

CITY OF OXNARD

PLANNING COMMISSION

AGENDA

REGULAR MEETING

Council Chambers, 305 West Third Street, Oxnard, CA 93030
Thursday, April 4, 2019, 06:30 P.M.

- A. ROLL CALL**
- B. PLEDGE OF ALLEGIANCE TO THE FLAG OF THE UNITED STATES**
- C. PUBLIC COMMENTS - On Items Not On The Agenda** At this time, a person may address the Planning Commission on matters within the jurisdiction of the Planning Commission, including information/consent items and any item not appearing on the agenda. The Chair shall limit public comments to three (3) minutes. The Planning Commission cannot take action on any item presented during public comments that is not on the agenda and such item may only be referred to the Commission Secretary. Persons wishing to speak on public hearing items should do so at the time of the public hearing.
- D. READING OF AGENDA**
- E. CONSENT AGENDA**
 - 1. APPROVAL OF MINUTES – March 7, 2019**
- F. PUBLIC HEARINGS**
 - 1. PLANNING AND ZONING PERMIT PZ NO. 19-580-03 (Zone Text Amendment).** A request for the Planning Commission adopt a resolution recommending City Council approval of an ordinance of the City Council of the City of Oxnard adding Article XVI to Chapter 11 of the Oxnard City Code regarding commercial cannabis activities, and amending Chapter 16 by adding Subsection (Q) to Oxnard City Code Section 16-177 regarding commercial cannabis businesses in Business and Research Park (BRP) zoning district; amending Subsection (I) to Oxnard City Code Section 16-178 regarding commercial cannabis businesses in Business and Research Park (BRP) zoning district; amending Sections 16-186.1 and 16-191(F) of the Oxnard City Code regarding commercial cannabis businesses in the Limited Manufacturing (M-L) zoning district; adding Subsection (C) to Oxnard City Code Section 16-223 regarding commercial cannabis businesses in the Light Manufacturing (M-1) zoning district; amending Subsection (G) of Oxnard City Code Section 16-226 regarding commercial cannabis businesses in the Light Manufacturing (M-1) zoning district; adding Subsection (D) to Oxnard City Code Section 16-246 regarding commercial cannabis businesses in the Heavy Manufacturing (M-2) zoning district; amending Section 16-251 of the Oxnard City Code regarding cannabis uses in the Heavy Manufacturing (M-2) zoning district; and amending Sections 4.2.1., B. (Auto Sales and Service), 4.2.2, B. (Business Park), 4.2.3., B (Retail Commercial), and 4.2.4., B. (Commercial Manufacturing) of the Rose Santa Clara Corridor Specific Plan as a commercial cannabis business subject to the requirements stipulated in Article XVI of Chapter 11. Filed by Ashley Golden, Assistant City Manager. Project Planner: Kathleen Mallory
PZ 19-580-03 Staff Report
- G. STUDY SESSION/REPORTS**

H. PLANNING COMMISSION BUSINESS

I. PLANNING MANAGER COMMENTS

J. ADJOURNMENT FUTURE MEETINGS Thursday, April 18, 2019, 7:00 p.m., City Council Chambers CITY OF OXNARD PLANNING COMMISSION AGENDA Page 2

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in a meeting, you should contact the office of the City Clerk at (805) 385-7803.

Notification 72 hours prior to the meeting will enable the City to make reasonable arrangements to assure accessibility to the meeting. Written materials relating to an item on this agenda that are distributed to the Planning Commission within 72 hours before the item is to be considered at its regularly scheduled meeting will be made available for public inspection at 214 South C Street, during customary business hours.

**PLANNING COMMISSION
STAFF REPORT**

TO: Planning Commission

FROM: Kathleen Mallory, AICP, LEED GA, Planning Manager *K. Mallory*

DATE: March 25, 2019 (for the April 4, 2019 Planning Commission meeting)

SUBJECT: Planning and Zoning Permit No. 19-580-03 (Zoning Text Amendment) – Zoning Text Amendment to Create Regulations for Manufacturing, Testing, and Distribution of Cannabis

- 1) Recommendation:** That the Planning Commission adopt a resolution recommending City Council approval of Planning and Zoning Permit No. 19-580-03 (Zoning Text Amendment) for the regulation of manufacturing, testing, and distribution of cannabis within the City of Oxnard.
- 2) Project Description and Applicant:** An ordinance of the City Council of the City of Oxnard adding Article XVI to Chapter 11 of the Oxnard City Code regarding commercial cannabis activities, and amending Chapter 16 by adding Subsection (Q) to Oxnard City Code Section 16-177 regarding commercial cannabis businesses in Business and Research Park (BRP) zoning district; amending Subsection (I) to Oxnard City Code Section 16-178 regarding commercial cannabis businesses in Business and Research Park (BRP) zoning district; amending Sections 16-186.1 and 16-191(F) of the Oxnard City Code regarding commercial cannabis businesses in the Limited Manufacturing (M-L) zoning district; adding Subsection (C) to Oxnard City Code Section 16-223 regarding commercial cannabis businesses in the Light Manufacturing (M-1) zoning district; amending Subsection (G) of Oxnard City Code Section 16-226 regarding commercial cannabis businesses in the Light Manufacturing (M-1) zoning district; adding Subsection (D) to Oxnard City Code Section 16-246 regarding commercial cannabis businesses in the Heavy Manufacturing (M-2) zoning district; amending Section 16-251 of the Oxnard City Code regarding cannabis uses in the Heavy Manufacturing (M-2) zoning district; and amending Sections 4.2.1., B. (Auto Sales and Service), 4.2.2., B. (Business Park), 4.2.3., B (Retail Commercial), and 4.2.4., B. (Commercial Manufacturing) of the Rose Santa Clara Corridor Specific Plan as a commercial cannabis business subject to the requirements stipulated in Article XVI of Chapter 11. Filed by Ashley Golden, Assistant City Manager (“City”).
- 3) Background Information:** With the impending Jan. 2018 legalization of cannabis due to the passage of the Adult Use of Marijuana Act (Proposition 64), on November 8, 2016, the City Council adopted an ordinance prohibiting cannabis and cannabis related uses within the City of Oxnard (Ordinance No. 2929). Passage of this ordinance afforded the City the opportunity to thoughtfully determine the appropriate approach the City should take to regulate cannabis and

cannabis type products. At its June 5, 2018 meeting, the City Council placed a measure on the November 2018 ballot for a cannabis business tax on commercial cannabis uses; this ballot measure was ultimately approved by the voters.

On June 26, 2018, the City Council conducted a study session to evaluate the types of cannabis related uses that may be permitted in the City. Background information provided to the City Council for its consideration at the study session included the “Fiscal Analysis and Feasibility Study of the Commercial Cannabis Industry” prepared by the City’s cannabis consultant, HdL. At this meeting, the City Council directed staff to proceed with evaluating the siting and land use regulations associated with the following cannabis related uses: 1) Retail (medical and non-medical); 2) Manufacturing; 3) Distribution; 4) Testing Laboratories; and 5) Cultivation (herein referred to as “types of cannabis operations”) (see Attachment A – June 26, 2018 City Council staff report).

On October 2, 2018, the City Council received a presentation regarding land use and siting (location) options associated with types of cannabis operations in zoning designations throughout the City of Oxnard. At this meeting, City Council was presented with information regarding the number of cannabis businesses which could be supported by various types of cannabis operations in the City. City Council was supportive of advancing cannabis regulations for manufacturing, testing, and distribution of cannabis (see Attachment B – October 2, 2018 City Council staff report). City Council’s general direction pertaining to these types of cannabis operations is as follows:

Cannabis Operations	Number of Establishments “Go Slow” Approach	City Council Feedback and Discussion
Retail dispensaries	8	<i>Potential support; evaluate in next 6-8 months</i>
Manufacturing	8	<i>General support; develop regulations 4- 6 months</i>
Distribution	3	<i>General support; develop regulations 4- 6 months</i>
Testing Laboratories	1	<i>General support; develop regulations 4- 6 months</i>
Cultivation	2	<i>Potential support; evaluate in next 8-12 months</i>

Consistent with City Council direction, a draft cannabis manufacturing, testing, and distribution ordinance has been prepared reflecting Council’s direction. The draft ordinance is proposed to be located in Chapter 11 (Permits) with reference to the required planning permit within the Zoning Code (Chapter 16).

- 4) Environmental Determination:** In accordance with California Public Resources Code Sections 21000 et seq. and State California Environmental Quality Act (CEQA) Guidelines

(Sections 15000 et seq.), Planning staff have determined that the proposed zoning text amendment is exempt from CEQA pursuant to Sections 15061 and 15305 of Title 14, Division 6, Chapter 3 of the California Code of Regulations.

- 5) General Discussion:** In accordance with Health and Safety Code Section 11018 and Oxnard City Code Section 11-390, “Cannabis” is defined as “all parts of the Cannabis sativa Linnaeus, Cannabis indica, or Cannabis ruderalis, whether growing or not; the seeds thereof; the resin, whether crude or purified, extracted from any part of the plant; and every compound, manufacture, salt, derivative, mixture, or preparation of the plant, its seeds, or resin. “Cannabis” also means the separated resin, whether crude or purified, obtained from cannabis. “Cannabis” does not include the mature stalks of the plant, fiber produced from the stalks, oil or cake made from the seeds of the plant, any other compound, manufacture, salt, derivative, mixture, or preparation of the mature stalks (except the resin extracted therefrom), fiber, oil, or cake, or the sterilized seed of the plant which is incapable of germination. For the purpose of this Article, “cannabis” does not mean “industrial hemp” as defined by Section 11018.5 of the Health and Safety Code.”

Potential Cannabis Distribution, Manufacturing, Testing/Laboratory Operations

The June 2018 HdL study indicated that cannabis manufacturing presented the best opportunity for growing new business and jobs in the City. It also noted that the manufacturing sector was still evolving and expanding, which also presented significant opportunity for innovation, business development, and job growth. Finally, the report noted that due to Oxnard’s location directly between the vast greenhouses of Santa Barbara County and the larger consumer base of Los Angeles, Oxnard could be well positioned to attract cannabis distributors as well as testing laboratories.

Distribution is a fundamental component of the cannabis supply chain and involves the procurement, sale, and transport of cannabis and/or cannabis products. Distribution facilities are commonly located in industrially zoned areas. Manufacturing and testing typically involve the preparation, propagation or compounding of cannabis that involves chemicals and materials which are regulated by the state. These uses are typically within industrial zones away from residential areas.

Cannabis Manufacturing

State regulations define “manufacturing” as it relates to cannabis as “all aspects of the extraction and/or infusion processes, including processing, preparing, holding, storing, packaging, or labeling of cannabis products”. (California Code of Regulations, Title 17, Section 40100.) The definition of “manufacturing” also includes “any processing, preparing, holding, or storing of components and ingredients”. The manufacturing sector is still evolving and expanding, which presents significant opportunities for innovation, business development and job growth. In 2017, sales of ready-to-use cannabis products surpassed sales of cannabis flower for the first time, and

the trend appears likely to continue into the future. Clear regulatory policies and competitive tax rates will be essential for attracting or holding on to this growing sector. Manufacturing business represents over 50% of all cannabis sales, by price (not volume).

Testing Laboratories

Cannabis Testing Laboratories will be required to perform testing on cannabis goods. Upon completion of the test, the laboratory generates a certificate of analysis that contains the results of the testing and whether the tested batch passed or failed. (California Code of Regulations, Title 16, Section 5726.) The owners of any testing laboratories are prohibited by law from having any level of ownership in any other type of cannabis business.

Distribution

Distributors are the only licensed business type that can transport inventory between licensed cannabis businesses. (California Code of Regulations, Title 16, Section 5311.) Distribution licensees are responsible for securing large quantities of inventory, while ensuring it is properly tested and transported to licensed businesses. (California Code of Regulations, Title 16, Section 5304.) Distributors must have expertise in product movement, as well as checking for compliance with packaging and labeling requirements. In addition to transporting inventory between licensees, distribution companies will also be responsible for ensuring the examination of inventory at a testing laboratory and the collection of the State's excise taxes, before releasing the product to a retailer.

Land Use Siting Considerations

State regulations require that cannabis related uses cannot be located closer than 600-feet from a sensitive use, which is defined by state law as K-12 schools (including private and charter schools), day care centers, youth centers, and public parks. (Business and Professions Code Section 26054, subd. (b); California Code of Regulations, Title 16, Section 5026.) Local governments, however, are allowed to designate smaller, or larger, buffer zones if these buffer zones are codified in an ordinance. The state will defer to the local government on a buffer zone that differs from the default standard of 600 feet. State law mandates the 600-foot distance be calculated, parcel to parcel (boundary line to boundary line). (Health and Safety Code Section 11362.768, subd. (a).) This means if 600 feet touches any part of a legal parcel, the entire area cannot contain cannabis related uses. State law is silent on the buffer zone from a cannabis use to residential properties; setting that buffer is entirely up to local government. In October 2018, Council determined that the City should adhere to the state mandated 600 foot buffer and not impose a more stringent distance separation requirement.

Potential Manufacturing, Testing, and Distribution Locations

The October 2018 City Council staff report identified potential locations throughout the City where cannabis manufacturing, testing, and distribution could potentially be located. City Council was generally supportive of these uses in these areas. These areas are generally located within the Business and Research Park (BRP), Limited Manufacturing (M-L), Light Industrial (M-1), and Heavy Industrial (M-2) areas.

Potential Manufacturing, Distribution, & Testing locations are identified within Attachment C. Because the Rose Santa Clara Corridor Specific Plan contains zoning designations which do not directly align with the City's zoning designations, an additional map for this area has been prepared to identify general siting locations. Given that cannabis siting contains specific limitations (proximity to sensitive uses as defined in this staff report), both of the attachment maps should be considered "conceptual locations". The precise locations will be determined through discussions with the Planning Department and as part of the Cannabis Business Permit review process. The maps within Attachment C should be considered Overlay Maps. An overlay is a procedure that estimates the attributes of one or more features (potential locations and buffer areas) by superimposing them over other features (zoning). Potential manufacturing, testing, and distribution would be generally located in the following locations:

- Rose Santa Clara Corridor Specific Plan area (Business Park and Commercial) – north of US 101, west of N. Rice Ave., and generally east of Paseo Mercado –
- Sakioka Farms Specific Plan area (Industrial and Business Research Park) – south of US 101, east of N. Rice Ave.;
- McInnes Ranch Specific Plan area (Industrial) - south of Sakioka, and north of W. Fifth Street, east of N. Rice Ave.;
- Northfield Seagate (Industrial) – west of N. Rice Ave., north of W. Fifth Street, south of US 101;
- Channel Islands Business Center (Industrial) - south of Wooley Rd., west of S. Rose Ave., and north of E. Channel Island Blvd.;
- Statham Blvd. (Industrial) – west of S. Rose Ave., north of Channel Islands Blvd., east of Rose Ave.; and
- Arcturus (Industrial) – north and south of E. Hueneme Rd., west of Perkins, Ormond Beach area.

Potential Industrial Areas were identified with consideration to residential land uses, and environmental resources. The boundaries of the Potential Industrial Area uses are no closer than 600 feet from state defined sensitive uses. In some locations, the Potential Industrial Areas are oddly shaped. This is because the 600 foot measurement is from parcel to parcel (boundary line to boundary line) and in some location areas are retained as one parcel with multiple buildings/land uses. With this in mind, the manufacturing, testing, and distribution map should be considered an "Overlay Maps" which means that locations for these uses are conceptually

identified with specific land use siting being determined through the Cannabis Business Application Process (see process below).

Cannabis manufacturing, testing, and distribution are not proposed within the Coastal Zone. Future allowance of cannabis uses within the Coastal Zone would require an amendment to the City's Local Coastal Zoning Ordinance.

Cannabis Best Practice Considerations

Operational standards are contained in Section 11.437 and 11.440 -11.444 of the attached draft ordinance. The standards have been designed to protect the public health safety and welfare by implementing regulations to address concerns regarding: odor, noise, safety, security, lighting, water usage, and community benefits.

Permit Review Process

As identified in the attached draft cannabis manufacturing, testing, and distribution ordinance, the process to secure a Special Use Permit (SUP) to operate this use involves four steps which must be accomplished prior to submittal of the SUP. The process will be further clarified through cannabis business application procedure guidelines which will be administratively prepared and which will be implemented in more specificity procedures identified in the Draft Ordinance.

A Cannabis Business Application Review Committee ("Committee") made up of a representative from the Police, Planning and Fire Departments, as well as Business Licensing, and as needed a representative from the City's Cannabis consulting team (HdL), will review applications and vet them through the City Manager's office. The Committee composition may change when finalizing the cannabis business application guidelines.

Cannabis Manufacturing, Testing, and Distribution Application Review Steps:

1. Submittal of cannabis business permit application and determination of eligibility (Section 11.417).
2. Commercial cannabis business permit selection process and first ranking (Section 11.426).
3. Interview and second ranking; review based upon evaluation criteria (See Attachment D)
4. Final approval and allowance to submit an application (11.426, (c.) for a Commercial Cannabis Business Permit (allowance to submit an application for an SUP).
5. Submittal of a SUP.

The requirements and vetting of applications is a four step competitive process and will enable the City to secure the most viable and desirable cannabis businesses. HdL has indicated that it is likely that the market can support more manufacturing, testing, and distribution uses than conceptually authorized by City Council and identified in the draft ordinance. For this reason

and to ensure the City receives the best possible applicants, the City's cannabis consultant recommended implementation of a competitive multi-step process.

A few key provisions of the attached draft ordinance:

- Permits are annually reviewed through the City Manager's office.
- Appeals of decisions made after Step 3 are allowed.
- A denied applicant cannot resubmit within 1 year.
- Transfer of licenses is not permitted.
- An offer of community benefit is required upon advancement to Step 5.

Other cannabis business types require best practices unique to the use. These are summarized in Attachment E, Best Practices.

When the ordinance is adopted by City Council, the corresponding fee study will be provided to establish the required cannabis business permit review fee.

6) Community Workshop and Public Input: On February 25, 2019, staff distributed the draft cannabis manufacturing, testing, and distribution ordinance to interested parties, the City's industrial zoning ordinance update distribution list, the Chamber of Commerce, and posted the Draft Ordinance on the City's cannabis website. Comments were due by March 13, 2019. As of the date of writing this staff report, staff had received three comment letters which were generally supportive of the proposed ordinance (see Attachment F – Public Comment Letters). Many comments involved details that will be developed during the cannabis application review process which will be developed after adoption of the ordinance. A few comments pertained to cannabis dispensaries a land use that the City is not addressing at this time. One comment pertaining to the requirement for 24- hour security resulted in a modification to require the duration of security as recommended by a licensed security consultant since the requirement for 24-hour security is typically not required for manufacturing, testing, and distribution of cannabis.

Planning staff also provided a presentation regarding potential cannabis uses at the Inner Neighborhood Council Organization (INCO) meeting in January 2019.

Attachments:

- A. City Council Staff Report, June 26, 2018 staff report
- B. City Council Staff Report, October 2, 2018 City Council staff report
- C. Potential Manufacturing, Distribution, & Testing Map, including Rose Santa Clara Corridor Overlay Map
- D. Draft Evaluation Criteria
- E. Best Practices
- F. Public Comment Letters
- G. Cannabis Manufacturing, Testing, and Distribution Ordinance (Draft)

ATTACHMENT

A. City Council Staff Report, June 26, 2018 staff report



**CITY COUNCIL
AGENDA REPORT**

**TYPE OF ITEM: Appointment
Item**

AGENDA ITEM NO.: 1

DATE: June 26, 2018

TO: City Council

FROM: Ashley Golden
Development Services Director

SUBJECT: Cannabis Study Session (15/15/30)

CONTACT: Ashley Golden, Development Services Director
Ashley.Golden@oxnard.org, (805) 385-7882

RECOMMENDATION:

That City Council:

1. Receive the report from HdL Companies on their Feasibility Study and Fiscal Analysis of the potential cannabis industry in the City of Oxnard; and
2. Provide direction to staff regarding the permitting and regulation of various types of cannabis businesses in the City of Oxnard.

BACKGROUND

On November 8, 2016, California voters passed the Control, Regulate, and Tax Adult use of Marijuana Act ("AUMA") as Proposition 64. AUMA legalized the nonmedical use of cannabis (marijuana) by persons 21 years of age and over, the personal cultivation of up to six cannabis plants per household, and certain commercial cannabis businesses. All commercial cannabis businesses must have a state license in order to operate, but AUMA does not limit the City's authority to adopt and enforce local ordinances regulating or prohibiting state-licensed cannabis businesses.

The City Council has consistently chosen to take a "go slow" approach to exploring the possible regulation of the various types of commercial cannabis businesses, to allow the City to examine and study the experiences of neighboring jurisdictions and other agencies throughout the State, as well as to observe how the federal government reacts to California's medical and adult-use cannabis laws.

On April 3, 2018, the Council took action to enact a zone text amendment explicitly banning commercial cannabis activities and to incorporate existing medical cannabis restrictions into the Oxnard City Code. At the same time, the Council revised existing regulations to allow for delivery of medical cannabis within the City from licensed dispensaries with permits from the City.

On June 5th, 2018, the Council voted to place a cannabis tax on the November 6th ballot, which would impose a range of taxes on a variety of commercial cannabis business types, including retail sales, cultivation, manufacturing, distribution, and testing. If approved by the voters, the passing of the tax measure would not automatically permit these cannabis activities within the City, nor would it compel the City to take action to do so. The City would still have the discretion and authority to determine which, if any, of these cannabis business types it wishes to permit, regulate and tax, and which it wishes to ban. In addition, the City would have the discretion to establish tax rates for each type of cannabis business at any rate up to the maximums defined in the measure.

To assist with these discussions, the City retained the services of HdL Companies to conduct a feasibility study to determine the types and numbers of cannabis businesses which would be sustainable in the City of Oxnard, should the City choose to permit them in the future. The City also requested HdL provide a fiscal analysis of the proposed cannabis tax rates to project the amount of annual revenue that permitting each of these business types might generate for the City.

The purpose of the cannabis study session is to gauge the Council's support for cannabis related industry in the City. During the cannabis study session staff will provide a presentation regarding what cannabis related industry the City can support and the fiscal implications of allowing these uses in the City. The Council may choose to direct staff to explore further permitting and regulation of some or all of the cannabis business types being considered.

ANALYSIS

Over the past few months, City staff have been evaluating what types of cannabis permits are currently being issues by the State of California; analyzing the types of potential cannabis industries suitable to operate within the City of Oxnard; meeting with residents and business community members interested in operating retail and laboratory uses in the City; and fielding a number of cannabis related phone calls, typically pertaining to establishing retail uses in the City, laboratory testing opportunities, and cultivation farming.

The types of cannabis industries which could be located in the City include: Retail, Manufacturing, Distribution, Testing Laboratories, and Cultivation. Cannabis cultivation, manufacturing, distribution and retail sales each offer different challenges and opportunities for the City. The following summarizes types of cannabis industries, and opportunities for the City to explore.

Cannabis Retailers

As defined by the Bureau of Cannabis Control, a Cannabis Retailer is a person licensed to sell cannabis goods to customers as “a retailer, microbusiness, or nonprofit.” For the purpose of this staff report, no distinction is being made between medical and recreational cannabis use. The retail component of the supply chain is by design the most visible segment of the commercial cannabis industry. As such, retail sales locations have been subject to the most scrutiny. Retail sales locations must be thoughtfully zoned, designed, and constructed in a manner that is suitable for the neighborhood to create the least amount of impact on the surrounding businesses and neighborhood.

Based on the current demand for retailer locations (dispensaries), retail locations can generate substantial revenues compared to other retail establishments within jurisdictions. Cannabis retailers currently generate on average \$933 per square foot, because most retail stores take up much more space than dispensaries. Cannabis retailers stock a lot of product into a relatively small amount of space, and the average price point for cannabis is attractive to consumers.

Summary of Pros and Cons:

1. City has the ability to develop well-defined land use controls and buffers to protect sensitive uses such as schools, parks, etc.
2. City has the ability to limit the overall number of retailers to prevent oversaturation.
3. City has the ability to regulate point of sale, impose inventory control data metrics and conditions, and impose conditions on the volume of inventory on display at a given time.
4. Significant revenue can be realized if the use is well-regulated and taxed at an appropriate level.
5. Revenue can be generated in a less traditional way and in lieu of methods typical of traditional store front retail uses.
6. Poorly trained employees can create inventory tracking problems and liabilities.
7. Combination of all-cash business and significant product on site can pose a public safety hazard for employees and customers.
8. The City has the ability to require security presence up to 24-7 which would result in a net positive public safety effect on the neighborhood.

It is estimated that Oxnard could support between 8 and 18 retailers (combined between medical and recreational), with a midpoint of 13. Retail saturation is based upon a presumed saturation of one retail establishment per 20,000 persons. This saturation rate is based upon data and an analysis of other retail establishments and knowledge of the industry. Should Council wish to allow cannabis retail establishments, staff recommends that City Council take a cautious approach to permitting retailers by starting at the lower retail establishment number of 8. This will help ensure success for these businesses by dividing the same customer base among a smaller number of businesses. In addition to limiting the max number of retailers, the regulations would need to include provisions to address the pros and cons listed above.

Cannabis Manufacturers

The Department of Public Health (DPH) defines Manufacturing as “all aspects of the extraction and/or infusion processes, including processing, preparing, holding, storing, packaging, or labeling of cannabis products”. Manufacturing also includes “any processing, preparing, holding, or storing of components and ingredients”. The manufacturing sector is still evolving and expanding, which presents significant opportunities for innovation, business development and job growth. In 2017, sales of ready-to-use cannabis products surpassed sales of cannabis flower for the first time, and the trend appears likely to continue into the future. Clear regulatory policies and competitive tax rates will be essential for attracting or holding on to this growing sector. HdL estimates that the City could support between 6 and 12 manufacturers, with a range of sizes. Manufacturing business represents over 50% of all cannabis sales, by price (not volume).

Summary of Pros and Cons:

1. Cannabis manufacturing is on the rise based upon current trends in cannabis use.
2. The City has open land available for industrial expansion and construction. City has the ability to develop zoning compliance and siting provisions to identify appropriate zones.
3. Rigorous regulatory requirements are needed to address employee safety and business operations.
4. Equipment and methods used for cannabis extractions are preexisting and have been utilized in the community for other manufacturing operations.
5. There are large quantities of volatile gases and industrial solvents necessary for the manufacturing process, which poses a hazard risk.
6. Employee security measures and protocols must be developed to address potential employee theft/diversion to the black market.
7. Rigorous testing ensures that consumer safety.
8. Regulations require destruction of any non-compliant or contaminated product.
9. Vacancy rate of industrial buildings is exceptionally low (between 1 – 3%, as of 2016).

Distributors

Distributors are the only licensed business type that can transport inventory between licensed cannabis businesses. Distribution licensees are responsible for securing large quantities of inventory, while ensuring it is properly tested and transported to licensed businesses. Distributors must have expertise in product movement, as well as checking for compliance with packaging and labeling requirements. In addition to transporting inventory between licenses, distribution companies will also be responsible for ensuring the examination of inventory at a testing laboratory and the collection of the State’s excise taxes, before releasing the product to a retailer. Cultivators, manufacturers, and retailers also have the opportunity hold a distribution license as well, provided the distributor’s licensed premises are “separate and distinct”. This is to ensure that the various administrative privileges and inventory tracking requirements are strictly adhered to. Pursuant to State requirements, licensed distributors will be required to establish comprehensive security measures to ensure the inventory is secured during transit and accounted for with manifest documentation. Additionally, pursuant to State requirements, distributors will

be required to be licensed in a commercial or industrial building, requiring little to no signage or advertisement.

Due to Oxnard's location directly between the vast cannabis greenhouses of Santa Barbara County and the large consumer base of Los Angeles, Oxnard could be well-positioned to attract cannabis distributors. This would especially be the case if the City allowed (and was successful in attracting) a variety of other business types, including cultivators and manufacturers.

Summary of Pros and Cons:

1. City has the ability to develop additional security and inventory control measures for distributors with items stored on-site and transported. This could be considered a pro or con depending upon the City's desire to take on additional responsibility.

Testing Laboratories

As defined by the Bureau of Cannabis Control, Cannabis Testing Laboratories will be required to perform testing on cannabis goods to measure: cannabinoids, foreign material, heavy metals, microbial impurities, mycotoxins, moisture content and water activity, residual pesticides, residual solvents and processing chemicals and terpenoids. Additionally, edible cannabis products that contain more than one serving per unit will be tested for homogeneity to endure consistent concentrations of tetrahydrocannabinol (THC) or cannabidiol (CBD). Upon completion of the test, the laboratory generates a certificate of analysis that contains the results of the testing and whether the tested batch passed or failed. The owners of any testing laboratories are prohibited by law from having any level of ownership in any other type of cannabis business.

The Bureau of Cannabis Control has only issued 28 licenses for testing laboratories in all of California. These laboratories tend to be located in areas with a large amount of both cultivation and manufacturing. Since Oxnard has thus far banned all commercial cannabis activities, it seems unlikely that the City would be home to a testing laboratory in the near future. However, should the City choose to permit, regulate and encourage other cannabis business types, it is certainly possible that it may become an attractive location at some point in the future. Thus far it is assumed the City could support operation of one testing laboratory. The City has received one inquiry for operation of a cannabis testing laboratory in the City.

Summary of Pros and Cons:

1. City has the ability to develop additional security and inventory control measures while items are stored on-site and transported.
2. Testing labs don't have a possessory interest in the cannabis product. No ownership of actual product.
3. City has the ability to impose more rigorous testing requirements if desired. However, this would require a level of regulatory expertise that most cities don't possess.

4. Testing labs pose lower public safety challenges because they have so little cannabis on the premises compared to other license types that they are far less likely to attract criminal activity, or to become a source of diversion.

Cultivation

Cannabis cultivation is generally divided into four basic categories: outdoor, indoor, mixed light (utilizing both natural and artificial light) and nursery. A combination of these cultivation techniques may occur at a site. Cultivation licenses allow for activities involving planting, growing, harvesting, drying, curing, grading and trimming. Depending on the cultivation method, the size, location, and setting of cannabis cultivation sites could vary.

Neighboring Santa Barbara County has the highest amount of licensed cannabis cultivation in California, but this has been accommodated largely through adaptive reuse of vacant industrial greenhouse infrastructure that Oxnard does not have. Any cannabis cultivation in Oxnard would likely be limited to indoors due to both the coastal climate and the urban environment. Oxnard has a large amount of Light Industrial-zoned properties, mostly located on the eastern edge of the City, with easy access to Highway 101.

The cannabis cultivation market in California has already exceeded its saturation point 3-times over, which suggests that there is not enough room for those growers already licensed, much less new entrants into the market.

Summary of Pros and Cons:

1. Revenue Potential.
2. Potential odor generated by cannabis use.
3. Potential theft/criminal activity.
4. Increase in use of water and electricity.
5. Dependent upon how the facility is designed, potential light pollution and light spill onto adjacent properties for green houses only.
6. Potentially high failure rate due to oversupply which may lead to volatile revenues and vacant properties/buildings.

STRATEGIC PRIORITIES

This agenda item supports the Quality of Life strategy. The purpose of the Quality of Life strategy is to build relationships and create opportunities within the community for safe and vibrant neighborhoods, which will showcase the promising future of Oxnard. This item supports the following goals and objectives:

Objective 1d. Examine options for long term sustainability of public safety services to ensure an efficient and effective public safety service delivery model.

Goal 2. Increase transparency with Council, community and staff related to the City's

budget and financial management processes.

This agenda item supports the Economic Development strategy. The purpose of the Economic Development strategy is to develop and enhance Oxnard's business climate, promote the City's fiscal health, and support economic growth in a manner consistent with the City's unique character. This item supports the following goals and objectives:

Goal 1. Create vibrant and economically sustainable commercial, industrial and retail industries throughout the City.

Goal 2. Enhance business development throughout the City.

Objective 2a. Develop a strong citywide economy which attracts investment, increases the tax base, creates employment opportunities, and generates public revenue.

Objective 2d. Public safety will collaborate with the business community to promote an environment that supports economic development.

Goal 3. Enhance business retention and attraction.

Objective 3a. Implement an economic development plan for attracting and retaining business.

FINANCIAL IMPACT

There is no immediate financial impact to the City associated with this study session item. No action is anticipated for this item that would carry any immediate financial impact to the City. The precise amount of revenue to be generated is based upon the tax rate imposed and number of businesses. This estimate is not inclusive of any delivery tax revenue which could potentially be generated.

If the tax measure does not pass, then there is no tax revenue. The City would have the ability to collect the actual cost associated with the processing of permits, enforcement, inspection, and other legitimate governmental costs related to regulation of specific permittees. The following provides a comprehensive summary of the range of revenue potential:

Business Type	Number	Low tax rate	Revenue	High Tax Rate	Revenue
Retailer	13	4.0%	\$852,733	6.0%	\$1,279,100
Manufacturer	8	2.5%	\$500,000	4.0%	\$800,000
Distributor	3	2.0%	\$150,000	3.0%	\$225,000
Testing Lab	1	1%	\$20,000	2.5%	\$50,000
Cultivation	2	1.4%	\$224,000	2.0%	\$320,000
Total			\$1,746,733		\$2,674,100

ATTACHMENTS:

Attachment A: Oxnard Tax and Feasibility Analysis FINAL



**Delivering Revenue, Insight
and Efficiency to Local Government**

**Fiscal Analysis and
Feasibility Study of the
Commercial Cannabis Industry**

**Prepared for
the
City of Oxnard**

June 7th, 2018

Attachment A
Page of
to 6/26/18 CCRA

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I. Executive Summary

Cannabis cultivation, manufacturing, distribution and retail sales each offer different challenges and opportunities for the City. Ventura County is located directly between Santa Barbara County, which has the largest amount of licensed cultivation in the State, and Los Angeles County, with the largest consumer base in the State. Being located directly between the greatest supply and the greatest demand would make Oxnard well situated to attract manufacturing and distribution businesses, should it choose to.

The City of Oxnard has a large amount of land zoned for various industrial uses. The area East of North Rice Avenue has convenient access to Highway 101 and appears to be well-isolated from schools, parks, churches and residential areas. This area could be very well suited for a "Commercial Cannabis Overlay Zone", in which commercial cannabis uses are principally permitted or otherwise encouraged or incentivized. Such an approach could also potentially attract a limited amount of indoor cannabis cultivation, though these businesses would likely have to be well capitalized to compete in an already oversaturated market.

Cannabis Retailers

We estimate that Oxnard could support between 8 and 18 retailers, with a midpoint of 13. HdL would encourage the City to take a cautious approach to permitting retailers by starting at the lower figure of 8. This will help ensure success for these businesses by dividing the same customer base among a smaller number of businesses. We project that a tax of 4% would generate \$852,733 in annual revenue, a tax of 5% would generate \$1,065,917, and a tax of 6% would generate \$1,279,100 in annual revenue to the City.

Cannabis Manufacturers

The manufacturing sector is still evolving and expanding, which presents significant opportunities for innovation, business development and job growth. In 2017, sales of ready-to-use cannabis products surpassed sales of cannabis flower for the first time, and the trend appears likely to continue into the future. Clear regulatory policies and competitive tax rates will be essential for attracting or holding on to this burgeoning sector. We believe that the City could support between 6 and 12 manufacturers, with a range of sizes. We estimate these businesses could generate between \$375,000 and \$1,200,000 in annual revenue for the City.

Distributors

Due to its location directly between the vast cannabis greenhouses of Santa Barbara County and the large consumer base of Los Angeles, we believe that Oxnard could be well-positioned to attract cannabis distributors. This would especially be the case if the City allowed (and was successful in attracting) a variety of other business types, including cultivators and manufacturers. We believe the City could reasonably attract 3 cannabis distributors with average receipts of \$2,500,000 per year.

Testing Laboratories

The Bureau of Cannabis Control has so far only issued licenses for 28 testing laboratories in all of California. These laboratories tend to be located in areas with a large amount of both cultivation and manufacturing. Since Oxnard has so far banned all commercial cannabis activities, it seems unlikely that the City would be home to a testing laboratory in the near future. However, should the City choose to

permit, regulate and encourage other cannabis business types, it is certainly possible that it may become an attractive location at some point in the future.

Cultivation

Neighboring Santa Barbara County has the highest amount of licensed cannabis cultivation in California, but this has been accommodated largely through adaptive reuse of vacant industrial greenhouse infrastructure that Oxnard does not have. Any cannabis cultivation in Oxnard would likely be limited to indoors due to both the coastal climate and the urban environment. Oxnard has a large amount of Light Industrial-zoned properties, mostly located on the Eastern edge of the City, with easy access to Highway 101.

The cannabis cultivation market in California has already exceeded its saturation point 3-times over, which suggests that there is not enough room for those growers already licensed, much less new entrants into the market. For this reason, our analysis here projects a cautious 10 indoor cultivation sites of various sizes within the City, which could generate between \$966,000 and \$1,380,000 in annual revenue for the City of Oxnard.

Summary

Applying the range of tax rates described in this report, we anticipate that the City of Oxnard could generate between \$2,488,733 and \$3,734,100 per year. These projections assume the number of each type of business below, which are based upon the midpoint assumptions for the number of each type of cannabis business discussed in this report.

Figure 1:

Business Type	Number	Low tax rate	Revenue	High Tax Rate	Revenue
Retailer	13	4.0%	\$852,733	6.0%	\$1,279,100
Manufacturer	8	2.5%	\$500,000	4.0%	\$800,000
Distributor	3	2.0%	\$150,000	3.0%	\$225,000
Testing Lab	1	1%	\$20,000	2.5%	\$50,000
Cultivation	10	1.4%	\$966,000	2.0%	\$1,380,000
Total			\$2,488,733		\$3,734,100

II. Introduction

The City of Oxnard has retained HdL Companies to provide a feasibility study to determine the number of businesses and types of businesses which would be sustainable in the City of Oxnard, should the City choose to permit them in the future. The City has also requested HdL provide a fiscal analysis of potential tax rates for the commercial cannabis industry, which will be used to inform discussions about a possible cannabis tax measure which may be placed on the November ballot. The City imposed a ban on all commercial cannabis businesses in November of 2017. On April 3rd of 2018, the City Council chose to relax this ban by making an exception to allow delivery of medical cannabis to qualified patients by non-storefront retailers. The City is not currently allowing sale or delivery of adult-use (non-medical) cannabis, nor is it considering permitting any other types of cannabis businesses. However, the City has requested that the analysis include these other business types as well.

The regulatory world around cannabis in California has changed dramatically in recent years. In 2015, the Governor signed 3 bills collectively called the Medical Marijuana Regulation and Safety Act. In November of 2016, California voters approved Proposition 64; the Adult Use of Marijuana Act. In the early part of 2017, the three State cannabis licensing agencies released a series of reports that provided a trove of valuable data about the industry. On June 27th the Governor signed SB 94, which merged the separate regulations for medical cannabis and adult use cannabis into a single regulatory framework. This was followed in September 2017 by the approval of AB 133 and, in November 2017 by the issuance of emergency regulations by the three licensing agencies. There are currently a number of bills in the legislature that would further modify and refine cannabis regulations in the State.

These ongoing changes have created a volatile and rapidly-evolving world for the commercial cannabis industry. Key among these changes is the imposition of overlapping State taxes which hover around 26% at retail before any local taxes are even contemplated. At the same time, numerous counties and cities have developed a wide range of local cannabis taxes, with a variety of rates and structures ranging from as low as 1% to as high as 25% of gross receipts (or their equivalent).

Cannabis cultivation, manufacturing, distribution and retail sales each offer different challenges and opportunities for the City. Retailers serve the local population, so the amount of product they sell and the amount of revenue they collectively generate is not greatly affected by the number of retailers through which that product flows. From a tax perspective, retail sales are a zero-sum game in that, eventually, new retailers simply cannibalize sales from existing ones.

III. The Cannabis Industry in Oxnard and the Neighboring Region

The California Department of Food and Agriculture's CalCannabis Division has estimated the amount of cannabis consumed by Californians at 2.5 million pounds per year, which provides a reasonable proxy for the size of the potential market. Legal adult-use cannabis is expected to increase this figure by just under 10% up to around 2.75 million pounds. However, CalCannabis estimates nearly 30% of the cannabis consumed in California will continue to be supplied by black market sources, which reduces the size of the available market for legal producers to a little less than 2 million pounds.

California has been issuing temporary licenses for commercial cannabis businesses since the beginning of the year. As of May 30th, CalCannabis has issued 3,664 cultivation licenses¹, capable of producing over 7.3 million pounds of cannabis per year. That amount is roughly three and a half times more cannabis than the State's legal buyers are anticipated to consume. This market over-saturation is a critical issue for local governments to consider, as there are far more growers seeking licenses in California than the limited size of the market can support. Were the State to issue no more licenses, we would expect a failure rate among cultivators of at least 60% in the first two years.

CalCannabis has not issued any commercial cultivation licenses anywhere in Ventura County. This suggests that neither Oxnard nor the County as a whole are going to be large players in the cultivation side of the cannabis industry. However, Ventura County is located directly between Santa Barbara County, which has the largest amount of licensed cultivation in the State, and Los Angeles County, with the largest consumer population in the State. Being located directly between the largest supply and the greatest demand could make Oxnard and the County well situated to attract manufacturing and distribution businesses, should they choose to.

Cannabis manufacturing presents the best opportunity for growing new businesses and jobs, but this sector has a high degree of mobility. The manufacturing segment is growing and expanding and offers lots of opportunity for innovation and job creation. Clear regulatory policies and competitive tax rates will be essential for attracting or holding on to this sector.

While retailers must be located to serve the local population, both cultivation and manufacturing have some option to move to other jurisdictions with a more advantageous regulatory climate. If the City were to decide that it wished to generate revenue by regulating and taxing any of these other commercial cannabis businesses, then it would be imperative to develop tax rates and structures that are acceptable or beneficial to those aspects of the industry it wishes to attract.

¹ A temporary license is a conditional license that allows a business to engage in commercial cannabis activity for a period of 120 days. A temporary license may be extended by 90 days if the licensee has submitted a complete application for an annual license to the Bureau. Of the 3,409 listed as of May 7th, 938 are shown as "About to Expire". It is unknown how many of these licensees may apply for, or receive, annual licenses.

IV. Cannabis Retailers

California provides a single license type for cannabis retailers (Type 10), though it is available in both M (Medical) or A (Adult Use) versions. The Bureau of Cannabis Control created an additional Type 9 license for non-storefront retailers which conduct retail cannabis sales exclusively by delivery. Local jurisdictions have the authority to allow either or both types of retailers, under either or both M and A designations.

In May, California's three cannabis licensing agencies readopted their emergency regulations for another 180-day period, with a number of minor changes. Among these changes was a provision that applicants may now obtain a single license to conduct both medicinal and adult-use cannabis activity. Additionally, licensees may continue to engage in commercial cannabis activities with other licensees regardless of their A or M designation.

Data collected for a Standardized Regulatory Impact Assessment conducted for the Bureau of Medical Cannabis Regulation (now Bureau of Cannabis Control)ⁱ found that 57% of cannabis retailers statewide use a storefront location, while 47% conduct business using a delivery service. The 4% overlap in the results represents retailers that sell through both a storefront and a delivery service. This 4% figure is believed to be an underestimate due to certain reporting requirements.

To estimate the number of cannabis retailers and/or delivery services that the City of Oxnard could support, we will first look for any existing available data about the existing unlicensed businesses currently serving the area. Confidential data from the California Department of Tax and Fee Administration (CDTFA) shows 6 businesses in Oxnard reporting retail sales taxes related to cannabis. Only 4 of these are listed as active, and only 1 shows any reported local sales tax receipts in the past 3 quarters. The amount reported is less than a quarter of what we would expect to see for even the smallest of retailers.

In Ventura County as a whole, there are 36 such businesses, with 30 showing as active. Of these, the vast majority reported little or nothing in the way of receipts. Four businesses, including the one in Oxnard, reported combined sales tax of \$11,003, which would equal \$1,100,300 in gross receipts. The average of these 4 businesses is \$275,000 per year in gross receipts.

The Weedmaps website (weedmaps.com) shows 25 cannabis delivery businesses located in the City of Oxnard, with an additional 47 businesses in the neighboring cities of Port Hueneme, Ventura and Camarillo. Combined, Weedmaps lists 72 cannabis delivery businesses that appear to serve the Oxnard area.

HdL has reviewed confidential sales tax data for over 1,400 cannabis-related businesses. This data suggests that gross receipts for cannabis retailers commonly range from \$1 million to \$2.5 million in smaller communities, and up to \$4.5 million in large, urban areas. The receipts provided to the CDTFA by the 4 reporting retailers County-wide, including the one in Oxnard, are all well below the low end of this range.

The existing data for Oxnard and Ventura County is incomplete and internally inconsistent. What data we are able to generate from the CDTFA reporting is well below the averages we see elsewhere in the State, and does not appear to be a reliable indicator. For these reasons, we shall use statewide averages for developing our estimates.

The number of cannabis retailers that a city or county can support may be estimated based upon population. A 2015 survey by the Humboldt Institute for Interdisciplinary Marijuana Research (HIIMR)ⁱⁱ found an average of 4-6 retailers (or dispensaries) for every 100,000 people statewide, and likely more

in communities with higher social acceptance and use. This would suggest that the City of Oxnard, with a population of 208,000 people, could likely support around 13 cannabis retailers.

Estimates of the percentage of the population that uses cannabis on a regular basis vary from around 10% to 13%ⁱⁱⁱ, up to as high as 22%^{iv}. For the City of Oxnard, this would mean somewhere between 20,800 and 45,460 potential cannabis consumers. Storefront recreational and adult-use cannabis retailers typically average around 120 customers per day^v, with a total customer base of around 2,500 customers. From this, we can assume that overall cannabis consumers in Oxnard could support between 8 and 18 retailers, which supports the average of 13 from the HIIMR study. Limiting sale and delivery to medical cannabis users, only, would reduce this figure, though the unavailability of 'recreational' cannabis would likely lead to a much higher portion of sales falling under the "medical" banner than would otherwise be the case. In either case, HdL would encourage the City to take a cautious approach to permitting retailers by starting at the lower figure of 8. This will help ensure success for these businesses by dividing the customer base among a smaller number of retailers.

93% of consumers travel less than 20 minutes or less to make most purchases, with distances of 15-20 miles reserved for more infrequent purchases such as clothing and specialty stores^{vi}. Typically, we would expect to see a minimum of 30% of cannabis consumers using delivery services to purchase their cannabis. The California Growers Association suggest that this percentage is as high as 55%^{vii}. However, the lack of storefront retailers within any reasonable distance would likely push this figure even higher. For this analysis, we will assume a low estimate of 30% and a high estimate of 60%, to give us a mid-point average of 45%.

The gross receipts for retailers is variable depending upon the number of retailers serving a given population, so it's reasonable to expect that more retailers will mean fewer customers for each and, thus, lower gross receipts. Dispensaries are the only cannabis business that specifically serves the local community, rather than feeding into the statewide market, and so the number of dispensaries can be assumed to be somewhat proportional to the local population. Consumer demand for cannabis is assumed to generally be a constant, regardless of its legal status or the availability of dispensaries, and so it's reasonable to expect that more dispensaries will mean fewer customers for each and, thus, lower gross receipts.

However, there will always be an upper limit. We anticipate that providing greater access to dispensaries or retailers would initially facilitate a shift in cannabis purchases happening through legal, regulated means rather than through the black market, especially for non-medical cannabis. Eventually, though, the local cannabis market will reach saturation, at which point new cannabis retailers will simply cannibalize sales from existing retailers. The taxable amount of gross sales will likely plateau at some point, regardless of the number of retailers.

The most common approach for taxing other commercial cannabis activities is a tax on the gross receipts of the business. HdL has reviewed confidential data for over 1,400 sales tax accounts for cannabis-related businesses. This data suggests that gross receipts for retailers commonly range from \$1,000,000 to \$4,000,000, with a midpoint around \$2,500,000. However, based on HdL's review of pro-formas for retailers in the South Coast region, we anticipate that 2.5 high end.

Under California's regulatory program, it is anticipated that consumers will have little reason to purchase cannabis in the medical segment rather than buying in the adult use segment. Both medical and adult use cannabis will pay the State cultivation tax and excise tax, with the only advantage being an exemption from regular sales tax for qualifying patients with a state-issued identification card. Currently there are only 6,172 such cardholders in California, and just 123 in Ventura County^{viii}. Eligibility for this limited sales tax exemption will cost consumers approximately \$100 per year, plus time and

inconvenience, for a savings of 7.75% in the City of Oxnard. It's anticipated that this will provide no price advantage for the vast majority of cannabis consumers^{ix}.

The Bureau of Cannabis Control projects that more than half of the adult use purchases currently in the black market will transition to the legal market to avoid the inconvenience, stigma and risks of buying unknown product through an unlicensed seller^x. Essentially, the easier, cheaper and more reliable it is for consumers to access quality cannabis legally, the less reason they will have to purchase it through the black market. That same study projects that 60% of those currently in the legal, medical cannabis market will shift to the adult use market, for the reasons noted above. The availability of legal adult use cannabis is also anticipated to produce a small 9.4% increase in consumer demand.

The shift from medical to adult use sales is not expected to change the overall volume of sales, only the category into which they fall. Once the legal, adult use market is properly functioning, it is anticipated to capture about 61.5% of the overall cannabis market in California. The legal medical cannabis market is projected to decline to just 9% of the overall market. The other 29.5% is expected to remain in the black market^{xi}.

V. Common Tax Rates

Though the City of Oxnard is currently only considering permitting cannabis delivery services, the City's proposed tax ordinance establishes rates for all cannabis businesses types which may be permitted in the future. HdL is currently working with 25 local governments around California on tax measures for the upcoming June and November 2018 ballots. The proposed rates are consistent with these other ballot measures, and preview what we see as evolving statewide norms for the industry.

Cultivation is most commonly taxed by square footage, rather than gross receipts. The common rates we are seeing for mixed-light cultivation are between \$4 and \$7 per square foot. The range for nurseries is between \$1 and \$2 per square foot. The rates for other cannabis businesses are commonly from 2% up to 6% of gross receipts.

Testing laboratories, as an exception, fall between 1% and 2%, in recognition of the quasi-regulatory function they provide. Some jurisdictions are choosing to not apply any tax to testing laboratories, as they provide a State mandated semi-regulatory function. These rates are shown in Figure 2.

Figure 2:

Common Local Tax Rates Among 2018 Ballot Measures		
Cannabis Business Type	Initial Rate	Maximum Rate
Cultivation (outdoor)	\$2 per square foot	\$4 per square foot
Cultivation (mixed-light)	\$4 per square foot	\$7 per square foot
Cultivation (indoor)	\$7 per square foot	\$10 per square foot
Nurseries	\$1 per square foot	\$2 per square foot
Manufacturing	2.5% of gross receipts	4% of gross receipts
Distribution	2% of gross receipts	3% of gross receipts
Retail	4% of gross receipts	6% of gross receipts
Testing	1% of gross receipts	2.5% of gross receipts

VI. Revenue Projections for Cannabis Retailers

These revenue projections are based upon the various assumptions in the preceding analysis. For each assumption, we have provided a range of three estimates: low, medium and high. As discussed previously, we estimate that cannabis consumers make up anywhere from 10% to 22% of the City's population, with a midpoint of 13%. From this figure, we then apply a range of assumptions for the percentage of consumers who use delivery services for their purchases. This ranges from 30% up to 60%, with a midpoint of 45%. These two assumptions yield an estimate of cannabis delivery customers from a low of 6,250 to a high of 27,456, with a midpoint of 12,168.

The average cannabis transaction is \$73, and average frequency of purchases is twice a month^{xii}. Applying these figures to the customer base, above, we develop a range of gross receipts generated by Oxnard residents of between \$10,932,480 and \$48,102,912, with a midpoint of \$21,318,336.

The City is proposing that cannabis retailers be taxed at an initial rate of 4%, which may be increased to a maximum rate of 6%. When we apply these rates to the mid-point estimate of gross receipts, we project that a tax of 4% would generate \$852,733 in annual revenue, a tax of 5% would generate \$1,065,917, and a tax of 6% would generate \$1,279,100 in annual revenue to the City. These estimates are shown in Figure 3, below.

Figure 3:

Revenue Projections for Cannabis Delivery Tax in the City of Oxnard			
	Low Estimate	Mid-Point Estimate	High Estimate
City population	208,000	208,000	208,000
Percentage of population that uses cannabis	10.0%	13.0%	22.0%
Number of cannabis users	20,800	27,040	45,760
Percentage of cannabis users that use delivery	30.0%	45.0%	60.0%
Number of delivery customers	6,240	12,168	27,456
Average transaction amount	\$73	\$73	\$73
Transaction frequency (per month)	2	2	2
Monthly gross receipts	\$911,040	\$1,776,528	\$4,008,576
Annual gross receipts	\$10,932,480	\$21,318,336	\$48,102,912
Annual revenue by tax rate (below)			
4%	\$437,299	\$852,733	\$1,924,116
5%	\$546,624	\$1,065,917	\$2,405,146
6%	\$655,949	\$1,279,100	\$2,886,175

VII. State Tax Considerations

To determine what local tax rates might be most appropriate, they must be considered in the context of other taxes imposed by the State. Any local taxes will be in addition to those taxes applied through the Adult Use of Marijuana Act (AUMA), which imposes both a 15% excise tax on purchases of cannabis or cannabis products and a separate cultivation tax on harvested cannabis that enters the commercial market, as well as sales tax. Taxes are most commonly expressed as a percent of price or value, so some method of conversion is necessary to allow development of an appropriate cultivation tax based on square footage.

Figure 4:

Cumulative Cannabis Taxes- HdL Companies			
Category	Amount	Increase	Cumulative Price
Producer Price	\$1,000	\$1,000	\$1,000
State Cultivation Tax	\$9.25/oz	\$148	\$1,148
Local Tax	2.50%	\$25	\$1,173
Batch Testing	\$50/lb, + 0.50%	\$55	\$1,228
Wholesale Price w/ Taxes		\$1,228	
Total Tax at Wholesale		\$228	
Tax as %		22.80%	
Manufacturer Markup	20.00%	\$246	\$1,474
Local Tax	4.00%	\$59	\$1,533
Total Manufacturer Price		\$1,533	
Total Taxes at Manufacturer		\$287	
Total Tax as %		18.72%	
Distributor Markup	30.00%	\$460	\$1,992
Local Tax	3.00%	\$60	\$2,052
Total Distributor Price		\$2,052	
Total Taxes at Distributor		\$347	
Total Tax as %		16.90%	
Retailer Markup	100.00%	\$2,052	\$4,104
Local Tax	6.00%	\$246	\$4,350
State Excise Tax	15.00%	\$616	\$4,966
Total Retailer Price		\$4,966	
Total Taxes at Retail		\$1,209	
Total Tax as %		24.34%	
CA Sales Tax (non-medical)	6.25%	\$310	\$5,276
Local Sales Tax	1.00%	\$50	\$5,326
Total Taxes at Retail		\$1,569	
Total Tax as %		29.45%	
Total Local Tax		8.25%	\$439.62

The State cultivation tax is set at a rate of \$9.25 per ounce of dried flower or \$2.75 per ounce of dried leaf. Because these rates are set per ounce, rather than as a percentage of price paid, the tax is the same whether the cultivator is producing commercial-grade cannabis at \$500 per pound or top-grade cannabis at \$2,500 per pound. The cultivator is generally responsible for payment of the tax, though that responsibility may be passed along to either a manufacturer or distributor via invoice, at the time the product is first sold or transferred. The distributor is responsible for collecting the tax from the cultivator upon entry into the commercial market, and remitting it to the Board of Equalization.

The cultivation tax of \$9.25 per ounce of dried flower is equivalent to \$148 per pound. Just a year ago, HdL would have assumed an average wholesale market price for dried flower of around \$1,480 per pound, which would make that \$148 equal to 10% of value. Since then, however, prices have plummeted. Competitive market forces enabled by legalization have brought the average price for indoor cannabis down to around \$1,000 per pound, or even less (cannabis prices vary greatly based on quality of the product)^{xiii}.

Conversations with cannabis industry trade groups suggest that the cumulative tax rate on the end product should remain at or around 30%. Higher rates create too much price disparity between legal and illegal cannabis, making it harder for the regulated industry to compete with the black market. Higher local tax rates can also make a county or city less attractive to the industry, especially for manufacturers and distributors, which have greater flexibility in choosing where to locate. We believe that setting rates that adhere to this 30% rule will help keep the local cannabis industry competitive with other cultivators across California, thus encouraging the transition to a legal industry.

Figure 4 shows how the cumulative tax rate on adult-use cannabis builds as the product moves towards market. The value of the product increases as it moves through the supply chain towards market, with manufacturers, distributors and retailers each adding their own markup. Testing laboratories do not add a direct markup to the product, but the cost of testing and the loss of a small test sample can add around \$55 per pound. Any or all of these activities may be taxed.

This model assumes a hypothetical case where cultivation, manufacturing, testing, distribution and retail sale all happen within the same jurisdiction and are thus all subject to that jurisdiction's tax rates. In actuality, this is unlikely to be the case. Manufacturers may work with product purchased from anywhere in California, and may sell their product to retailers elsewhere, as well. The cumulative tax burden for any product at retail sale will almost always include a variety of tax rates from numerous jurisdictions.

VIII. Cannabis Manufacturers

The manufacturing sector is still evolving and expanding, which presents significant opportunities for innovation, business development and job growth. The range of products being produced includes an ever-increasing variety of edibles such as candies, cookies, dressings, and infused drinks. Manufacturers may produce their own extract on site, or they may buy extract from other Type 6 or Type 7 licensees. Much like any other industry, cannabis manufacturers often depend upon other businesses to supply them with the various materials or components that go into their final product. These suppliers do not have to be located in or even near the same jurisdiction as the final manufacturer, and may be located anywhere throughout the state.

Some manufacturers may handle all steps from extraction to packaging the end product in the form of vape pens or other such devices. Others may handle only discreet steps, such as making the raw BHO, which is then sold either directly to retailers or to a Type N manufacturer who will package it into vapor cartridges or other end consumer products. Manufacturers also produce a wide variety of tinctures, as well as topicals such as cannabis infused lotions, salves, sprays, balms, and oils.

As of June 4th, the Manufactured Cannabis Safety Branch (MCSB) of the California Department of Public Health has issued 668 temporary licenses statewide. Of these, 341 are for non-volatile extraction, 230 are for volatile extraction, 76 are for non-extraction manufacturing and 21 are for packaging and labeling. These 668 licenses are held by 398 unique businesses. Most of the duplicate licenses held by a single manufacturer are to allow for both “A” (Adult Use) and “M” (Medicinal Use) manufacturing.

MCSB has not issued any manufacturing licenses either in Oxnard or anywhere else in Ventura County. However, Ventura County is located directly between Santa Barbara County, which has the largest amount of licensed cultivation in the State, and Los Angeles County, with the largest consumer population in the State. Being located directly between the largest supply and the greatest demand could make Oxnard and the County well situated to attract manufacturing and distribution businesses, should they choose to.

MCSB estimates that there are approximately 1,000 cannabis manufacturing businesses in California, employing 4,140 people. This is an average of 4 new jobs per manufacturer, though this figure likely varies significantly depending on the size and nature of the business.

HdL has reviewed pro-formas for numerous cannabis manufacturers seeking permits in counties and cities throughout California. From this review we have seen a range of gross receipts from around \$1 million to over \$5 million, with an average in the range of \$2 million to \$3 million. For our analysis, we assume that the City could support between 6 and 12 manufacturers, with a range of sizes. We shall use an average of \$2.5 million for purposes of this analysis. When we apply the range of tax rates being considered by the City, these businesses could generate between \$375,000 and \$1,200,000 in annual revenue for the City, as shown in Figure 5.

Commercial Manufacturers						
Type 6/7/M/P Manufacturer	# of Licenses	Avg Gross Receipts	Total Gross Receipts	Revenue @ 2.5% Tax Rate	Revenue @ 3.0% Tax Rate	Revenue @ 4.0% Tax Rate
Manufacturers	6	\$2,500,000	\$15,000,000	\$375,000	\$450,000	\$600,000
Manufacturers	8	\$2,500,000	\$20,000,000	\$500,000	\$600,000	\$800,000
Manufacturers	12	\$2,500,000	\$30,000,000	\$750,000	\$900,000	\$1,200,000

Figure 5:

IX. Distributors and Testing Laboratories

The business model for distributors is based on a percentage markup on the price paid to their suppliers. This markup is commonly 20% to 30%. While there is not an abundance of data to determine the average gross receipts for distributors, HdL has reviewed a number of pro-formas for distributors seeking licenses in other jurisdictions. These indicate anticipated gross receipts in the range of \$2 million to \$3 million per year, with an average of \$2.5 million.

Due to its location directly between the vast cannabis greenhouses of Santa Barbara County and the large consumer base of Los Angeles, we believe that Oxnard could be well-positioned to attract cannabis distributors. This would especially be the case if the City allowed (and was successful in attracting) a variety of other business types, including cultivators and manufacturers. For purposes of this analysis, we assume the City may attract 3 cannabis distributors with average receipts of \$2,500,000 per year.

The Bureau of Cannabis Control has so far only issued licenses for 28 testing laboratories in all of California. These laboratories tend to be located in areas with a large amount of commercial cannabis activity. Since Oxnard has so far banned all commercial cannabis activities, it seems unlikely that the City would be home to a testing laboratory in the near future. However, should the City choose to permit and regulate other cannabis business types, it is certainly possible that it may become an attractive location at some point in the future.

We have included 1 testing laboratory in our analysis to show the amount of revenue that could potentially be generated, though we would recommend that the City not use this figure in its own projections. Pro formas reviewed by HdL suggest average gross receipts of \$2,000,000 for testing laboratories.

Applying the proposed rates from the City's draft tax ordinance to both distributors and testing laboratories, we estimate that 3 distributors could generate between \$150,000 and \$225,000 for the City. Were the City to be home to a testing laboratory, we would expect it to generate between \$20,000 and \$50,000 in annual revenue. These estimates are shown in Figure 6.

Figure 6:

Distributors and Testing							
License Type	# of Licenses	Avg Gross Receipts	Total Gross Receipts	Revenue @ 1.0% Tax Rate	Revenue @ 2.0% Tax Rate	Revenue @ 2.5% Tax Rate	Revenue @ 3.0% Tax Rate
Distributors	3	\$2,500,000	\$7,500,000		\$150,000	\$187,500	\$225,000
Testing	1	\$2,000,000	\$2,000,000	\$20,000	\$40,000	\$50,000	

X. Cultivation

The CalCannabis Division of the California Department of Food and Agriculture has been issuing temporary cultivation licenses since January 1st. As of May 30th, CalCannabis has not issued any licenses in the City of Oxnard, or anywhere in Ventura County. However, a survey by CDFA in August 2016 found 233 respondents registering interest in obtaining one or more of the available cultivation license types. The methods used for the survey were not statistically robust, and so we generally do not rely upon them for accuracy. However, this survey does indicate that there is perhaps a dormant demand for legal commercial cannabis cultivation in Ventura County, should it be permitted.

Neighboring Santa Barbara County has the highest amount of licensed cannabis cultivation in California, with 907 licenses comprising 28% of all such licenses in the State. The vast majority of this cultivation has been accommodated through adaptive reuse of vacant industrial greenhouse space. The climate in Oxnard is very similar to Santa Barbara, and so would be similarly conducive to greenhouse cultivation. However, the reality of the City's urban land use patterns would likely limit the opportunities for how and where cultivation could take place.

A Google Earth survey of the City indicates that there are approximately 400 acres of agricultural lands within the City limits, but outdoor cultivation in these locations would likely be problematic. Though Oxnard's temperate climate may be attractive, coastal humidity can lead to problems with mold and fungus. In addition, adjacency to other industrial agriculture crops can cause issues with pesticide drift. Either of these issues could lead to crops being rejected for contamination due to the strict testing requirements.

About 13 acres of agricultural land appear to have hoop-style greenhouses, but these are generally not sufficient for protecting cannabis from the high humidity of a coastal environment. While it is possible that new greenhouses could be erected for cultivation, it may prove to be cost prohibitive or uncompetitive with other locations where available and adaptable greenhouse infrastructure already exists.

It is far more likely that any cannabis cultivation in Oxnard would be limited to indoors due to both the coastal climate and the urban environment. Most jurisdictions limit indoor cultivation to industrial-zoned districts. Oxnard has a large amount of Light Industrial-zoned properties, mostly located on the Eastern edge of the City. The City likely has enough indoor industrial space to accommodate a large number of cultivators, but we believe that the actual number of such businesses would likely be fairly modest.

The cannabis cultivation market in California has already exceeded its saturation point 3-times over, which suggests that there is not enough room for those growers already licensed, much less new entrants into the market. The 907 licensed cultivators in neighboring Santa Barbara are capable of producing over 1.5 million pounds of cannabis per year, which is around 75% of the amount of legal cannabis consumed by all Californians combined. The 770 licensed growers in Humboldt County could theoretically produce over 1.2 million pounds per year. With this much oversupply, we anticipate a failure rate of 60% to 70% among currently licensed cannabis growers in the next year and a half.

For this reason, our analysis here projects a cautious 10 indoor cultivation sites in the City. We shall assume 2 "specialty" licenses (up to 5,000 square foot), 4 "small" licenses (up to 10,000 square feet) and 4 "medium" licenses (up to 22,000 square feet).

For analyses such as this, we typically assume that indoor cultivation is able to utilize the entire cultivation area as canopy, and that the site is able to produce 4 harvest cycles per year (many indoor cultivators produce 5 or 6 cycles per year, but 4 is a more reliable and more conservative figure for

making projections). We also assume a yield of .125 pounds per square foot of canopy, and an average market price of \$1,000 per pound.

Figure 7:

Square Footage Tax as an Equivalent Percent of Value									
Indoors Cultivation Size	Canopy Area (sq ft)	Harvest Cycles /Year	Yield (lbs)	Value @ \$1,000/lb	Tax Rate \$7.00/sf	Total Annual Tax Paid	Tax Rate per Cycle	Tax per Pound	Tax as Percent of Value
Small	10,000	4	5,000	\$5,000,000	\$7.00	\$70,000	\$1.75	\$14.00	1.40%
Small	10,000	4	5,000	\$5,000,000	\$8.50	\$85,000	\$2.13	\$17.00	1.70%
Small	10,000	4	5,000	\$5,000,000	\$10.00	\$100,000	\$2.50	\$20.00	2.00%

Applying these assumptions to a theoretical 10,000 square foot indoor grow allows us to convert or compare the impact of a square footage tax with a tax by weight or by gross receipts (shown here as an equivalent percentage of value). As shown in Figure 7, above, a tax rate of \$7 per square foot of indoor cultivation is equal to \$14 per pound, or 1.4% of value. A tax of \$8.50 is equal to \$17 per pound, or 1.7% of value, and a tax of \$10 per square foot is equal to \$20 per pound or 2.0% of value.

Figure 8, below, shows the estimated gross receipts ("Value @ \$1,000/lb") that could be generated by each of the three different size classes, and the total annual tax that would be paid by each with a tax rate of \$7 per square foot.

Figure 8:

Indoor Cultivation Tax per Square Foot									
Indoors Cultivation Size	Canopy Area (sq ft)	Harvest Cycles /Year	Yield (lbs)	Value @ \$1,000/lb	Tax Rate \$7.00/sf	Total Annual Tax Paid	Tax Rate per Cycle	Tax per Pound	Tax as Percent of Value
Specialty	5,000	4	2,500	\$2,500,000	\$7.00	\$35,000	\$1.75	\$14.00	1.40%
Small	10,000	4	5,000	\$5,000,000	\$7.00	\$70,000	\$1.75	\$14.00	1.40%
Medium	22,000	4	11,000	\$11,000,000	\$7.00	\$154,000	\$1.75	\$14.00	1.40%

Figure 9 builds on the previous two charts to show the amount of annual tax revenue that could be generated by applying tax rates of \$7, \$8.50 and \$10 per square foot to the selected number of each license type (2 specialty, 4 small and 4 medium). A tax of \$7 per square foot could generate \$966,000 in annual revenue for the City of Oxnard. A tax rate of \$8.50 could generate \$1,173,000, and a rate of \$10 per square foot could generate \$1,380,000.

Figure 9:

Annual Revenue Generated by Different Tax Rates							
Indoors Cultivation Size	Canopy Area (sq ft)	Qty	Average Gross Receipts	Combined Gross Receipts	Tax Revenue at \$7/sf	Tax Revenue at \$8.50/sf	Tax Revenue at \$10/sf
Specialty	5,000	2	\$2,500,000	\$5,000,000	\$70,000	\$85,000	\$100,000
Small	10,000	4	\$5,000,000	\$20,000,000	\$280,000	\$340,000	\$400,000
Medium	22,000	4	\$11,000,000	\$44,000,000	\$616,000	\$748,000	\$880,000
TOTAL					\$966,000	\$1,173,000	\$1,380,000

XI. Summary

Applying the range of tax rates described in this report, we anticipate that the City of Oxnard could generate between \$2,488,733 and \$3,734,100 per year. These projections assume the number of each type of business below, which are based upon the midpoint assumptions for the number of each type of cannabis business discussed in this report.

Figure 10:

Business Type	Number	Low tax rate	Revenue	High Tax Rate	Revenue
Retailer	13	4.0%	\$852,733	6.0%	\$1,279,100
Manufacturer	8	2.5%	\$500,000	4.0%	\$800,000
Distributor	3	2.0%	\$150,000	3.0%	\$225,000
Testing Lab	1	1%	\$20,000	2.5%	\$50,000
Cultivation	10	1.4%	\$966,000	2.0%	\$1,380,000
Total			\$2,488,733		\$3,734,100

XII. Appendix

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Legal and Regulatory Background for California

The legal and regulatory status of cannabis in the State of California ("State") has been continually evolving ever since the passage of Proposition 215, the Compassionate Use Act of 1996 ("the CUA"), which de-criminalized the use, possession and cultivation of cannabis for qualifying patients and their primary caregivers when such use has been recommended by a physician. The CUA did not create any regulatory program to guide implementation, nor did it provide any guidelines for local jurisdictions to establish their own regulations.

The lack of legal and regulatory certainty for medical marijuana (or cannabis) continued for nearly 20 years, until the passage of the Medical Cannabis Regulation and Safety Act ("MCRSA") in October of 2015. MCRSA created a State licensing program for commercial medical cannabis activities, while allowing counties and cities to maintain local regulatory authority. MCRSA required that the State would not issue a license without first receiving authorization by the applicable local jurisdiction.

Under MCRSA, commercial medical cannabis activities are regulated by a variety of State agencies. The California Department of Food and Agriculture (CDFA) established a new CalCannabis division, which will create, issue, and suspend or revoke licenses for the cultivation of medical cannabis. The Bureau of Medical Cannabis Regulation (later renamed the Bureau of Cannabis Control, or BCC) in the Department of Consumer Affairs, will administer, enforce, create, issue, renew, discipline, suspend, and/or revoke licenses for distributors, testing laboratories, and retailers. The California Department of Public Health's newly created Manufactured Cannabis Safety Branch (MCSB), will license cannabis product manufacturers, and will develop standards for the production and labeling of all medical cannabis products.

On November 8, 2016, the voters of the State of California approved Proposition 64, the Adult Use of Marijuana Act ("the AUMA"), which allows adults 21 years of age or older to legally grow, possess, and use marijuana for non-medical purposes, with certain restrictions. The AUMA requires the State to regulate non-medical marijuana businesses and tax the growing and selling of medical and non-medical marijuana. Cities and counties may also regulate non-medical marijuana businesses by requiring them to obtain local permits or restricting where they may be located. Cities and counties may also completely ban marijuana related businesses if they so choose.

On June 27, 2017, the State of California passed SB 94, which repealed MCRSA and incorporated certain provisions of MCRSA into the licensing provisions of AUMA. These consolidated provisions are now known as the Medicinal and Adult-Use Cannabis Regulation and Safety Act (MAUCRSA). MAUCRSA revised references to "marijuana" or "medical marijuana" in existing law to instead refer to "cannabis" or "medicinal cannabis," respectively. MAUCRSA generally imposes the same requirements on both commercial medicinal and commercial adult-use cannabis activity, with certain exceptions.

All State license types other than Type 8 Testing Laboratories shall be designated either "A" for Adult Use or "M" for Medical". A single licensee will be allowed to hold both A and M licenses, but it's unclear whether they will be able to operate both on the same premises.

MAUCRSA incorporated the Type 5, 5A and 5B cultivation licenses from AUMA, which will allow for cannabis farms of unlimited size. No Type 5 licenses will be issued before 2023, however, and local jurisdictions will still retain the authority to disallow or limit the size of cannabis cultivation. It is anticipated that CDFA will limit the number of Type 5 licenses, but this is not yet clear.

AUMA and MAUCRSA eliminated the Type 12 Cannabis Transporter license type from MCRSA. Instead, cannabis cultivators, manufacturers and retailers (but not testing laboratories) are now allowed to

transport their own product, provided they have a separate distributor license. Independent cannabis distributors will likely pick up a larger portion of that business, too. In its place, MAUCRSA incorporated the Type 12 license for cannabis “Microbusinesses” from AUMA, which allows a combined non-medical cannabis business with up to 10,000 square feet of cultivation, and which can manufacture, distribute and sell their product on-site to retail customers, provided they meet all of the individual license requirements for all of the activities they choose to undertake.

MAUCRSA also made a fundamental change to the local control provisions. Under MCRSA, an applicant could not obtain a State license until they had a local permit. Under MAUCRSA, an applicant for a State license does not have to first obtain a local permit, but they cannot be in violation of any local ordinance or regulations. The State licensing agency shall contact the local jurisdiction to see whether the applicant has a permit or is in violation of local regulations, but if the local jurisdiction does not respond within 60 days, then the applicant will be presumed to be in compliance and the State license will be issued.

On September 16, 2017, Governor Brown signed AB 133, which makes a number of major and minor “clean up” changes to the State’s regulations, most notably regarding vertical integration. MAUCRSA authorizes a person to apply for and be issued more than one license only if the licensed premises are separate and distinct. With the passage of AB 133, a person or business may co-locate multiple license types on the same premises, allowing a cultivator to process, manufacture or distribute their own product from a single business location. This includes the allowance to cultivate, manufacture, distribute or sell cannabis for both medical and adult use from a single location. However, these allowances are still subject to local land use authority, so anyone seeking to operate two or more license types from a single location would be prohibited from doing so unless local regulations allow both within the same zone.

Most recently, on November 16th, the three State licensing agencies simultaneously issued emergency regulations to implement these many new laws. These emergency regulations were closely based upon draft regulations that had been released for review the previous Spring. Those draft regulations were withdrawn after the passage of SB 94, as they had been based upon the now-defunct MCRSA. The draft regulations made a number of interpretive changes to the regulatory framework defined by the various pieces of legislation. Most of these were small, but some are more significant.

Figure 11 (next page) lists the 30 different license types currently available from the State. Of these, 29 are available under either A (Adult Use) or M (Medical). Only the Type 8 Testing license does not distinguish between these categories. All told, there are 59 different licenses and variations available.

State License Types Under MAUCRSA					
Type	Activity	Description	Details	Licensing Agency	Notes
1	Cultivation	Outdoor; Specialty, Small	Up to 5,000 sf, or 50 plants on non-contiguous plots	CDFA	A, B
1A	Cultivation	Indoor; Specialty, Small	501 sf - 5,000 sf	CDFA	A, B
1B	Cultivation	Mixed-Light; Specialty, Small	2,501 sf - 5,000 sf	CDFA	A, B, C
1C	Cultivation	Outdoor/indoor/mixed; Specialty Cottage, Small	Up to 25 plants outdoor; up to 2,500 sf mixed light; up to 500 sf indoor	CDFA	A, B, C
2	Cultivation	Outdoor; Small	5,001 sf - 10,000 sf	CDFA	A, B
2A	Cultivation	Indoor; Small	5,001 sf - 10,000 sf	CDFA	A, B
2B	Cultivation	Mixed Light, Small	5,001 sf - 10,000 sf	CDFA	A, B, C
3	Cultivation	Outdoor; Medium	10,001 sf - one acre	CDFA	A, B, D
3A	Cultivation	Indoor; Medium	10,001 sf - 22,000 sf	CDFA	A, B, D
3B	Cultivation	Mixed-Light; Medium	10,001 sf - 22,000 sf	CDFA	A, B, C, D
4	Cultivation	Nursery	Seeds, clones, immature plants only	CDFA	A, B
5	Cultivation	Outdoor; Large	Greater than 22,000 sf	CDFA	A, B, E
5A	Cultivation	Indoor; Large	Greater than 22,000 sf	CDFA	A, B, E
5B	Cultivation	Mixed-Light; Large	Greater than 22,000 sf	CDFA	A, B, C, E
	Cultivation	Processor	Trimming, drying or packaging of non-manufactured cannabis only	CDFA	A, B, F
6	Manufacturer 1	Extraction; Non-volatile	Non-volatile extraction only, infusion, packaging and labeling	MCSB	A, B
7	Manufacturer 2	Extraction; Volatile	Volatile or non-volatile extraction, infusion, packaging and labeling	MCSB	A, B
N	Manufacturer	Packaging and Labeling	No extraction allowed	MCSB	A, B, F
P	Manufacturer	Infusion for Edibles, Topicals	No extraction allowed	MCSB	A, B, F
8	Testing		Shall not hold any other license type	BCC	A
9	Retailer	Delivery only	No storefront allowed	BCC	A, B
10	Retailer	Retail sale and delivery		BCC	A, B, F
11	Distributor		Various categories based on size	BCC	A, B
12	Microbusiness	Cultivation, Manufacturer 1, Distributor and Retailer	< 10,000 sf of cultivation; must meet requirements for all license types	BCC	A, B
	Self-Distribution		Distribution of own cannabis or cannabis products only	BCC	A, B, F
	Event Organizer		Up to 10 cannabis events annually	BCC	A, B, F
CDFA	California Department of Food and Agriculture, CalCannabis Division				
MCSB	California Department of Public Health, Manufactured Cannabis Safety Branch				
BCC	Bureau of Cannabis Control				
A	All license types valid for 12 months and must be renewed annually				
B	All license types except Type 8 Testing must be designated either "A" (Adult Use) or "M" (Medical)				
C	Mixed-light cultivation licenses classified as either Tier 1 (6 watts/sf or less) or Tier 2 (6 watts/sf up to 25 watts/sf)				
D	A person shall be limited to 1 Medium license of any type until January 1, 2023				
E	No Type 5 licenses shall be issued before January 1, 2023				
F	Established by licensing agencies through rulemaking process				

Figure 11:
HdL Companies

The emergency regulations established a number of new license types, which fill in some gaps in the industry chain. CalCannabis established a separate Processor license for facilities which conduct only the drying, curing, trimming, grading, packaging or labeling of non-manufactured cannabis products. CalCannabis also established two tiers for all Mixed-Light cultivation sizes. Tier 1 applies to cultivators which use 6 watts per square foot of supplemental light or less, while Tier 2 applies to cultivators which use between 6 watts and 25 watts per square foot.

The Bureau of Cannabis Control established a new Type 9 license for Non-Storefront Retailers which conduct cannabis sales exclusively by delivery, as well as a Self Distribution license for cultivators or manufacturers which wish to distribute only their own product. The Bureau also created a system for permitting cannabis events, where cannabis will be sold or consumed, and a license type for Event Organizers. Permits for cannabis events may only be issued to persons or businesses holding an Event Organizer license.

The Manufactured Cannabis Safety Branch created two additional manufacturing license types. The Type N license is for manufacturers that produce edible or topical products using infusion or other processes, but that do not conduct extractions. The Type P license is for manufacturers that only package or repackage cannabis products or label or relabel the cannabis product container.

General Economic Impacts

Discussion of regulating and taxing the cannabis industry can too often overshadow the larger jobs and economic development issues that typically accompany efforts to attract new industry. Word that a new business or industry is looking to bring hundreds of new jobs to a community is more commonly met with open arms and offers of tax incentives. The cannabis industry is perhaps completely unique in that the inherent jobs and economic development benefits are welcomed more grudgingly and met with the disincentive of special taxes.

As with any other industry, the cannabis industry does not exist in a vacuum. Those businesses that actually grow, process, manufacture, distribute and sell cannabis products support a wide variety of other businesses that may never touch the actual product itself. Cultivators support garden supply stores, green house manufacturers, irrigation suppliers, soil manufacturers, and a wide variety of contractors including building and construction, lighting and electrical, HVAC, permitting, and engineering. Manufacturers support many of these same businesses, plus specialized tooling and equipment manufacturers, and product suppliers for hardware, packaging, and labeling. All of these businesses support, and are supported by, a host of ancillary businesses such as bookkeepers, accountants, tax preparers, parcel services, marketing and advertising agencies, personnel services, attorneys, facilities maintenance, security services, and others.

The economic benefits are not limited to those in the cannabis industry, itself. Cultivators and manufacturers bring new money into the community by selling their products into a statewide market. Their profits and the salaries they pay move into the general local economy, supporting stores, restaurants, car dealerships, contractors, home sales and other businesses. In Humboldt County, a study done in 2011 found that at least \$415 million dollars in personal income was entering the local economy annually from the cannabis industry, roughly equal to one quarter of the county's entire \$1.6 billion economy.

While Humboldt is likely an outlier, research done by HdL for other clients suggests that other counties and cities see similar, if smaller, economic inputs from this industry, with some in the range of \$100 million dollars or more annually. As this industry adapts to a legal paradigm, the challenge for some counties will be mitigating and minimizing the economic loss as the black market slowly fades away.

Because of the emerging nature of this industry, it is currently populated primarily (but not solely) by small, independently-owned businesses. Numerous studies have demonstrated that locally-owned, independent businesses recirculate a far higher percentage of every dollar back into the local community than large, corporately-owned businesses do. The same economic development arguments that are used to support other independent, locally-owned businesses apply to this industry, too. It is estimated that every \$1 spent at a medical or adult-use cannabis retailer generates an additional \$3 in economic benefits to the host city or county^{xiv}. The City should expect to see comparable economic benefits from cannabis businesses as with any other new businesses, separate from any tax revenue that may be generated.

Industry experts believe that California's current statewide production is five to eight times higher than the State's population consumes^{xv}, a figure derived from the SRIA done for CDFA's cannabis cultivation program. That assessment found that California's cannabis industry produces some 13.5 million pounds of cannabis per year, which would be enough to provide over half a pound of cannabis per year for every Californian 21 and over. However, the assessment also found that California's 4.5 million cannabis users only consume about 2.5 million pounds of cannabis per year. A separate study performed for the California Cannabis Industry Association put statewide consumption even lower, at 1.6 million pounds^{xvi}.

The majority of the cannabis produced in California is presumably supplying other states that do not have legalized cannabis.

The Bureau of Cannabis Control projects that more than half of the adult use purchases currently in the black market will transition to the legal market to avoid the inconvenience, stigma and risks of buying unknown product through an unlicensed seller^{xvii}. Essentially, the easier, cheaper and more reliable it is for consumers to access quality cannabis legally, the less reason they will have to purchase it through the black market. That same study projects that 60% of those currently in the legal, medical cannabis market will shift to the adult use market, for the reasons noted above. The availability of legal adult use cannabis is also anticipated to produce a small 9.4% increase in consumer demand.

Given these figures, cities and counties should expect to see some increase in retail sales as these shifts occur in the market. More significantly, the existence of legally permitted cannabis retailers will allow a far greater portion of existing cannabis sales to be captured by legal (and tax-paying) retailers.

The shift from medical to adult use sales is not expected to change the overall volume of sales, only the category into which they fall. Once the legal, adult use market is properly functioning, it is anticipated to capture about 61.5% of the overall cannabis market in California. The legal medical cannabis market is projected to decline to just 9% of the overall market. The other 29.5% is expected to remain in the black market^{xviii}.

These numbers only apply to the 1.6 million to 2.5 million pounds of cannabis that is consumed in California, representing the potential size of the legal cannabis market. If 29.5% of the cannabis consumed in California continues to come from the black market, then the size of the market for legal cannabis must be adjusted downward accordingly. This would reduce the size of the legal market in California to between 1.13 million and 1.76 million pounds.

California has been issuing temporary licenses for commercial cannabis businesses since the beginning of the year. As of May 30th, CDFA's CalCannabis division has issued 3,664 cultivation licenses, capable of producing over 7.3 million pounds of cannabis per year. That amount is over three times more cannabis than the State's legal buyers are anticipated to consume. Were the State to issue no more licenses, we would expect a failure rate of at least 60% in the first two years.

However, the rate of issuance for new cultivation licenses does not yet appear to be slowing. It is quite possible that the number of State cultivation licenses could approach or even exceed 5,000 by the end of the year, with a capacity to produce over 10 million pounds of cannabis per year. Should this come to pass, the failure rate in the first 2 years would likely be massive.

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- ^{xvi} Denver Relief Consulting, et al (2017) "2017 California Cannabis Opportunity Report" <https://www.cacannabisreport.com/>
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ATTACHMENT

**B. City Council Staff Report, October 2, 2018 City Council staff
report**



**CITY COUNCIL
AGENDA REPORT**

TYPE OF ITEM: Report

AGENDA ITEM NO.: 2

DATE: October 2, 2018

TO: City Council

FROM: Ashley Golden
Development Services Director

SUBJECT: Cannabis Land Use Options (15/20/30)

CONTACT: Ashley Golden, Development Services Director
Ashley.Golden@oxnard.org, (805) 385-7882

RECOMMENDATION:

That City Council:

1. Receive a presentation regarding land use and siting (location) options associated with cannabis land uses in zoning designations throughout the City of Oxnard;
2. Direct staff to prepare draft land use and permit regulations that would allow cannabis distribution, manufacturing, and testing/laboratory operations in the City of Oxnard;
3. Review potential indoor and outdoor cannabis cultivation and provide input on land use locations, if any; and
4. Review potential medical and non-medical cannabis dispensary (i.e., retail dispensaries) locations and direct staff to conduct community outreach to solicit input pertaining to proposed dispensary locations in the City of Oxnard.

BACKGROUND

At its June 5, 2018 meeting, the City Council placed a measure on the November 2018 ballot that would impose a cannabis business tax on commercial cannabis uses, if approved by voters. Advancing that ballot measure allows the City to continue its "go slow" approach in considering commercial cannabis uses while preserving the City's ability to tax cannabis activities if the voters approve the ballot measure and the City Council subsequently authorizes specific commercial cannabis uses and regulations within the City.

On June 26, 2018, the City Council conducted a study session to evaluate the types of cannabis related land uses that may be permitted in the City. Background information provided to the City Council for its consideration at the study session included the “Fiscal Analysis and Feasibility Study of the Commercial Cannabis Industry” prepared by the City’s cannabis consultant, HdL. At this meeting, the Council directed staff to proceed with evaluating the siting and land use regulations associated with the following cannabis related uses: Retail (medical and non-medical), Manufacturing, Distribution, Testing Laboratories, and Cultivation. The staff report for the June 26, 2018 Study Session is attached as Attachment A.

Staff, in consultation with HdL, has evaluated state law, reviewed land use regulations, studied best practices, and is providing recommendations and potential land use locations for five cannabis related land uses in the City.

ANALYSIS

The HdL study prepared for the June 26, 2018 study session indicated that the City of Oxnard could support the following number of each type of commercial cannabis uses:

- 1) Retail dispensaries – 8 to 18
- 2) Manufacturing – 6 to 12
- 3) Distributors – 3
- 4) Testing Labs – 1
- 5) Cultivation – 2

Consistent with the City’s “go slow” approach, staff recommends the following numbers for each type of proposed commercial cannabis uses:

- 1) Retail dispensaries – 8
- 2) Manufacturing – 8
- 3) Distributors – 3
- 4) Testing Labs – 1

Cannabis Business Type	Go Slow Approach Recommended	HdL Feasibility Study Range (June 2018 study)
Retail	8	8-18
Manufacturer	8	6-12
Distributor	3	3
Testing Lab	1	1
Cultivation	2	2

- 5) Cultivation – 2

Land Use Siting Considerations

The State of California stipulates that cannabis related uses cannot be located closer than 600-feet from a sensitive use, which is defined by state law as K-12 schools (including private and charter schools), day care centers, youth centers, and public parks. Local governments, however, are allowed to designate smaller, or larger, buffer zones if these buffer zones are codified in an ordinance. The state will defer to the local government on a buffer zone that differs from the default standard of 600 feet. State law mandates the 600-foot distance be calculated, parcel to parcel (boundary line to boundary line). This means if 600 feet touches any part of a legal parcel, the entire area cannot contain cannabis related uses. State law is silent on the buffer zone from a cannabis use to residential properties; setting that buffer is entirely up to local government.

Based upon the land use considerations and local zoning, staff has prepared various maps to conceptually identify locations where cannabis uses could be located. All maps implement the 600 foot buffer separation requirement stipulated by state law; however staff looked at increasing buffers to 800 feet and even 1000 feet, but the increased buffer only resulted in the removal of two cannabis use areas which was considered negligible.

The maps contained in the staff report are as follows:

- Potential Cannabis Areas Map – Identifies the five potential cannabis types and conceptual locations (Attachment B)
- Manufacturing, Distribution & Testing Map (Attachment C)
- Cultivation Map – Identifies potential indoor or outdoor cultivation areas (Attachment D)
- Retail Dispensary Maps– Identifies potential retail locations (Attachment E) and retail dispensaries in Port Hueneme (see Attachment F)

There are best practices that apply to all five uses, best practices for each of the five uses, and special considerations with cultivation and retail (see Attachment G). Because of the commonalities and best practices with distribution, manufacturing, and testing/laboratory, staff will present information on these three uses as one group. Retail and cultivation will have separate analysis and mapping.

Potential Cannabis Uses and Potential Locations in the City of Oxnard
Distribution, Manufacturing, Testing/Laboratory Operations

The June 2018 HdL study indicated that cannabis manufacturing presented the best opportunity for growing new business and jobs in the City. It also noted that the manufacturing sector was still evolving and expanding, which also presented significant opportunity for innovation, business development, and job growth. Finally, the report noted that due to Oxnard's location directly between the vast greenhouses of Santa Barbara County and the larger consumer base of Los Angeles, Oxnard could be well positioned to attract cannabis distributors as well as testing laboratories.

Distribution is a fundamental component of the cannabis supply chain and involves the procurement, sale, and transport of cannabis and/or cannabis products. Distribution facilities are commonly located in industrially zoned areas. Manufacturing and testing typically involve the preparation, propagation or compounding of cannabis that involves chemicals and materials which are regulated by the state. These uses are typically within industrial zones away from residential areas. .

As identified within Attachment C, Potential Manufacturing, Distribution, & Testing Map – "Potential Industrial Areas", the identified areas include:

- Rose Santa Clara Corridor Specific Plan area (Business Park and Commercial) – north of US 101, west of N. Rice Ave., and generally east of Paseo Mercado;
- Sakioka Farms Specific Plan area (Industrial and Business Research Park) – south of US 101, east of N. Rice Ave.;
- McInnes Ranch Specific Plan area (Industrial) - south of Sakioka, and north of W. Fifth Street, east of N. Rice Ave.;
- Northfield Seagate (Industrial) – west of N. Rice Ave., north of W. Fifth Street, south of US 101;
- Channel Islands Business Center (Industrial) - south of Wooley Rd., west of S. Rose Ave., and north of E. Channel Island Blvd.;
- Statham Blvd. (Industrial) – west of S. Rose Ave., north of Channel Islands Blvd., east of Rose Ave.; and
- Arcturus (Industrial) – north and south of E. Hueneme Rd., west of Perkins, Ormond Beach area.

The Potential Industrial Areas were identified with consideration to residential land uses, and environmental resources. The boundaries of the Potential Industrial Area uses are no closer than 600 feet from state defined sensitive uses. In some locations, the Potential Industrial Areas are oddly shaped. This is because the 600 foot measurement is from parcel to parcel (boundary line to boundary line) and in some location areas are retained as one parcel with multiple buildings/land uses.

If the City Council gives direction to proceed with regulations with these three cannabis uses, an ordinance containing best practices to address health, safety, and public welfare, as well as land use compatibility will be drafted and presented to Planning Commission and City Council at a future date. Development and permit regulations would also be developed, and in doing so consideration of Specific Plan regulations and business interest would be evaluated. The HdL study indicated that through a “go-slow” approach, the City could feasibly support up to 14 Industrial cannabis land uses. The draft regulations would contain provisions to ensure that no more than 12 industrial uses would be permitted before returning to City Council for further directions and necessary ordinance amendments.

Cultivation

There was generally less unified City Council support for cultivation in the City.

Cultivation is generally divided into four basic categories that are square footage driven: outdoor, indoor, mixed light (may utilize both natural and artificial light), and nursery. A combination of these cultivation techniques may occur at a site. Cultivation licenses allow for activities involved in planting, growing, harvesting, drying, curing, grading, and trimming. Depending upon the cultivation method, the size, location, and setting of cannabis cultivation sites could vary. Cultivation areas are also subject to the 600 foot parcel to parcel buffer. Indoor cultivation is feasible in some of the “Potential Industrial land use” areas. These are identified within Attachment C and D as “All Uses”, and Cultivation Map, respectively.

Staff has identified potential locations where either indoor or outdoor cultivation could occur. The locations are as follows:

- All uses, Attachment D – Rose Santa Clara Corridor Specific Plan and Sakioka Farms Specific Plan areas
- McInnes Ranch Specific Plan area
- Arcturus area

The HdL study notes that it is far more likely that due to Oxnard’s coastal climate and urban environment, cultivation in Oxnard would likely be located indoors. The state licenses cultivation by square footage and in some instances by plant canopy.

Key factors in developing a cannabis cultivation ordinance include regulations to address potential concerns regarding water usage, electricity, odor control measures and security measures. Best practices would need to be designed to address neighborhood and land use compatibility, and will vary depending upon cultivation size and intensity.

The HdL study determined that the cultivation market was generally saturated. The study cautiously recommended that the City could potentially support two cultivation facilities.

Cultivation regulations to address environmental factors such as water and energy usage, and regulations tailored to cultivation size will take more research, analysis, and review of state regulations. For this reason and to utilize lessons learned as a result of implementing the City's cannabis distribution, manufacturing, and testing/laboratory ordinance, staff is recommending that the City Council consider a cannabis cultivation ordinance in the next year.

Retail Dispensaries

At the June 26, 2018 City Council meeting, City Council consensus on advancing regulations to allow medical or non-medical retail cannabis dispensaries was limited. Dispensaries (medical or non-medical) are currently banned within the City of Oxnard (Jan. 26, 2016 - Ord. No. 2898). Through adoption of Ordinance No. 2937 (April 10, 2018), delivery of medical cannabis is permitted with the proper permits.

The retail or "dispensary" component of cannabis land uses is generally the most visible segment of the commercial cannabis industry. As such, retail sales locations have been subject to the most scrutiny.

The City's consultant indicated that the City could support between 8-18 dispensaries; HdL recommended 13 dispensaries (middle range of market feasibility). Staff recommended a "Go Slow" approach and permitting of up to 8 dispensaries within the City.

When considering where dispensaries could potentially be located, staff consulted HdL regarding best practices. HdL indicated that there are benefits associated with locating dispensaries within shopping centers as compared to commercially zoned standalone parcels which are not located within a shopping center. The benefits in locating retail dispensaries in shopping centers with multiple tenants are as follows:

- Easier to regulate businesses when they are located in the same shopping center
- If located in a business park or other commercial complex that is relatively secure, it can be easier for police to monitor (security cameras, etc.)
- Site visits to "one location" advantageous for regulatory/police entity
- Greater convenience for businesses to the degree they can use one another's services
- Effective regulatory tool/zoning arrangement provided no more than one retail outlet is located in a site

Staff has conceptually identified potential retail dispensary locations throughout the City of Oxnard, which is summarized below and is based upon a 600 foot separation requirement from sensitive uses (See Attachment E (Retail Locations/Neighborhoods)). The map identifies more than 8 potential dispensary locations because it is likely some locations will be removed through Council and community input. The map includes commercial shopping centers which meet the 600 foot separation requirement and stand-alone commercial and business and research zoned parcels which also meet the buffer requirements. If Council desires to advance retail dispensary locations in the City, staff recommends implementation of an overlay zone on selected retail dispensary locations to ensure compliance with buffer and other land use requirements.

The shopping centers and commercial parcels are generally as follows:

Shopping Centers:

- Esplanade Shopping Center (General Commercial) - south of U.S. 101, east of Vineyard Ave.;
- RiverPark Specific Plan Area (Specific Plan) – north of 101;
- Big 5 Shopping Center (General Commercial) - south of U.S. 101, west of E. Vineyard Ave.;
- Shopping at the Rose/Rose Ranch – (Business Research Park and Neighborhood Commercial) - south of U.S. 101, west of N. Rose Ave.;
- Rose Santa Clara Corridor Specific Plan area (Business Park and Commercial) – north of US 101, west of N. Rice Ave., and generally east of Paseo Mercado;
- The Palms (Business Research Park) - south of U.S. 101, north of Gonzales Rd.;
- Sakioka Farms Specific Plan area (Industrial and Business Research Park) – south of US 101, east of N. Rice Ave.;
- Airport Property (Business and Research Park and Industrial) – north of W. 5th Street, west of S. Ventura Rd.;
- Airport Marina Shopping Center - (General Commercial) – south of West Fifth Street, east of Victoria Ave.);
- Channel Islands at Ventura Rd. – (General Commercial) – east of S. Ventura Rd., north of Channel Island Blvd.;
- Ventura Rd. and Fifth Street – (General Commercial) - west of Ventura Rd. and north of W. Wooley Rd.;
- Pleasant Valley Rd. and Rose Ave. – (General Commercial) – north of Pleasant Valley Rd. and Rose Ave.;

Stand Alone Commercial Parcels:

- North and South along Saviers Ave. (Commercial)
- Sporadic parcels along Oxnard Blvd. (Commercial)
- US 101 between Rose Ave., and Del Norte Blvd.; and
- Various parcels along W. Fifth Street

Attachment F also identifies the location of retail dispensaries (and potential dispensaries for which occupancy has not yet been secured) in the City of Port Hueneme for context and information on proximity to the City's limits and potential retail locations in the City.

Through development of a local regulatory ordinance, the City would impose best practices to address security, noise, potential odor, loitering, and other common community and operational concerns associated with dispensary uses.

Considering that dispensaries tend to garner the most community input, concern, and scrutiny, staff recommends that community engagement be conducted to secure input regarding the

conceptual dispensary locations. As part of this community engagement process, staff would secure input from neighborhoods as follows:

- Review best practices and secure input on operational measures;
- Discuss quantitative and semi-quantitative buffer provisions and secure community input. For example, does the community support a limit on the number of retail cannabis uses in a shopping center, should there only be one per shopping center, and/or should there be a separation from the retail establishment to the residential neighborhood? Does the community want to evaluate a different sensitive use buffer requirement (different from the state 600 foot requirement)? Should the use be located at predetermined distance apart or should commercial cannabis businesses not be permitted to be on the same site or directly adjacent sites? Should there be a limit on the number of businesses permitted in a shopping center?; and
- What concerns does a particular neighborhood have regarding the potential retail use in their neighborhood?

If the City Council is supportive of considering dispensaries in the City, staff will conduct community engagement over the next six months. This input would then be communicated to the City Council with staff recommendations for dispensary locations and operational standards, also known as best practices. Following City Council input, staff would work with the City's consultant, HdL to develop a dispensary ordinance and application process. This entire process is anticipated to take approximately one year.

Cannabis Businesses – Best Practices

For any regulatory ordinance the City considers, staff will consider lessons learned from other communities and best practices. In addition to required State law provisions, some best practices are generic to all cannabis businesses, regardless of their cannabis business type. As staff advances work on any ordinance, these will be considered and are summarized below:

Examples of Best Practices Relevant to all Cannabis Businesses:

- On-site Security: Require business to have on-site security personnel, licensed by the California Bureau of Security and Investigative Services
- Plan for Community Benefits: In-kind donations to local non-profits or community based organizations; support, financial and otherwise, for local non-profits, civic organizations, parks and recreation
- Emergency Response Plan: Requires plan that includes a fire evacuation plan, addresses robberies/other emergencies
- Properly Monitored Alarm System and yearly inspections
- First Responder Access/Knox Box for all commercial cannabis facilities
- Plan for Cash Handling (Likely: only retail, manufacturing)

Other cannabis business types require best practices unique to the use. These are summarized in Attachment G, Best Practices.

STRATEGIC PRIORITIES

This agenda item supports the Quality of Life strategy. The purpose of the Quality of Life strategy is to build relationships and create opportunities within the community for safe and vibrant neighborhoods, which will showcase the promising future of Oxnard. This item supports the following goals and objectives:

Objective 1d. Examine options for long term sustainability of public safety services to ensure an efficient and effective public safety service delivery model.

Goal 2. Increase transparency with Council, community and staff related to the City's budget and financial management processes.

This agenda item supports the Economic Development strategy. The purpose of the Economic Development strategy is to develop and enhance Oxnard's business climate, promote the City's fiscal health, and support economic growth in a manner consistent with the City's unique character. This item supports the following goals and objectives:

Goal 1. Create vibrant and economically sustainable commercial, industrial and retail industries throughout the City.

Goal 2. Enhance business development throughout the City.

Objective 2a. Develop a strong citywide economy which attracts investment, increases the tax base, creates employment opportunities, and generates public revenue.

Objective 2d. Public safety will collaborate with the business community to promote an environment that supports economic development.

Goal 3. Enhance business retention and attraction.

Objective 3a. Implement an economic development plan for attracting and retaining business.

FINANCIAL IMPACT

There is no immediate financial impact to the City associated with this item. No action is anticipated for this item that would carry any immediate financial impact to the City. As outlined in staff's June 2018 staff report, the precise amount of revenue to be generated by cannabis businesses is based upon the tax rate imposed and number of businesses. This estimate is not inclusive of any delivery tax revenue which could potentially be generated.

ATTACHMENTS:

Attachment A: Cannabis Staff Report from June 26 CC meeting

Attachment B: Cannabis Zone Study Map_Potential By Areas

Attachment C: Cannabis Zone Study Map_Manufacture Distribution Testing Map

Attachment D: Cannabis Zone Study Map_Potential Areas Cultivation Map

Attachment E: Cannabis Zone Study Map_Retail and Neighborhood Map

Attachment F: Cannabis Zone Study Map_Cannabis in Oxnard and Port Hueneme Map

Attachment G: Best Practices Condensed



**CITY COUNCIL
AGENDA REPORT**

**TYPE OF ITEM: Appointment
Item**

AGENDA ITEM NO.: 1

DATE: June 26, 2018

TO: City Council

THROUGH: Alexander Nguyen
City Manager

FROM: Ashley Golden
Development Services Director

SUBJECT: Cannabis Study Session (15/15/30)

CONTACT: Ashley Golden, Development Services Director
Ashley.Golden@oxnard.org, (805) 385-7882

RECOMMENDATION:

That City Council:

1. Receive the report from HdL Companies on their Feasibility Study and Fiscal Analysis of the potential cannabis industry in the City of Oxnard; and
2. Provide direction to staff regarding the permitting and regulation of various types of cannabis businesses in the City of Oxnard.

BACKGROUND

On November 8, 2016, California voters passed the Control, Regulate, and Tax Adult use of Marijuana Act ("AUMA") as Proposition 64. AUMA legalized the nonmedical use of cannabis (marijuana) by persons 21 years of age and over, the personal cultivation of up to six cannabis plants per household, and certain commercial cannabis businesses. All commercial cannabis businesses must have a state license in order to operate, but AUMA does not limit the City's authority to adopt and enforce local ordinances regulating or prohibiting state-licensed cannabis businesses.

The City Council has consistently chosen to take a "go slow" approach to exploring the possible regulation of the various types of commercial cannabis businesses, to allow the City to examine and study the experiences of neighboring jurisdictions and other agencies throughout the State,

Attachment A
Page of

June 26 CC mtg.

as well as to observe how the federal government reacts to California's medical and adult-use cannabis laws.

On April 3, 2018, the Council took action to enact a zone text amendment explicitly banning commercial cannabis activities and to incorporate existing medical cannabis restrictions into the Oxnard City Code. At the same time, the Council revised existing regulations to allow for delivery of medical cannabis within the City from licensed dispensaries with permits from the City.

On June 5th, 2018, the Council voted to place a cannabis tax on the November 6th ballot, which would impose a range of taxes on a variety of commercial cannabis business types, including retail sales, cultivation, manufacturing, distribution, and testing. If approved by the voters, the passing of the tax measure would not automatically permit these cannabis activities within the City, nor would it compel the City to take action to do so. The City would still have the discretion and authority to determine which, if any, of these cannabis business types it wishes to permit, regulate and tax, and which it wishes to ban. In addition, the City would have the discretion to establish tax rates for each type of cannabis business at any rate up to the maximums defined in the measure.

To assist with these discussions, the City retained the services of HdL Companies to conduct a feasibility study to determine the types and numbers of cannabis businesses which would be sustainable in the City of Oxnard, should the City choose to permit them in the future. The City also requested HdL provide a fiscal analysis of the proposed cannabis tax rates to project the amount of annual revenue that permitting each of these business types might generate for the City.

The purpose of the cannabis study session is to gauge the Council's support for cannabis related industry in the City. During the cannabis study session staff will provide a presentation regarding what cannabis related industry the City can support and the fiscal implications of allowing these uses in the City. The Council may choose to direct staff to explore further permitting and regulation of some or all of the cannabis business types being considered.

ANALYSIS

Over the past few months, City staff have been evaluating what types of cannabis permits are currently being issued by the State of California; analyzing the types of potential cannabis industries suitable to operate within the City of Oxnard; meeting with residents and business community members interested in operating retail and laboratory uses in the City; and fielding a number of cannabis related phone calls, typically pertaining to establishing retail uses in the City, laboratory testing opportunities, and cultivation farming.

The types of cannabis industries which could be located in the City include: Retail, Manufacturing, Distribution, Testing Laboratories, and Cultivation. Cannabis cultivation, manufacturing, distribution and retail sales each offer different challenges and opportunities for

the City. The following summarizes types of cannabis industries, and opportunities for the City to explore.

Cannabis Retailers

As defined by the Bureau of Cannabis Control, a Cannabis Retailer is a person licensed to sell cannabis goods to customers as “a retailer, microbusiness, or nonprofit.” For the purpose of this staff report, no distinction is being made between medical and recreational cannabis use. The retail component of the supply chain is by design the most visible segment of the commercial cannabis industry. As such, retail sales locations have been subject to the most scrutiny. Retail sales locations must be thoughtfully zoned, designed, and constructed in a manner that is suitable for the neighborhood to create the least amount of impact on the surrounding businesses and neighborhood.

Based on the current demand for retailer locations (dispensaries), retail locations can generate substantial revenues compared to other retail establishments within jurisdictions. Cannabis retailers currently generate on average \$933 per square foot, because most retail stores take up much more space than dispensaries. Cannabis retailers stock a lot of product into a relatively small amount of space, and the average price point for cannabis is attractive to consumers.

Summary of Pros and Cons:

1. City has the ability to develop well-defined land use controls and buffers to protect sensitive uses such as schools, parks, etc.
2. City has the ability to limit the overall number of retailers to prevent oversaturation.
3. City has the ability to regulate point of sale, impose inventory control data metrics and conditions, and impose conditions on the volume of inventory on display at a given time.
4. Significant revenue can be realized if the use is well-regulated and taxed at an appropriate level.
5. Revenue can be generated in a less traditional way and in lieu of methods typical of traditional store front retail uses.
6. Poorly trained employees can create inventory tracking problems and liabilities.
7. Combination of all-cash business and significant product on site can pose a public safety hazard for employees and customers.
8. The City has the ability to require security presence up to 24-7 which would result in a net positive public safety effect on the neighborhood.

It is estimated that Oxnard could support between 8 and 18 retailers (combined between medical and recreational), with a midpoint of 13. Retail saturation is based upon a presumed saturation of one retail establishment per 20,000 persons. This saturation rate is based upon data and an analysis of other retail establishments and knowledge of the industry. Should Council wish to allow cannabis retail establishments, staff recommends that City Council take a cautious approach to permitting retailers by starting at the lower retail establishment number of 8. This will help ensure success for these businesses by dividing the same customer base among a

smaller number of businesses. In addition to limiting the max number of retailers, the regulations would need to include provisions to address the pros and cons listed above.

Cannabis Manufacturers

The Department of Public Health (DPH) defines Manufacturing as “all aspects of the extraction and/or infusion processes, including processing, preparing, holding, storing, packaging, or labeling of cannabis products”. Manufacturing also includes “any processing, preparing, holding, or storing of components and ingredients”. The manufacturing sector is still evolving and expanding, which presents significant opportunities for innovation, business development and job growth. In 2017, sales of ready-to-use cannabis products surpassed sales of cannabis flower for the first time, and the trend appears likely to continue into the future. Clear regulatory policies and competitive tax rates will be essential for attracting or holding on to this growing sector. HdL estimates that the City could support between 6 and 12 manufacturers, with a range of sizes. Manufacturing business represents over 50% of all cannabis sales, by price (not volume).

Summary of Pros and Cons:

1. Cannabis manufacturing is on the rise based upon current trends in cannabis use.
2. The City has open land available for industrial expansion and construction. City has the ability to develop zoning compliance and siting provisions to identify appropriate zones.
3. Rigorous regulatory requirements are needed to address employee safety and business operations.
4. Equipment and methods used for cannabis extractions are preexisting and have been utilized in the community for other manufacturing operations.
5. There are large quantities of volatile gases and industrial solvents necessary for the manufacturing process, which poses a hazard risk.
6. Employee security measures and protocols must be developed to address potential employee theft/diversion to the black market.
7. Rigorous testing ensures that consumer safety.
8. Regulations require destruction of any non-compliant or contaminated product.
9. Vacancy rate of industrial buildings is exceptionally low (between 1 – 3%, as of 2016).

Distributors

Distributors are the only licensed business type that can transport inventory between licensed cannabis businesses. Distribution licensees are responsible for securing large quantities of inventory, while ensuring it is properly tested and transported to licensed businesses. Distributors must have expertise in product movement, as well as checking for compliance with packaging and labeling requirements. In addition to transporting inventory between licenses, distribution companies will also be responsible for ensuring the examination of inventory at a testing laboratory and the collection of the State’s excise taxes, before releasing the product to a retailer. Cultivators, manufacturers, and retailers also have the opportunity hold a distribution license as well, provided the distributor’s licensed premises are “separate and distinct”. This is to ensure

that the various administrative privileges and inventory tracking requirements are strictly adhered to. Pursuant to State requirements, licensed distributors will be required to establish comprehensive security measures to ensure the inventory is secured during transit and accounted for with manifest documentation. Additionally, pursuant to State requirements, distributors will be required to be licensed in a commercial or industrial building, requiring little to no signage or advertisement.

Due to Oxnard's location directly between the vast cannabis greenhouses of Santa Barbara County and the large consumer base of Los Angeles, Oxnard could be well-positioned to attract cannabis distributors. This would especially be the case if the City allowed (and was successful in attracting) a variety of other business types, including cultivators and manufacturers.

Summary of Pros and Cons:

1. City has the ability to develop additional security and inventory control measures for distributors with items stored on-site and transported. This could be considered a pro or con depending upon the City's desire to take on additional responsibility.

Testing Laboratories

As defined by the Bureau of Cannabis Control, Cannabis Testing Laboratories will be required to perform testing on cannabis goods to measure: cannabinoids, foreign material, heavy metals, microbial impurities, mycotoxins, moisture content and water activity, residual pesticides, residual solvents and processing chemicals and terpenoids. Additionally, edible cannabis products that contain more than one serving per unit will be tested for homogeneity to endure consistent concentrations of tetrahydrocannabinol (THC) or cannabidiol (CBD). Upon completion of the test, the laboratory generates a certificate of analysis that contains the results of the testing and whether the tested batch passed or failed. The owners of any testing laboratories are prohibited by law from having any level of ownership in any other type of cannabis business.

The Bureau of Cannabis Control has only issued 28 licenses for testing laboratories in all of California. These laboratories tend to be located in areas with a large amount of both cultivation and manufacturing. Since Oxnard has thus far banned all commercial cannabis activities, it seems unlikely that the City would be home to a testing laboratory in the near future. However, should the City choose to permit, regulate and encourage other cannabis business types, it is certainly possible that it may become an attractive location at some point in the future. Thus far it is assumed the City could support operation of one testing laboratory. The City has received one inquiry for operation of a cannabis testing laboratory in the City.

Summary of Pros and Cons:

1. City has the ability to develop additional security and inventory control measures while items are stored on-site and transported.
2. Testing labs don't have a possessory interest in the cannabis product. No ownership of actual product.

3. City has the ability to impose more rigorous testing requirements if desired. However, this would require a level of regulatory expertise that most cities don't possess.
4. Testing labs pose lower public safety challenges because they have so little cannabis on the premises compared to other license types that they are far less likely to attract criminal activity, or to become a source of diversion.

Cultivation

Cannabis cultivation is generally divided into four basic categories: outdoor, indoor, mixed light (utilizing both natural and artificial light) and nursery. A combination of these cultivation techniques may occur at a site. Cultivation licenses allow for activities involving planting, growing, harvesting, drying, curing, grading and trimming. Depending on the cultivation method, the size, location, and setting of cannabis cultivation sites could vary.

Neighboring Santa Barbara County has the highest amount of licensed cannabis cultivation in California, but this has been accommodated largely through adaptive reuse of vacant industrial greenhouse infrastructure that Oxnard does not have. Any cannabis cultivation in Oxnard would likely be limited to indoors due to both the coastal climate and the urban environment. Oxnard has a large amount of Light Industrial-zoned properties, mostly located on the eastern edge of the City, with easy access to Highway 101.

The cannabis cultivation market in California has already exceeded its saturation point 3-times over, which suggests that there is not enough room for those growers already licensed, much less new entrants into the market.

Summary of Pros and Cons:

1. Revenue Potential.
2. Potential odor generated by cannabis use.
3. Potential theft/criminal activity.
4. Increase in use of water and electricity.
5. Dependent upon how the facility is designed, potential light pollution and light spill onto adjacent properties for green houses only.
6. Potentially high failure rate due to oversupply which may lead to volatile revenues and vacant properties/buildings.

STRATEGIC PRIORITIES

This agenda item supports the Quality of Life strategy. The purpose of the Quality of Life strategy is to build relationships and create opportunities within the community for safe and vibrant neighborhoods, which will showcase the promising future of Oxnard. This item supports the following goals and objectives:

Objective 1d. Examine options for long term sustainability of public safety services to ensure an efficient and effective public safety service delivery model.

Goal 2. Increase transparency with Council, community and staff related to the City's budget and financial management processes.

This agenda item supports the Economic Development strategy. The purpose of the Economic Development strategy is to develop and enhance Oxnard's business climate, promote the City's fiscal health, and support economic growth in a manner consistent with the City's unique character. This item supports the following goals and objectives:

Goal 1. Create vibrant and economically sustainable commercial, industrial and retail industries throughout the City.

Goal 2. Enhance business development throughout the City.

Objective 2a. Develop a strong citywide economy which attracts investment, increases the tax base, creates employment opportunities, and generates public revenue.

Objective 2d. Public safety will collaborate with the business community to promote an environment that supports economic development.

Goal 3. Enhance business retention and attraction.

Objective 3a. Implement an economic development plan for attracting and retaining business.

FINANCIAL IMPACT

There is no immediate financial impact to the City associated with this study session item. No action is anticipated for this item that would carry any immediate financial impact to the City. The precise amount of revenue to be generated is based upon the tax rate imposed and number of businesses. This estimate is not inclusive of any delivery tax revenue which could potentially be generated.

If the tax measure does not pass, then there is no tax revenue. The City would have the ability to collect the actual cost associated with the processing of permits, enforcement, inspection, and other legitimate governmental costs related to regulation of specific permittees. The following provides a comprehensive summary of the range of revenue potential:

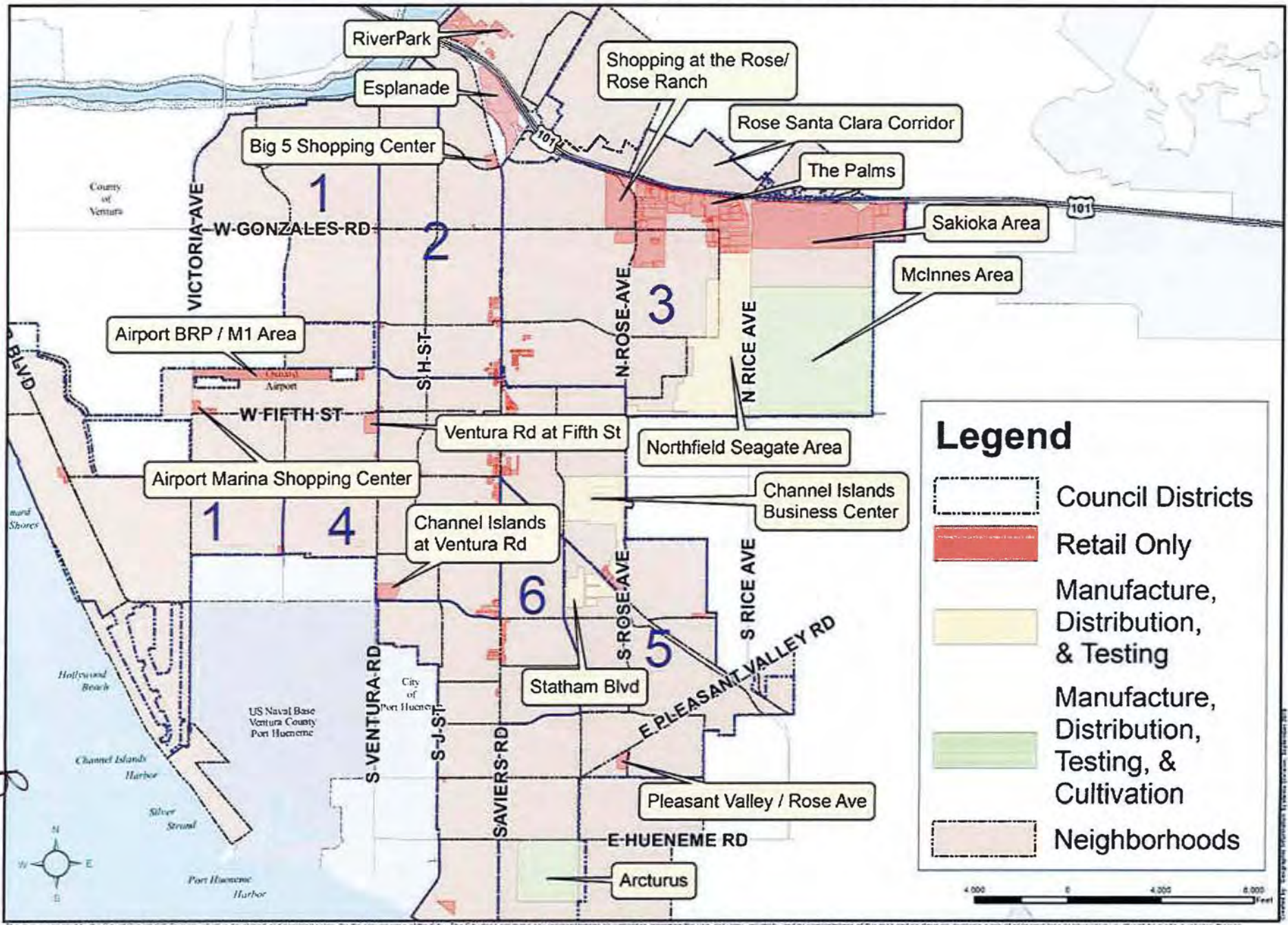
Business Type	Number	Low tax rate	Revenue	High Tax Rate	Revenue
Retailer	13	4.0%	\$852,733	6.0%	\$1,279,100
Manufacturer	8	2.5%	\$500,000	4.0%	\$800,000
Distributor	3	2.0%	\$150,000	3.0%	\$225,000
Testing Lab	1	1%	\$20,000	2.5%	\$50,000

Cultivation	2	1.4%	\$224,000	2.0%	\$320,000
Total			\$1,746,733		\$2,674,100

ATTACHMENTS:

Attachment A: Oxnard Tax and Feasibility Analysis FINAL

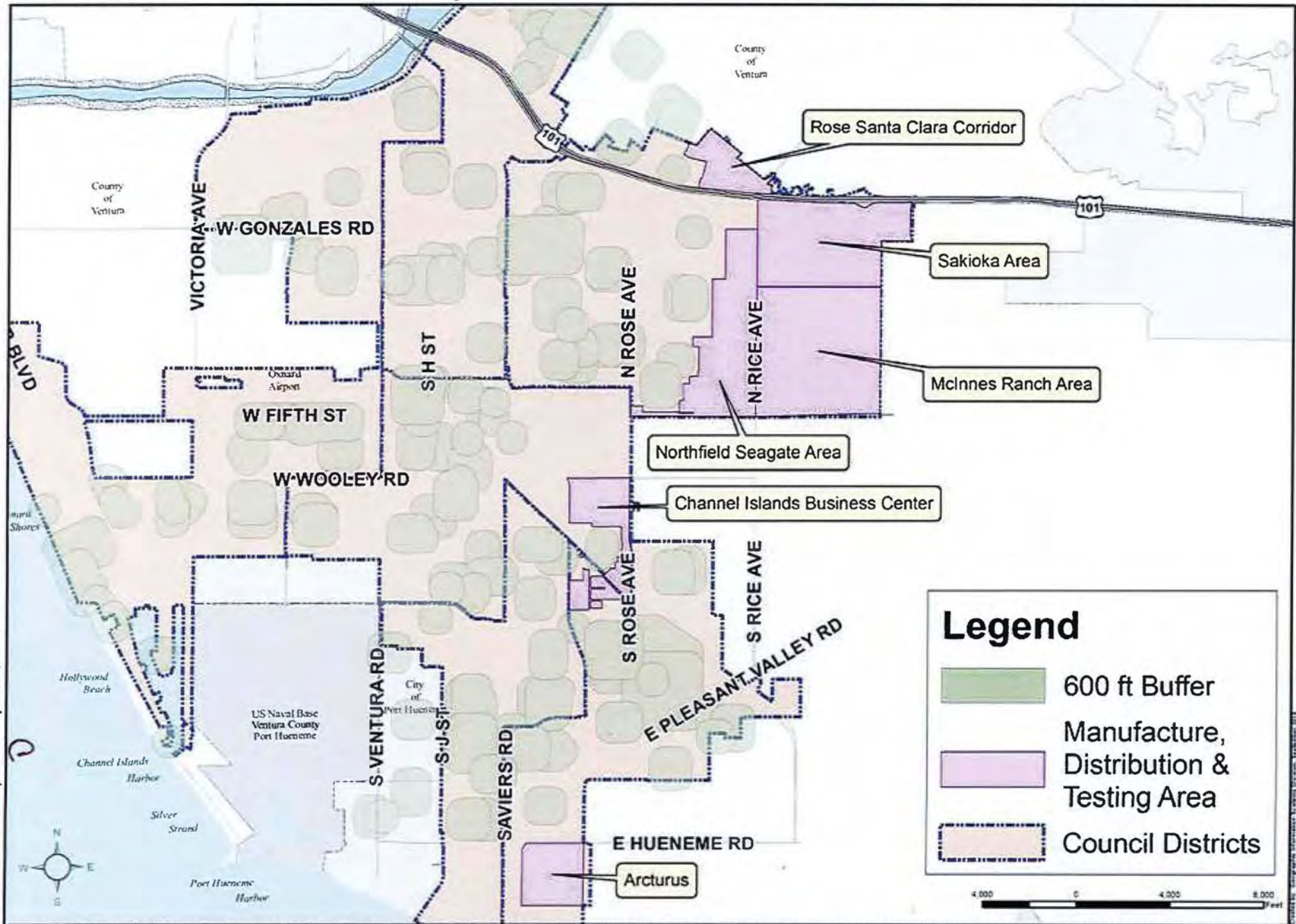
POTENTIAL CANNABIS AREAS



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Page 10/21/18 CC 10/18

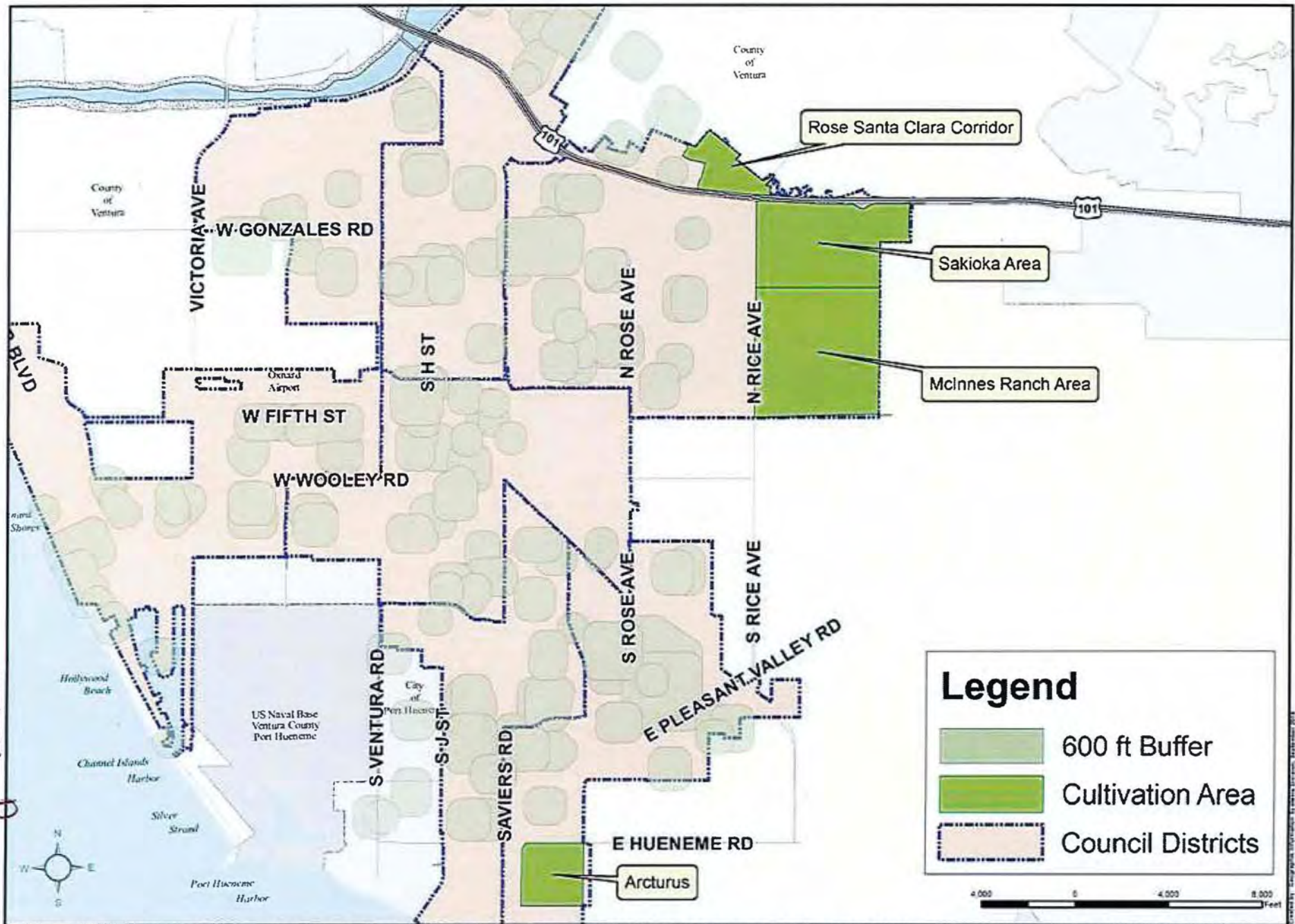
This map is compiled by the City of Port Hueneme GIS Division, which is developed and operated solely for the convenience of the City. The City does not make any representations or warranties regarding the use, accuracy, reliability, and/or completeness of this map and no decision involving a risk of economic loss or physical injury should be made in reliance thereon.

MANUFACTURE, DISTRIBUTION & TESTING MAP



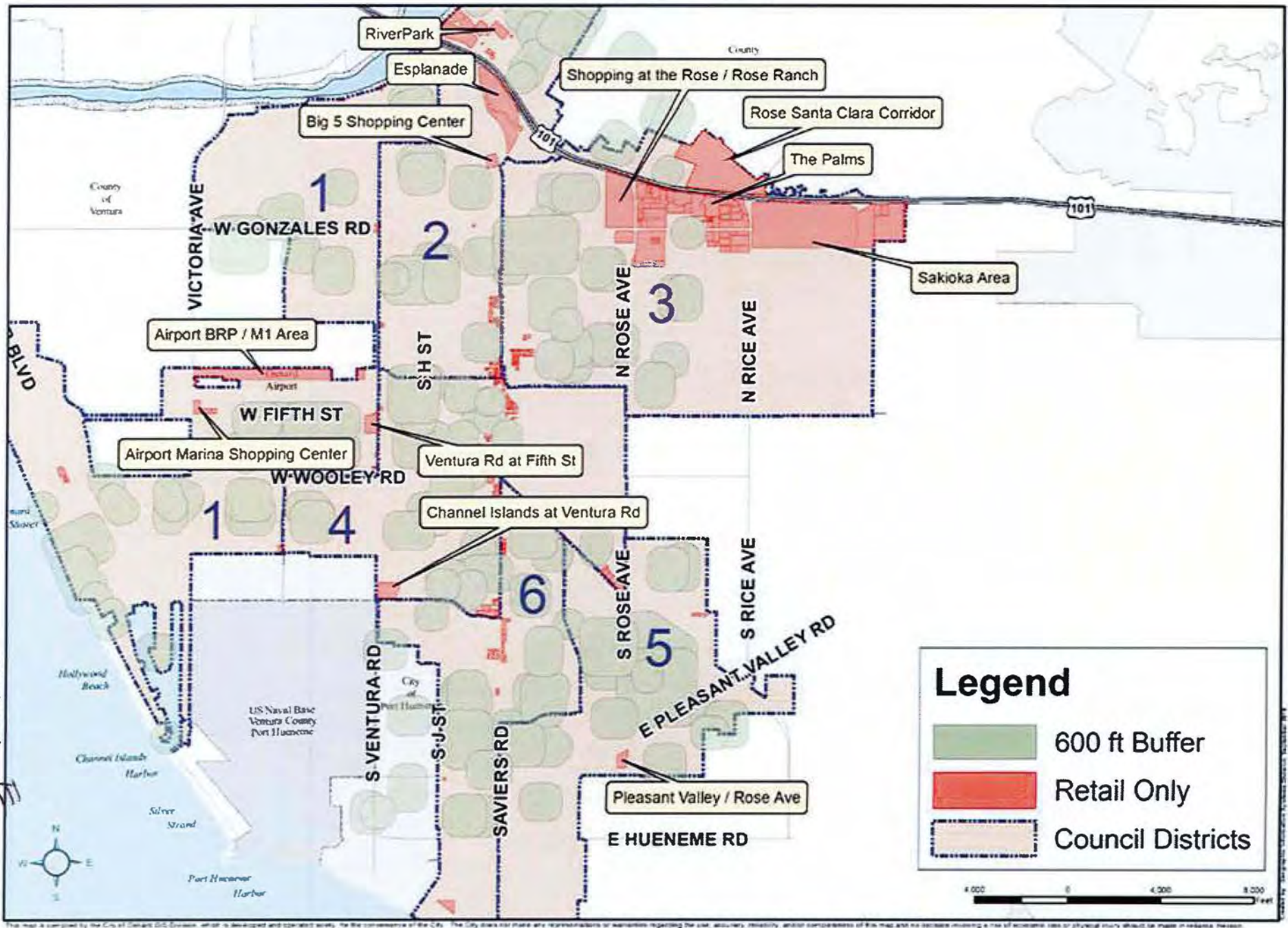
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CULTIVATION MAP



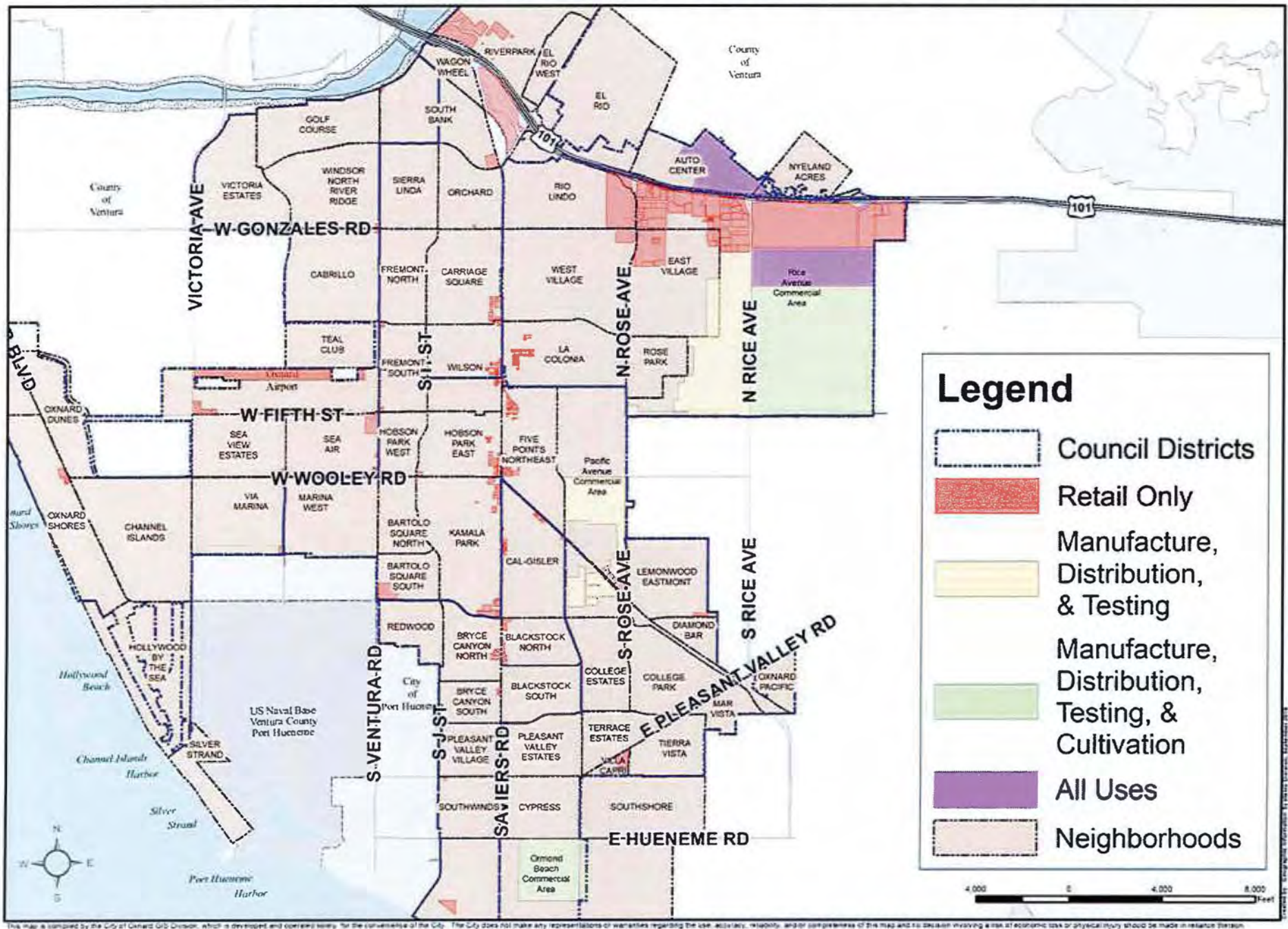
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RETAIL MAP

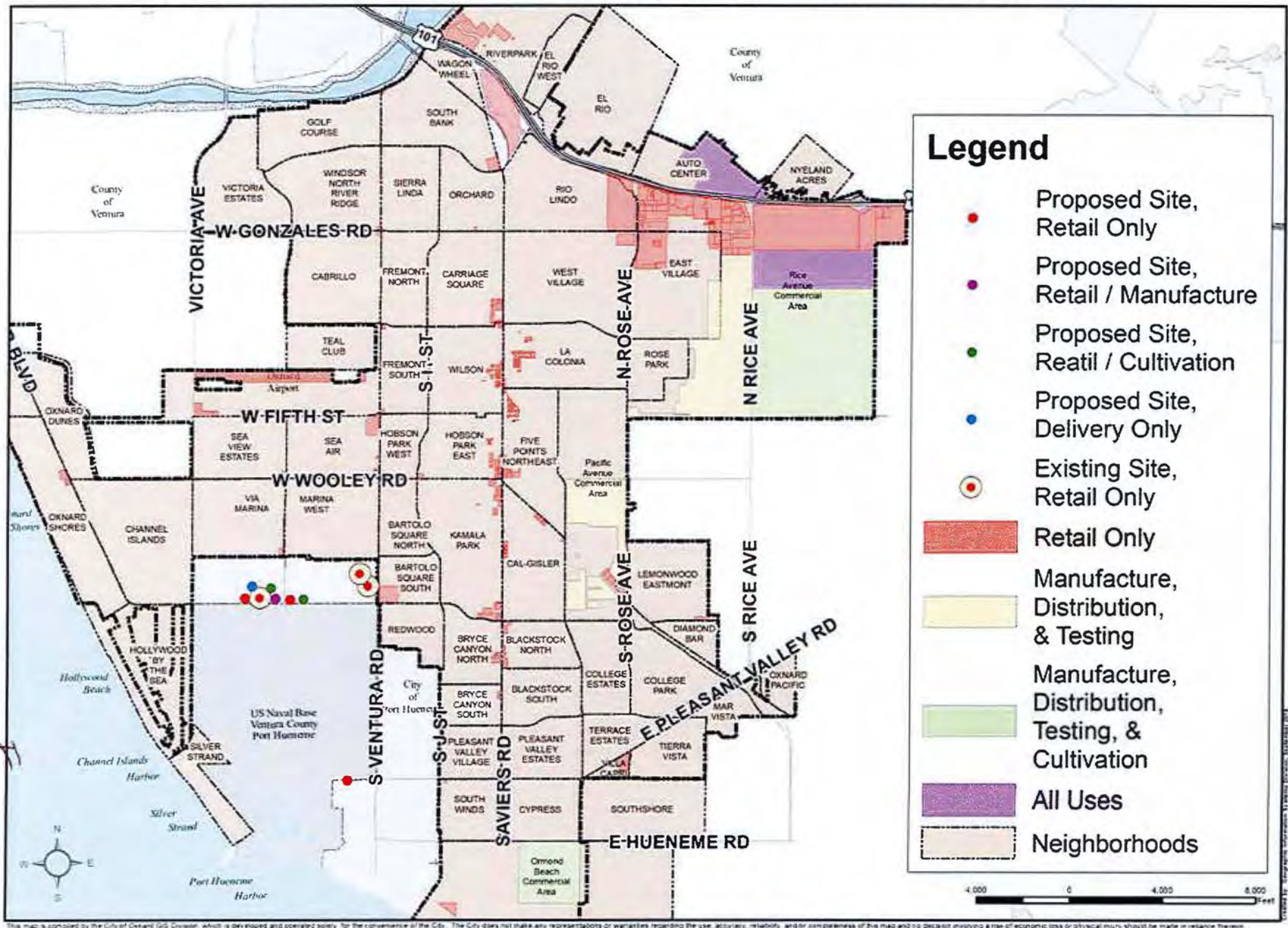


Attachment 15 of 14218 ce rpt.

POTENTIAL CANNABIS BY NEIGHBORHOOD



CANNABIS IN OXNARD & PORT HUENEME



Attachment
Page 10/21/8 of 20
to 10/21/8 of 20

Attachment G Best Practices Cannabis License Types

In addition to required State law provisions, some best practices are generic to all cannabis businesses, regardless of their specialized activity.

Summary of Best Practices Relevant to all Cannabis Businesses:

- On-site Security: Require business to have on-site security personnel, licensed by the California Bureau of Security and Investigative Services.
- Plan for Community Benefits: In-kind donations to local non-profits or community based organizations; support, financial and otherwise, for local non-profits, civic organizations, parks and recreation
- Emergency Response Plan: Requires plan that includes a fire evacuation plan, addresses robberies/other emergencies
- Properly Monitored Alarm System and yearly inspections
- First Responder Access/Know Box for all commercial cannabis facilities
- Plan for Cash Handling (Likely: only retail, manufacturing)

CULTIVATION

Summary of Best Practices:

1. Do not allow outdoor cultivation, to minimize nuisance complaints due to odor
2. Develop a general nuisance odor ordinance, if one is not currently enacted
3. Require Odor Control Plans that identify and contain on-site odors within the CCB
4. Require Renewable Energy Plans
5. Require a Water Management Plan
6. Restrict exterior artificial lighting
7. Require Security Plans that include surveillance camera coverage without blind spots
8. Consider distance requirements from what may be additional sensitive uses, depending on the community (residences, churches, libraries rehabilitation facilities, etc.)

DISTRIBUTION

Summary of Best Practices:

1. Require reporting/verification pertaining to Distributors' responsibilities:
 - a. Goods Movement: Expertise in product movement required; plan for goods movement
 - b. Testing: Responsibility to arrange for testing of cannabis and cannabis products and confirmation of testing results, prior to transportation to any retail location for commercial sale (key to enforcement of state health & safety standards)

- c. Tax Collection: Collection of both state cultivation tax and state excise tax
 - d. Verification of adherence to state packaging and labelling requirements
- 2. Allow Distribution operations in Industrial zones (M-L, M-1, M-2); Avoid CIA
- 3. State law prohibits locating within 600 ft of sensitive receptor (schools, day cares, youth centers, parks); consider expanding buffer
- 4. Require the entire distribution facility to be designated as a limited access facility, preventing visitor, contractors or non-employees from entering; consider security escort plan
- 5. Require a secured room plan; approve the safe, vault or secured room prior to issuance of license and prior to building permit issuance
- 6. Inspect the safe, vault or secured room prior to issuance of license
- 7. Require that all vehicles used to transport inventory be equipped with GPS
- 8. Require that a computer-generated manifest occur prior to transportation of inventory
- 9. Prohibit non-authorized employees within vehicles during deliveries to licensed businesses
- 10. Require that inventory be locked and secured in an approved case, safe or cabinet, including when in transit
- 11. Require criminal background check for all employees
- 12. Structure ordinance/permit issuance so that reporting of transport incidents are reported to City and incidents impact renewability of license

MANUFACTURING

Summary of Best Practices:

1. Require detailed, full disclosure of the nature of the manufacturing operation as part of the permitting process. If a business plans to conduct volatile extraction, the application and the interview should elicit that information. Some jurisdictions have allowed themselves to be misled into believing the business would be operating a cannabis bakery, when extraction (at that time completely illegal) was occurring on-site.
2. For businesses with engaged extraction, reaffirm compliance with the state requirement for a closed loop system. Require submittal of engineered plans reflecting closed loop system.
3. Require detailed disclosure and storage plans during the permitting process and through building permit (storage and handling plans for the large quantities of volatile gases and industrial solvents that will be stored on-site).
4. Require that all extraction activities occur in a room solely dedicated to the extraction process.
5. Require that all waste be disposed of in a manner so that it cannot be detected or used for any other purpose.
6. If the business is performing extraction using volatile gases, require that the room be constructed to meet National Fire Protection Association (NFPA) C1-D1 hazardous location classifications.
7. Allow cannabis manufacturing operations in light Industrial and manufacturing zones (M-L, M-1 and M-2).

8. State law prohibits locating within 600 ft of sensitive receptor (schools, day cares, youth centers, parks); consider expanding buffer
9. Require installation in the manufacturing facility of fire suppression systems and flammable gas detection devices
10. Require notification of any change to product line and use of extraction solvents
11. Require all extraction equipment be inspected by an industrial hygienist
12. Require all extraction technicians be trained and certified
13. Expressly require the business to include required food handling safety training in Employee handbook, if any of the manufactured products will be cannabis edibles.
14. Require the establishment of clearly defined administrative hold and product recall procedures
15. Require that all employees be subject to a criminal background check.

RETAIL

Summary of Best Practices:

1. Some jurisdictions have opted for Non-Store Front Retail, as it can generate revenue without having traditional store fronts and related public safety concerns
2. Require on-site security officer; part of daily business operations
3. Submittal of verification data for compliance with track-and-trace
4. Require business' to have robust inventory control policy to include regular, systematic inventory checks/reconciliation
5. Require installation of surveillance cameras with zero blind spots
6. Require written cash handling procedures, including plan for periodic deliveries to bank (random times, not regularly scheduled)
7. Allow in Commercial zones (Specific Plan Areas, C-2, BRP – verification with County Dept. of Airports)
8. State law prohibits locating within 600 ft of sensitive receptor (schools, day cares, youth centers, parks); consider expanding buffer
9. Require all inventory (including edibles and concentrates) be locked and secured in a safe, vault or secured room when the business is closed
10. Require that the Standard Operating Procedures provide ongoing point of sale and inventory tracking data entry training to all employees
11. Limit the amount of inventory on display to the equivalent of two days sales (increases inventory accountability and reduces volume of odor)
12. Require the business to assign one individual to the position of inventory manager. Require inventory control plans
13. Require crime prevention through environmental design or CEPTED plan as part of permitting and building permit review
14. Require that all employees be subject to a criminal background check
15. Require that all inventory and sales transactions be reconciled by end of business day
16. Require business to have written training procedures re: point of sale and inventory control data to ensure proper data entry and minimize diversion

TESTING LABORATORIES

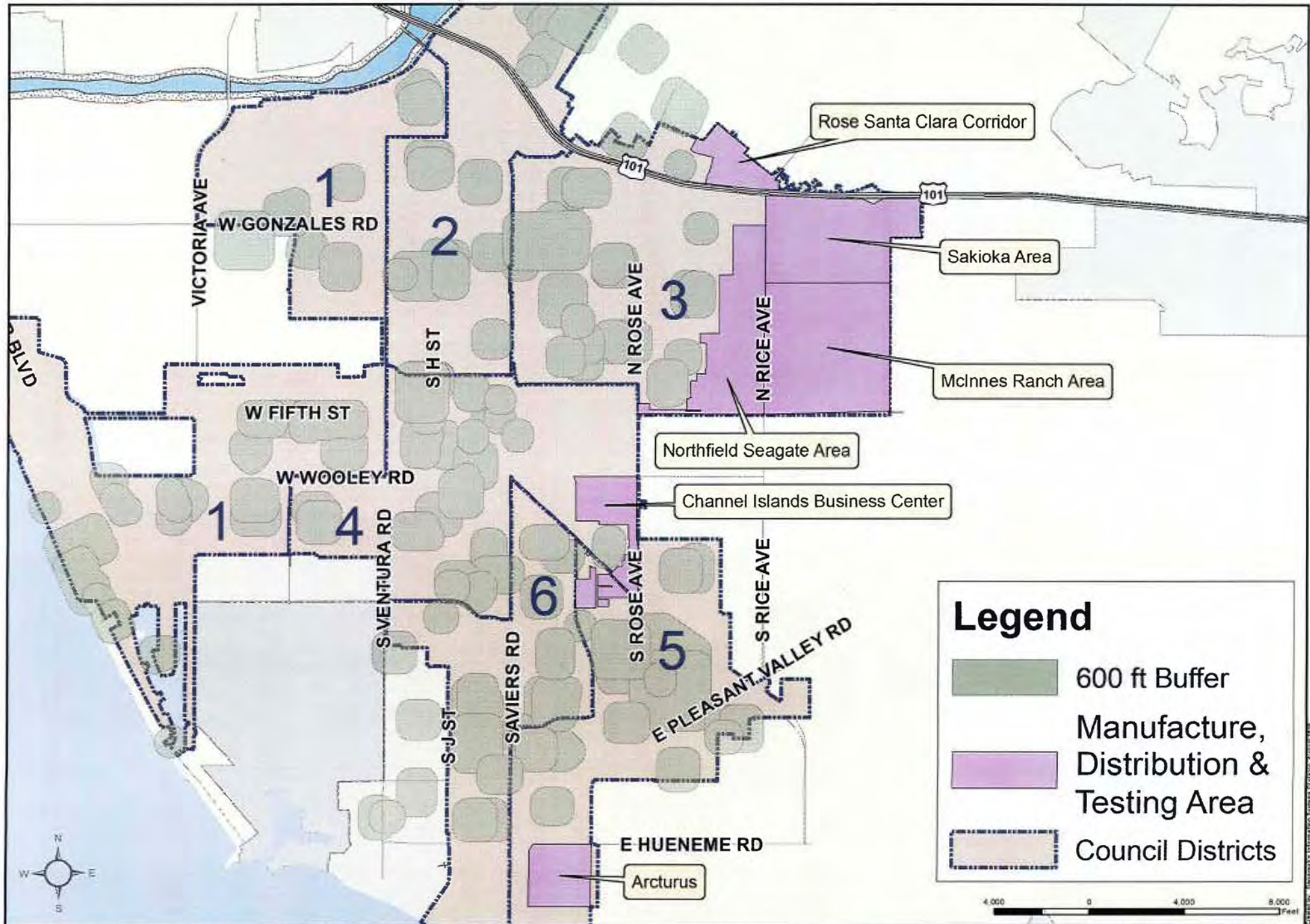
Summary of Best Practices:

1. Require testing labs to observe all the mitigation measures listed for the other licensees, particularly with regard to odor control, waste disposal, and routine maintenance of interior and exterior of facility
2. Require a robust security and inventory tracking system to facilitate chain of custody; review and approve plan as part of building permit process
3. Require periodic submittal of documentation for verification of lab's compliance with state standards for testing equipment, specifically in regard to cleaning and calibration
4. Submittal of verification data for compliance with track-and-trace; chain of custody procedures
5. Allow in Light Industrial and Manufacturing zones.
6. State law prohibits locating within 600 ft of sensitive receptor (schools, day cares, youth centers, parks); consider expanding buffer
7. Require testing lab to be designated as a limited access facility, preventing visitor, contractors or non-employees from entering; consider security escort plan
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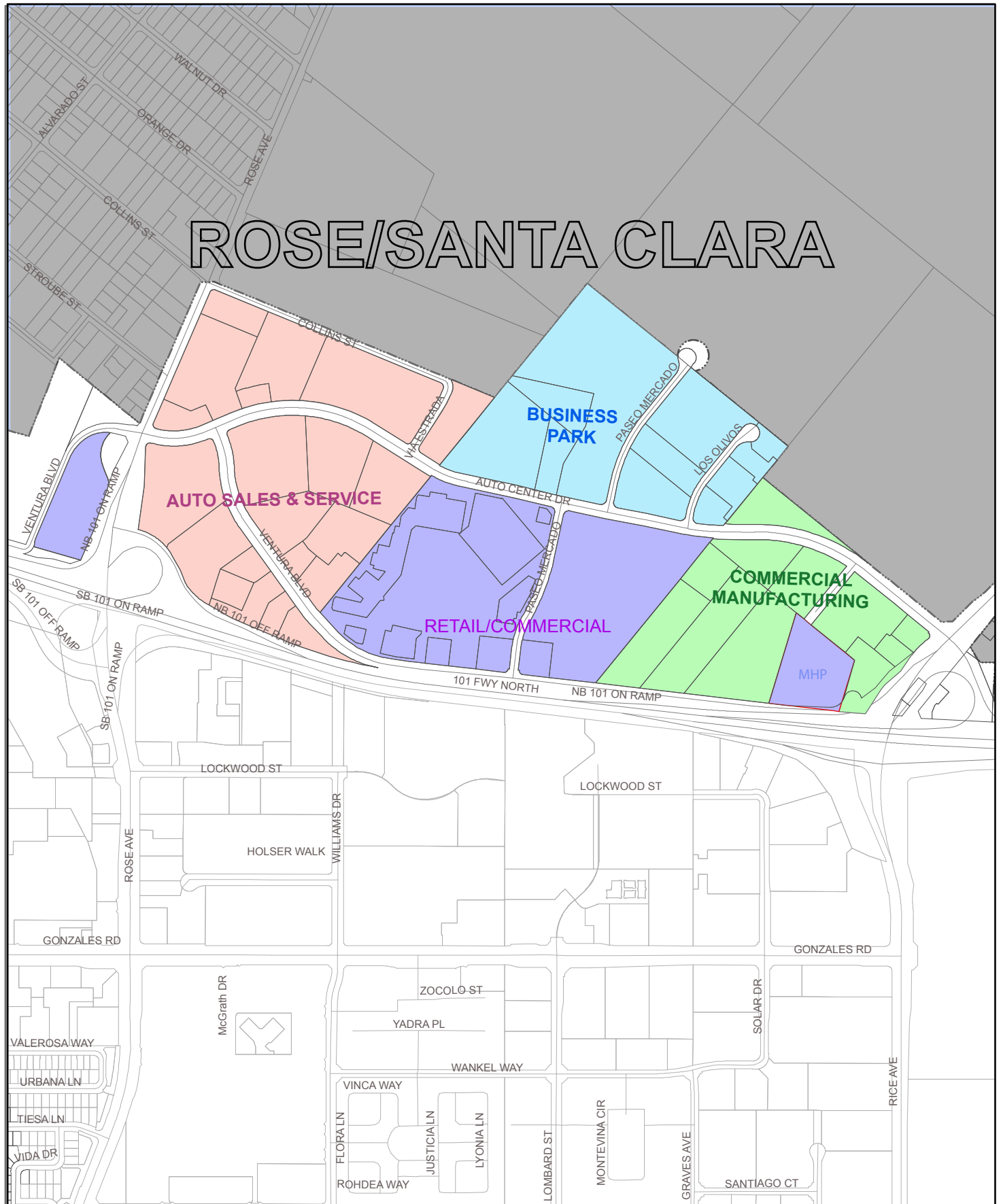
ATTACHMENT

**C. Potential Manufacturing, Distribution, & Testing Map,
including Rose Santa Clara Corridor Overlay Map**

MANUFACTURE, DISTRIBUTION & TESTING MAP



ROSE/SANTA CLARA



ATTACHMENT

D. Draft Evaluation Criteria

APPENDIX A: DESCRIPTION OF EVALUATION CRITERIA

The following information must be submitted behind tabs labeled with the respective criteria header.

CRITERIA

Qualifications of Owners: The application shall include information concerning any special business or professional qualifications or licenses of Owners that would add to the number or quality of services that the cannabis business would provide, especially in areas related to medical cannabis, such as scientific or health care fields.

Location: The application shall include the following:

- Physical address and a detailed description of the proposed location, including the overall property, building and interior floor plan.
- Description of all known nearby State and local sensitive use areas. The cannabis business must have the appropriate zoning and meet all the locational requirements as described in OCC Section 11.433.
- Proof of ownership, or a notarized letter of the owner's willingness to lease.
- Vicinity map
- Photographs of existing site and buildings
- Site diagram for each proposed location, including at a minimum:
 - Dimensions of subject property – including square footage
 - Location and dimensions of all buildings and structures – including square footage
 - Location of all parking areas and driveways and means of ingress and egress to the property
 - Uses for all buildings and structures indicated on the site plan
 - If any exterior alterations are proposed for the existing building(s), attach proposed site plans
- Floor diagram for each proposed location, including at a minimum:
 - Interior and exterior walls and partitions, entrances and exits, rooms, doorways, windows
 - Dimensions and square footage of all interior spaces
 - Proposed uses of all interior spaces

Business Plan: With as much detail as possible, the business plan shall include:

- Organizational structure documents (e.g., Articles of Incorporation, bylaws, partnership agreements, etc.)
- Organizational chart
- Description of day-to-day operations for each license type being sought. The proposed operations should acknowledge both State and local laws and should be consistent with industry best practices.
- Description of how the cannabis business will conform to local and State law per OCC Section 11.413.
- Description of how cannabis inventory will be tracked and monitored to prevent diversion.
- Schedule for beginning operation, including a narrative outlining any proposed construction and improvements and a timeline for completion.
- Budget for construction, operation, maintenance, compensation of employees, equipment costs, utility costs, and other operation costs.
- Description of the source(s) of capital and use(s) of capital funds. The budget must demonstrate sufficient capital in place to pay startup costs and at least three months of operating costs.
- Proof of capitalization, in the form of documentation of cash or other liquid assets on hand, Letters of Credit or other equivalent assets.
- Pro forma for at least three years of operation.
- **CULTIVATION APPLICANTS ONLY:** A cultivation plan that includes, but is not limited to:
 - A detailed premises diagram showing all boundaries and dimensions of the following areas: canopy, chemical storage, processing, packaging, composting, harvested cannabis storage
 - A lighting diagram, including the locations of all lights and the maximum wattage of each light
 - Water plan, including water supply sources and plans for runoff

APPENDIX A: DESCRIPTION OF EVALUATION CRITERIA (cont'd)

Labor & Employment Plan/Local Employment: The application shall describe to what extent the CCB will adhere to heightened pay and benefits standards and practices, including recognition of the collective bargaining rights of employees. Specific practices that are subject to consideration include providing compensation to and opportunities for continuing education and training of employees/staff (applications should provide proof of the cannabis business policy and regulations to employees). The application shall state the extent to which the cannabis business will be a locally managed enterprise whose owners reside within Oxnard and/or the County of Ventura.

Compatibility Plan: The application shall describe how the cannabis business, including its private, semi-private and surrounding public areas, will be proactively managed to avoid becoming a nuisance or having negative impacts on its neighbors and the surrounding community.

Safety Plan: The application shall include a detailed safety plan, including:

- A detailed diagram of the overall facility's safety features.
- Written description of safety features, including but not limited to fire prevention, suppression, HVAC and alarm systems.
- An assessment of the facility's fire safety plan by a qualified licensed fire prevention and suppression consultant. An appropriate plan will consider all possible fire, hazardous material, and inhalation issues/threats and will have both written and physical mechanisms in place to deal with each specific situation.

Security Plan:* The application shall include a detailed security plan, including:

- A detailed diagram of the facility's overall security features.
- A security diagram capable of demonstrating the location of all cameras and recording equipment (DVR/NVR), access control equipment and all safes, vaults or locked and secured rooms.
- Written description of operational security, including but not limited to, general security policies for the facility, employee specific policies, training, sample written policies, transactional security, visitor security, 3rd party contractor security, and delivery security. Additionally, applications should address ingress and egress access, perimeter security, product security (at all hours), internal security measures for access (area specific), types of security systems (alarms and cameras), and security personnel to be employed.
- An assessment of site security prepared by a licensed security consultant.

*** Security plans will not be made public.**

Environmental Factors: The application shall describe any proposed "green" business practices relating to energy and climate, water conservation, and materials and waste management.

Community Benefits: The application shall describe benefits that the cannabis business would provide to the local community, such as community contributions, volunteer services and/or economic incentives.

All diagrams must include a north arrow, be drawn to a minimum scale of $\frac{1}{4}" = 1'$ and folded to a minimum size of 8.5" x 11" and a maximum size of 8.5" x 14".

ATTACHMENT

E. Best Practices

Best Practices Cannabis License Types

In addition to required State law provisions, some best practices are generic to all cannabis businesses, regardless of their specialized activity.

Summary of Best Practices Relevant to all Cannabis Businesses:

- On-site Security: Require business to have on-site security personnel, licensed by the California Bureau of Security and Investigative Services.
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TESTING LABORATORIES

Summary of Best Practices:

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10. Require that all employees be subject to a criminal background check

ATTACHMENT

F - PUBLIC COMMENT LETTERS



Mallory, Kathleen <kathleen.mallory@oxnard.org>

Review Draft of Cannabis Ordinance

1 message

Alex Kozushin <alex@lotustopia.com>

Mon, Mar 4, 2019 at 6:40 PM

To: Kathleen.Mallory@oxnard.org, "Lai, Dee" <dee.lai@oxnard.org>

Ms. Mallory,

Thank you for allowing me the opportunity to comment on the proposed Oxnard Cannabis ordinance.

In my opinion, this draft is a well written, cohesive ordinance that covers all pertinent and relevant issues. I've read several cannabis ordinances from different municipalities. I find Oxnard's ordinance the most complete and cohesive of the bunch. Clearly, there has been a lot of thought and effort put into this document by your team. As a hopeful future business owner based in Oxnard, I'm grateful for your hard work.

Please allow me to share my initial thoughts. I have no legal background or education. My perspective comes from that of a potential business owner and employer in Oxnard.

1) Section 11.415. Cannabis Employee Permit Required.

The requirement for all potential employees to have a background check completed by Oxnard is a crucial piece of the puzzle. While many municipalities do conduct the background checks on the owners of the company, many fail to do so on potential employees. As a potential employer, I appreciate the assistance by the city in ensuring we hire candidates that will represent our business and the city well.

2) A merit based points system selection process is recommended as it allows a very specific set of standards, so no one will feel shorted. The point system also will reduce applications as the applicants will know what the requirements up front. Fewer applications in turns speeds up the process for the businesses that will ultimately receive approval.

3) As an aside, I've noticed that some municipalities have used these ordinances as an opportunity to address adult "personal-use" cultivation.

4) Section 11.446. Community Relations.

I'm very happy to see the invitation from the city to be a part of the solution and to be a valuable asset and partner to the Oxnard community.

5) As a potential manufacturer I wanted to address that it's important that any persons who are using solvents be properly trained not only in the use of the solvents and extraction processing but also be trained in the use of equipment. Something to consider is requiring a Volatile Manufacturing Employee Training Plan that must be reviewed and approved by the city.

6) After studying several sections concerning the license selection process, I'm confused as to the requirements needed to apply for a license. An issue some municipalities have had is their requirement to have an address before being allowed to even apply for a license. This presents a problem for landlords, lessors, and potential property owners alike. How can a lease or purchase be finalized before it is known whether or not a license can be achieved for certain? This present a "chicken or the egg" type problem which makes it difficult for some entrepreneurs to even begin to compete. It may also discourage landlords from signing any type of lease arrangements prior to receiving confirmation of a license.

7) Section 11.415. Cannabis Employee Permit Required.

What happens in the 30 days after the hire? Can the employee be issued a temp card during the background check? Otherwise there is 30 days of inability to work and get paid.

8) I was hoping you could help me understand the security personnel requirement addressed on page 24 Section 14 states "security personnel shall be on-site 24 hours a day or alternative security as authorized by the City Manager.....".

Does that mean that the City Manager will consider the appropriate security requirement for every cannabis business on a case by case basis? What would the alternative security requirements entail? Does the city have an ideal in mind?

9) One final question, What time frame does the city see in between the different milestones (i.e. being adopted, criterion for selection revealed, selection process, and licenses given out)?

We appreciate an opportunity to contribute to the discussion.

Respectfully,

Alex Kozushin

CEO LotusTopia



Virus-free. www.avast.com



Mallory, Kathleen <kathleen.mallory@oxnard.org>

Cannabis Policy/Ordinance Comments

1 message

Chris Egger <cegger@cannuspartners.com>
To: "kathleen.mallory@oxnard.org" <kathleen.mallory@oxnard.org>
Cc: Chad White <cwhite@cannuspartners.com>

Wed, Mar 13, 2019 at 1:18 PM

Ms. Mallory:

Thank you for the opportunity to submit commentary relating to the city of Oxnard's potential municipal ordinance covering licensed, California compliant cannabis operations.

Cannus Partners offers the two below recommendations and the attached PDF for your consideration:

1) Retail Dispensary - Oxnard should consider Dispensary operations and amend the current ordinance to reflect their inclusion. State of California compliant licensed deliveries from other cities can legally serve residents in Oxnard from outside the municipal borders, leaking potential sales tax revenue and other public benefit. Best practice considerations for dispensary operations are highlighted in the attached pdf, and our belief is professional operators offer a highly desirable addition to a municipal business community if held to relevant standards of State and Municipal regulation.

Development Agreements - This permitting structure is an option for municipalities seeking to memorialize community benefit, zoning and operating standards without the passage of a Prop. 218 compliant municipal tax in place. Best practice operators seek to prove themselves as vested professional constituents and such agreements are covered in a general overview of best practice considerations provided in the attached pdf.

Once again, thank you for your consideration.

Best,

Chris Egger
Director of Public Affairs
Cannus Partners Inc.
714.936.9130<tel:714.936.9130> p

CC:
Chad White / Cannus Partners

2 attachments

CP_BestPracticesOverview_March2019.pdf
613K

ATT00001.htm
1K

March 12, 2019

Kathleen Mallory
Planning & Environmental Services Manager
City of Oxnard, California
(805) 385-7858
Kathleen.Mallory@oxnard.org

Re: Public Comment on Ordinance for the Regulation of Manufacturing, Testing, and Distribution of Cannabis and Cannabis Products

Dear Ms. Mallory:

Thank you for the opportunity to submit public comment for Oxnard's proposed cannabis regulations.

I served as the California state director of the Drug Policy Alliance from 2012-2017, during which time I co-drafted and co-chaired Proposition 64, the Adult Use of Marijuana Act (AUMA). Before the 2016 victory, the Drug Policy Alliance had worked for years to pass medical cannabis regulations at the state and local levels. Today I continue to do similar work as a consultant, fighting for criminal justice reform and a commercial cannabis regulatory system that is fair, just, and equitable—at the state and local levels.

I appreciate the depth and detail of the planning behind the proposed regulations and applaud your team for aiming to develop cannabis regulations that are reasonable and fair. The outright banning that so many cities across the state have chosen as their path forward is having devastating consequences on the state's ability to raise taxes and allowed the underground market to thrive. And with underground markets comes crime, violence, and predatory behaviors that cause real harm and weaken our communities.

I am writing you today to request you take a deeper look around the issues of how cannabis legalization and regulation can and should be a vehicle for economic justice, community repair and wealth building for those in our communities who are always left behind, and yet have borne the brunt of the brutal 48-year war on drugs. For example, although people of all races consume and sell cannabis at roughly the same rates, Black people and then Latinos, are far more likely to be arrested for cannabis violations. For example, of the 500,000 cannabis arrests in California from 2005-2015, the vast majority were of Black and Latino young men. I also remind you that 8 million Californians are currently living with convictions, and each of them face 4,800 barriers to reentry in the state. I am asking you to consider using your city ordinance and regulatory implementation to intentionally address the disproportionate harms of marijuana prohibition in California.

My comments are related to **Community Benefit Plans** under **"Best Practices," page 8**, which is primarily explained as donations to non-profits and City Recreation & Parks. Specifically, my reading concluded there was:

- No labor peace agreement requirement
- No living wage or local hire included
- No social equity process or mention

I ask the City of Oxnard to consider some of the pro social equity models for licensing in Los Angeles, Oakland, Sacramento, and San Francisco and determine whether Oxnard can create a unique way to advance social equity for its most impacted residents. For example, in West Hollywood where I served as an application reviewer, the City gave points for community engagement plans, social equity intentions, and strong labor practices. Additionally, I think the City can and should ask more of its cannabis businesses. Below is an example of the kinds of business strategies and practices we ask of cannabis operators who want to behave ethically and justly in the space:

1. Community Engagement Plan

- Commit to a consistent % give back
- Designate a community liaison
- Name non-profit organizations/city programs to support
- Sponsor and volunteer in community events
- Include buying local for business needs and services

2. Hiring and Compensation

- Job Postings (location, language) and Resume Reviews
- Pay a minimum of the Living wage to all employees
- Hire locally (name a target %)
- Offer robust employee benefits, including paid time off
- Staff/Company Culture

3. Specific Social Equity practices

- Ownership for impacted individuals
- Vendor selection considers companies led by impacted people
- Intentional hiring and promoting of impacted people
- Providing well rounded and expert training to all staff
- Provide "incubation" to a social equity applicant

Prop 64 very intentionally sought to repair the harms of the drug war and marijuana prohibition, and open the door for equity opportunities for those who have been most harmed. Proposition 64's "Intent and Purposes" section specifically names one of the purposes of legalization is to "prevent barriers to entry into the legal, regulated market." As you begin to promulgate the City's regulations, I urge you to consider these issues of equity and justice more robustly.

Thank you for your service,



Lynne Lyman

14833 Cohasset Street, Los Angeles, CA 91405

(818) 602-9539

lynnelyman@gmail.com

ATTACHMENT

G. Cannabis Manufacturing, Testing, and Distribution Ordinance (Draft)

ORDINANCE NO. XXXX

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF OXNARD ADDING ARTICLE XVI TO CHAPTER 11 OF THE OXNARD CITY CODE REGARDING COMMERCIAL CANNABIS ACTIVITIES, AND AMENDING CHAPTER 16 BY ADDING SUBSECTION (Q) TO OXNARD CITY CODE SECTION 16-177 REGARDING COMMERCIAL CANNABIS BUSINESSES IN THE BRP BUSINESS AND RESEARCH PARK ZONE, AMENDING SUBSECTION (I) TO OXNARD CITY CODE SECTION 16-178 REGARDING COMMERCIAL CANNABIS BUSINESSES IN BRP BUSINESS AND RESEARCH PARK ZONE, AMENDING SECTIONS 16-186.1 AND 16-191(F) OF THE OXNARD CITY CODE REGARDING COMMERCIAL CANNABIS BUSINESSES IN THE M-L LIMITED MANUFACTURING ZONE, ADDING SUBSECTION (C) TO OXNARD CITY CODE SECTION 16-223 REGARDING COMMERCIAL CANNABIS BUSINESSES IN THE M-1 LIGHT MANUFACTURING ZONE, AMENDING SUBSECTION (G) OF OXNARD CITY CODE SECTION 16-226 REGARDING COMMERCIAL CANNABIS BUSINESSES IN THE M-1 LIGHT MANUFACTURING ZONE, ADDING SUBSECTION (D) TO OXNARD CITY CODE SECTION 16-246 REGARDING COMMERCIAL CANNABIS BUSINESSES IN THE M-2 HEAVY MANUFACTURING ZONE; AMENDING SECTION 16-251 OF THE OXNARD CITY CODE REGARDING CANNABIS USES IN THE M-2 HEAVY MANUFACTURING ZONE; AND AMENDING SECTIONS 4.2.1., B. (AUTO SALES AND SERVICE), 4.2.2, B. (BUSINESS PARK), 4.2.3., B (RETAIL COMMERCIAL), AND 4.2.4., B. (COMMERCIAL MANUFACTURING) OF THE ROSE SANTA CLARA CORRIDOR SPECIFIC PLAN TO ALLOW COMMERCIAL CANNABIS AS A CONDITIONALLY PERMITTED USE SUBJECT TO THE REQUIREMENTS STIPULATED IN ARTICLE XVI OF CHAPTER 11

The City Council of the City of Oxnard does hereby ordain as follows:

Section 1. Article XVI is hereby added to Chapter 11 of the Oxnard City Code to read as follows:

“ARTICLE XVI. COMMERCIAL CANNABIS ACTIVITY

Section 11.410. Purpose and Intent.

It is the purpose and intent of this Article to implement the provisions of the Medicinal and Adult Use Cannabis Regulation and Safety Act (“MAUCRSA”) to accommodate the needs of medically-ill persons in need of and provide access to cannabis for medicinal purposes as recommended by their health care provider(s), and to provide access to adult-use for persons over the age of 21 as authorized by the Control, Tax & Regulate the Adult Use Cannabis Act (“AUMA” or “Proposition 64” enacted by California voters in 2016), while imposing sensible regulations on the use of land to protect the City’s residents, neighborhoods, and businesses from disproportionately negative impacts. As such, it is the purpose and intent of this Article to regulate the cultivation, processing, manufacturing testing, sale, delivery, distribution and

transportation of cannabis and cannabis products in a responsible manner to protect the health, safety, and welfare of the residents of the City of Oxnard and to enforce rules and regulations consistent with state law. It is the further purpose of intent of this Article to require all commercial cannabis operators to obtain and renew annually a permit to operate within the City of Oxnard. Nothing in this Article is intended to authorize the possession, use, or provision of cannabis for purposes that violate state or federal law. The provisions of this Article are in addition to any other permits, licenses and approvals which may be required to conduct business in the City, and are in addition to any permits, licenses and approval required under state, City, or other law.

Section 11.411. Legal Authority.

Pursuant to Sections 5 and 7 of Article XI of the California Constitution, the provisions of the Medicinal and Adult Use Cannabis Regulation and Safety Act (hereinafter "MAUCRSA"), any subsequent state legislation and/or regulations regarding same, the City of Oxnard 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 Oxnard to all commercial cannabis activity.

Section 11.412. Cannabis Cultivation and Commercial Cannabis Activities Prohibited Unless Specifically Authorized by this Article.

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

Section 11.413. Compliance with State and Local Laws.

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

Section 11.414. Definitions.

Section 11.10.050. When used in this Article, the following words shall have the meanings ascribed to them as set forth herein. Any reference to California statutes includes any regulations promulgated thereunder and is deemed to include any successor or amended version of the referenced statute or regulatory provision.

- (a) "A-license" means a state license issued by the Bureau of Cannabis Regulation for cannabis or cannabis products that are intended for adults 21 years of age and over and who do not possess physician's recommendations.
- (b) "A-licensee" means any person holding a license under this division for cannabis or cannabis products that are intended for adults 21 years of age and over and who do not possess physician's recommendations.
- (c) "Applicant" means an owner applying for a city license pursuant to this Article.
- (d) "Batch" means a specific quantity of homogeneous cannabis or cannabis product that is one of the following types:
 - (1) "Harvest batch" means a specifically identified quantity of dried flower or trim, leaves, and other cannabis plant matter that is uniform in strain, harvested at the same time, and, if applicable, cultivated using the same pesticides and other agricultural chemicals and harvested at the same time.
 - (2) "Manufactured cannabis batch" means either of the following:
 - (A) An amount of cannabis concentrates or extract that is produced in one production cycle using the same extraction methods and standard operating procedures.
 - (B) An amount of a type of manufactured cannabis produced in one production cycle using the same formulation and standard operating procedures.
- (e) "Bureau" means the Bureau of Cannabis Control within the Department of Consumer Affairs, formerly named the Bureau of Marijuana Control, the Bureau of Medical Cannabis Regulation, and the Bureau of Medical Marijuana Regulation.
- (f) "Cannabis" means all parts of the Cannabis sativa Linnaeus, Cannabis indica, or Cannabis ruderalis, whether growing or not; the seeds thereof; the resin, whether crude or purified, extracted from any part of the plant; and every compound, manufacture, salt, derivative, mixture, or preparation of the plant, its seeds, or resin. "Cannabis" also means the separated resin, whether crude or purified, obtained from cannabis. "Cannabis" does not include the mature stalks of the plant, fiber produced from the stalks, oil or cake made from the seeds of the plant, any other compound, manufacture, salt, derivative, mixture, or preparation of the mature stalks (except the resin extracted therefrom), fiber, oil, or cake, or the sterilized seed of the plant which is incapable of germination. For the purpose of this Article, "cannabis" does not

mean "industrial hemp" as defined by Section 11018.5 of the Health and Safety Code.

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

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

(i) "Cannabis concentrate" means cannabis that has undergone a process to concentrate one or more active cannabinoids, thereby increasing the product's potency. Resin from granular trichomes from a cannabis plant is a concentrate for purposes of this division. A cannabis concentrate is not considered food, as defined by Section 109935 of the Health and Safety Code, or drug, as defined by Section 109925 of the Health and Safety Code.

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

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

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

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

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

(o) "City" means the City of Oxnard.

(p) "Commercial cannabis activity" includes the possession, manufacture, distribution, processing, storing, laboratory testing, packaging, labeling or

transportation of cannabis and cannabis products as provided for in this division. This definition does not include the retail sale of cannabis or cannabis products.

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

(r) "Commercial cannabis business permit" means a regulatory permit issued by the City of Oxnard pursuant to this Article to a commercial cannabis business and is required before any commercial cannabis activity may be conducted in the City. The initial permit and annual renewal of a commercial cannabis business permit is made expressly contingent upon the business' ongoing compliance with all of the requirements of this Article and any regulations adopted by the City governing the commercial cannabis activity at issue.

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

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

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

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

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

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

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

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

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

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

(ac) "Fund" means the Cannabis Control Fund established pursuant to Section 26210.15

- (ad) "Greenhouse" means a fully enclosed permanent structure that is clad in transparent material with climate control, such as heating and ventilation capabilities and supplemental artificial lighting, and that uses a combination of natural and supplemental lighting for cultivation.
- (ae) "Kind" means applicable type or designation regarding a particular cannabis variant or cannabis product type, including, but not limited to, strain name or other grower trademark, or growing area designation.
- (af) "Labeling" means any label or other written, printed, or graphic matter upon a cannabis product, upon its container.
- (ag) "License" means a state license issued by the state and includes both an A-license and an M-license, as well as a testing laboratory license.
- (ah) "Licensee" means any person holding a license under this Article, regardless of whether the license held is an A-license or an M-license, and includes the holder of a testing laboratory license.
- (ai) "Licensing authority" means the City of Oxnard and/or state agency responsible for the issuance, renewal, or reinstatement of the license, or the City of Oxnard and/or state agency authorized to take disciplinary action against the licensee.
- (aj) "Limited-access area" means an area in which cannabis is stored or held and is only accessible to some licensee and authorized personnel.
- (ak) "Live plants" means living cannabis flowers and plants, including seeds, immature plants, and vegetative stage plants.
- (al) "Local jurisdiction" means a city, County or city and County.
- (am) "Lot" means a batch or a specifically identified portion of a batch.
- (an) "M-license" means a state license issued by the state for commercial cannabis activity involving medicinal cannabis.
- (ao) "M-licensee" means any person holding a license by the state for commercial cannabis activity involving medicinal cannabis.
- (ap) "Manufacture" means to compound, blend, extract, infuse, or otherwise make or prepare a cannabis product.
- (aq) "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 or oral ingestion or for topical application.
- (ar) "Manufacturer" means a licensee that conducts the production, preparation, propagation, or compounding of cannabis or cannabis products either directly or indirectly or by extraction methods, or independently by means of chemical synthesis, or by a combination of extraction and chemical synthesis at a fixed location that packages or repackages cannabis or cannabis products or labels or container.
- (as) "Manufacturing site" means a location that produces, prepares, propagates, or compounds cannabis or cannabis products, directly or indirectly, by extraction methods, independently by means of chemical synthesis, or by a combination of extraction and chemical synthesis, and is owned and operated by a person issued a

valid commercial cannabis business permit for manufacturing from the City of Oxnard and, a valid state license as required for manufacturing of cannabis products.

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

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

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

(aw) "Operation" means any act for which a license is required under the provisions of this Article, or any commercial transfer of cannabis or cannabis products.

(ax) "Owner" means any of the following:

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

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

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

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

(ay) "Package" means any container or receptacle used for holding cannabis or cannabis products.

(az) "Patient" or "qualified patient" shall have the same definition as California Health and Safety Code Section 11362.7 et seq., as it may be amended, and which means a person who is entitled to the protections of California Health & Safety Code Section 11362.5.10

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

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

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

(bd) "Premises" means the designated structure or structures and land specified in

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

(be) "Processing" means a cultivation site that conducts only trimming, drying, curing, grading, packaging, or labeling of cannabis and nonmanufactured cannabis products.

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

(bg) "Retailer" means a commercial cannabis business facility where cannabis, cannabis products, or devices for the use of cannabis or cannabis products are offered, either individually or in any combination, for retail sale, including an establishment (whether fixed or mobile) that delivers, pursuant to express authorization, cannabis and cannabis products as part of a retail sale, and where the operator holds a valid commercial cannabis business permit from the City of Oxnard authorizing the operation of a retailer, and a valid state license as required by state law to operate a retailer. Retail sales of cannabis and cannabis products are not allowed within the City of Oxnard.

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

(bi) "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.

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

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

- (2) Licensed by the State of California.

(bk) "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.

(bl) "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.

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

(bn) "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.

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

Section 11.415. Cannabis Employee Permit Required. A request for a cannabis employee permit will only be initiated after a securing a favorable recommendation for a cannabis business permit. If an owner has employees at the time of submittal of the cannabis business permit, a request for a cannabis employee permit can be initiated in advance of issuance of a land use permit.

- (a) Any person who is an employee or who otherwise works within a commercial cannabis business must be legally authorized to do so under applicable state law.
- (b) Any person who is an employee or who otherwise works within a commercial cannabis business must obtain a commercial cannabis employee work permit from the City prior to performing any work at any commercial cannabis business.
- (c) Applications for a commercial cannabis employee work permit shall be developed, made available, and processed by the City Manager or his/her designee(s), and shall include, but not be limited to, the following information:
 - (1) Name, address, and phone number of the applicant;

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

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

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

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

Department Head or his/her designee(s) in writing of the change within ten (10) days, or the work permit shall be suspended or revoked, and such person shall not be permitted to work at any commercial cannabis business in the City.

- (h) The City may immediately revoke the commercial cannabis work permit should the permit holder be convicted of a crime listed in subsection (c) and (d) above or if facts become known to the City that the permit holder has engaged in activities showing that he or she is dishonest.
- (i) The City Manager or his/her designee(s) is hereby authorized to promulgate all regulations necessary to implement the work permit process and requirements.
- (j) The applicant may appeal the denial or revocation of a commercial cannabis work permit by filing a notice of appeal with the City Clerk within ten (10) days of the date the applicant received the notice of denial; which appeal shall be conducted as set forth in Section 11.10.140 of this Article.
- (k) The applicable Department Head or his/her designee(s) shall issue a permit in the form of a personal identification card that can be worn in a prominent and visible location. The identification card shall be maintained in good and readable condition at all times.

Section 11.416. Maximum Number and Type of Authorized Commercial Cannabis Businesses Permitted (“Category”).

- (a) The number of each type of commercial cannabis business that shall be permitted to operate in the City at any one time shall be as follows:
 - (1) Cannabis Manufacturing - Maximum of eight (8) at any one time
 - (2) Cannabis Testing Lab - Maximum of one (1) at any one time
 - (3) Cannabis Distributor - Maximum of three (3) at any one time
- (b) Section 11.10.080 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 Article creates a mandate that the City Council must issue any or all of the commercial cannabis business permits if it is determined that the applicants do not meet the standards which are established in the application requirements or further amendments to the application process or that the City Council upon further deliberation determines that the issuance of any or all commercial cannabis business permits will impact the public safety, welfare or other policy concerns which may be detrimental in the issuance of these permits.
- (c) Each year following the City Manager’s initial award of Commercial Cannabis

Business Permits, if any, or at any time at the City Council's discretion, the City Council may reassess the number of commercial cannabis business permits which are authorized for issuance. The City Council at its discretion, may determine that the number of commercial cannabis permits should remain the same, or be expanded.

Section 11.417. Commercial Cannabis Business Permit; Initial Application Procedure.

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

The City reserves the right to reject any or all applications. Prior to permit issuance, the City may also modify, postpone, or cancel any request for applications, or the entire program under this Article, 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 Article, may be cancelled at any time prior to permit issuance. The City further reserves the right to request and obtain additional information from any candidate submitting an application. In addition to any other justification provided a failure to comply with other requirements in this Article, an application risk being rejected or any of the following reasons:

- (1) Proposal received after designated time and date.

- (2) Proposal not containing the required elements, exhibits, nor organized in the required format.
- (3) Proposal considered not fully responsive to this request for permit application.

Section 11.418. Personnel Prohibited from Holding a License or Employee Work Permit.

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

- (1) The applicant has been denied a license or has had a license suspended or revoked by any city, county, city and county or any other state cannabis licensing authority;
- (2) The applicant was notified that they were conducting commercial cannabis activity in non-compliance with Chapter 11 or other City of Oxnard ordinances, codes and requirements in which they failed to discontinued operating in a timely manner;
- (3) Evidence that the applicant was in non-compliance of properly paying federal, state or local taxes and/or fees when notified by the appropriate agencies;
- (4) As of [DATE OF ADOPTION OF THIS ORDINANCE] applicant was conducting commercial cannabis activity in the City of Oxnard in violation of local and state law.
- (5) No person shall be issued a commercial cannabis permit to operate who enters into an agreement to lease, sublease or any other agreement, regardless of whether it is verbally or in writing to any terms of use of the premises from a property owner, commercial broker or any third party, that is in violation of Section 11.10.100 unless that property is leased at fair market value and such lease, sublease or agreement does not have any terms or conditions for the cannabis permit licensee to pay the property owner, commercial broker, or any third party a percentage of gross receipts, royalties, equity, or other unreasonable compensation as determined by the City. In addition, all leases, subleases, or other agreements must be based a monthly rate.

Section 11.419. Expiration of Commercial Cannabis Business Permits.

Each commercial cannabis business permit issued pursuant to this Article shall expire twelve (12) months after the date of its issuance. Commercial cannabis permits may be renewed as provided in Section _____ [11.421].

Section 11.420 Revocation of Permits.

Commercial cannabis business permits may be revoked for any violation of any law and/or any rule, regulation and/or standard adopted pursuant to Section _____ [11.437], or pursuant to any policy, procedure or regulation in this Article.

Section 11.421. Renewal Applications.

- (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 costs incurred by the City to administer the program created under this Article.
- (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.
 - (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 commercial cannabis business has failed to conform to the requirements of this Article, or of any regulations adopted pursuant to this Article.
 - (5) The permittee fails or is unable to renew its State of California license.
 - (6) If the City or state has determined, based on substantial evidence, that the permittee or applicant is in violation of the requirements of this Article, of

the City Ordinance, 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. Appeals from the decision of the City Manager or his/her designee(s) shall be handled pursuant to the provisions of this Article.
- (f) If a renewal application is rejected, a person may file a new application pursuant to this Article no sooner than one (1) year from the date of the rejection.

Section 11.422. 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 Oxnard.

Section 11.423. Appeals.

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

Section 11.424. Written request for Appeal.

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

Section 11.425. Appeal Hearing.

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

Section 11.426. Commercial Cannabis Business Permit Selection Process.

- (a) The City Manager shall adopt a procedure guideline and Review Criteria by which the top applicants in each category of each commercial cannabis business shall be evaluated in a final determination by the City Council
- (b) At least ten (10) days prior to the public hearing, notice of the public hearing shall be sent to all property owners located within six hundred (600) feet of the proposed business locations of each of the finalists to be considered by the City Council.
- (c) Official issuance of the commercial cannabis business permit(s), however, is conditioned upon the prevailing candidate(s) obtaining all required land use approvals. Following the City Manager's selection of individual/company who shall be issued a Commercial Cannabis Business Permit, the prevailing candidate(s) shall apply to the City's Development Services Department to obtain the required land use approvals or entitlements for the permittee's location, if any. Land use approvals shall include compliance with all applicable provisions of the California Environmental Quality Act (CEQA). The City Council shall formally issue the Commercial Cannabis Business Permit(s) once the Development Services Director or his/her designee(s) affirms that all of the required land use approvals have been obtained and all required conditions of approval have been complied with.
- (d) The City Manager shall either deny or approve the final candidates and shall select the top candidates in each category of the commercial cannabis businesses. The City Manager's decision as to the selection of the prevailing candidates shall be final.

- (e) 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 Article and of the permit, have been complied with.
- (f) Notwithstanding anything in this Article to the contrary, the City Manager reserves the right to reject any or all applications if it 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 Article.
- (g) If an application is denied, a new application may not be filed for one (1) year from the date of the denial.
- (h) Each person granted a commercial cannabis business permit shall be required to pay the permit fee established by resolution of the City Council, to cover the costs of administering the commercial cannabis business permit program created in this Article.

Section 11.427. Change in location; updated registration form.

Any time the manufacturing, transportation and distribution location specified in the regulatory permit is changed, the applicant shall be required to secure a new Cannabis Business Permit, and discretionary land use approval for the new location. The process and the fees shall be the same as for a new facility and in accordance with the regulations specified in this Ordinance.

Section 11.428. Transfer of Cannabis Business Permit.

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

passed the background check required for permittees and meets all other requirements of this Article.

- (b) Commercial cannabis business permits issued through the grant of a transfer by the City Manager or his/her designee shall be valid for a period of one year beginning on the day the City Manager or his/her designee approves the transfer of the permit. Before the transferee's permit expires, the transferee shall apply for a renewal permit in the manner required by this Article.
- (c) Changes in ownership of a permittee business structure or a substantial change in the ownership of a permittee business entity (changes that result in a cumulative change of more than 51% of the original ownership) must be approved by the City Manager or his/her designee through the transfer process contained in this subsection (a). Failure to comply with this provision is grounds for permit revocation.
- (d) A permittee may change the form of business entity without applying to the City Manager or his/her designee for a transfer of permit, provided that either:
 - (1) The membership of the new business entity is substantially similar to original permit holder business entity (at least 51% of the membership is identical), or
 - (2) If the original permittee is an unincorporated association, mutual or public benefit corporation, agricultural or consumer cooperative corporation and subsequently transitions to or forms a new business entity as allowed under the MAUCRSA and to comply with Section 5.10.060, subdivision (b), provided that the Board of Directors (or in the case of an unincorporated association, the individual(s) listed on the City permit application) of the original permittee entity are the same as the new business entity.

Although a transfer is not required in these two circumstances, the permit holder is required to notify the City Manager in writing of the change within ten (10) days of the change. Failure to comply with this provision is grounds for permit revocation.

- (e) No commercial cannabis business permit may be transferred when the City Manager or his/her designee has notified the permittee that the permit has been or may be suspended or revoked.
- (f) Any attempt to transfer a commercial cannabis business permit either directly or indirectly in violation of this section is hereby declared void, and such a purported transfer shall be deemed a ground for revocation of the permit.

Section 11.429. City Business License.

Prior to commencing operations, a commercial cannabis business shall obtain a City of Oxnard Business Tax Certificate, pursuant to Article 1.

Section 11.430. Building Permits and Inspection.

Prior to commencing operations, a commercial cannabis business shall be subject to a mandatory building inspection and must obtain all required permits and approvals which would otherwise be required for any business of the same size and intensity operating in that zone. This includes but is not limited to obtaining any required building permit(s), the Fire Department approvals, Health Department approvals and other zoning and land use permit(s) and approvals.

Section 11.431. Certification from the Development Services Director.

Prior to submittal of a Commercial Cannabis Business Permit application, a certification from the Development Services Director or his/her designee(s) certifying that the business is located on a site that meets all of the requirements of Chapter 16 and this Article shall be obtained. A fee shall be established by City Council Resolution for submittal and processing of this certification.

Section 11.432. 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 Article, 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 Article and consents to the operation of the commercial cannabis business on the owner's property.

Section 11.433. Location and Design of Cannabis Businesses.

Cannabis businesses permitted to engage in Manufacturing, Testing, or Distribution of cannabis and cannabis products are subject to the following zoning and locational requirements:

- (a) All cannabis manufacturing, testing, and distribution businesses must be located on property zoned Limited Manufacturing (ML), Light Manufacturing (M1), Heavy Industrial (M2), and Business and Research Park (BRP), as well as Auto Sales and Service, Business Park, and Commercial Manufacturing zones within the Rose Santa Clara Corridor Specific Plan. Manufacturing, Testing, and/or Distribution facilities may also be located in the following Specific Plan areas subject to relevant Specific Plan requirements, and input from the Business Park Association (if operational): Northeast Community Specific Plan, Sakioka Farms, Camino Real Business Park, McInnes Ranch Business Park Specific Plan, and Northfield Seagate Business Park Specific Plan.

- (b) Compliance with any Specific Plan requirements, including a letter of support from the specific plan management company or association.
- (c) The property on which the commercial cannabis business is located must also meet all of the following distance requirements:

- (1) It shall be no closer than six hundred (600) feet of any of the following:

- (A) Any residentially zoned property or any residentially used parcel as of the date the cannabis business permit is issued.

- (B) Any school providing instruction in kindergarten or any grades 1 through 12, whether public, private, or charter, including pre-school, transitional kindergarten, and K-12.

- (C) A commercial daycare center licensed by the City or County 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 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.

- (2) The distance specified in this section shall be the horizontal distance measured in a straight line from the property line of the identified use to the closest property line of the lot on which the cannabis use is located without regard to intervening structures.

- (d) Each proposed cannabis manufacturing, testing, and distribution 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 specific plan requirements, 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 (sprinkler and alarm; retrofit when determined necessary by the Fire Marshal) and storm drainage facilities for the intended purpose.

Section 11.434. Limitations on City's Liability.

To the fullest extent permitted by law, the City of Oxnard shall not assume any liability whatsoever with respect to having issued a commercial cannabis business permit pursuant to this Article or otherwise approving the operation of any commercial cannabis business. As a condition to the approval of any commercial cannabis business permit, the applicant shall be required to meet all of the following conditions before they can receive the commercial cannabis business permit:

- (a) They must execute an agreement, in a form approved by the City Attorney, agreeing to indemnify, defend (at applicant's sole cost and expense), and hold the City of Oxnard 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 Oxnard for all costs and expenses, including but not limited to legal fees and costs and court costs, which the City of Oxnard 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 Oxnard may, at its sole discretion, participate at its own expense in the defense of any such action, but such participation shall not relieve any of the obligations imposed hereunder.

Section 11.435 - Right to Occupy and Use a Property

As a condition precedent to the City's issuance of a commercial cannabis permit, any person intending to open and to operate a cannabis manufacturing, testing, or distribution

facility 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 another person, 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 Article and consents to the operation of the use on the owner's property.

Section 11.436. 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 Article), or at any time upon reasonable request of the City, each commercial cannabis business shall file a sworn statement detailing the number of sales by the commercial cannabis business during the previous twelve-month period (or shorter period based upon the timing of the request), provided on a per-month basis. The statement shall also include gross sales for each month, and all applicable taxes paid or due to be paid. On an annual basis, each owner and operator shall submit to the City a financial audit of the business's operations conducted by an independent certified public accountant. Each permittee shall be subject to a regulatory compliance review and financial audit as determined by the City Manager or his/her designee(s).
- (b) Each owner and operator of a commercial cannabis business shall maintain a current register of the names and the contact information (including the name, address, and telephone number) of anyone owning or holding an interest in the commercial cannabis business, and separately of all the officers, managers, employees, agents and volunteers currently employed or otherwise engaged by the commercial cannabis business. The register required by this paragraph shall be provided to the City Manager or his/her designee(s) upon a reasonable request.
- (c) Prior to state licensing, each commercial cannabis business shall maintain a record of all persons, patients, collectives and primary caregivers served by the commercial cannabis business, for a period of no less than four (4) years. Once a state license is obtained, the commercial cannabis business must maintain such records only to the extent permitted or required by 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 Oxnard officials to have access to the business's books, records, accounts, together with any other data or documents relevant to its permitted commercial cannabis activities, for the purpose of conducting an audit or examination. Books, records, accounts, and any and all relevant data or documents will be produced no later than twenty-four (24) hours after receipt of the City's request, unless otherwise stipulated by the City. The City may require the materials to be submitted in an electronic format that is compatible with the City's software and hardware.

Section 11.437. Operational Standards.

- (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 and are considered in addition to the Best Practices identified in the guidelines for issuance of a Cannabis Business Permit and/or conditions imposed as part of the land use permit approval:
 - (1) Alarm system (perimeter, fire, and panic buttons).
 - (2) Remote monitoring of alarm systems by licensed security professionals and first responders (Knox box, etc.).
 - (3) Perimeter lighting systems (including motion sensors) for after-hours security.
 - (4) Perimeter security and lighting as approved by the Police Chief, Development Services Department or his/her designee.
 - (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) Plan for cash handling as relevant to manufacturing, testing, and distribution operations.

- (8) Except for live growing plants which are being cultivated at a cultivation facility, 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, shall be kept in a manner as to prevent diversion, theft, and loss.
- (9) 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 City Manager 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 City Manager or his/her designee(s). Video recordings shall be maintained for a minimum of ninety (90) days and shall be made available to the City Manager 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 Oxnard Police Department by the commercial cannabis business, to facilitate remote monitoring of security cameras by the Department or its designee.
- (10) 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.
- (11) Panic buttons shall be installed in all commercial cannabis businesses with direct notification to Oxnard Police Department dispatch, and shall be configured to immediately alert dispatch for the Oxnard Police Department.

- (12) 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.
 - (13) Any bars installed on the windows or the doors of the commercial cannabis business shall be installed only on the interior of the building.
 - (14) Security personnel shall monitor premises in accordance with a security plan as authorized by the City Manager or his/her designee(s), and must have a verified response security patrol when closed. 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. Firearms may be carried by security personnel while they are on duty if authorized by the Chief of Police.
 - (15) 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.
 - (16) 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.
 - (17) Each commercial cannabis business shall have an accounting software system in place to provide point of sale data as well as audit trails or both product and cash, where applicable.
 - (18) 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.
 - (19) Each commercial cannabis business shall have state of the art network security protocols in place to protect computer information and all digital data.
 - (20) Exterior vegetation shall be planted, altered and maintained in a fashion that precludes its use as a hiding place for persons on the premises.
- (b) Each commercial cannabis business shall identify a designated security representative/liaison to the City of Oxnard, 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 regularly monitor the parking lot and any adjacent property to ensure that these area 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, 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, without prior notice, to inspect or audit the effectiveness of any security plan or of any other requirement of this Article. Prevention Fire Inspectors shall be allowed access to audit buildings for Fire Life Safety concerns on a yearly basis or as determined necessary per the Fire Marshal.
- (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 may supplement these security requirements once operations begin, subject to review by the City Manager if requested by the business owner.

Section 11.438. 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.

Section 11.439. 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 Article shall pay all sales, use, business and other applicable taxes, and all license, registration, and other fees required under federal, state and local law. Each commercial cannabis business shall cooperate with City with respect to any reasonable request to audit the commercial cannabis business' books and records for the purpose of verifying compliance with this section, including but not limited to a verification of the amount of taxes required to be paid during any period.
- (c) Prior to operating in the City and as a condition of issuance of a regulatory permit, the operator of each cannabis facility shall enter into an operational 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 Article, including, but not limited to, public outreach and education, community service,

payment of fees and other charges as mutually agreed, and such other terms and conditions that will protect and promote the public health, safety and welfare.

Section 11.440. Miscellaneous Operating Requirements.

- (a) Commercial cannabis businesses may operate only during the hours specified in the commercial cannabis business permit issued by the City and/or as determined within the land use permit.
- (b) **Restriction on Consumption.** Cannabis shall not be consumed by any employee on the premises of any commercial cannabis business.
- (c) No cannabis or cannabis products or graphics depicting cannabis or cannabis products shall be visible from the exterior of any property issued a commercial cannabis business permit, or on any of the vehicles owned or used as part of the commercial cannabis business. No outdoor storage of cannabis or cannabis products is permitted at any time.
- (d) **Reporting and Tracking of Product and of Gross Sales.** Each commercial cannabis business shall have in place a point-of-sale or management inventory tracking system to track and report on all aspects of the commercial cannabis business including, but not limited to, such matters as cannabis tracking, inventory data, gross sales (by weight and by sale) and other information which may be deemed necessary by the City. The commercial cannabis business shall ensure that such information is compatible with the City's record-keeping systems. In addition, the system must have the capability to produce historical transactional data for review. Furthermore, any system selected must be approved and authorized by the City Manager or his/her designee(s) prior to being used by the permittee.
- (e) All cannabis and cannabis products sold, distributed or manufactured shall be cultivated, manufactured, and transported by licensed facilities that maintain operations in full conformance with the State and local regulations.
- (f) **Emergency Contact and Emergency Response Plan.** Each commercial cannabis business shall provide the City Manager or his/her designee(s) with the name, telephone number (both landline and mobile, if available) of an on-site employee or owner to whom emergency notice can be provided at any hour of the day. Each commercial cannabis business must have a fire evacuation plans, and plan to address robberies and other emergencies. Said plan shall be reviewed and approved by the Fire and Police Chief's or designee.
- (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 Oxnard regulations, 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 be directly illuminated, internally or externally. No banners, flags, billboards or other prohibited signs may be used at any time.
- (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 Article for any person to employ any person at a commercial cannabis business who is not at least twenty-one (21) years of age.
 - (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 Development Services 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 businesses 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 Article 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 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 Oxnard Police Department. Pursuant to California Penal Sections 11105(b)(11) and 13300(b)(11), which requires that there be a requirement or exclusion from employment, licensing or certification based on specific criminal conduct on the part of the subject of the record. No person shall be issued a permit to operate a commercial cannabis business or a related work permit unless they have first cleared the background check, as determined by the 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 Oxnard 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.

- (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.
- (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.

Section 11.441. Other Operational Requirements.

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

Section 11.442. Operating Requirements for Testing Labs.

- (a) Testing Labs shall be required to conduct all testing in a manner pursuant to Business and Professions Code Section 26100 and shall be subject to state and local law. Each Testing Lab shall be subject to additional regulations as determined from time to time as more regulations are developed under this Article and any subsequent State of California legislation regarding the same.
- (b) Testing Labs shall conduct all testing in a manner consistent with general requirements for the competence of testing and calibrations activities, including sampling using verified methods.
- (c) All cannabis testing laboratories performing testing shall obtain and maintain ISO/IEC 17025 accreditation as required by the Bureau of Cannabis Control.
- (d) Testing labs shall destroy any harvest batch whose testing sample indicates noncompliance with health and safety standards required by the bureau unless remedial measures can bring the cannabis or cannabis products into compliance with quality standards as specified by law and implemented by the bureau.
- (e) Each operator shall ensure that a testing laboratory employee takes the sample of cannabis or cannabis products from the distributor's premises for testing required by state law and that the testing laboratory employee transports the sample to the testing laboratory.
- (f) Except as provided by state law, a testing laboratory shall not acquire or receive cannabis or cannabis products except from a licensee in accordance with state law, and shall not distribute, sell, or dispense cannabis, or cannabis products, from the

licensed premises from which the cannabis or cannabis products were acquired or received. All transfer or transportation shall be performed pursuant to a specified chain of custody protocol.

- (g) A testing laboratory may receive and test samples of cannabis or cannabis products from a qualified patient or primary caregiver only if the qualified patient or primary caregiver presents the qualified patient's valid physician's recommendation for cannabis for medicinal purpose. A testing lab shall not certify samples from a qualified patient or primary caregiver for resale or transfer to another party or licensee. All tests performed by a testing laboratory for a qualified patient or primary caregiver shall be recorded with the name of the qualified patient or primary caregiver and the amount of the cannabis or cannabis products received.

Section 11.443. Operating Requirements for Distributors.

- (a) A distributor shall not store non-cannabis goods or non-cannabis accessories that are to be sold to another party on any licensed premises. Additionally, a distributor shall not distribute non-cannabis goods or non-cannabis accessories at a licensed premises. For the purposes of this section, non-cannabis goods are any goods that do not meet the definition of cannabis goods as defined in Section 5000(c) of the California Code of Regulations.
- (b) After taking physical possession of a cannabis goods batch, the distributor shall contact a testing laboratory and arrange for a laboratory employee to come to the distributor's licensed premises to select a representative sample for laboratory testing.
- (c) A distributor shall ensure that all cannabis goods batches are stored separately and distinctly from other cannabis goods batches on the distributor's premises.
- (d) The distributor shall ensure that the batch size from which the sample is taken meets the requirements of state law, specifically the testing provisions within the California Code of Regulations.
- (e) A distributor or an employee of the distributor shall be physically present to observe the laboratory employee obtain the sample of cannabis goods for testing and shall ensure that the increments are taken from throughout the batch. The sampling shall be video-recorded and the recording kept available to state and local authorities for a minimum of 180 days, pursuant to Section 5305 of the California Code of Regulations.
- (f) A distributor shall not transport cannabis or cannabis products to a licensed retail facility until and unless it has verified that the cannabis or cannabis products have been tested and certified by a testing lab as being in compliance with state health

and safety requirements pursuant to Sections 5705, 5710 and 5714 of Title 16 of the California Code of Regulations.

Section 11.444. Operating Requirements for Cannabis Manufacturing: Edibles and Other Cannabis Products; Sale or Distribution of Edible and Other Cannabis Products.

- (a) Cannabis manufacturing facilities requiring a Type-6, Type-7, Type S, or any subsequent created manufacturing state license (using non-volatile and volatile solvents) as defined in MAUCRSA, may be permitted to operate within those zone districts as defined in the City of Oxnard Code.
- (b) Any compressed gases used in the manufacturing process shall not be stored on any property within the City of Oxnard in containers that exceeds the amount which is approved by the Oxnard Fire Department and authorized by the regulatory permit. Each site or parcel subject to a commercial cannabis business permit shall be limited to a total number of compressed gas tanks allowed on the property at any one time, as determined by the Oxnard Fire Department.
- (c) Cannabis manufacturing facilities may use the hydrocarbons N-butane, isobutane, ethanol, propane, or heptane or other solvents or gases exhibiting low to minimal potential human-related toxicity approved by the Development Services Department. These solvents must be of at least ninety-nine percent purity and any extraction process must use them in a professional grade closed loop extraction system designed to recover the solvents and work in an environment with proper ventilation, controlling all sources of ignition where a flammable atmosphere is or may be present.
- (d) If an extraction process uses a professional grade closed loop CO₂ gas extraction system every vessel must be certified by the manufacturer for its safe use. The CO₂ must be of at least ninety-nine percent purity.
- (e) Closed loop systems for compressed gas extraction systems must be used and must be commercially manufactured and bear a permanently affixed and visible serial number.
- (f) Certification from an engineer licensed by the State of California, or from a State Certified Professional Engineer or State Certified Industrial Hygienist from another state, must be provided to the Development Services Department for a professional grade closed loop system used by any commercial cannabis manufacturing manufacturer to certify that the system was commercially

manufactured, is safe for its intended use, and was built to codes of recognized and generally accepted good engineering practices, including but not limited to:

- (1) The American Society of Mechanical Engineers (ASME);
 - (2) American National Standards Institute (ANSI);
 - (3) Underwriters Laboratories (UL); or
 - (4) The American Society for Testing and Materials (ASTM)
-
- (g) The certification document must contain the signature and stamp of the professional engineer and serial number of the extraction unit being certified.
 - (h) Professional closed loop systems, other equipment used, the extraction operation, and facilities must be approved for their use by the Oxnard Fire Department and meet any required fire, safety, and building code requirements specified in the California Building Reference Codes.
 - (i) Cannabis Manufacturing facilities may use heat, screens, presses, steam distillation, ice water, and other methods without employing solvents or gases to create keef, hashish, bubble hash, or infused dairy butter, or oils or fats derived from natural sources, and other extracts.
 - (j) Cannabis Manufacturing Facilities may use food grade glycerin, ethanol, and propylene glycol solvents to create or refine extracts. Ethanol should be removed from the extract in a manner to recapture the solvent and ensure that it is not vented into the atmosphere.
 - (k) Cannabis Manufacturing Facilities creating cannabis extracts must develop standard operating procedures, good manufacturing practices, and a training plan prior to producing extracts for the marketplace.
 - (l) Any person using solvents or gases in a closed looped system to create cannabis extracts must be fully trained on how to use the system, have direct access to applicable material safety data sheets and handle and store the solvents and gases safely.
 - (m) Parts per million for one gram of finished extract cannot exceed state standards for any residual solvent or gas when quality assurance tested.

Section 11.445. Promulgation of Regulations, Standards and Other Legal Duties.

- (a) In addition to any regulations adopted by the City Council, the City Manager or his/her designee is authorized to establish any additional rules, regulations and standards governing the issuance, denial or renewal of commercial cannabis business permits, the ongoing operation of commercial cannabis businesses and the City's oversight, or concerning any other subject determined to be necessary to carry out the purposes of this Article.
- (b) Regulations shall be published on the City's website.
- (c) Regulations promulgated by the City Manager shall become effective upon date of publication. Commercial cannabis businesses shall be required to comply with all state and local laws and regulations, including but not limited to any rules, regulations or standards adopted by the City Manager or his/her designee.
- (d) Testing Labs, Distribution facilities and Special Events shall be subject to state law and shall be subject to additional regulations as determined from time to time as more regulations are developed under Section 11.10.410 (a) of this Article and any subsequent State of California legislation regarding the same.

Section 11.446. 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 six hundred (600) feet of the commercial cannabis business.
- (b) During the first year of operation pursuant to this Article, the owner, manager, and community relations representative from each commercial cannabis business holding a permit issued pursuant to this Article shall attend quarterly 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 Article. 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).
- (c) Commercial cannabis businesses to which a permit is issued pursuant to this Article shall describe benefits that the cannabis business would provide to the

local community, such as community contributions, volunteer services and/or economic incentives.

Section 11.447. Permit Holder Responsible for Violations.

The person to whom a permit is issued pursuant to this Article 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 Oxnard, whether committed by the permittee or any employee or agent of the permittee, which violations occur in or about the premises of the commercial cannabis business whether or not said violations occur within the permit holder's presence.

Section 11.448 Inspection and Enforcement.

- (a) The City Manager, or his/her designee(s) charged with enforcing the provisions of the City of Oxnard 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 Article 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 Article 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 Article or under state or local law.
- (c) The City Manager, or his/her designee(s) charged with enforcing the provisions of this Article 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 Oxnard shall be logged, recorded, and maintained in accordance with established procedures by the City of Oxnard City Manager or these regulations.

Section 11.449. Compliance with State Regulation.

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

Section 11.450. Violations declared a public nuisance.

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

Section 11.451. Each violation a separate offense.

Each and every violation of this Article shall constitute a separate violation and shall be subject to all remedies and enforcement measures authorized by the City of Oxnard. Additionally, as a nuisance per se, any violation of this Article shall be subject to injunctive relief, any permit issued pursuant to this Article 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 Oxnard may also pursue any and all remedies and actions available and applicable under state and local laws for any violations committed by the commercial cannabis business or persons related to, or associated with, the commercial cannabis activity. Additionally, when there is determined to be an imminent threat to public health, safety or welfare, the City Manager, or his/her designee(s), may take immediate action to temporarily suspend a commercial cannabis business permit issued by the City, pending a hearing before the City Manager, or his/her designee(s).

Section 11.452. Criminal Penalties.

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

Section 11.453. 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. Subsection Q is added to Section 16-177 of the Oxnard City Code regarding the BRP Business and Research Park Zone to read as follows:

“(Q) Commercial cannabis business, provided that the owner has first obtained a commercial cannabis business permit pursuant to Article XVI, Chapter 11 of the Oxnard City Code and a Special Use Permit.”

Section 3. Subsection I of Section 16-178 of the Oxnard City Code relating to the BRP Business and Research Park Zone is hereby amended to read as follows:

“(G) Cannabis-related uses, unless the requirements of Section 16-177(Q) have been met.”

Section 4. Section 16-186.1 of the Oxnard City Code relating to the M-L Limited Manufacturing Zone is hereby amended to read as follows:

“SEC. 16-186.1. RELATED USE – SPECIAL USE PERMIT REQUIREMENT.

(A) Commercial recreation activities in freestanding structures or as a freestanding use may be permitted in this zone subject to the approval of a special use permit.

(B) A commercial cannabis business may be permitted in this zone provided that the owner has first obtained a commercial cannabis business permit pursuant to Article XVI, Chapter 11 of the Oxnard City Code and a Special Use Permit.

(C) A church use shall be allowed in the M-L zone if the commission has granted a special use permit as provided in sections 16-530 through 16-553.”

Section 5. Subsection F of Section 16-191 of the Oxnard City Code relating to the M-L Limited Manufacturing Zone is hereby amended to read as follows:

“(F) Cannabis-related uses, unless the requirements of Section 16.186.1(B) have been met.”

Section 6. Subsection C is added to Section 16-223 of the Oxnard City Code to read as follows:

“(C). A commercial cannabis business may be permitted in the M-1 Light Manufacturing Zone provided that the owner has first obtained a commercial cannabis business permit pursuant to Article XVI, Chapter 11 of the Oxnard City Code and a Special Use Permit.”

Section 7. Subsection G of Section 16-226 of the Oxnard City Code relating to the M-1 Light Manufacturing Zone is hereby amended to read as follows:

“(G) Cannabis-related uses, unless the requirements of Section 16-223(C) have been met.”

Section 8. Subsection D is added to Section 16-246 of the Oxnard City Code to read as follows:

“(D) A commercial cannabis business may be permitted in the M-2 Heavy Manufacturing Zone provided that the owner has first obtained a commercial cannabis business permit pursuant to Article XVI, Chapter 11 of the Oxnard City Code and a Special Use Permit.”

Section 9. Section 16-251 of the Oxnard City Code is hereby amended to read as follows:

“SEC. 16-251. CANNABIS USES.

Cannabis uses are prohibited in the M-2 Heavy Manufacturing Zone unless the requirements of Section 16-246(D) have been met.”

Section 10. Section 4.2.1., B. (Auto Sales and Service) of the Rose Santa Clara Corridor Specific Plan are hereby amended to read as follows:

“5. Commercial Cannabis uses, subject to the requirement of Oxnard, City Code, title 16, Chapter XVI.”

Section 11. Section 4.2.2., B. (Business Park) of the Rose Santa Clara Corridor Specific Plan are hereby amended to read as follows:

“5. Commercial Cannabis uses, subject to the requirement of Oxnard, City Code, title 16, Chapter XVI.”

Section 12. 4.2.3., B (Retail Commercial) of the Rose Santa Clara Corridor Specific Plan are hereby amended to read as follows:

“5. Commercial Cannabis uses, subject to the requirement of Oxnard, City Code, title 16, Chapter XVI.”

Section 13. Section 4.2.4., B. (Commercial Manufacturing) of the Rose Santa Clara Corridor Specific Plan are hereby amended to read as follows:

“5. Commercial Cannabis uses, subject to the requirement of Oxnard, City Code, title 16, Chapter XVI.”

Section 14. If any section, subsection, sentence, clause or phrase of this ordinance is for any reason held to be invalid, such decision shall not affect the validity of the remaining portions of this ordinance. The City Council hereby declares that it would have passed this ordinance and each section, subsection, sentence, clause and phrase thereof, irrespective of the fact that any one or more sections, subsections, sentences, clauses, or phrases be declared invalid.

Section 15. The City Clerk shall certify to the adoption of this ordinance and shall cause the summary thereof to be published within fifteen (15) calendar days of the adoption and shall post a certified copy of this ordinance, include the vote for and against the same, in the office of the City Clerk, in according with Government Code Section 36933. Ordinance No. ____ was first read on _____, 2019, finally adopted on _____, 2019, to become effective thirty (30) days thereafter.

The foregoing Ordinance was adopted at a regular meeting of the City Council of the City of Oxnard, State of California, held on the _____ day of _____, _____, by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

Tim Flynn, Mayor

ATTEST:

APPROVED AS TO FORM:

Michelle Ascencion, City Clerk

Stephen M. Fischer, City Attorney