public meeting. Both the community benefits and any additional provisions regarding neighborhood compatibility shall be memorialized in an agreement and incorporated into the terms and conditions under which the commercial cannabis business will operate with the City's approval, if and when a commercial cannabis business permit is issued. Such terms and conditions shall be in addition to the requirements of this Chapter.
- (f) Following the negotiations, the City Manager shall rank the qualified applicants in order beginning with the applicant proposing the highest and best community benefits for the

City. The City Manager shall notify each qualified applicant of the ranks assigned as well as the final terms agreed to during negotiations. The City Clerk shall post the same to the City's website.

- (g) The City Manager shall then issue the number of commercial cannabis business permits authorized by the City Council under this Chapter, beginning with the qualified applicant proposing the highest and best community benefits, and continuing down the ranked list until the maximum number of permits has been issued. In making the decision, the City Manager is authorized to impose additional conditions to a permit, if it is determined to be necessary to ensure compliance with state or local laws and regulations or to preserve the public health, safety or welfare.
- (h) City Manager shall prepare a report regarding the application process and selection for issuance of the commercial cannabis business permits which shall be transmitted to the City Council for their information only.
- (i) Issuance of a commercial cannabis business permit shall be conditioned upon the prevailing applicant obtaining all required land use approvals. After the awarding of the permit the City Manager shall transmit the list of permittees to the Planning Department. Following the City Manager's selection, the prevailing applicant(s) shall apply to the City's Planning Department to obtain any required land use approvals or entitlements for the permittee's location, if any. Land use approvals shall include compliance with all applicable provisions of CEQA. The City Manager or their designee(s) shall formally issue the commercial cannabis business permit(s) once the Planning Director or their designee(s) affirms that all of the required land use approvals have been obtained.
- (j) Issuance of a commercial cannabis business permit does not create a land use entitlement. The commercial cannabis business permit shall only be for a term of twelve (12) months and shall expire at the end of the twelve (12) month period unless it is renewed as provided herein. 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 Chapter.
- (k) Notwithstanding anything in this Chapter to the contrary, the City Manager may reject any or all applications if the City Manager determines 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, and then only for the duration of the permit's term. 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.
- (l) If an application is denied resulting from a disqualification, a new application may not be filed for one (1) year from the date of the denial. However, if an applicant was determined qualified, but not issued a permit following negotiations, the applicant may apply again should the City open a future round of the application process.

- (m) 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 prior to commencing business in the City.

Sec. 4.20.120. Expiration of Commercial Cannabis Business Permits.

Each commercial cannabis business permit issued pursuant to this Chapter shall expire twelve (12) months after the date of issuance which shall be defined as when the Certificate of Occupancy has been approved and thereafter on the renewal date. Commercial cannabis business permits may be renewed as provided in this Chapter.

Sec. 4.20.130. Renewal of Cannabis Business Permits.

- (a) An application for renewal of a commercial cannabis business permit shall be filed at least sixty (60) calendar days prior to the expiration date of the current permit.
- (b) The renewal application shall contain all the information required for new applications.
- (c) The applicant shall pay a fee in an amount to be set by the City Council to cover the costs of processing the renewal permit application, together with any regulatory fee established by the City Council to cover the costs of administering the program created under this Chapter.
- (d) An application for renewal of a commercial cannabis business permit shall be rejected if any of the following exists:
 - (1) The application is filed less than sixty (60) days before its expiration without good cause, as determined in the reasonable discretion of the City Manager.
 - (2) The commercial cannabis business permit is suspended or revoked at the time of the application.
 - (3) The commercial cannabis business has not been in regular and continuous operation in the four (4) months prior to the renewal application.
 - (4) The permittee fails or is unable to renew its State of California license.
 - (5) If the City or state has determined, based on substantial evidence, that the permittee or applicant is in violation of the requirements of this Chapter, of the Canyon Lake Municipal Code, or of the state rules and regulations, and the City or state has determined that the violation is grounds for termination or revocation of the commercial cannabis business permit.

- (e) The City Manager or his/her designee(s) is authorized to make all decisions concerning the issuance of a renewal permit. In making the decision, the City Manager or his/her designee(s) is authorized to impose additional conditions to a renewal permit, if it is determined to be necessary to ensure compliance with state or local laws and regulations or to preserve the public health, safety or welfare.
- (f) If a renewal application is rejected, a person may file a new application pursuant to this Chapter no sooner than one (1) year from the date of the rejection.

Sec. 4.20.140. Revocation of Permits.

Commercial cannabis business permits may be suspended or revoked for any violation of any law and/or any rule, regulation and/or standard adopted pursuant to any policy, procedure or regulation in this Chapter.

Sec. 4.20.150. 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 Canyon Lake. At the City Manager's discretion, the cannabis business owner may re-apply for a local permit at such time as it can demonstrate that the grounds for revocation of the license by the state no longer exist, or that the underlying deficiency has otherwise been cured.

Sec. 4.20.160. 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 their designee(s), the appeal shall be conducted as prescribed in this Chapter.

Sec. 4.20.170. Written Request for Appeal.

- (a) Within ten (10) calendar days after the date of an action or decision of the City Manager, or their designee, made under this Chapter, any person 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.
- (c) A hearing officer appointed by the City Council shall hear appeals filed under this section.
- (d) Any appeal must be supported by evidence that was presented to the City Manager in the first instance.

Sec. 4.20.180. Appeal Hearing Process.

- (a) Any appeal filed with the City Clerk under this Chapter shall be in writing and signed by the person making the appeal (“appellant”), or their legal representative, and shall contain the following:
 - (1) Name, address, and telephone number of the appellant.
 - (2) A description of the action or decision that are the subject of the appeal.
 - (3) Include a true and correct copy of any notice issued by the City Manager for which the appellant is appealing.
 - (4) State with specificity the reasons and grounds for making the appeal, including, but not limited to, a statement of facts upon which the appeal is based in sufficient detail to enable the hearing officer to understand the nature of the controversy, the basis of the appeal, and the relief requested.
 - (5) All documents or other evidence pertinent to the appeal that the appellant requests the hearing officer to consider at the hearing.
 - (6) An appeal fee, as established by Resolution of the City Council.
- (b) Failure of the City Clerk to receive a timely appeal constitutes a waiver of the right to appeal the action or decision of the City Manager and a failure to exhaust all administrative remedies. In such instances, the City Manager’s action or decision is final and binding.
- (c) In the event a written Notice of Appeal is timely filed, the appealed action or decision shall be stayed pending a final decision by the hearing officer.
- (d) Review by the Hearing Officer; Appeal Hearing and Proceedings.
 - (1) All appellants shall, subject to filing a timely written Notice of Appeal, obtain review thereof before the hearing officer.
 - (2) Upon receipt by the City Clerk of a timely-filed appeal, the City Clerk shall forward such appeal immediately to an administrative hearing officer appointed by the City Council, or if none, a hearing officer from the California Office of Administrative Hearings, and, in any case where the appellant is not the same person as the permittee or applicant that is the subject of the action or decision, a copy of the appeal shall be transmitted to the permittee or applicant.
 - (3) The administrative appeal shall be scheduled as expeditiously as possible pursuant to the availability of a hearing officer and the parties, but in no case shall the appeal be scheduled more than forty-five (45) days after the Notice of Appeal is filed unless all parties consent to a later date.

- (4) All requests by any party to the appeal to continue a hearing must be submitted to the City Clerk in writing no later than three (3) business days before the date scheduled for the hearing. The hearing officer may continue a hearing for good cause or on its own motion; however, in no event may the hearing be continued for more than thirty (30) calendar days, unless there is a stipulation by all parties to do so.
 - (5) At the date, time and location set forth in the Notice of Appeal hearing, the hearing officer shall hear and consider the testimony of the appellant(s), City staff, and/or their witnesses, and any other interested person, as well as any documentary evidence properly submitted for consideration.
- (e) The following rules shall apply at the appeal hearing:
- (1) Appeal hearings are informal, and formal rules of evidence and discovery do not apply. However, rules of privilege shall be applicable to the extent they are permitted by law, and irrelevant, collateral, undue, and repetitious testimony may be excluded.
 - (2) The City bears the burden of proof to establish the grounds for the action or decision by a preponderance of evidence.
 - (3) The issuance of the City Manager's notice constitutes prima facie evidence of grounds for the action or decision, and City personnel who significantly took part in the investigation, which contributed to the City Manager issuing a notice of decision, may be required to participate in the appeal hearing.
 - (4) The hearing officer may not accept and consider evidence that was not known to the City Manager or City personnel when the action or decision was made except upon a showing of good cause. The hearing officer shall determine whether a particular fact or facts amount to a good cause on a case-by-case basis.
 - (5) The appellant may bring a language interpreter to the hearing at their sole expense.
 - (6) The City may, at its discretion, record the hearing by stenographer or court reporter, audio recording, or video recording. If the appellant requests from the City that said recording take place, the City may require that the costs of same be deposited with the City at the time the Notice of Appeal and appeal fee are submitted to the City.
- (f) If the appellant, or their legal representative, fails to appear at the appeal hearing, appointed hearing officer may cancel the appeal hearing and send a notice thereof to the appellant by certified, first class mail to the address(es) stated on the Notice of Appeal. A cancellation of a hearing due to non-appearance of the appellant shall constitute the appellant's waiver of the right to appeal and a failure to exhaust all administrative remedies. In such instances, the City Manager's notice of decision is final and binding.

(g) Decision of the Hearing Officer; Final Decision.

- (1) Following the conclusion of the appeal hearing, the hearing officer, shall determine if any ground exists for action or decision of the City Manager. If the hearing officer determines that no grounds for the action or decision exist, the City Manager's action or decision shall be deemed vacated. If the hearing officer determines that one or more of the reasons or grounds for the action or decision exist, a written final decision shall be issued within ten (10) business days, which shall at minimum contain the following:
 - i. A finding and description of each reason or grounds for the action or decision that exists.
 - ii. Any other finding, determination or requirement that is relevant or related to the subject matter of the appeal.
 - iii. A holding that the City Manager's decision is affirmed.
- (2) The decision of the hearing officer is final and conclusive and is subject to the time limits set forth in California Code of Civil Procedure Section 1094.6.
- (3) A copy of the final decision shall be served by certified, first class mail on the appellant. If the appellant is not the owner of the real property in which the commercial cannabis business is located, or proposed to be located, a copy of the final decision may also be served on the property owner by first class mail to the address shown on the last equalized assessment roll. Failure of a person to receive a properly addressed final decision shall not invalidate any action or proceeding by the City pursuant to this Chapter.

Sec. 4.20.190. Change in Location; updated registration form.

- (a) Any time the retail or delivery location specified in the commercial cannabis business permit is proposed to be changed, the applicant shall file an application with the City Manager or his/her designee(s). The process and the fees for application shall be the same as the process and fees set forth for a new application above.
- (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.

Sec. 4.20.200. 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 their 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 their designee in accordance with all provisions of this Chapter (as though the transferee were applying for a new original cannabis business permit). The proposed transferee's application shall be accompanied by a transfer fee in the same amount as the application fee.

- (b) The City Manager or their designee shall conduct a hearing to determine whether the transferee passed the background check required for permittees and meets all other requirements of this Chapter pertaining to the original application. The transferee's application will be treated as a new application and will be evaluated according to the procedures described in this Chapter. This will require a complete evaluation of the application and an interview of the applicant prior to the hearing. Following the hearing, the City Manager must approve the transfer in order for it to be authorized. If the transfer involves a lesser percentage of the change in ownership than the threshold cited below, then the hearing will be administrative in nature.
- (c) 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 their 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.
- (d) 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 Chapter. Failure to comply with this provision is grounds for permit revocation.
- (e) A permittee may change the form of business entity without applying to the City Manager or their 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 in compliance with this Chapter, 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.

- (f) 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.
- (g) 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.

Sec. 4.20.210. City Business License.

Prior to commencing operations, a commercial cannabis business shall obtain a City of Canyon Lake business license.

Sec. 4.20.220. 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 Canyon Lake Fire Department approvals, Health Department approvals and other zoning and land use permit(s) and approvals.

Sec. 4.20.230. Certification from the Planning Director.

Prior to commencing operations, a commercial cannabis business must obtain a certification from the Planning Director or their designee(s) certifying that the business is located on a site that meets all of the zoning and locational requirements this Chapter.

Sec. 4.20.240. 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.

Sec. 4.20.250. Location and Design of Cannabis Businesses.

Cannabis businesses permitted to engage in Retail subject to the following zoning and locational requirements:

- (a) Retail must be in the C-1 General Commercial Zone and must meet all of the requirements for development in these zones. The cannabis businesses must also meet all of the following distance requirements:

- (1) It shall not be adjacent to any parcel in the City designated by state law as a sensitive use.
- (2) It shall not be located within 50 feet of any of the following as measured by following a straight line without regard to intervening buildings from the nearest point of the parcel on which the proposed cannabis business is to be located to the nearest point of the parcel that contains the following uses:
 - A. A school providing instruction in kindergarten or any grades 1 through 12, (whether public, private, or charter, including pre-school, transitional kindergarten, and K-12);
 - B. A commercial daycare center licensed by the state, county or city or that is in existence at the time the license is issued, unless the state licensing authority or the city specifies a different radius; or
 - C. A youth center that is in existence at the time the license is issued, unless the state licensing authority or the city specifies a different radius.
 - D. A religious facility or public library.

(b) Each proposed cannabis business project shall:

- (1) Conform with the city's general plan, any applicable specific plans, master plans, and design requirements.
- (2) Comply with all applicable zoning and related development standards.
- (3) Be constructed in a manner that minimizes odors to surrounding uses, and promotes quality design and construction, and consistency with the surrounding properties.
- (4) Be adequate in size and shape to accommodate the yards, walls, fences, parking and loading facilities, landscaping and all items required for the development.
- (5) Be served by highways adequate in width and improved as necessary to carry the kind and quantity of traffic such use will generate.
- (6) Be provided with adequate electricity, sewerage, disposal, water, fire protection and storm drainage facilities for the intended purpose.

Sec. 4.20.260. Limitations on City's Liability.

To the fullest extent permitted by law, the City of Canyon Lake 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) 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 Canyon Lake, 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, the 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 Canyon Lake for all costs and expenses, including but not limited to legal fees and costs and court costs, which the City of Canyon Lake 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 Canyon Lake 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.

Sec. 4.20.270. 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 and fees 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 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 Canyon Lake 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.

Sec. 4.20.280. Security Measures.

- (a) A permitted commercial cannabis business shall implement sufficient security measures to deter and prevent the unauthorized entrance into areas containing cannabis or cannabis products, and to deter and prevent the theft of cannabis or cannabis products at the commercial cannabis business. Except as may otherwise be determined by the City Manager or his/her designee(s), these security measures shall include, but shall not be limited to, all of the following:
 - (1) Alarm system (perimeter, fire, and panic buttons).
 - (2) Remote monitoring of alarm systems by licensed security professionals.
 - (3) Perimeter lighting systems (including motion sensors) for after-hours security.

- (4) Perimeter security and lighting as approved by the Chief of Police and/or Planning Director or his/her designees.
- (5) Preventing individuals from remaining on the premises of the commercial cannabis business if they are not engaging in an activity directly related to the permitted operations of the commercial cannabis business.
- (6) Establishing limited access areas accessible only to authorized commercial cannabis business personnel.
- (7) Except for live growing plants which are being cultivated or sold at a commercial cannabis business where applicable, all cannabis and cannabis products shall be stored in a secured and locked vault or vault equivalent. All safes and vaults shall be compliant with Underwriter Laboratories burglary-resistant and fire-resistant standards. All cannabis and cannabis products, including live plants that are being cultivated or sold, shall be kept in a manner as to prevent diversion, theft, and loss.
- (8) Installing 24-hour security surveillance cameras of at least HD-quality to monitor all entrances and exits to and from the premises, all interior spaces within the commercial cannabis business which are open and accessible to the public, all interior spaces where cannabis, cash or currency, is being stored for any period of time on a regular basis and all interior spaces where diversion of cannabis could reasonably occur. All cameras shall record in color. All exterior cameras shall be in weather-proof enclosures, shall be located so as to minimize the possibility of vandalism, and shall have the capability to automatically switch to black and white in low light conditions. The commercial cannabis business shall be responsible for ensuring that the security surveillance camera's footage is remotely accessible by the Chief of Police or his/her designee(s), and that it is compatible with the City's software and hardware. In addition, remote and real-time, live access to the video footage from the cameras shall be provided to the Chief of Police or his/her designee(s). Video recordings shall be maintained for a minimum of ninety (90) days and shall be made available to the Chief of Police or his/her designee(s) upon request. Video shall be of sufficient quality for effective prosecution of any crime found to have occurred on the site of the commercial cannabis business and shall be capable of enlargement via projection or other means. Internet Protocol address information shall be provided to the Chief of Police or his/her designee(s) by the commercial cannabis business, to facilitate remote monitoring of security cameras by the Department or its designee.
- (9) Sensors shall be installed to detect entry and exit from all secure areas and shall be monitored in real time by a security company licensed by the State of California Bureau of Security and Investigative Services.

- (10) Panic buttons shall be installed in all commercial cannabis businesses with direct notification to the Canyon Lake Police Department dispatch and shall be configured to immediately alert dispatch for the Canyon Lake Police Department.
- (11) Having a professionally installed, maintained, and monitored real-time alarm system by a security company licensed by the State of California Bureau of Security and Investigative Services.
- (12) Any bars installed on the windows or the doors of the commercial cannabis business shall be installed only on the interior of the building.
- (13) Armed and licensed security personnel shall be on-site 24 hours a day. Security personnel must be licensed by the State of California Bureau of Security and Investigative Services personnel and shall be subject to the prior review and approval of the City Manager or his/her designee(s), with such approval not to be unreasonably withheld.
- (14) Each commercial cannabis business shall have the capability to remain secure during a power outage and shall ensure that all access doors are not solely controlled by an electronic access panel to ensure that locks are not released during a power outage.
- (15) Entrance areas are to be locked at all times and under the control of a designated responsible party that is either; (a) an employee of the commercial cannabis business; or (b) a licensed security professional.
- (16) Each commercial cannabis business shall have an accounting software system in place to provide point of sale data as well as audit trails for both product and cash, where applicable.
- (17) Each commercial cannabis business shall demonstrate to the Chief of Police, City Manager or their designees, compliance with the state's track and trace system for cannabis and cannabis products, as soon as it is operational.
- (18) Each commercial cannabis business shall have a professionally installed video surveillance system, access control and intrusion alarm systems designed to protect the inventory, facility, and employees. Each business shall have network security protocols that are certified by Underwriters Laboratories.
- (19) Exterior vegetation shall be planted, altered and maintained in a fashion that precludes its use as a hiding place for persons on the premises.

- (20) Emergency access and emergency evacuation plans that are in compliance with state and local fire safety standards.

- (b) Each commercial cannabis business shall identify a designated security representative/liaison to the City of Canyon Lake, who shall be reasonably available to meet with the City Manager or his/her designee(s) regarding any security related measures or and operational issues. The designated security representative/liaison shall, on behalf of the commercial cannabis business, annually maintain a copy of the current security plan on the premises of the business, to present to the City Manager or his/her designee upon request that meets the following requirements:
 - (1) Confirms that a designated Manager will be on duty during business hours and will be responsible for monitoring the behavior of employees.
 - (2) Identifies all Managers of the commercial cannabis business and their contact phone numbers.
 - (3) Confirms that first aid supplies and operational fire extinguishers are located in the service areas and the Manager's office.
 - (4) Confirms that burglar, fire, and panic alarms are operational and monitored by a licensed security company 24 hours a day, seven days a week, and provides contact information for each licensed security company.
 - (5) Identify a sufficient number of licensed, interior and exterior security personnel who will monitor individuals inside and outside the commercial cannabis business, the parking lot, and any adjacent property under the business' control.
 - (6) Confirm that the licensed security personnel shall continuously monitor the parking lot and any adjacent property to ensure that these areas are: (a) free of individuals loitering or causing a disturbance; (b) are cleared of employees and their vehicles one-half hour after closing.

- (c) As part of the application and permitting process each commercial cannabis business shall have a storage and transportation plan, which describes in detail the procedures for safely and securely storing and transporting all cannabis, cannabis products, any hazardous materials that may be used by the business, and any currency.

- (d) The commercial cannabis business shall cooperate with the City whenever the City Manager or his/her designee(s) makes a request, with or without prior notice, to inspect or audit the effectiveness of any security plan or of any other requirement of this Chapter.

- (e) A commercial cannabis business shall notify the City Manager or his/her designee(s) within twenty-four (24) hours after discovering any of the following:
 - (1) Significant discrepancies identified during inventory. The level of significance shall be determined by the regulations promulgated by the City Manager or his/her designee(s).
 - (2) Diversion, theft, loss, or any criminal activity involving the commercial cannabis business or any agent or employee of the commercial cannabis business.
 - (3) The loss or unauthorized alteration of records related to cannabis, customers or employees or agents of the commercial cannabis business.
 - (4) Any other breach of security.
- (f) Compliance with the foregoing requirements shall be verified by the City Manager or his/her designee prior to commencing business operations. The City Manager or his/her designee may supplement these security requirements once operations begin, subject to review by the City Manager or his/her designee if requested by the business owner.

Sec. 4.20.290. 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 or tobacco products on or about the premises of the commercial cannabis business.
- (c) No person shall consume tobacco or alcohol on the premises of any commercial cannabis business.

Sec. 4.20.300. 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 the operation of a 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 or fees 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 enter into a neighborhood compatibility agreement and community benefit 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.

Sec. 4.20.310. General Operating Requirements.

- (a) Commercial cannabis businesses may operate only during the hours specified in the commercial cannabis business permit issued by the City. No person under the age of 21 shall operate, or be issued a permit for, a commercial cannabis business of any kind.
- (b) Restriction on Consumption. Cannabis and cannabis products shall not be consumed by any person 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.

(g) Signage and Notices.

- (1) In addition to the requirements otherwise set forth in this section, business identification signage for a commercial cannabis business shall conform to the requirements of the City of Canyon Lake ordinance, including, but not limited to, seeking the issuance of a City sign permit.
- (2) No signs placed on the premises of a commercial cannabis business shall obstruct any entrance or exit to the building or any window.
- (3) Each entrance to a commercial cannabis business shall be visibly posted with a clear and legible notice indicating that smoking, ingesting, or otherwise consuming cannabis on the premises or in the areas adjacent to the commercial cannabis business is prohibited.
- (4) Business identification signage shall be limited to that needed for identification only and shall not contain any logos or information that identifies, advertises, or lists the services or the products offered. No commercial cannabis business shall advertise by having a person holding a sign and advertising the business to passersby, whether such person is on the premises of the commercial cannabis business or elsewhere including, but not limited to, the public right-of-way.
- (5) Signage shall not depict any image of cannabis or cannabis products. All temporary signs must comply with the City's sign code.
- (6) In accordance with state law and regulations or as stipulated in the City of Canyon Lake regulatory permit, holders of a commercial cannabis business permit shall agree that, as an express and ongoing condition of permit issuance and subsequent renewal, the holder of the permit shall be prohibited from advertising any commercial cannabis business located in the City of Canyon Lake utilizing a billboard (fixed or mobile), bus shelter, placard, aircraft, or other similar forms of advertising. This paragraph is not intended to place limitations on the ability of a commercial cannabis business to advertise in other legally authorized forms, including on the internet, in magazines, or in other similar ways.

(h) 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) Notwithstanding any provision of this Chapter to the contrary, persons aged 18 to 20 years shall be allowed on the premises of a commercial cannabis business if they can produce a physician's recommendation. In that event, such persons can lawfully purchase cannabis for the sole purpose of addressing the medical need that is the subject of the physician's recommendation.
- (2) The entrance to the commercial cannabis business shall be clearly and legibly posted with a notice that no person under the age of twenty-one (21) years of age is permitted to enter upon the premises of the commercial cannabis business.
- (i) Odor Control. Odor control devices and techniques shall be incorporated in all commercial cannabis businesses to ensure that odors from cannabis are not detectable off-site. Commercial cannabis businesses shall provide a sufficient odor absorbing ventilation and exhaust system so that odor generated inside the commercial cannabis business that is distinctive to its operation is not detected outside of the facility, anywhere on adjacent property or public rights-of-way, on or about the exterior or interior common area walkways, hallways, breezeways, foyers, lobby areas, or any other areas available for use by common tenants or the visiting public, or within any other unit located inside the same building as the commercial cannabis business. As such, commercial cannabis businesses must install and maintain the following equipment, or any other equipment which the Planning Director or his/her designee(s) determine is a more effective method or technology:
 - (1) An exhaust air filtration system with odor control that prevents internal odors from being emitted externally.
 - (2) An air system that creates negative air pressure between the commercial cannabis business's interior and exterior, so that the odors generated inside the commercial cannabis business are not detectable on the outside of the commercial cannabis business.
- (j) 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.
- (k) 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 cannabis 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, contract employee or who otherwise works in a commercial cannabis business must submit fingerprints and other information deemed necessary by the Chief of Police or his/her designee(s) for a background check by the City of Canyon Lake Police Department. No person shall be issued a permit to operate a commercial cannabis business or be authorized to work in a cannabis business unless they have first cleared the background check, as determined by the Chief of Police 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 Canyon Lake 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. Evidence of a conviction of any of the offenses enumerated in Business and Professions Code Section 26057(b)(4), absent a Certificate of Rehabilitation, shall be grounds for immediate disqualification of the applicant.

- (l) 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. The cannabis business shall notify the Police Chief or his/her designee(s) if anyone continues to loiter around the building or premises after all reasonable action has been taken to remove the individual(s) and the action has failed to do so in a timely manner.
- (m) 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.
- (n) Each commercial cannabis operator shall establish minimum training standards for all employees. The City Manager or his/her designee shall have the discretion to require other training for the business operations should the City identify deficiencies or non-compliance issues with City or state requirements.

Sec. 4.20.320. Amendments to General Operating Requirements.

The City Manager or their 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.

Sec. 4.20.330. Operating Requirements for Retail Facilities.

- (a) No more than the number of cannabis retailers adopted by resolution may operate within the City of Canyon Lake at any one time and shall be issued a permit by the City of Canyon Lake.
- (b) Retailers shall verify the age and all necessary documentation of each individual to ensure the customer is not under the age of eighteen (18) years. If the potential customer is 18 to 20 years old, retailer shall confirm the customer's possession of a valid doctor's recommendation and/or Health and Safety Code Section 11362.71 identification card (Medical Marijuana Card). For adult-use purchases, retailers shall verify that all customers are 21 years of age or older for the purchase of cannabis or cannabis products.
- (c) Individuals must show their government-issued identification, and, in the case of medical cannabis facilities, their physician's recommendation, or a cannabis card issued pursuant to Health and Safety Code Section 11362.71 in order to gain access into the retailer. The government-issued identification and, if applicable, doctor's recommendation or cannabis card must also be shown at the point of sale station at the time of purchase. Doctor recommendations are not to be obtained or provided at the retail location.
- (d) Armed and uniformed licensed security personnel shall be employed to monitor site activity, control loitering and site access, and to serve as a visual deterrent to unlawful activities. At least two (2) such personnel shall be on during all times when the retail facility is open to the public.
- (e) Retailers may have only that quantity of cannabis and cannabis products to meet the daily demand readily available for sale on-site in the retail sales area of the retailer. Additional product may be stored in a secured, locked area to which customers, vendors, and visitors shall not have access.
- (f) All restroom facilities shall remain locked and under the control of management.
- (g) Retailers authorized to conduct retail activities shall only serve customers who are within the licensed premises, or at a delivery address that meets the requirements of this division.
 - (1) The sale and delivery of cannabis goods shall not occur through a pass-through window or a slide-out tray to the exterior of the premises.
 - (2) Retailers shall not operate as or with a drive-in or drive-through at which cannabis goods are sold to persons within or about a motor vehicle.
 - (3) No cannabis goods shall be sold and/or delivered by any means or method to any person within a motor vehicle.
 - (4) All cannabis goods sold by a retail business shall be contained in child-resistant packaging.
 - (5) Retailers shall record point-of-sale areas and areas where cannabis goods are displayed for sale on the video surveillance system. At each point-of-sale location, camera placement must allow for the recording of the facial features

of any person purchasing or selling cannabis goods, or any person in the retail area, with sufficient clarity to determine identity.

- (6) A retail licensee who is engaged in retail sale shall hire or contract for security personnel who are at least 21 years of age to provide security services for the licensed retail premises. All security personnel hired or contracted for by the licensee shall be licensed by the Bureau of Security and Investigative Services and shall comply with Chapters 11.4 and 11.5 of Division 3 of the Business and Professions Code.

- (h) Authorized Sales. A retailer shall only sell adult-use cannabis and adult-use cannabis products to individuals who are at least 21 years of age. A retailer shall only sell medicinal cannabis or medicinal cannabis products to individuals who are at least 18 years of age, but not yet 21, if those individuals are in possession of a valid physician's recommendation.

- (i) Limited Access Areas. A retailer shall establish limited-access areas and permit only authorized individuals to enter the limited-access areas. Authorized individuals include individuals employed by the retailer as well as any outside vendors, contractors, or other individuals conducting business that requires access to the limited access area. All individuals granted access to the limited access area shall be at least 21 years of age, and if not employed by the retailer, shall be escorted at all times by an employee of the licensee/permittee. A retailer shall maintain a log of all individuals who are not employees who are granted access to the limited access area. These logs shall be made available to the City Manager, Chief of Police or their designees upon request.

- (j) Operating hours of the Store Front Retailer License shall be limited to the hours of 9:00 a.m. through 9:00 p.m., seven days a week.

- (k) Store Front/Retail Security Requirements. All provisions incorporated within this Chapter related to security measures, are directly applicable to and binding on all commercial cannabis businesses, including all Store Front/Retail businesses.

Sec. 4.20.340. Operating Requirements for retail deliveries.

- (a) Non-Store Front Retailer (Delivery) permit Owners and Operators are required to verify the age and the necessary documentation of each customer. They must ensure that medical customers are at least eighteen (18) years of age, and verify that the customer has a valid doctor's recommendation. Doctor recommendations are not to be obtained or provided at the retail location. In the case of adult-use customers, they must verify that the customer is at least twenty-one (21) years of age. Sales shall only be made to persons matching this criteria.

- (b) All Store Front Retailers, Non-Store Front Retailers (delivery) and Microbusinesses which conduct deliveries into or within the City of Canyon Lake shall be required to obtain a permit from the City of Canyon Lake in order to conduct retail sales regardless if they are located in the City or another local jurisdiction.

- (c) Operating hours of the Non-Store Front Retailer License or out of town retail delivery services shall be limited to the hours of 8:00 a.m. through 10:00 p.m., seven days a week.

Sec. 4.20.350. Delivery Vehicle Requirements.

Prior to commencing delivery operations, a permittee 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, color, 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 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.

Sec. 4.20.360. Operating Requirements for Delivery Services.

Prior to commencing operations, a cannabis out-of-City delivery service shall comply with the following requirements:

- (a) Obtain from the City a permit authorizing the delivery of cannabis and cannabis products within the City limits. A copy of this permit shall be retained by all drivers.
- (b) The retail business operating the delivery service shall provide the City Manager or his/her designee with evidence of a valid state license for a commercial cannabis business on whose authorization the delivery service is performing the delivery function.
- (c) The retail business operating the delivery service shall furnish to the City Manager or his/her designee 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.

Sec. 4.20.370. Permissible Delivery Locations and Customers.

Cannabis delivery businesses permitted to engage in delivery of cannabis and cannabis products inside the City of Canyon Lake are subject to the following requirements:

- (a) 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.
- (b) 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.
- (c) Any kiosk, i-Pad, tablet, smartphone, fixed location or technology platform, whether manned or unmanned, other than a retail location permitted by the city, that facilitates, directs, or assists the retail sale or delivery of cannabis or cannabis products is prohibited and shall be a violation of this Chapter.

Sec. 4.20.380. Promulgation of Regulations, Standards and Other Legal Duties.

- (a) In addition to any regulations adopted by the City Council, the City Manager or their 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 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.

Sec. 4.20.390. 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).

Sec. 4.20.400. Fees Deemed Debt to the City of Canyon Lake.

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

Sec. 4.20.410. 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 Canyon Lake, 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.

Sec. 4.20.420. Inspection and Enforcement.

- (a) The City Manager, or his/her designee(s) charged with enforcing the provisions of the City of Canyon Lake Municipal 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 Canyon

Lake shall be logged, recorded, and maintained in accordance with established procedures by the City of Canyon Lake's City Manager or these regulations.

Sec. 4.20.430. Violations declared a public nuisance.

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

Sec. 4.20.440. 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 Canyon Lake. 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 Canyon Lake 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).

Sec. 4.20.450. 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.

Sec. 4.20.460 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.

SECTION 2. REPEAL OF CHAPTER 9.03.

Chapter 9.03 of the Canyon Lake Municipal Code is repealed in its entirety.

SECTION 3. SEVERABILITY.

If any section, sentence, clause or phrase of this Ordinance or the application thereof to any entity, person or circumstance is held for any reason to be invalid or unconstitutional, such invalidity or

unconstitutionality shall not affect other provisions or applications of this Ordinance which can be given effect without the invalid provision or application, and to this end the provisions of this Ordinance are severable. The City Council hereby declares that it would have adopted this Ordinance and each section, sentence, clause or phrase thereof, irrespective of the fact that any one or more section, subsections, sentences, clauses or phrases be declared invalid or unconstitutional.

SECTION 4. EFFECTIVE DATE.

This Ordinance shall become effective thirty (30) days following its adoption.

SECTION 5. PUBLICATION AND POSTING.

The Mayor shall sign this Ordinance and the City Clerk shall certify as to the adoption and shall cause the ordinance or a summary thereof to be published in accordance with state law.

SECTION 6. CEQA.

This proposed ordinance does not constitute a CEQA project because it does not have the potential for causing a significant effect on the environment, as explained at State CEQA Guideline 15061(b)(3).

PASSED APPROVED AND ADOPTED this 6th day of October, 2021.

Kasey Castillo, Mayor

ATTEST:

APPROVED AS TO FORM:

Ana V. Sauseda, CMC
City Clerk

Steven Graham, City Attorney