

ORDINANCE NO. 588

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF ADELANTO, CALIFORNIA, AMENDING SECTIONS 17.80.080 (CANNABIS CULTIVATION), 17.80.081 (CANNABIS CULTIVATION WATER REQUIREMENTS), 17.80.090 (CANNABIS MANUFACTURING), 17.80.100 (CANNABIS DISTRIBUTION), 17.80.101 (CANNABIS TRANSPORTATION), 17.80.110 (CANNABIS TESTING) AND 17.80.120 (CANNABIS DISPENSARIES) OF THE ADELANTO MUNICIPAL CODE

WHEREAS, the City of Adelanto, California (the “City”) is a municipal corporation, duly organized under the constitution and laws of the State of California; and

WHEREAS, the City desires to properly regulate all commercial cannabis activities in the City to protect the health, safety, and welfare of its citizens and to reduce the potential for negative secondary effects of commercial cannabis activities in Adelanto; and

WHEREAS, it is the intent and desire of the City Council for the City of Adelanto to bring the local ordinance in-line with state laws, eliminate certain restrictions on the number of permits which can be held by an individual and which can be operated on a single location for cannabis facilities other than dispensaries operating under the laws of the City and the State; and

WHEREAS, On November 8, 2016, California voters passed Proposition 64 (the Adult Use of Marijuana Act (“AUMA”)), legalizing the use and possession of non-medicinal cannabis products within California by adults aged 21 years and older; and

WHEREAS, on June 27, 2017, Governor Brown signed into law Senate Bill 94, which repealed the Medical Cannabis Regulation and Safety Act (“MCRSA”), included certain provisions of the MCRSA in the licensing provisions of the AUMA, and created a single regulatory scheme for both medical and non-medical cannabis known as the Medicinal and Adult-Use Cannabis Regulation and Safety Act (“MAUCRSA”). The MAUCRSA retains the provisions in the MCRSA and the AUMA that granted local jurisdictions control over whether non-commercial and commercial cannabis activities could occur in a particular jurisdiction. Specifically, California Business and Professions Code section 26200 provides that MAUCRSA shall not be interpreted to supersede or limit the authority of a local jurisdiction to adopt and enforce local ordinances that completely prohibit the establishment or operation of one or more businesses licensed under the state licensing authority shall not approve an application for a state license for a business to engage in commercial cannabis activity if approval by the state license will violate the provisions of any local ordinance or regulation. The MAUCRSA provided that state licensing authorities begin issuing licenses to cannabis businesses beginning January 1, 2018; and

WHEREAS, MAUCRSA establishes a regulatory structure for cultivation, processing, manufacturing, tracking, quality control, testing, inspection, distribution, and retail sale of commercial cannabis including medicinal and adult-use cannabis. The act designates applicable responsibilities for oversight of cannabis commerce to several State agencies; and

WHEREAS, the subject Municipal Code Amendment is not subject to the California

Environmental Quality Act (CEQA) pursuant to Sections 15060(c)(2), 15060(c)(3) and 15061(b)(3). The activity is not subject to CEQA because it will not result in a direct or reasonably foreseeable indirect physical change in the environment; the activity is not a project as defined in Section 15378, and the activity is covered by the general rule that CEQA applies only to projects, which have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity may have a significant effect on the environment, the activity is not subject to CEQA; and

WHEREAS, this Ordinance would amend Sections 17.80.080, 17.80.081, 17.80.090, 17.80.100, 17.80.101, 17.80.110 and 17.80.120 of the Adelanto Municipal Code to regulate medicinal and adult-use cannabis activities to promote health, safety, and general welfare of the citizens of the City.

WHEREAS, on April 2018, the Planning Commission, on a 4-0 vote, recommended to the City Council to approve Zone Text Amendment ZCA 18-02 (Ordinance No. 58), which will amend Sections 17.80.080, (CANNABIS CULTIVATION), 17.80.081 (CANNABIS CULTIVATION WATER REQUIREMENTS), 17.80.090 (CANNABIS MANUFACTURING), 17.80.100 (CANNABIS DISTRIBUTION), 17.80.101 (CANNABIS TRANSPORTATION), 17.80.110 (CANNABIS TESTING) AND 17.80.120 (CANNABIS DISPENSARIES) of the Adelanto Municipal Code (“AMC”) regarding the regulation of all cannabis activities and introducing adult cannabis use.

NOW THEREFORE, THE CITY COUNCIL OF THE CITY OF ADELANTO DOES ORDAIN AS FOLLOWS:

SECTION 1. Incorporation of Recitals. The above recitals are true and correct and are incorporated herein by this reference.

SECTION 2. Section 17.80.080 of the Adelanto Municipal Code, is hereby amended in its entirety as set forth in the attached Exhibit A.

SECTION 3. Section 17.80.081 of the Adelanto Municipal Code, is hereby amended in its entirety as set forth in the attached Exhibit B.

SECTION 4. Section 17.80.090 of the Adelanto Municipal Code, is hereby amended in its entirety as set forth in the attached Exhibit C.

SECTION 5. Section 17.80.100 of the Adelanto Municipal Code, is hereby amended in its entirety as set forth in the attached Exhibit D.

SECTION 6. Section 17.80.101 of the Adelanto Municipal Code, is hereby amended in its entirety as set forth in the attached Exhibit E.

SECTION 7. Section 17.80.110 of the Adelanto Municipal Code, is hereby amended in its entirety as set forth in the attached Exhibit F.

SECTION 8. Section 17.80.120 of the Adelanto Municipal Code, is hereby amended in its entirety as set forth in the attached Exhibit G.**EXHIBIT "A"**

SECTION 9. The Mayor shall sign and the City Clerk shall certify passage and adoption of this Ordinance, and the City Clerk shall cause the same to be published and posted pursuant to the provisions of law in this regard, and this Ordinance shall take effect 30 days after its final passage.

PASSED, APPROVED, and ADOPTED this 23rd day of May, 2018.


Rich Kerr, Mayor


Cynthia M. Herrera, MMC, City Clerk

APPROVED AS TO FORM:


Ruben Duran, City Attorney

I, Cindy Herrera, City Clerk of the City of Adelanto, California, do hereby certify that the foregoing Ordinance No. 587 was duly introduced for first reading on the 9th day of May, 2018 and regular adopted at a regular meeting of the City Council of the City of Adelanto on this day 23rd day of May, by the following voter, to wit:

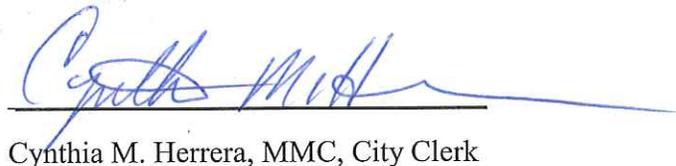
AYES: Council Member Glasper, Mayor Pro Tem Woodard, Mayor Kerr

NOES: None

ABSENT: None

ABSTAIN: Council Member Camargo

IN WITNESS WHEREOF, I hereunto set my hand and affix the official seal of the City of Adelanto on this 23rd day of May, 2018



Cynthia M. Herrera, MMC, City Clerk

“17.80.080 Cannabis Cultivation.

(a) **Purpose.** The purpose and intent of this Section is to regulate the cultivation of adult-use and medical cannabis that is grown in accordance with State law in order to promote the health, safety, morals, and general welfare of the residents and businesses within the City. The City is authorized to regulate this activity pursuant to the MAUCRSA

(b) **Definitions.** For purposes of this Section, the following definitions shall apply, unless the context clearly indicates otherwise:

(1) “Cannabis” means all parts of the plant *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 division, “cannabis” does not mean “industrial hemp” as defined by Section 11018.5 of the Health and Safety Code.

(2) “Cultivation” shall be defined in accordance with the MAUCRSA, Business and Professions Code section 26001, and other applicable State laws.

(3) “Cultivation Permit” means a City permit to operate an indoor adult-use and/or medical cannabis cultivation facility pursuant to the terms and conditions of this Section and the conditions of approval for the permit.

(4) “Cultivation Permittee” means an applicant who has applied for and has been issued a Cultivation Permit by the City pursuant to the terms and conditions of this Section.

(5) “CUP” means a Conditional Use Permit issued by the City in accordance with this Code.

(6) “Fully enclosed and secure structure” means a space within a building, greenhouse or other structure which has a complete roof enclosure supported by connecting walls extending from the ground to the roof, which is secure against unauthorized entry, provides complete visual screening, and which is accessible only through one or more lockable doors and is inaccessible to minors.

(7) “Indoors” means within a fully enclosed and secure structure.

(8) “MAUCRSA” means the Medicinal and Adult-Use Cannabis Regulation and Safety Act (MAUCRSA). (Bus. & Prof. Code, section 26000 et seq.)

(9) “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 and other applicable State laws, by a medicinal cannabis patient in California who possesses a physician’s recommendation. For purposes of this definition, “medical cannabis” also means “medical marijuana.” “Nursery” means an adult-use and/or medical marijuana cultivation operation that produces only clones, immature plants, seeds, and other agricultural products used specifically for the planting, propagation, and cultivation of medical marijuana, including research and development related thereto.

(10) “Outdoors” means any location within the City that is not within a fully enclosed and secure structure.

(c) **Cannabis Cultivation Prohibited.** All cannabis cultivation within the City is prohibited except as expressly permitted by this Section.

(d) **Indoor Cannabis Cultivation Conditionally Permitted.** Indoor adult-use and medical cannabis cultivation is conditionally permitted in the City only as expressly specified in this Section.

(1) Indoor Cannabis Cultivation Standards. Indoor adult-use and medical cannabis cultivation, within the City, shall be in conformance with the following standards:

A. Indoor adult-use and medical cannabis cultivation shall only be allowed upon application and approval of a Cultivation Permit and a CUP in accordance with the criteria and process set forth in this Section and this Code.

B. Indoor adult-use and medical cannabis cultivation is a conditionally permitted use only on properties within the City’s Cannabis Overlay Zones.

C. No cannabis cultivation shall be established, developed, or operated within 600 feet of a school, public playground or park, child care or day care facility, youth center, or church. All distances shall be measured in a straight line, without regard to intervening structures, from the nearest point of the building or structure in which the indoor adult use and/or medical cannabis cultivation is, or will be located, to the nearest property line of those uses described in this Subsection.

D. An indoor adult-use and/or medical cannabis cultivation facility may not be located within the same unit as a cannabis testing facility.

E. Subject to the further requirements of this Section, only the following State cultivator license classification types “M” and “A” specified in the MAUCRSA and Business and Professions Code sections 26001 and 26050 will be allowed to operate in the City: 1, 1A, 1B, 1C, 2, 2A, 2B, 3, 3A, 3B, and 4.

F. Indoor adult-use and medical cannabis cultivation is allowed only within a fully enclosed and secure structure that is inaccessible to minors.

G. Indoor adult-use and medical cannabis cultivation shall not exceed the square footage authorized pursuant to the CUP.

H. From any public right-of-way, there shall be no visible exterior evidence of any indoor adult use or medical cannabis cultivation activity.

I. Indoor adult-use and medical cannabis cultivation activity may include production of clones, growing marijuana plants, harvesting marijuana plants, harvesting marijuana seeds, drying marijuana flowers, producing other agricultural products used specifically for the planting, propagation, cultivation of adult-use and medical marijuana, and research and development related to the foregoing, but shall not include any extraction procedures to produce concentrated THC.

J. Indoor adult-use or medical cannabis cultivation shall not adversely affect the health or safety of the nearby residents by creating dust, glare, heat, noise, smoke, traffic, vibration, or other impacts, and shall not be hazardous due to use or storage of materials, processes, products, or wastes.

K. Each indoor adult-use and/or medical cannabis cultivation facility shall fully comply with all of the applicable restrictions and mandates set forth in State law. An indoor adult-use and/or medical cannabis cultivation facility shall comply with all size requirements for such facility as imposed by State law. An indoor adult-use and/or medical cannabis cultivation facility shall not engage in any activities not allowed by an indoor adult-use and/or medical cannabis cultivation facility pursuant to State law. An indoor adult-use and/or medical cannabis cultivation facility shall comply with all horticultural, labeling, processing, and other standards required by State law.

L. There is no set restriction on the hours of operation of an indoor adult use and/or medical cannabis cultivation facility; however, restricted hours of operation may be established as a condition of approval of the Cultivation Permit or the applicable CUP.

M. All cannabis shall be kept in a secured manner during all business and nonbusiness hours.

N. An indoor adult-use and/or medical cannabis cultivation facility shall operate within a legal structure that is compliant with all applicable State and local laws.

O. An indoor adult-use and/or medical cannabis cultivation facility must pay all applicable sales taxes pursuant to all federal, State, and local laws.

P. On-site smoking, ingestion, or consumption of cannabis or alcohol shall be prohibited on the premises of an indoor adult-use and/or medical cannabis cultivation facility. The term "premises" as used in this Subsection includes the actual indoor adult-use and/or medical cannabis cultivation building, as well as any accessory structures and parking areas. The indoor adult-use and/or medical cannabis cultivation facility building entrance shall be clearly and legibly posted with a notice indicating that smoking, ingesting, or consuming cannabis or alcohol on the premises or in the vicinity of the facility is prohibited.

Q. Signage for an indoor adult-use and/or medical cannabis cultivation facility shall be limited to name of business only, shall be in compliance with the City's sign code, and shall contain no advertising of any companies, brands, products, goods, or services. Signage shall not include any drug-related symbols.

R. Alcoholic beverages shall not be sold, stored, distributed, or consumed on the premises. An indoor adult-use and/or medical cannabis cultivation facility shall not hold or maintain a license from the State Department of Alcohol Beverage Control to sell alcoholic beverages, or operate a business that sells alcoholic beverages. In addition, alcohol shall not be provided, stored, kept, located, sold, dispensed, or used on the premises of any indoor adult-use and/or medical cannabis cultivation facility.

S. Physician services shall not be provided on the premises. "Physician services" does not include social services, including counseling, help with housing and meals, hospice, and other care referrals which may be provided on site.

T. The building in which any indoor adult-use and/or medical cannabis cultivation facility is located, as well as the operations as conducted therein, shall fully comply with all applicable rules, regulations, and laws including, but not limited to, zoning and building codes, the City's business license ordinances, the Revenue and Taxation Code, the Americans with Disabilities Act, and the MAUCRSA. Compliance with all requirements of State law pertaining to indoor cannabis cultivation is also required.

U. An indoor adult-use and/or medical cannabis cultivation facility shall not manufacture, process, distribute, transport, sell, dispense, or administer cannabis from the facility, unless expressly and affirmatively authorized by State law and permitted by local law. An indoor adult-use and/or medical cannabis cultivation facility shall not be operated as a cannabis manufacturing, distribution, transportation, or testing facility, or as a cannabis dispensary, unless expressly and affirmatively authorized by State law and permitted by local law.

V. The operators of an indoor adult-use and/or medical cannabis cultivation facility shall provide the City Manager or the City Manager's designee with the name, phone number, facsimile number, and email address of an on-site representative to whom the City and the public can provide notice if there are any operational problems associated with the indoor adult-use and/or medical cannabis cultivation facility. An indoor adult-use and/or medical cannabis cultivation facility shall make every good faith effort to encourage residents and the public to call this representative to resolve any operational problems before any calls or complaints are made to the City or law enforcement.

W. An indoor adult-use and/or medical cannabis cultivation facility shall be operated in accordance with the conditions of approval associated with the applicable CUP for the parcel of real property upon which the indoor adult-use and/or medical cannabis cultivation activities occur.

X. An indoor adult-use and/or medical cannabis cultivation facility shall have a security plan including the following measures:

1. Security cameras shall be installed and maintained in good condition, and used in an on-going manner with at least 120 concurrent hours of digitally recorded documentation in a format approved by the City Manager or the City Manager's designee. The cameras shall be in use 24 hours per day, 7 days per week. The areas to be covered by the security cameras include, but are not limited to, the storage areas, cultivation areas, all doors and windows, and any other areas as determined by the City Manager or the City Manager's designee. Remote log-in information shall be provided to the City Manager and the Chief of Police to allow them to view the security camera images and recordings from their own facilities at any time. Any disruption in security camera images shall be cured expeditiously in good faith.

2. The indoor adult-use and/or medical cannabis cultivation facility shall be alarmed with an alarm system that is operated and monitored by a reputable security company.

3. Entrance to the cultivation area, and all storage areas, shall be locked at all times, and under the control of the indoor adult-use and/or medical cannabis cultivation facility's staff.

4. The entrances and all window areas shall be illuminated during evening hours. The facility shall comply with the City's lighting standards regarding fixture type, wattage, illumination levels, shielding, etcetera, and shall secure the necessary lighting approvals and permits as needed.

5. All windows on the building that houses the indoor adult-use and/or medical cannabis cultivation facility shall be appropriately secured and all cannabis securely stored.

Y. Recordings made by the security cameras shall be made available to the City Manager, the City Manager's designee, the City's Code Enforcement Manager, and law enforcement upon verbal request - no search warrant or subpoena shall be needed to view the recorded materials.

Z. Upon reasonable notice to the Cultivation Permittee which shall be no less than 12 hours, the City Manager, or the City Manager's designee, shall have the right to enter the indoor adult-use and/or cannabis cultivation facility for the purpose of making reasonable inspections to observe and enforce compliance with this Section and all laws of the City and the State. The City Manager or his or her designee must approve all inspections in advance and shall maintain a log tracking the time and date of all inspections, the individual requesting the inspection, and the result of each inspection. Individuals participating in any such inspection must take precautions to comply with standard safeguards and procedures in place at the facility regarding security, clean room/clean area access and anti-contamination measures.

AA. All batches of final cultivated cannabis must be inspected and quality tested by a qualified third party distributor and testing facility prior to distribution to a dispensary as required by the MAUCRSA, Business and Professions Code section 26100, the Department of Food and Agriculture regulations, and the State Department of Public Health regulations.

(2) Cultivation Permit Applications. All applicants wishing to obtain a Cultivation Permit from the City shall file an application with the City upon a form provided by

the City and shall pay a Cultivation Permit Application Fee as established by the City. An application for a Cultivation Permit shall include at least the following information:

- A. An estimate of the size of the proposed indoor adult-use and/or medical cannabis cultivation facility.
- B. The address of the location for which the Cultivation Permit is sought.
- C. A site plan and floor plan for the proposed premises denoting the use of all areas on the premises, including storage, cultivation areas, lighting, signage, etcetera.
- D. A proposed security plan in compliance with the Indoor Adult-Use and Medical Cannabis Cultivation Standards.
- E. The names, addresses, and relevant criminal histories of all potential employees, facility managers, and other relevant parties for the indoor adult-use and/or medical cannabis cultivation facility. Relevant criminal histories shall include any drug-related or felony convictions, the nature of such offenses, and the sentences received for such convictions.
- F. The name and address of the owner and lessor of the real property upon which the indoor adult-use and/or medical cannabis cultivation activity is proposed to be conducted. In the event the applicant is not the legal owner of the property, the application must be accompanied with a notarized acknowledgement from the owner of the property that an indoor adult-use and/or medical cannabis cultivation facility will be operated on the property.
- G. Authorization for the City Manager or the City Manager's designee to seek verification of the information contained within the application.
- H. Evidence that the indoor adult-use and/or medical cannabis cultivation facility will be located in a legal structure that is compliant with all applicable State and local laws.
- I. A statement in writing by the applicant that the applicant certifies under penalty of perjury that all the information contained in the application is true and correct.
- J. Any such additional and further information as is deemed necessary by the City Manager or the City Manager's designee to administer this Section.
- K. The City Manager or the City Manager's designee shall conduct a background check of any applicant seeking a Cultivation Permit, including all potential employees and any person who may be a facility manager or otherwise responsible for the activities of the indoor adult-use and/or medical cannabis cultivation facility ("Applicant's Agents"), and shall prepare a report on the acceptability of the applicant and the Applicant's Agents and the suitability of the proposed location.
- L. The City Manager or the City Manager's designee shall rank all qualified applications in order of those that best satisfy the requirements of this Section and provide the

highest level of service and opportunities for residents of the City based on the requirements of this Section and the following criteria (“Merit List”):

1. The operational plan for the facility.
2. The security plan for the facility.
3. The experience of the operators of the facility.
4. The adequacy of capitalization for the facility and its operations.
5. The employment of City residents and other public benefits to the

City.

(3) Cultivation Permit. The following conditions apply to each Cultivation Permit:

A. Cultivation Permit will not be awarded to an applicant if:

1. The applicant or the Applicant’s Agents made one or more false or misleading statements or omissions in the application or during the application process.

2. The proposed indoor adult-use and/or medical cannabis cultivation facility is not allowed by State or local law.

3. The applicant is not a legal representative of the indoor adult-use and/or medical cannabis cultivation facility.

4. The applicant or the Applicant’s Agents have been convicted of a felony, or a misdemeanor involving moral turpitude, or the illegal use, possession, transportation, distribution, or any such similar activity related to controlled substances, with the exception of cannabis related offenses for which the conviction occurred prior to passage of Compassionate Use Act. A conviction within the meaning of this Section means a plea or verdict of guilty or a conviction following a plea of nolo contendere.

5. The applicant or the Applicant’s Agents have engaged in unlawful, fraudulent, unfair, or deceptive business acts or practices.

6. The applicant has not satisfied each and every requirement of this Section.

B. A Cultivation Permit shall be awarded by the City to eligible Cultivation Permit applicants in order of the Merit List as established by the City Manager or the City Manager’s designee. The number of Cultivation Permits shall be limited to those that may be reasonably accommodated within the Cultivation Zone as determined by the City Manager or the City Manager’s designee.

C. Before a Cultivation Permit can be issued to an applicant, Cultivation Permit fees must be paid to offset all related costs to the City, and the proposed indoor adult-use and/or medical cannabis cultivation facility location must pass all applicable inspections.

D. A Cultivation Permit is subject to the conditions of approval in the applicable CUP for the parcel of real property upon which the indoor adult-use and/or medical cannabis cultivation activity occurs.

E. A Cultivation Permit is subject to any additional conditions that may be applied by the City at the time of issuance or renewal as necessary to properly regulate the activity and protect the public.

F. All cultivation activities shall be subject to an excise tax to be established by the City and the voters.

G. A Cultivation Permittee may not hold or use any other cannabis activity permits or licenses that would otherwise be a violation of this Section, the MAUCRSA, or Business and Professions Code section 26050.

H. A Cultivation Permittee shall enter into an agreement with the City to fully reimburse the City for all fiscal impacts, costs, expenses, fees, and attorneys' fees incurred by the City related to the Cultivation Permit and the indoor adult-use and/or medical cannabis cultivation activity.

I. Cultivation Permittees who are in good standing with the City and who were previously authorized to engage in indoor medical cannabis cultivation, may request an abbreviated application for a permit to engage in indoor adult-use cannabis cultivation within the same cultivation facility, and they may operate under both permits in the same space, subject to state and local laws. The abbreviated permit process will allow Cultivation Permittees to submit certain previously approved application materials for their adult-use Cultivation Permit. The City reserves the right to request the Cultivation Permittee to submit a new Cultivation Permit application if the resubmitted materials do not satisfy the City's Cultivation Permit requirements. The City Manager will determine the appropriate fees for the adult-use permit, and the City Manager shall issue the adult-use permits on an expedited basis based on the prior applications and approvals.

J. A Cultivation Permittee shall:

1. Carry liability insurance in the amounts and types set by the City Manager or the City Manager's designee, and name the City as an additional insured on all such insurance policies.

2. Execute an Indemnification Agreement prepared by the City that fully indemnifies the City for all liabilities associated with the Cultivation Permit, the Cultivation Permittee's cannabis related activities, and any action taken by the Cultivation Permittee pursuant to this Section.

3. Agree to defend the City, at the Cultivation Permittee's sole expense, in any action against the City or its agents, officers, or employees associated with the Cultivation Permit, the Cultivation Permittee's cannabis related activities, or any action taken by the Cultivation Permittee pursuant to this Section.

4. Agree to reimburse the City for all costs, expenses, fees, and attorney fees incurred by the City related to any action against the City or its agents, officers, or employees associated with the Cultivation Permit, the Cultivation Permittee's cannabis related activities, or any action taken by the Cultivation Permittee pursuant to this Section. The City may, at its sole discretion, participate in the defense of any such action, but such participation shall not relieve the operator of its obligation hereunder.

K. A Cultivation Permittee shall keep the City and law enforcement updated with the names, addresses, and relevant criminal histories of all employees, facility managers, and other relevant parties for the indoor adult-use and/or medical cannabis cultivation facility at all times. Relevant criminal histories shall include any drug-related or felony convictions, the nature of such offenses, and the sentences received for such convictions.

L. A Cultivation Permittee shall account for job creation in the City and shall commit to employing a workforce that resides in the City. A minimum of 50% of all employees employed by the Cultivation Permittee at the indoor adult-use and/or medical cannabis cultivation facility shall be residents of the City. A Cultivation Permittee shall use good faith efforts to comply with this subsection and shall report the residential composition of its workforce to the City every year and at any other time upon demand by the City Manager or the City Manager's designee.

M. A Cultivation Permit issued pursuant to this Section may be transferred so long as the Permittee satisfies the City's Cultivation Permit application requirements and is in good standing with the city under the following circumstances:

1. The transfer results from the existing Permittee changing the corporation type or business type on file with the California Secretary of State,
2. The transfer is necessary to reflect the death or disability of an owner and/or the person on file with the City as being responsible for the permitted operations, or
3. To reflect a bona-fide transfer of the permit as a part of a transfer of the permitted operation.

N. All Cultivation Permit transfers are subject to the City Manager's or his or her designee's prior approval, which shall not be unreasonably withheld. A Cultivation Permit shall expire and be null and void 12 months after issuance to the Cultivation Permittee unless properly renewed. Upon payment of the applicable Cultivation Permit fees and passing the requisite Cultivation Permit inspections, a Cultivation Permittee that has maintained compliance with all City, State, and other applicable cannabis and business related laws shall be entitled to renew its Cultivation Permit subject to all prevailing laws at the time of renewal.

O. To the fullest extent permitted by law, the City does not assume any liability, and expressly does not waive sovereign immunity, with respect to any adult-use or medical cannabis cultivation activities or for the activities of any adult-use and/or indoor medical cannabis cultivation facility.

(4) Conditional Use Permit. All parcels of real property in the Cultivation Zone upon which indoor adult-use and/or medical cannabis cultivation activities may occur must obtain a CUP from the City for all such activities.

(5) Oversight Consultants. The City Manager or the City Manager's designee may establish an Oversight Consultant List to provide advice to City staff regarding the practical regulation of adult-use and medical cannabis activities in the City on an as needed basis. The Oversight Consultant List will consist of experts and experienced participants in various disciplines related to commercial adult-use and/or medical cannabis activities. The Oversight Consultants will not be a public body, will not meet on a regular schedule, and will not make or influence policy decisions by City staff. Rather specific individuals from the Oversight Consultant List will be contacted as necessary to provide specific advice based on their experience and expertise as a resource for City staff. The Oversight Consultants, as private citizens, may also proactively monitor adult-use and medical cannabis activities in the City and report findings as necessary to City staff.

(e) **Enforcement.**

(1) Any cannabis cultivation within the City in violation of this Section is hereby declared to be unlawful and a public nuisance.

(2) Any party who engages in a violation of this Section, or who owns, possesses, controls, or has charge of any parcel of real property in the City upon which a violation of the Section is maintained, shall be subject to the penalties and remedies provided by this Section.

(3) Any violation of this Section shall constitute a separate offense for each and every day the violation occurs or persists.

(4) Any person in violation of any provision of this Section shall be guilty of a misdemeanor and shall be punishable by a fine of up to \$ 1,000 and up to six months imprisonment per offense.

(5) Any person in violation of any provision of this Section shall be punishable by an administrative fine of up to a \$1,000 per offense.

(6) Any violation of this Section or any other City or State cannabis law by a Cultivation Permittee or a Cultivation Permittee's agent is grounds for revoking the Cultivation Permittee's Cultivation Permit. In addition, the City Manager or the City Manager's designee may revoke a Cultivation Permit if any of the following occur subject to a reasonable opportunity for the permittee to cure the deficiency during a period of no more than 60 days:

A. The City Manager or the City Manager's designee determines that the indoor adult-use and/or medical cannabis cultivation facility has failed to comply with this Section, any condition of approval, or any agreement or covenant as required pursuant to this Section.

B. The indoor adult-use and/or medical cannabis cultivation operations cease for more than 90 calendar days.

C. Ownership of the indoor adult-use and/or medical cannabis cultivation facility is changed or transferred to a third party, without prior City approval.

D. The indoor adult-use and/or medical cannabis cultivation facility fails to maintain 120 hours of security recordings.

E. The indoor adult-use and/or medical cannabis cultivation facility fails to provide remote access to the security cameras to the City Manager, the City Manager's designee, the Code Enforcement Manager, or the Chief of Police, or fails to allow inspection of the security recordings, the activity logs, or of the premises by authorized City officials.

(7) Any decision regarding the revocation of a Cultivation Permit may be appealed to an independent neutral third party administrative hearing officer appointed by the City Manager or the City Manager's designee ("Hearing Officer"). Said appeal shall be made by a notice of appeal from the person appealing within 15 days from the date of the decision. The appeal shall be accompanied by a written verified declaration setting forth the basis for the claim that the Cultivation Permit was improperly revoked. The Hearing Officer's decision shall be final and binding upon the City and the appellant.

(8) These penalties and remedies are cumulative, and in addition to any other penalties and remedies available to the City.

[Ord. No. 539, Section 2, 11/23/15; Ord. No. 545, Section 2, 5/25/16; Ord. No. 556, Section 2, 12/14/16; Ord. No. 558, Section 2, 12/14/16; Ord. 553, Section 2, 5/24/17; Ord. No. 564, Section 2, 6/28/17; Ord. No. 579, Section 2, 12/13/17.]”

EXHIBIT "B"

"17.80.081 Cannabis Cultivation Water Requirements."

(a) **Purpose.** The purpose and intent of this Section is to measure and monitor the amount of water used for the cultivation of adult-use and medical cannabis that is grown in accordance with State law within the City in order to comply with State water reporting requirements.

(b) **Water Meters.** In addition to all applicable State and local laws and regulations, the following provisions shall apply to adult-use and medical cannabis cultivation within the City that is conditionally permitted under Section 17.80.080 of this Code:

(1) Each Cultivation Permittee shall maintain a standard curbside water meter for consumption and billing purposes ("Standard Meter").

(2) In addition to a Standard Meter, each Cultivation Permittee shall install and maintain a separate water meter that exclusively measures and monitors the amount of water used for cultivation purposes ("Cultivation Meter").

(c) **Water Reporting.** In addition to the requirements under Subsection (b), Cultivation Permittees shall comply with the following reporting requirements:

(1) Each Cultivation Permittee shall report to the City the monthly quantity of water registered by its Cultivation Meter and used for cultivation purposes no later than the 10th day of the following month.

(2) Each monthly report submitted by a Cultivation Permittee shall also include the following information:

A. The total amount of water used for cannabis cultivation (measured in gallons and in acre-feet) for each month for each of the preceding 12 months. The report shall also tabulate the total amount of water used for cannabis cultivation for the combined preceding 12 months, as well as the combined months to date for the current calendar year.

B. The total irrigated acreage of cannabis cultivated (measured in square feet) for the year to date.

C. For outdoor, indoor, and mixed light cultivation, the average cultivated canopy size (measured in square feet) for the calendar year to date, the total number of plants harvested for the calendar year to date, and the total number of harvests for the calendar year to date.

D. Specify all the irrigation methods used for cannabis cultivation including, but not limited to; hand watering; drip or micro spray irrigation; flood irrigation; and row irrigation.

(3) Within 30 days of the effective date of this Section, each Cultivation Permittee shall submit to the City individual monthly water reports specifying all the information required under Section 17.80.081(c)(2) for each month since, and including, January 2016.

(d) **Enforcement.**

(1) Any cannabis cultivation within the City in violation of this Section is hereby declared to be unlawful and a public nuisance.

(2) Any party who engages in a violation of this Section, or who owns, possess, controls, or has charge of any parcel of real property in the City upon which a violation of this Section is maintained, shall be subject to the penalties and remedies provided by AMC section 17.80.080 (e).

[Ord. No. 567, Section 2, 7/12/17]"

EXHIBIT "C"

"17.80.090 Cannabis Manufacturing."

(a) **Purpose.** The purpose and intent of this Section is to regulate the manufacturing of adult-use and medical cannabis that is processed in accordance with State law in order to promote the health, safety, morals, and general welfare of the residents and businesses within the City. The City intends to be on the forefront of medical cannabis research and manufacturing. The City is authorized to regulate this activity pursuant to the MAUCRSA.

(b) **Definitions.** For purposes of this Section, the following definitions shall apply, unless the context clearly indicates otherwise:

(1) "Cannabis" means all parts of the plant *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 division, "cannabis" does not mean "industrial hemp" as defined by Section 11018.5 of the Health and Safety Code.

(2) "CUP" means a Conditional Use Permit issued by the City in accordance with this Code.

(3) "Fully enclosed and secure structure" means a space within a building, greenhouse or other structure which has a complete roof enclosure supported by connecting walls extending from the ground to the roof, which is secure against unauthorized entry, provides complete visual screening, and which is accessible only through one or more lockable doors and is inaccessible to minors.

(4) "Manufacturer" and "manufacturing" shall be defined in accordance with the MAUCRSA, Business and Professions Code section 26001, and other applicable State laws.

(5) "Manufacturing Permit" means a City permit to operate an adult-use and/or medical cannabis manufacturing facility pursuant to the terms and conditions of this Section and the conditions of approval for the permit.

(6) "Manufacturing Permittee" means an applicant who has applied for and has been issued a Manufacturing Permit by the City pursuant to the terms and conditions of this Section.

(7) "MAUCRSA" means the Medicinal and Adult-Use Cannabis Regulation and Safety Act (MAUCRSA). (Bus. & Prof. Code, section 26000 et seq.)

(8) “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 and other applicable State laws, by a medicinal cannabis patient in California who possesses a physician’s recommendation. For purposes of this definition, “medical cannabis” also means “medical marijuana.” **Cannabis Manufacturing Prohibited.** All cannabis manufacturing within the City is prohibited except as expressly permitted by this Section.

(c) **Cannabis Manufacturing Conditionally Permitted.** Adult-use and medical cannabis manufacturing is conditionally permitted in the City only as expressly specified in this Section.

(1) Cannabis Manufacturing Standards. Adult-use and medical cannabis manufacturing, within the City, shall be in conformance with the following standards:

A. Adult-use and medical cannabis manufacturing shall only be allowed upon application and approval of a Manufacturing Permit and a CUP in accordance with the criteria and process set forth in this Section and this Code.

B. Adult-use and medical cannabis manufacturing is a conditionally permitted use only on properties within the City’s Cannabis Overlay Zones.

C. No cannabis manufacturing shall be established, developed, or operated within 600 feet of a school, public playground or park, child care or day care facility, youth center, or church. All distances shall be measured in a straight line, without regard to intervening structures, from the nearest point of the building or structure in which the adult-use and/or medical cannabis manufacturing is, or will be located, to the nearest property line of those uses described in this Subsection.

D. An adult-use and/or medical cannabis manufacturing facility may not be located within the same unit as a cannabis testing facility.

E. Subject to the further requirements of this Section, only State manufacturer license classification “M” and “A” type 6 level 1 and type 7 level 2 will be allowed to operate in the City in accordance with the MAUCRSA, and Business and Professions Code sections 26050 and 26130.

F. Adult-use and medical cannabis manufacturing is allowed only within fully enclosed and secure structures that are inaccessible to minors.

G. Adult-use and/or medical cannabis manufacturing shall not exceed the square footage authorized pursuant to the CUP.

H. From any public right-of-way, there shall be no visible exterior evidence of any adult-use and/or medical cannabis manufacturing activity.

I. Adult-use and/or medical cannabis manufacturing shall not adversely affect the health or safety of the nearby residents by creating dust, glare, heat, noise, smoke,

traffic, vibration, or other impacts, and shall not be hazardous due to use or storage of materials, processes, products, or wastes.

J. Each adult-use and/or medical cannabis manufacturing facility shall fully comply with all of the applicable restrictions and mandates set forth in State law. An adult-use and/or medical cannabis manufacturing facility shall comply with all size requirements for such facility as imposed by State law. An adult-use and/or medical cannabis manufacturing facility shall not engage in any activities not allowed by an adult-use and/or medical cannabis manufacturing facility pursuant to State law. An adult-use and/or medical cannabis manufacturing facility shall comply with all horticultural, labeling, processing, and other standards required by State law.

K. There is no set restriction on the hours of operation of an adult-use and/or medical cannabis manufacturing facility; however, restricted hours of operation may be established as a condition of approval of the Manufacturing Permit or the applicable CUP.

L. Allcannabis shall be kept in a secured manner during all business and nonbusiness hours.

M. An adult-use and/or medical cannabis manufacturing facility shall operate within a legal structure that is compliant with all applicable State and local laws.

N. An adult-use and/or medical cannabis manufacturing facility must pay all applicable sales taxes pursuant to all federal, State, and local laws.

O. On-site smoking, ingestion, or consumption of cannabis or alcohol shall be prohibited on the premises of an adult-use and/or medical cannabis manufacturing facility, except as may be permitted by applicable state laws and regulations pertaining to product testing and quality control. The term "premises" as used in this Subsection includes the actual adult-use and/or medical cannabis manufacturing building, as well as any accessory structures and parking areas. The adult-use and/or medical cannabis manufacturing facility building entrance shall be clearly and legibly posted with a notice indicating that smoking, ingesting, or consuming cannabis or alcohol on the premises or in the vicinity of the facility is prohibited.

P. Signage for an adult-use and/or medical cannabis manufacturing facility shall be limited to name of business only, shall be in compliance with the City's sign code, and shall contain no advertising of any companies, brands, products, goods, or services. Signage shall not include any drug-related symbols.

Q. Alcoholic beverages shall not be sold, stored, distributed, or consumed on the premises. An adult-use and/or medical cannabis manufacturing facility shall not hold or maintain a license from the State Department of Alcohol Beverage Control to sell alcoholic beverages, or operate a business that sells alcoholic beverages. In addition, alcoholic beverages shall not be provided, stored, kept, located, sold, dispensed, or used on the premises of any medical cannabis manufacturing facility.

R. Physician services shall not be provided on the premises. "Physician services" does not include social services, including counseling, help with housing and meals, hospice, and other care referrals which may be provided on site.

S. The building in which any adult-use and/or medical cannabis manufacturing facility is located, as well as the operations as conducted therein, shall fully comply with all applicable rules, regulations, and laws including, but not limited to, zoning and building codes, the City's business license ordinances, the Revenue and Taxation Code, the Americans with Disabilities Act, and the MAUCRSA. Compliance with all requirements of State law pertaining to adult-use and medical cannabis manufacturing is also required.

T. An adult-use and/or medical cannabis manufacturing facility shall not grow, cultivate, distribute, transport, sell, dispense, or administer cannabis from the facility, unless expressly and affirmatively authorized by State law and permitted by local law. An adult-use and/or medical cannabis manufacturing facility shall not be operated as a cannabis cultivation, distribution, transportation, or testing facility, or as a cannabis dispensary, unless expressly and affirmatively authorized by State law and permitted by local law.

U. The operators of an adult-use and/or medical cannabis manufacturing facility shall provide the City Manager or the City Manager's designee with the name, phone number, facsimile number, and email address of an on-site representative to whom the City and the public can provide notice if there are any operational problems associated with the adult-use and/or medical cannabis manufacturing facility. An adult-use and/or medical cannabis manufacturing facility shall make every good faith effort to encourage residents and the public to call this representative to resolve any operational problems before any calls or complaints are made to the City or law enforcement.

V. An adult-use and/or medical cannabis manufacturing facility shall be operated in accordance with the conditions of approval associated with the applicable CUP for the parcel of real property upon which the adult-use and/or medical cannabis manufacturing activities occur.

W. An adult-use and/or medical cannabis manufacturing facility shall have a security plan including the following measures:

1. Security cameras shall be installed and maintained in good condition, and used in an on-going manner with at least 120 concurrent hours of digitally recorded documentation in a format approved by the City Manager or the City Manager's designee. The cameras shall be in use 24 hours per day, 7 days per week. The areas to be covered by the security cameras include, but are not limited to, the storage areas, manufacturing areas, all doors and windows, and any other areas as determined by the City Manager or the City Manager's designee. Remote log-in information shall be provided to the City Manager and the Chief of Police to allow them to view the security camera images and recordings from their own facilities at any time. Any disruption in security camera images shall be cured expeditiously in good faith.

2. The adult-use and/or medical cannabis manufacturing facility shall be alarmed with an alarm system that is operated and monitored by a reputable security company.

3. Entrance to the manufacturing area, and all storage areas, shall be locked at all times, and under the control of the adult-use and/or medical cannabis manufacturing facility's staff.

4. The entrances and all window areas shall be illuminated during evening hours. The facility shall comply with the City's lighting standards regarding fixture type, wattage, illumination levels, shielding, etcetera, and shall secure the necessary lighting approvals and permits as needed.

5. All windows on the building that houses the adult-use and/or medical cannabis manufacturing facility shall be appropriately secured and all cannabis securely stored.

X. Recordings made by the security cameras shall be made available to the City Manager, the City Manager's designee, or law enforcement upon verbal request—no search warrant or subpoena shall be needed to view the recorded materials.

Y. Upon reasonable notice to the Manufacturing Permittee which shall be no less than 12 hours, the City Manager, or the City Manager's designee, shall have the right to enter the adult-use and/or cannabis manufacturing facility for the purpose of making reasonable inspections to observe and enforce compliance with this Section and all laws of the City and the State. The City Manager or his or her designee must approve all inspections in advance and shall maintain a log tracking the time and date of all inspections, the individual requesting the inspection, and the result of each inspection. Individuals participating in any such inspection must take precautions comply with standard safeguards and procedures in place at the facility regarding security, clean room/clean area access and anti-contamination measures.

Z. An adult-use and/or medical cannabis manufacturing facility must employ full time quality control personnel. The Manufacturing Permittee must establish Standard Operating Procedures and Batch Records that comply with current Good Manufacturing Practices, and the MAUCRSA for all food products, as outlined by the State Department of Public Health and the Food and Drug Administration.

AA. All finished products produced by an adult-use and/or medical cannabis manufacturing facility must be labeled in compliance with the MAUCRSA, Business and Profession Code sections 26106 and 26120, and the labeling requirements outlined by the State Department of Public Health.

BB. All finished products produced by an adult-use and/or medical cannabis manufacturing facility must be packaged in child resistant containers prior to leaving the facility or becoming commercially available in accordance with the MAUCRSA, Business and Profession Code sections 26106 and 26120, the State Department of Public Health regulations, and other applicable State laws.

CC. All batches of final cannabis products must be inspected and quality tested by a qualified third party distributor and testing facility prior to distribution to a dispensary as required by the MAUCRSA, Business and Professions Code section 26100, the Department of Food and Agriculture regulations, and the State Department of Public Health regulations.

DD. All processing and analytical testing devices used by an adult-use and/or medical cannabis manufacturing facility must be UL listed, or otherwise approved for the intended use by the City's Building Official or the Fire Department. Any processing devices using only non-pressurized water are exempt from such approval.

EE. Unless otherwise prohibited, all processing devices used by an adult-use and/or medical cannabis manufacturing facility that utilize hydrocarbons or otherwise flammable solvents must operate in a closed loop, or in such a way that all solvent material is recovered in the process. All hazardous material must be disposed of in a manner which is compliant with all local, State, and federal guidelines for the disposal of hazardous materials.

(2) Manufacturing Permit Applications. All applicants wishing to obtain a Manufacturing Permit from the City shall file an application with the City upon a form provided by the City and shall pay a Manufacturing Permit Application Fee as established by the City. An application for a Manufacturing Permit shall include at least the following information:

A. An estimate of the size of the proposed adult-use and/or medical cannabis manufacturing facility.

B. The address of the location for which the Manufacturing Permit is sought.

C. A site plan and floor plan for the proposed premises denoting the use of all areas on the premises, including storage, manufacturing areas, lighting, signage, etcetera.

D. A proposed security plan in compliance with the Adult-use and Medical Cannabis Manufacturing Standards.

E. The names, addresses, and relevant criminal histories of all potential employees, facility managers, and other relevant parties for the adult-use and/or medical cannabis manufacturing facility. Relevant criminal histories shall include any drug-related or felony convictions, the nature of such offenses, and the sentences received for such convictions.

F. The name and address of the owner and lessor of the real property upon which the adult-use and/or medical cannabis manufacturing activity is proposed to be conducted. In the event the applicant is not the legal owner of the property, the application must be accompanied with a notarized acknowledgement from the owner of the property that an adult-use and/or medical cannabis manufacturing facility will be operated on the property.

G. Authorization for the City Manager or the City Manager's designee to seek verification of the information contained within the application.

H. Evidence that the adult-use and/or medical cannabis manufacturing facility will be located in a legal structure that is compliant with all applicable State and local laws.

I. A statement in writing by the applicant that the applicant certifies under penalty of perjury that all the information contained in the application is true and correct.

J. Any such additional and further information as is deemed necessary by the City Manager or the City Manager's designee to administer this Section.

K. The City Manager or the City Manager's designee shall conduct a background check of any applicant seeking a Manufacturing Permit, including all potential employees and any person who may be a facility manager or otherwise responsible for the activities of the adult-use and/or medical cannabis manufacturing facility ("Applicant's Agents"), and shall prepare a report on the acceptability of the applicant and the Applicant's Agents and the suitability of the proposed location.

L. The City Manager or the City Manager's designee shall rank all qualified applications in order of those that best satisfy the requirements of this Section and provide the highest level of service and opportunities for residents of the City based on the requirements of this Section and the following criteria ("Merit List"):

1. The operational plan for the facility.
2. The security plan for the facility.
3. The experience of the operators of the facility.
4. The adequacy of capitalization for the facility and its operations.
5. The employment of City residents and other public benefits to the

City.

(3) Manufacturing Permit. The following conditions apply to each Manufacturing Permit:

A. A Manufacturing Permit will not be awarded to an applicant if:

1. The applicant or the Applicant's Agents made one or more false or misleading statements or omissions in the application or during the application process.

2. The proposed adult-use and/or medical cannabis manufacturing facility is not allowed by State or local law.

3. The applicant is not a legal representative of the adult-use and/or medical cannabis manufacturing facility.

4. The applicant or the Applicant's Agents have been convicted of a felony, or a misdemeanor involving moral turpitude, or the illegal use, possession, transportation, distribution, or any such similar activity related to controlled substances, with the exception of cannabis related offenses for which the conviction occurred prior to passage of the Compassionate Use Act. A conviction within the meaning of this Section means a plea or verdict of guilty or a conviction following a plea of nolo contendere.

5. The applicant or the Applicant's Agents have engaged in unlawful, fraudulent, unfair, or deceptive business acts or practices.

6. The applicant has not satisfied each and every requirement of this Section.

B. A Manufacturing Permit shall be awarded by the City to eligible Manufacturing Permit applicants in order of the Merit List as established by the City Manager or the City Manager's designee. The number of Manufacturing Permits shall be limited to those that may be reasonably accommodated within the Manufacturing Zone as determined by the City Manager or the City Manager's designee.

C. Before a Manufacturing Permit can be issued to an applicant, Manufacturing Permit fees must be paid to offset all related costs to the City, and the proposed adult-use and/or medical cannabis manufacturing facility location must pass all applicable inspections.

D. A Manufacturing Permit is subject to the conditions of approval in the applicable CUP for the parcel of real property upon which the adult-use and/or medical cannabis manufacturing activity occurs.

E. A Manufacturing Permit is subject to any additional conditions that may be applied by the City at the time of issuance or renewal as necessary to properly regulate the activity and protect the public.

F. All manufacturing activities shall be subject to an excise tax to be established by the City and the voters.

G. A Manufacturing Permittee may not hold or use any other cannabis activity permits or licenses that would otherwise be a violation of the MAUCRSA or Business and Professions Code section 26050.

H. A Manufacturing Permittee shall enter into an agreement with the City to fully reimburse the City for all fiscal impacts, costs, expenses, fees, and attorneys' fees incurred by the City related to the Manufacturing Permit and the adult-use and/or medical cannabis manufacturing activity.

I. Manufacturing Permittees who are in good standing with the City and who were previously authorized to engage in medical cannabis manufacturing, may request an abbreviated application for a permit to engage in adult-use cannabis manufacturing within the same manufacturing facility, and they may operate under both permits in the same space, subject to state and local laws. The abbreviated permit process will allow Manufacturing Permittees to submit certain previously approved application materials for their adult-use Manufacturing Permit. The City reserves the right to request the Manufacturing Permittee to submit a new Manufacturing Permit application if the resubmitted materials do not satisfy the City's Manufacturing Permit requirements. The City Manager will determine the appropriate fees for the adult-use permit, and the City Manager shall issue the adult-use permits on an expedited basis based on the prior applications and approvals.

J. A Manufacturing Permittee shall:

1. Carry liability insurance in the amounts and types set by the City Manager or the City Manager's designee, and name the City as an additional insured on all such insurance policies.

2. Execute an Indemnification Agreement prepared by the City that fully indemnifies the City for all liabilities associated with the Manufacturing Permit, the Manufacturing Permittee's cannabis related activities, and any action taken by the Manufacturing Permittee pursuant to this Section.

3. Agree to defend the City, at the Manufacturing Permittee's sole expense, in any action against the City or its agents, officers, or employees associated with the Manufacturing Permit, the Manufacturing Permittee's cannabis related activities, or any action taken by the Manufacturing Permittee pursuant to this Section.

4. Agree to reimburse the City for all costs, expenses, fees, and attorney fees incurred by the City related to any action against the City or its agents, officers, or employees associated with the Manufacturing Permit, the Manufacturing Permittee's cannabis related activities, or any action taken by the Manufacturing Permittee pursuant to this Section. The City may, at its sole discretion, participate in the defense of any such action, but such participation shall not relieve the operator of its obligation hereunder.

K. A Manufacturing Permittee shall keep the City and law enforcement updated with the names, addresses, and relevant criminal histories of all employees, facility managers, and other relevant parties for the adult-use and/or medical cannabis manufacturing facility at all times. Relevant criminal histories shall include any drug-related or felony convictions, the nature of such offenses, and the sentences received for such convictions.

L. A Manufacturing Permittee shall account for job creation in the City and shall commit to employing a workforce that resides in the City. A minimum of 50% of all employees employed by the Manufacturing Permittee at the adult-use and/or medical cannabis manufacturing facility shall be residents of the City. A Manufacturing Permittee shall use good faith efforts to comply with this subsection and shall report the residential composition of its workforce to the City every year and at any other time upon demand by the City Manager or the City Manager's designee.

M. A Manufacturing Permit issued pursuant to this Section may be transferred so long as the Permittee satisfies the City's Manufacturing Permit application requirements and is in good standing with the city under the following circumstances:

1. The transfer results from the existing Permittee changing the corporation type or business type on file with the California Secretary of State,

2. The transfer is necessary to reflect the death or disability of an owner and/or the person on file with the City as being responsible for the permitted operations, or

3. To reflect a bona-fide transfer of the permit as a part of a transfer of the permitted operation.

All Manufacturing Permit transfers are subject to the City Manager's or his or her designee's prior approval, which shall not be unreasonably withheld.

N. A Manufacturing Permit shall expire and be null and void 12 months after issuance to the Manufacturing Permittee unless properly renewed. Upon payment of the

applicable Manufacturing Permit fees and passing the requisite Manufacturing Permit inspections, a Manufacturing Permittee that has maintained compliance with all City, State, and other applicable cannabis and business related laws shall be entitled to renew its Manufacturing Permit subject to all prevailing laws at the time of renewal.

O. To the fullest extent permitted by law, the City does not assume any liability, and expressly does not waive sovereign immunity, with respect to any adult-use and/or medical cannabis manufacturing activities or for the activities of any adult-use and/or medical cannabis manufacturing facility.

(4) Conditional Use Permit. All parcels of real property in the Manufacturing Zone upon which adult-use and/or medical cannabis manufacturing activities may occur must obtain a CUP from the City for all such activities.

(d) **Enforcement.**

(1) Any cannabis manufacturing within the City in violation of this Section is hereby declared to be unlawful and a public nuisance.

(2) Any party who engages in a violation of this Section, or who owns, possess, controls, or has charge of any parcel of real property in the City upon which a violation of the Section is maintained, shall be subject to the penalties and remedies provided by this Section.

(3) Any violation of this Section shall constitute a separate offense for each and every day the violation occurs or persists.

(4) Any person in violation of any provision of this Section shall be guilty of a misdemeanor and shall be punishable by a fine of up to \$1,000 and up to six months imprisonment per offense.

(5) Any person in violation of any provision of this Section shall be punishable by an administrative fine of up to a \$ 1,000 per offense.

(6) Any violation of this Section or any other City or State cannabis law by a Manufacturing Permittee or a Manufacturing Permittee's agent is grounds for revoking the Manufacturing Permittee's Manufacturing Permit. In addition, the City Manager or the City Manager's designee may revoke a Manufacturing Permit if any of the following occur, subject to a reasonable opportunity for the permittee to cure the deficiency during a period of no more than 60 days:

A. The City Manager or the City Manager's designee determines that the adult-use and/or medical cannabis manufacturing facility has failed to comply with this Section, any condition of approval, or any agreement or covenant as required pursuant to this Section.

B. The adult-use and/or medical cannabis manufacturing operations cease for more than 90 calendar days.

C. Ownership of the adult-use and/or medical cannabis manufacturing facility is changed or transferred to a third party, without prior City approval.

D. The adult-use and/or medical cannabis manufacturing facility fails to maintain 120 hours of security recordings.

E. The adult-use and/or medical cannabis manufacturing facility fails to provide remote access to the security cameras to the City Manager, the City Manager's designee, the Code Enforcement Manager, or the Chief of Police, or fails to allow inspection of the security recordings, the activity logs, or of the premises by authorized City officials.

(7) Any decision regarding the revocation of a Manufacturing Permit may be appealed to an independent neutral third party administrative hearing officer appointed by the City Manager or the City Manager's designee ("Hearing Officer"). Said appeal shall be made by a notice of appeal from the person appealing within 15 days from the date of the decision. The appeal shall be accompanied by a written verified declaration setting forth the basis for the claim that the Manufacturing Permit was improperly revoked. The Hearing Officer's decision shall be final and binding upon the City and the appellant.

(8) These penalties and remedies are cumulative, and in addition to any other penalties and remedies available to the City.

[Ord. No. 545, Section 2, 5/25/16; Ord. No. 556, Section 3, 12/14/16; Ord. No. 558, Section 3, 12/14/16; Ord. No. 553, Section 3, 5/24/17; Ord. No. 564, Section 3, 6/28/17.]”

EXHIBIT “D”

“17.80.100 Cannabis Distribution.”

(a) **Purpose.** The purpose and intent of this Section is to regulate the distribution of adult-use and medical cannabis between Cannabis Permittees in accordance with State law in order to promote the health, safety, morals, and general welfare of the residents and businesses within the City. The City is authorized to regulate this activity pursuant to the MAUCRSA.

(b) **Definitions.** For purposes of this Section, the following definitions shall apply, unless the context clearly indicates otherwise:

(1) “Cannabis” means all parts of the plant *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 division, “cannabis” does not mean “industrial hemp” as defined by Section 11018.5 of the Health and Safety Code.

(2) “City” means the City of Adelanto, California.

(3) “City Manager” means the individual duly appointed by a majority of the City Council to serve in the capacity as executive officer of the City on a permanent or interim basis.

(4) “CUP” means a Conditional Use Permit issued by the City in accordance with this Code.

(5) “Distribute” “Distribution” and “Distributor” shall be defined in accordance with the MAUCRSA, Business and Professions Code section 26001, and other applicable State laws, Distribution shall include the commercial acts of shipping, storing, and warehousing medical cannabis.

(6) “Distribution Permit” means a City permit to distribute adult-use and/or medical cannabis between Cannabis Permittees in accordance with the terms and conditions of this Section and the conditions of approval for the permit.

(7) “Distribution Permittee” means a person or entity that has been issued a Distribution Permit by the City pursuant to the terms and conditions of this Section.

(8) “Fully enclosed and secure structure” means a space within a building, greenhouse or other structure which has a complete roof enclosure supported by connecting walls extending from the ground to the roof, which is secure against unauthorized entry, provides complete visual screening, and which is accessible only through one or more lockable doors and is inaccessible to minors.

(9) “MAUCRSA” means the Medicinal and Adult-Use Cannabis Regulation and Safety Act (MAUCRSA). (Bus. & Prof. Code, section 26000 et seq.)

(10) (7) “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 and other applicable State laws, by a medicinal cannabis patient in California who possesses a physician’s recommendation. For purposes of this definition, “medical cannabis” also means “medical marijuana.” “Cannabis Permittee” means a person or entity that has been issued a permit by the City, or another city in the State of California in accordance with the MAUCRSA, or other applicable State laws, to participate in a commercial adult-use and/or medical cannabis activity, such as cultivation, manufacturing, distribution, transportation, testing, dispensing, or delivering.

(11) “Physical Location” means a physical place of business, facility, office, or warehouse owned or operated by a Distribution Permittee for the distribution or storage of cannabis.

(c) **Cannabis Distribution Prohibited.** All cannabis distribution within the City is prohibited except as expressly permitted by this Section.

(d) **Distribution of Cannabis Conditionally Permitted.** Distribution of adult-use and/or medical cannabis is conditionally permitted in the City only as expressly specified in this Section.

(1) Cannabis Distribution Standards. Adult-use and medical cannabis distribution within the City shall be in conformance with the following standards:

A. Adult-use and medical cannabis distribution shall only be allowed upon application and approval of a Distribution Permit and a CUP in accordance with the criteria and process set forth in this Section and this Code.

B. **Physical Location.** A Distribution Permittee shall not be required to own or operate a Physical Location within the City. Provisions in this Section pertaining solely to a Physical Location within the City shall not apply to Distribution Permittees who do not have a Physical Location within the City. The City Manager or the City Manager’s designee shall have sole and ultimate authority to determine whether a provision in this Section solely pertains to a Physical Location, and, therefore, is not applicable to Distribution Permittees who do not have a Physical Location within the City.

C. Adult-use and medical cannabis distribution is a conditionally permitted use only on properties within the City’s Cannabis Overlay Zones, except for shipping activities, which shall be permitted upon established commercial trucking routes.

D. Adult-use and medical cannabis distribution activities may include the receiving and releasing of cannabis plants, flowers, and products for inspection, testing, and quality assurance.

E. No cannabis distribution shall be established, developed, or operated within 600 feet of a school, public playground or park, child care or day care facility, youth center, or church, except for shipping activities, which must follow to established commercial trucking routes. All distances shall be measured in a straight line, without regard to intervening structures, from the nearest point of the building or structure in which the cannabis distribution activity is, or will be, located to the nearest property line of those uses described in this Subsection.

F. Cannabis distribution may not be located within the same unit of a building or structure as a cannabis testing facility.

G. Subject to the further requirements of this Section, only State Distributor license classification "M" or "A" Type 11 will be allowed to operate in the City in accordance with the MAUCRSA, and Business and Professions Code sections 26050 and 26070 Permitee and other applicable State and local laws.

H. Except for commercial shipping operations, adult-use and/or medical cannabis distribution shall only be allowed within fully enclosed and secure structures that are inaccessible to minors, and shall not exceed the square footage authorized pursuant to the applicable CUP.

I. From any public right-of-way, there shall be no visible exterior evidence of any cannabis distribution activity.

J. Cannabis distribution shall not adversely affect the health or safety of the nearby residents by creating dust, glare, heat, noise, smoke, traffic, vibration, or other impacts, and shall not be hazardous due to use or storage of materials, processes, products, or wastes.

K. Any cannabis distribution facility shall fully comply with all of the applicable restrictions and mandates set forth in State law. Any cannabis distribution facility shall operate within a legal structure that is compliant with all applicable State and local laws. Any cannabis distribution facility shall comply with all size requirements for such facility as imposed by State law. Any cannabis distribution facility shall not engage in any activities not allowed by adult-use and/or medical cannabis distribution facilities pursuant to State law. Any cannabis distribution facility shall comply with all horticultural, labeling, processing, and other standards required by State law.

L. There is no set restriction on the hours of operation of an adult-use and/or medical cannabis distribution activities; however, restricted hours of operation may be established as a condition of approval of the Distribution Permit or the applicable CUP.

M. All cannabis shall be kept in a secured manner during all business and nonbusiness hours.

N. Each Distribution Permitee must pay all applicable sales taxes pursuant to all federal, State, and local laws. Each Distribution Permitee shall pay the City's Cannabis Excise Tax provided in AMC chapter 3.60.

O. On-site smoking, ingestion, or consumption of cannabis or alcohol shall be prohibited on the premises of any cannabis distribution facility. The term “premises” as used in this Subsection includes the actual cannabis distribution building, as well as any accessory structures and parking areas. The cannabis distribution facility building entrance shall be clearly and legibly posted with a notice indicating that smoking, ingesting, or consuming cannabis or alcohol on the premises, or in the vicinity of the facility, is prohibited.

P. Signage for any cannabis distribution facility shall be limited to name of business only, shall be in compliance with the City’s sign code, and shall contain no advertising of any companies, brands, products, goods, or services. Signage shall not include any drug-related symbols.

Q. Alcoholic beverages shall not be sold, stored, distributed, or consumed on the premises. Distribution Permittees shall not hold or maintain a license from the State Department of Alcohol Beverage Control to sell alcoholic beverages, or operate a business that sells alcoholic beverages. In addition, alcohol shall not be provided, stored, kept, located, sold, dispensed, or used on the premises of any cannabis distribution facility.

R. Physician services shall not be provided on the cannabis distribution premises.

S. The building in which any cannabis distribution facility is located, as well as the operations conducted therein, shall fully comply with all applicable rules, regulations, and laws including, but not limited to, zoning and building codes, the City’s business license ordinances, the Revenue and Taxation Code, the Americans with Disabilities Act, and the MAUCRSA. Compliance with all requirements of State law pertaining to medical cannabis distribution is also required.

T. A Distribution Permittee shall not grow, cultivate, manufacture, process, transport, dispense, or administer cannabis, unless expressly and affirmatively authorized by State law. Any cannabis distribution facility shall not be operated as a cannabis testing facility unless expressly and affirmatively authorized by State and local law.

U. The operators of any cannabis distribution facility shall provide the City Manager, or the City Manager’s designee, with the name, phone number, facsimile number, and email address of an on-site representative to whom the City and the public can provide notice if there are any operational problems associated with the cannabis distribution facility. Any cannabis distribution facility shall make every good faith effort to encourage residents and the public to call this representative to resolve any operational problems before any calls or complaints are made to the City or law enforcement.

V. Any cannabis distribution facility shall be operated in accordance with the conditions of approval associated with the applicable CUP for the parcel of real property upon which the cannabis distribution activities occur.

W. Any cannabis distribution facility shall have a security plan including the following measures:

1. Security cameras shall be installed and maintained in good condition, and used in an on-going manner with at least 120 concurrent hours of digitally recorded documentation in a format approved by the City Manager or the City Manager's designee. The cameras shall be in use 24 hours per day, seven days per week. The areas to be covered by the security cameras include, but are not limited to, the storage areas, distribution areas, all doors and windows, and any other areas as determined by the City Manager or the City Manager's designee. Remote log-in information shall be provided to the City Manager, the Code Enforcement Manager, and the Chief of Police to allow them to view the security camera images and recordings from their own facilities at any time. Any disruption in security camera images shall be cured expeditiously in good faith.

2. The cannabis distribution facility shall be secured with an alarm system that is operated and monitored by a reputable security company.

3. Entrance to the distribution area, and all storage areas, shall be locked at all times, and under the control of the adult-use and/or medical cannabis distribution facility's staff.

4. The entrances and all window areas shall be illuminated during evening hours. The facility shall comply with the City's lighting standards regarding fixture type, wattage, illumination levels, shielding, etcetera, and shall secure the necessary lighting approvals and permits as needed.

5. All windows on the building that houses the cannabis distribution facility shall be appropriately secured and all cannabis securely stored.

X. Recordings made by the security cameras shall be made available to the City Manager, the City Manager's designee, or law enforcement upon verbal request - no search warrant or subpoena shall be needed to view the recorded materials.

Y. Upon reasonable notice to the Distribution Permittee which shall be no less than 12 hours, the City Manager, or the City Manager's designee, shall have the right to enter any cannabis distribution facility for the purpose of making reasonable inspections to observe and enforce compliance with this Section and all laws of the City and the State. The City Manager or his or her designee must approve all inspections in advance and shall maintain a log tracking the time and date of all inspections, the individual requesting the inspection, and the result of each inspection. Individuals participating in any such inspection must take precautions to comply with standard safeguards and procedures in place at the facility regarding security, clean room/clean area access and anti-contamination measures.

Z. A Distribution Permittee shall only distribute adult-use and/or medical cannabis between the business locations of Cannabis Permittees.

AA. A Distribution Permittee shall inspect all cannabis and cannabis products received for quality assurance prior to distributing to any Cannabis Permittee.

BB. A Distribution Permittee shall distribute batches of cultivated cannabis and cannabis products to dispensaries only after those batches have been inspected and quality tested by a qualified third party testing facility as required by the MAUCRSA, Business and

Professions Code section 26100, the Department of Food and Agriculture regulations, and the State Department of Public Health regulations.

CC. A Distribution Permittee shall not distribute or arrange for the distribution to a dispensary of any batch of adult-use and/or medical cannabis or cannabis products that a qualified third party testing facility has determined fails to comply with the health and safety standards promulgated by the State Department of Public Health, unless remedial measures can bring the cannabis into compliance.

DD. A Distribution Permittee must destroy any batch of adult-use and/or medical cannabis or cannabis products that a qualified third party testing facility has determined fails to comply with health and safety standards promulgated by the State Department of Public Health, unless remedial measures can bring the cannabis into compliance.

EE. Each Distribution Permittee shall register with the City every Physical Location the Distribution Permittee owns or operates within the City.

FF. A Distribution Permittee shall identify in its application for a Distribution Permit every Physical Location the Distribution Permittee owns or operates throughout the State.

GG. Storage of Cannabis. A Distribution Permittee may store adult-use and/or medical cannabis and adult-use and/or medical cannabis products subject to the following requirements:

1. Each batch of cannabis shall be stored separately and distinctly from every other batch of cannabis.

2. Each batch of stored cannabis shall have a label attached thereto that includes at least the following information: the Distribution Permittee's name and Distribution Permit number; the date of entry into the Distribution Permittee's storage area; the unique identifiers and batch number associated with the batch; description of the cannabis product with enough detail to easily identify the batch; and the weight of the batch, or quantity of units in the batch.

3. Each batch of cannabis or cannabis products shall be stored in a building that is designed to permit control of temperature and humidity, and also prevents the entry of environmental contaminants such as smoke or dust. The storage area shall not be exposed to direct sunlight. Employee breakrooms, changing facilities, and bathrooms shall be completely separated from each storage area.

4. Distribution Permittees may store vehicles and cannabis or cannabis products in facilities located offsite from their permitted distribution facility so long as the offsite facilities are located in the applicable Cannabis Overlay Zone, the facilities meet the requirements of this Section, and the City approves the offsite facilities through its entitlement process for the specific use of cannabis distribution.

5. Cannabis shall not be stored outdoors.

HH. Packaging and Labeling of Cannabis. Each Distribution Permittee must comply with all applicable adult-use and/or medical cannabis packaging and labeling laws, including, but not limited to, Business and Professions Code sections 26106 and 26120. A Distribution Permittee may package, re-package, label, and re-label adult-use and/or medical cannabis in the form of dried flower on behalf of a cultivator or another distributor. A Distribution Permittee shall not package, re-package, label, or relabel manufactured adult-use and/or medical cannabis or adult-use and/or medical cannabis products. Prior to distributing any adult-use and/or medical cannabis or adult-use and/or medical cannabis products to a dispensary, each Distribution Permittee shall ensure that the label and packaging of each batch of adult-use and/or medical cannabis or adult-use and/or medical cannabis products complies with all applicable adult-use and/or medical cannabis packaging and labeling laws, including, but not limited to, Business and Professions Code sections 26106 and 26120.

II. Inventory Log. Each Distribution Permittee shall maintain an inventory log, containing at least the following information for each batch of adult-use and/or medical cannabis distributed or stored: information regarding the origin of the batch; the date and time of physical transfer to the Distribution Permittee; the unique identifiers of the batch; the total weight or amount of the batch; the storage conditions the batch is held in; the best-by, sell-by, or expiration date of each batch, if any; shipping manifests and bills of lading; a copy of the service or sale contract pertaining to the batch; and warehouse receipts. Each Distribution Permittee shall reconcile all of its inventories of adult-use and/or medical cannabis or adult-use and/or medical cannabis products at least once per week.

JJ. A Distribution Permittee shall notify the City Manager or the City Manager's designee within 24 hours of discovering any of the following:

1. Significant discrepancies identified during inventory. The level of significance shall be determined by the City Manager or the City Manager's designee.
2. Diversion, theft, loss, or any criminal activity involving the distribution facility or any agent or employee of the Distribution Permittee.
3. The loss or unauthorized alteration of records related to adult-use and/or medical cannabis distribution activity.
4. Any other breach of security.

(2) Distribution Permit Applications. All applicants wishing to obtain a Distribution Permit from the City shall file an application with the City upon a form provided by the City and shall pay a Distribution Permit Application Fee as established by the City. An application for a Distribution Permit shall include at least the following information:

- A. The address of the applicant's headquarters.
- B. The names, addresses, and relevant criminal histories of all potential employees, facility managers, and other relevant parties for the proposed distribution activities. Relevant criminal histories shall include any drug-related or felony convictions, the nature of such offenses, and the sentences received for such convictions.

C. Evidence that the applicant has identified every Physical Location the applicant owns or operates throughout the State.

D. Authorization for the City Manager or the City Manager's designee to seek verification of the information contained within the application.

E. A statement in writing by the applicant that the applicant certifies under penalty of perjury that all the information contained in the application is true and correct.

F. Any such additional and further information as is deemed necessary by the City Manager or the City Manager's designee to administer this Section.

G. An application for a Distribution Permit involving a Physical Location shall also include at least the following information:

1. An estimate of the size of the proposed adult-use and/or medical cannabis distribution facility.

2. The address of the location for which the Distribution Permit is sought.

3. A site plan and floor plan for the proposed premises denoting the use of all areas on the premises, including storage, distribution areas, lighting, signage, etcetera.

4. A proposed security plan in compliance with the Adult-use and Medical Cannabis Distribution Standards.

5. The name and address of the owner and lessor of the real property upon which the adult-use and/or medical cannabis distribution activity is proposed to be conducted. In the event the applicant is not the legal owner of the property, the application must be accompanied with a notarized acknowledgement from the owner of the property that an adult-use and/or medical cannabis distribution facility will be operated on the property.

6. Evidence that the adult-use and/or medical cannabis distribution facility will be located in a legal structure that is compliant with all applicable State and local laws.

7. Evidence that the applicant has registered with the City every Physical Location the applicant owns or operates within the City.

H. The City Manager or the City Manager's designee shall conduct a background check of any applicant seeking a Distribution Permit, including all potential employees and any person who may be a facility manager or otherwise responsible for the proposed distribution activities ("Applicant's Agents"), and shall prepare a report on the acceptability of the applicant and the Applicant's Agents and the suitability of the proposed Physical Location, if any.

I. The City Manager or the City Manager's designee shall rank all qualified applications in order of those that best satisfy the requirements of this Section and provide the highest level of service and opportunities for residents of the City based on the requirements of this Section and the following criteria ("Merit List"):

1. The operational plan for the distribution activities.
2. The security plan for the distribution activities.
3. The experience of the operators of the distribution activities.
4. The adequacy of capitalization for the Physical Location, if any, and its operations.
5. The employment of City residents and other public benefits to the City.

(3) Distribution Permit. The following conditions apply to Distribution Permits:

A. A Distribution Permit will not be awarded to an applicant if:

1. The applicant or the Applicant's Agents made one or more false or misleading statements or omissions in the application or during the application process.
2. The proposed adult-use and/or medical cannabis distribution activity or Physical Location, if any, is not allowed by State or local law.
3. The applicant or the Applicant's Agents have been convicted of a felony, or a misdemeanor involving moral turpitude, or the illegal use, possession, distribution, transportation, or any such similar activity related to controlled substances, with the exception of cannabis related offenses for which the conviction occurred prior to passage of Compassionate Use Act. A conviction within the meaning of this Section means a plea or verdict of guilty or a conviction following a plea of nolo contendere.
4. The applicant or the Applicant's Agents have engaged in unlawful, fraudulent, unfair, or deceptive business acts or practices.
5. The applicant has not satisfied each and every requirement of this Section.

B. A Distribution Permit shall be awarded by the City to eligible Distribution Permit applicants in order of the Merit List as established by the City Manager or the City Manager's designee. The number of Distribution Permits shall be limited to those that may be reasonably accommodated within the City's Cannabis Overlay Zones as determined by the City Manager or the City Manager's designee.

C. Before a Distribution Permit can be issued to an applicant, Distribution Permit fees must be paid to offset all related costs to the City, and the proposed Physical Location, if any, must pass all applicable inspections.

D. Each Distribution Permit involving a Physical Location is subject to the conditions of approval in the applicable CUP for the parcel of real property upon which the cannabis distribution activity occurs.

E. Each Distribution Permit is subject to any additional conditions that may be applied by the City at the time of issuance or renewal as necessary to properly regulate the cannabis distribution activities and to protect the public.

F. All distribution activities shall be subject to the City's Cannabis Excise Tax provided in AMC chapter 3.60.

G. Each Distribution Permittee shall enter into an agreement with the City to fully reimburse the City for all fiscal impacts, costs, expenses, fees, and attorneys' fees incurred by the City related to the Distribution Permit and the cannabis distribution activity.

H. Distribution Permittees who are in good standing with the City and who were previously authorized to engage in medical cannabis distribution, may request an abbreviated application for a permit to engage in adult-use cannabis distribution within the same distribution facility, and they may operate under both permits in the same space, subject to state and local laws. The abbreviated permit process will allow Distribution Permittees to submit certain previously approved application materials for their adult-use Distribution Permit. The City reserves the right to request the Distribution Permittee to submit a new Distribution Permit application if the resubmitted materials do not satisfy the City's Distribution Permit requirements. The City Manager will determine the appropriate fees for the adult-use permit, and the City Manager shall issue the adult-use permits on an expedited basis based on the prior applications and approvals.

I. Each Distribution Permittee shall:

1. Carry liability insurance in the amounts and types set by the City Manager or the City Manager's designee, and name the City as an additional insured on all such insurance policies.

2. Execute an Indemnification Agreement prepared by the City that fully indemnifies the City for all liabilities associated with the Distribution Permit, the Distribution Permittee's cannabis related activities, and any action taken by the Distribution Permittee pursuant to this Section.

3. Defend the City, at the Distribution Permittee's sole expense, in any action against the City or its agents, officers, or employees associated with the Distribution Permit, the Distribution Permittee's cannabis related activities, or any action taken by the Distribution Permittee pursuant to this Section. The City may, at its sole discretion, participate in the defense of any such action, but such participation shall not relieve the Distribution Permittee of its indemnification and reimbursement obligations.

4. Reimburse the City for all costs, expenses, fees, and attorney fees incurred by the City related to any action against the City or its agents, officers, or employees associated with the Distribution Permit, the Distribution Permittee's cannabis related activities, or any action taken by the Distribution Permittee pursuant to this Section.

J. A Distribution Permittee shall keep the City and law enforcement updated with the names, addresses, and relevant criminal histories of all employees, facility managers, and other relevant parties for the adult-use and/or medical cannabis distribution activities at all times. Relevant criminal histories shall include any drug-related or felony convictions, the nature of such offenses, and the sentences received for such convictions.

K. A Distribution Permittee shall account for job creation in the City and shall commit to employing a workforce that resides in the City. For Distribution Permittees with a Physical Location, a minimum of 50% of all employees employed by the Distribution Permittee at the Physical Location shall be residents of the City. A Distribution Permittee shall use good faith efforts to comply with this Subsection and shall report the residential composition of its workforce to the City every year and at any other time upon demand by the City Manager or the City Manager's designee.

L. A Distribution Permit issued pursuant to this Section may be transferred so long as the Permittee satisfies the City's Distribution Permit application requirements and is in good standing with the city under the following circumstances:

1. The transfer results from the existing Permittee changing the corporation type or business type on file with the California Secretary of State,
2. The transfer is necessary to reflect the death or disability of an owner and/or the person on file with the City as being responsible for the permitted operations, or
3. To reflect a bone-fide transfer of the permit as a part of a transfer of the permitted operation.

All Distribution Permit transfers are subject to the City Manager's or his or her designee's prior approval, which shall not be unreasonably withheld.

M. A Distribution Permit shall expire and be null and void 12 months after issuance to the Distribution Permittee unless properly renewed. Upon payment of the applicable Distribution Permit fees, and passing any requisite Distribution Permit inspections, a Distribution Permittee that has maintained compliance with all City, State, and other applicable cannabis and business related laws shall be entitled to renew its Distribution Permit subject to all prevailing laws at the time of renewal.

N. To the fullest extent permitted by law, the City does not assume any liability, and expressly does not waive sovereign immunity, with respect to any cannabis distribution activities, or for the activities of any Distribution Permittee.

(4) Conditional Use Permit. All parcels of real property within the City's Cannabis Overlay Zones, upon which cannabis distribution activities may occur, must obtain a CUP from the City for all such activities.

(e) **Enforcement.**

(1) Any cannabis distribution within the City in violation of this Section is hereby declared to be unlawful and a public nuisance.

(2) Any party who engages in a violation of this Section, or who owns, possesses, controls, or has charge of any parcel of real property in the City upon which a violation of this Section is maintained, shall be subject to the penalties and remedies provided by this Section.

(3) Any violation of this Section shall constitute a separate offense for each and every day the violation occurs or persists.

(4) Any person in violation of any provision of this Section shall be guilty of a misdemeanor and shall be punishable by a fine of up to \$ 1,000 and up to six months imprisonment per offense per day.

(5) Any person in violation of any provision of this Section shall be punishable by an administrative fine of up to a \$1,000 per offense per day.

(6) Any violation of this Section or any other City or State cannabis law by a Distribution Permittee, or a Distribution Permittee's agent, is grounds for revoking the relevant Distribution Permit. In addition, the City Manager or the City Manager's designee may revoke a Distribution Permit if any of the following occur subject to a reasonable opportunity for the permittee to cure the deficiency during a period of no more than 60 days:

A. The City Manager or the City Manager's designee determines that the Distribution Permittee has failed to comply with this Section, any condition of approval, or any agreement or covenant as required pursuant to this Section.

B. The adult-use and/or medical cannabis distribution operations cease for more than 90 calendar days.

(7) For Distribution Permits involving a Physical Location, the City Manager or the City Manager's designee may also revoke the Distribution Permit if any of the following occur:

A. Ownership of the Physical Location is changed or transferred to a third party, without prior City approval.

B. The Physical Location fails to maintain 120 hours of security recordings.

C. The Physical Location fails to provide remote access to the security cameras to the City Manager, the City Manager's designee, or the Chief of Police, or fails to allow inspection of the security recordings, the activity logs, or of the premises by authorized City officials.

(8) Any decision regarding the revocation of a Distribution Permit may be appealed to an independent neutral third party administrative hearing officer appointed by the City Manager or the City Manager's designee ("Hearing Officer"). Said appeal shall be made by a notice of appeal from the person appealing within 15 days from the date of the decision to revoke the Distribution Permit. The appeal shall be accompanied by a written verified declaration setting forth the basis for the claim that the Distribution Permit was improperly revoked. The Hearing Officer's decision shall be final and binding upon the City and the appellant.

(9) These penalties and remedies are cumulative, and in addition to any other penalties and remedies available to the City.

[Ord. No. 548, Section 2, 10/12/16; Ord. No. 556, Section 4, 12/14/16; Ord. No. 558, Section 4, 12/14/16; Ord. No. 564, Section 4, 6/28/17; Ord. No. 573, Section 2, 7/12/17.]”

EXHIBIT "E"

"17.80.101 Cannabis Transportation"

(a) **Purpose.** The purpose and intent of this Section is to regulate the transportation of adult-use and medical cannabis between Cannabis Permittees in accordance with State law in order to promote the health, safety, morals, and general welfare of the residents- and businesses within the City. The City is authorized to regulate this activity pursuant to the MAUCRSA .

(b) **Definitions.** For purposes of this Section, the following definitions shall apply, unless the context clearly indicates otherwise:

(1) "Cannabis" means all parts of the plant *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 division, "cannabis" does not mean "industrial hemp" as defined by Section 11018.5 of the Health and Safety Code.

(2) "City" means the City of Adelanto, California.

(3) "City Manager" means the individual duly appointed by a majority of the City Council to serve in the capacity as executive officer of the City on a permanent or interim basis.

(4) "CUP" means a Conditional Use Permit issued by the City in accordance with this Code.

(5) "Fully enclosed and secure structure" means a space within a building, greenhouse or other structure which has a complete roof enclosure supported by connecting walls extending from the ground to the roof, which is secure against unauthorized entry, provides complete visual screening, and which is accessible only through one or more lockable doors and is inaccessible to minors.

(6) "MAUCRSA" means the Medicinal and Adult-Use Cannabis Regulation and Safety Act (MAUCRSA). (Bus. & Prof. Code, section 26000 et seq.)

(7) "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 and other applicable State laws, by a medicinal cannabis patient in California who possesses a physician's recommendation. For purposes of this definition, "medical cannabis" also means "medical marijuana." "Cannabis Permittee" means a person or entity that has been issued a permit by the City, or another city in the State of California in accordance with the MAUCRSA or other

applicable State laws, to participate in a commercial adult-use and/ or medical cannabis activity, such as cultivation, manufacturing, distribution, transportation, testing, dispensing, or delivering.

(8) “Physical Location” means a physical place of business, facility, office, or warehouse owned or operated by a Transportation Permittee for the transportation or storage of cannabis.

(9) “Transport,” “Transporter,” and “Transportation shall be defined as “Distribution” is defined in accordance with the MAUCRSA, Business and Professions Code section 26001, and other applicable State laws.

(10) “Transportation Permit” means a City permit to distribute or transport adult-use and/or medical cannabis between Cannabis Permittees in accordance with the terms and conditions of this Section and the conditions of approval for the permit.

(11) “Transportation Permittee” means a person or entity that has been issued a Distribution/Transportation Permit by the City pursuant to the terms and conditions of this Section.

(12) “Transport Vehicle” means a commercial vehicle or trailer owned or operated by a Transportation Permittee to transport adult-use and/or medical cannabis that has been approved by the Bureau of Cannabis Control for adult-use and/or medical cannabis transportation and complies with all of the requirements of this Section. Transport vehicle does not include aircrafts, watercrafts, drones, rails, human powered vehicles, or unmanned vehicles.

(c) **Cannabis Transportation Prohibited.** All cannabis transportation within the City is prohibited except as expressly permitted by this Section.

(d) **Transportation of Cannabis Conditionally Permitted.** Transportation of adult-use and/or medical cannabis is conditionally permitted in the City only as expressly specified in this Section.

(1) Cannabis Transportation Standards. Adult-use and medical cannabis transportation within the City shall be in conformance with the following standards:

A. Adult-use and medical cannabis transportation shall only be allowed upon application and approval of a Transportation Permit and a CUP in accordance with the criteria and process set forth in this Section and this Code.

B. Physical Location. A Transportation Permittee shall not be required to own or operate a Physical Location within the City. Provisions in this Section pertaining solely to a Physical Location within the City shall not apply to Transportation Permittees who do not have a Physical Location within the City. The City Manager or the City Manager’s designee shall have sole and ultimate authority to determine whether a provision in this Section solely pertains to a Physical Location, and, therefore, is not applicable to Transportation Permittees who do not have a Physical Location within the City.

C. Adult-use and/or medical cannabis transportation is a conditionally permitted use only on properties within the City's Cannabis Overlay Zones, except for shipping activities, which shall be permitted upon established commercial trucking routes.

D. Adult-use and/or medical cannabis transportation activities may include the receiving and releasing of cannabis plants, flowers, and products for inspection, testing, and quality assurance.

E. No cannabis transportation shall be established, developed, or operated within 600 feet of a school, public playground or park, child care or day care facility, youth center, or church, except for shipping activities, which must follow to established commercial trucking routes. All distances shall be measured in a straight line, without regard to intervening structures, from the nearest point of the building or structure in which the cannabis transportation activity is, or will be, located to the nearest property line of those uses described in this Subsection.

F. Cannabis transportation may not be located within the same unit as a cannabis testing facility.

G. Subject to the further requirements of this Section, only State Transporter license classifications "M" or "A" Type 11 will be allowed to operate in the City in accordance with the MAUCRSA, and Business and Professions Code sections 26050 and 26070. Permittee

H. Adult-use and medical cannabis transportation is allowed only within Transport Vehicles or fully enclosed and secure structures that are inaccessible to minors.

I. Except for commercial shipping operations, adult-use and/or medical cannabis transportation activities shall not exceed the square footage authorized pursuant to the applicable CUP.

J. From any public right-of-way, there shall be no visible exterior evidence of any cannabis transportation activity.

K. Cannabis transportation shall not adversely affect the health or safety of the nearby residents by creating dust, glare, heat, noise, smoke, traffic, vibration, or other impacts, and shall not be hazardous due to use or storage of materials, processes, products, or wastes.

L. Any cannabis transportation facility shall fully comply with all of the applicable restrictions and mandates set forth in State law. Any cannabis transportation facility shall operate within a legal structure that is compliant with all applicable State and local laws. Any cannabis transportation facility shall comply with all size requirements for such facility as imposed by State law. Any cannabis transportation facility shall not engage in any activities not allowed by an adult-use and/or medical cannabis transportation facilities pursuant to State law. Any cannabis transportation facility shall comply with all horticultural, labeling, processing, and other standards required by State law.

M. There is no set restriction on the hours of operation of an adult-use and/or medical cannabis transportation activities; however, restricted hours of operation may be established as a condition of approval of the Transportation Permit or the applicable CUP.

N. All cannabis shall be kept in a secured manner during all business and nonbusiness hours.

O. Each Transportation Permittee must pay all applicable sales taxes pursuant to all federal, State, and local laws. Each Transportation Permittee shall pay the City's Cannabis Excise Tax provided in AMC chapter 3.60.

P. On-site smoking, ingestion, or consumption of cannabis or alcohol shall be prohibited on the premises of any cannabis transportation facility or on any Transport Vehicle. The term, "premises" as used in this Subsection includes the actual cannabis transportation building, as well as any accessory structures and parking areas. The cannabis transportation facility building entrance shall be clearly and legibly posted with a notice indicating that smoking, ingesting, or consuming cannabis or alcohol on the premises, or in the vicinity of the facility, is prohibited.

Q. Signage for any cannabis transportation facility shall be limited to name of business only, shall be in compliance with the City's sign code, and shall contain no advertising of any companies, brands, products, goods, or services. Signage shall not include any drug-related symbols.

R. Alcoholic beverages shall not be sold, stored, distributed, or consumed on the premises of any cannabis transportation facility or on a Transport Vehicle. Transportation Permittees shall not hold or maintain a license from the State Department of Alcohol Beverage Control to sell alcoholic beverages, or operate a business that sells alcoholic beverages. In addition, alcohol shall not be provided, stored, kept, located, sold, dispensed, or used on the premises of any cannabis transportation facility or on a Transport Vehicle.

S. Physician services shall not be provided on the cannabis transportation premises.

T. The building in which any cannabis transportation facility is located, as well as the operations conducted therein, shall fully comply with all applicable rules, regulations, and laws including, but not limited to, zoning and building codes, the City's business license ordinances, the Revenue and Taxation Code, the Americans with Disabilities Act, and the MAUCRSA Compliance with all requirements of State law pertaining to adult-use and/or medical cannabis transportation is also required.

U. Transportation Permittees shall not grow, cultivate, manufacture, process, distribute, dispense, or administer cannabis, unless expressly and affirmatively authorized by State and local law. Any cannabis transportation facility shall not be operated as a cannabis cultivation, manufacturing, distribution, or testing facility, or as cannabis dispensary, unless expressly and affirmatively authorized by State and local law.

V. The operators of any cannabis transportation facility shall provide the City Manager, or the City Manager's designee, with the name, phone number, facsimile number, and email address of an on-site representative to whom the City and the public can provide notice if there are any operational problems associated with the cannabis transportation facility. Any cannabis transportation facility shall make every good faith effort to encourage residents and the public to call this representative to resolve any operational problems before any calls or complaints are made to the City or law enforcement.

W. Any cannabis transportation facility shall be operated in accordance with the conditions of approval associated with the applicable CUP for the parcel of real property upon which the cannabis transportation activities occur.

X. Any cannabis transportation facility shall have a security plan including the following measures::

1. Security cameras shall be installed and maintained in good condition, and used in an on-going manner with at least 120 concurrent hours of digitally recorded documentation in a format approved by the City Manager or the City Manager's designee. The cameras shall be in use 24 hours per day, seven days per week. The areas to be covered by the security cameras include, but are not limited to, the storage areas, transportation areas, all doors and windows, and any other areas as determined by the City Manager or the City Manager's designee. Remote login information shall be provided to the City Manager, the Code Enforcement Manager, and the Chief of Police to allow them to view the security camera images and recordings from their own facilities at any time. Any disruption in security camera images shall be cured expeditiously in good faith.

2. The cannabis transportation facility shall be secured with an alarm system that is operated and monitored by a reputable security company.

3. Entrance to the transportation area, and all storage areas, shall be locked at all times, and under the control of the adult-use and/or medical cannabis transportation facility's staff.

4. The entrances and all window areas shall be illuminated during evening hours. The facility shall comply with the City's lighting standards regarding fixture type, wattage, illumination levels, shielding, etcetera, and shall secure the necessary lighting approvals and permits as needed.

5. All windows on the building that houses the cannabis transportation facility shall be appropriately secured and all cannabis securely stored.

Y. Recordings made by the security cameras shall be made available to the City Manager, the City Manager's designee, or law enforcement upon verbal request. No search warrant or subpoena shall be needed to view the recorded materials.

Z. Upon reasonable notice to the Transportation Permittee which shall be no less than 12 hours, the City Manager, or the City Manager's designee, shall have the right to enter any cannabis transportation facility, for the purpose of making reasonable inspections to observe and enforce compliance with this Section and all laws of the City and the State. Transport Vehicles may be inspected by the City Manager, or the City Manager's designee, at

any transportation facility or during transport. . The City Manager or his or her designee must approve all inspections in advance and shall maintain a log tracking the time and date of all inspections, the individual requesting the inspection, and the result of each inspection. Individuals participating in any such inspection must take precautions to comply with standard safeguards and procedures in place at the facility regarding security, clean room/clean area access and anti-contamination measures.

AA. A Transportation Permittee shall only transport adult-uses and/or medical cannabis between the business locations of Cannabis Permittees.

BB. A Transportation Permittee shall inspect all cannabis and cannabis products received for quality assurance prior to transporting to any Cannabis Permittee.

CC. A Transportation Permittee shall transport batches of cultivated cannabis and cannabis products to dispensaries only after those batches have been inspected and quality tested by a qualified third party testing facility as required by the MAUCRSA, Business and Professions Code section 26100, the Department of Food and Agriculture regulations, and the State Department of Public Health regulations.

DD. Each Transportation Permittee shall register with the City every Physical Location the Transportation Permittee owns or operates within the City.

EE. A Transportation Permittee shall identify in its application for a Transportation Permit every Physical Location the Transportation Permittee owns or operates throughout the State.

FF. Transport Vehicles. Transportation of cannabis by means of aircraft, watercraft, drones, rail, human powered vehicles, and unmanned vehicles is prohibited. Transportation of cannabis shall only occur inside of a Transport Vehicle. Transportation of cannabis shall not be visible or identifiable from outside a Transport Vehicle. Cannabis goods shall be locked in a box that is secured to the inside of a Transport Vehicle. While left unattended, a Transport Vehicle shall be locked and secured. A Transportation Permittee shall not leave a Transport Vehicle carrying medical cannabis goods unattended at any time or parked overnight. Each Transport Vehicle shall be equipped with, and utilize, a vehicle alarm system, Each Transport Vehicle shall have an internal partition between the driver and all passengers from the cannabis storage containers that prevents access by the driver and passengers to all cannabis products from inside the Transport Vehicle. A Transport Vehicle shall not carry more cannabis than allowed by State law.

GG. A Transportation Permittee shall only travel to and from the business of another Cannabis Permittee when engaged in the transportation of adult-use and or medical cannabis or adult-use and/or medical cannabis products.

HH. A Transportation Permittee may transport multiple shipments of adult-use and/or medical cannabis or adult-use and/or medical cannabis products at once in accordance with State law and the requirements of this Section.

II. Packages or containers containing adult-use and/or medical cannabis or adult-use and/or medical cannabis products shall not be tampered with during transport.

JJ. During Transport, only a Transportation Permittee shall be allowed inside of a Transport Vehicle. No person under the age of 21 years old shall be allowed inside of a Transport Vehicle at any time.

KK. Storage of Cannabis. A Transportation Permittee may store adult-use and/or medical cannabis and adult-use and/or medical cannabis products at its transportation facility subject to the following requirements:

1. Cannabis may be stored for a maximum of 72 hours.
2. Each batch of cannabis shall be stored separately and distinctly from every other batch of cannabis.
3. Each batch of stored cannabis shall have a label attached thereto that includes at least the following information: the Transportation Permittee's name and Transportation Permit number; the date of entry into the Transportation Permittee's storage area; the unique identifiers and batch number associated with the batch; description of the cannabis product with enough detail to easily identify the batch; and the weight of the batch, or quantity of units in the batch.
4. Each batch of cannabis or cannabis products shall be stored in a building that is designed to permit control of temperature and humidity, and also prevents the entry of environmental contaminants such as smoke or dust. The storage area shall not be exposed to direct sunlight. Employee breakrooms, changing facilities, and bathrooms shall be completely separated from each storage area.
5. Cannabis shall not be stored outdoors.

LL. Shipment Manifest. Before transporting any cannabis goods, each Transportation Permittee shall complete an electronic shipment manifest ("Shipment Manifest"). Every Shipment Manifest shall be maintained for three years from the date created and shall be open to inspection by the City Manager, the City Manager's designee, Code Enforcement, and law enforcement. The Shipment Manifest shall include at least the following information:

1. The Transportation Permittee's name.
2. The names of authorized drivers.
3. The type, weight, and quantity or amount of adult-use and/or medical cannabis or adult-use and/or medical cannabis products being transported.
4. The time and location of departure, as well as the time and location of expected arrival.
5. The make, model, and license plate number of the Transport Vehicle.

MM. During transport, each Transport Vehicle driver shall carry a copy of the Transportation Permit, a copy of the Shipment Manifest, a form of government-issued identification, a valid commercial driver's license, and all other information required by State

law. The driver shall present these documents upon the request of law enforcement, Code Enforcement, the City Manager, or the City Manager's designee.

NN. Each Transportation Permittee shall do regular monthly inventories, and shall record the total quantity of cannabis transported. These records shall be maintained for three years from the date created and shall be open to inspection by the City Manager, the City Manager's Designee, Code Enforcement, and law enforcement.

OO. Each Transportation Permittee shall maintain maintenance and ownership records for every Transport Vehicle. These records shall be open to inspection by the City Manager, the City Manager's designee, Code Enforcement, and law enforcement.

(2) Transportation Permit Applications. All applicants wishing to obtain a Transportation Permit from the City shall file an application with the City upon a form provided by the City and shall pay a Transportation Permit Application Fee as established by the City. An application for a Transportation Permit shall include at least the following information:

- A. The address of the applicant's headquarters.
- B. The names, addresses, and relevant criminal histories of all potential employees, facility managers, and other relevant parties for the proposed transportation activities. Relevant criminal histories shall include any drug-related or felony convictions, the nature of such offenses, and the sentences received for such convictions.
- C. Evidence that the applicant has identified every Physical Location the applicant owns or operates throughout the State.
- D. Information regarding Transport Vehicles including, but not limited to: proof of ownership or lease of each Transport Vehicle; the year, make, model, license plate number, and Vehicle Identification Number ("VIN") for each Transport Vehicle; and proof of insurance in the amount of \$1,000,000 for each Transport Vehicle. Transportation Permittees shall provide the City with the information required by this Subsection of any new Transport Vehicle prior to using the Transport Vehicle to transport cannabis goods. A Transportation Permittee shall provide the City with any changes to the information required by this Subsection in writing within 30 calendar days of such change.
- E. Authorization for the City Manager or the City Manager's designee to seek verification of the information contained within the application.
- F. A statement in writing by the applicant that the applicant certifies under penalty of perjury that all the information contained in the application is true and correct.
- G. Any such additional and further information as is deemed necessary by the City Manager or the City Manager's designee to administer this Section.
- H. An application for a Transportation Permit involving a Physical Location shall also include at least the following information:

1. An estimate of the size of the proposed adult-use and/or medical cannabis transportation facility.
2. The address of the location for which the Transportation Permit is sought. A site plan and floor plan for the proposed premises denoting the use of all areas on the premises, including storage, transportation areas, lighting, signage, etcetera.
3. A proposed security plan in compliance with the Adult-Use and Medical Cannabis Transportation Standards.
4. The name and address of the owner and lessor of the real property upon which the adult-use and/or medical cannabis transportation activity is proposed to be conducted. In the event the applicant is not the legal owner of the property, the application must be accompanied with a notarized acknowledgement from the owner of the property that an adult-use and/or medical cannabis transportation facility will be operated on the property.
5. Evidence that the adult-use and/or medical cannabis transportation facility will be located in a legal structure that is compliant with all applicable State and local laws.
6. Evidence that the applicant has registered with the City every Physical Location the applicant owns or operates within the City.

I. The City Manager or the City Manager’s designee shall conduct a background check of any applicant seeking a Transportation Permit, including all potential employees and any person who may be a facility manager or otherwise responsible for the proposed transportation activities (“Applicant’s Agents”), and shall prepare a report on the acceptability of the applicant and the Applicant’s Agents and the suitability of the proposed Physical Location, if any.

J. The City Manager or the City Manager’s designee shall rank all qualified applications in order of those that best satisfy the requirements of this Section and provide the highest level of service and opportunities for residents of the City based on the requirements of this Section and the following criteria (“Merit List”):

1. The operational plan for the transportation activities.
2. The security plan for the transportation activities.
3. The experience of the operators of the transportation activities.
4. The adequacy of capitalization for the Physical Location, if any, and its operations.
5. The employment of City residents and other public benefits to the City.

(3) Transportation Permit. The following conditions apply to Transportation Permits:

- A. A Transportation Permit will not be awarded to an applicant if:

1. The applicant or the Applicant's Agents made one or more false or misleading statements or omissions in the application or during the application process.

2. The proposed adult-use and/or medical cannabis transportation activity or Physical Location, if any, is not allowed by State or local law.

3. The applicant or the Applicant's Agents have been convicted of a felony, or a misdemeanor involving moral turpitude, or the illegal use, possession, distribution, transportation, or any such similar activity related to controlled substances, with the exception of cannabis related offenses for which the conviction occurred prior to passage of Compassionate Use Act. A conviction within the meaning of this Section means a plea or verdict of guilty or a conviction following a plea of nolo contendere.

4. The applicant or the Applicant's Agents have engaged in unlawful, fraudulent, unfair, or deceptive business acts or practices.

5. The applicant has not satisfied each and every requirement of this Section.

B. A Transportation Permit shall be awarded by the City to eligible Transportation Permit applicants in order of the Merit List as established by the City Manager or the City Manager's designee. The number of Transportation Permits shall be limited to those that may be reasonably accommodated within the City's Cannabis Overlay Zones as determined by the City Manager or the City Manager's designee.

C. Before a Transportation Permit can be issued to an applicant, Transportation Permit fees must be paid to offset all related costs to the City, and the proposed Physical Location, if any, must pass all applicable inspections.

D. Each Transportation Permit involving a Physical Location is subject to the conditions of approval in the applicable CUP for the parcel of real property upon which the adult-use and/or medical cannabis transportation activity occurs.

E. Each Transportation Permit is subject to any additional conditions that may be applied by the City at the time of issuance or renewal as necessary to properly regulate the cannabis transportation activities and to protect the public.

F. All transportation activities shall be subject to the City's Cannabis Excise Tax provided in AMC Chapter 3.60.

G. Each Transportation Permittee shall enter into an agreement with the City to fully reimburse the City for all fiscal impacts, costs, expenses, fees, and attorneys' fees incurred by the City related to the Transportation Permit and the cannabis transportation activity.

H. Transportation Permittees who are in good standing with the City and who were previously authorized to engage in medical cannabis transportation, may request an abbreviated application for a permit to engage in adult-use cannabis transportation within the same transportation facility, and they may operate under both permits in the same space, subject to state and local laws. The abbreviated permit process will allow Transportation Permittees to submit certain previously approved application materials for their adult-use Transportation

Permit. The City reserves the right to request the Transportation Permittee to submit a new Transportation Permit application if the resubmitted materials do not satisfy the City's Transportation Permit requirements. The City Manager will determine the appropriate fees for the adult-use permit, and the City Manager shall issue the adult-use permits on an expedited basis based on the prior applications and approvals.

I. Each Transportation Permittee shall:

1. Carry liability insurance in the amounts and types provided in this Section or set by the City Manager or the City Manager's designee, and name the City as an additional insured on all such insurance policies.

2. Execute an Indemnification Agreement prepared by the City that fully indemnifies the City for all liabilities associated with the Transportation Permit, the Transportation Permittee's cannabis related activities, and any action taken by the Transportation Permittee pursuant to this Section.

3. Defend the City, at the Transportation Permittee's sole expense, in any action against the City or its agents, officers, or employees associated with the Transportation Permit, the Transportation Permittee's cannabis related activities, or any action taken by the Transportation Permittee pursuant to this Section. The City may, at its sole discretion, participate in the defense of any such action, but such participation shall not relieve the Transportation Permittee of its indemnification and reimbursement obligations.

4. Reimburse the City for all costs, expenses, fees, and attorney fees incurred by the City related to any action against the City or its agents, officers, or employees associated with the Transportation Permit, the Transportation Permittee's cannabis related activities, or any action taken by the Transportation Permittee pursuant to this Section.

J. A Transportation Permittee shall keep the City and law enforcement updated with the names, addresses, and relevant criminal histories of all employees, facility managers, and other relevant parties for the adult-use and/or medical cannabis transportation activities at all times. Relevant criminal histories shall include any drug-related or felony convictions, the nature of such offenses, and the sentences received for such convictions.

K. A Transportation Permittee shall account for job creation in the City and shall commit to employing a workforce that resides in the City. For Transportation Permittees with a Physical Location, a minimum of 50% of all employees employed by the Transportation Permittee at the Physical Location shall be residents of the City. A Transportation Permittee shall use good faith efforts to comply with this Subsection and shall report the residential composition of its workforce to the City every year and at any other time upon demand by the City Manager or the City Manager's designee.

L. A Transportation Permit issued pursuant to this Section may be transferred so long as the Permittee satisfies the City's Transportation Permit application requirements and is in good standing with the city under the following circumstances:

1. The transfer results from the existing Permittee changing the corporation type or business type on file with the California Secretary of State,

2. The transfer is necessary to reflect the death or disability of an owner and/or the person on file with the City as being responsible for the permitted operations, or

3. To reflect a bona-fide transfer of the permit as part of a transfer of the permitted operation.

All Transportation Permit transfers are subject to the City Manager's or his or her designee's prior approval, which shall not be unreasonably withheld.

M. A Transportation Permit shall expire and be null and void 12 months after issuance to the Transportation Permittee unless properly renewed. Upon payment of the applicable Transportation Permit fees, and passing the requisite Transportation Permit inspections, a Transportation Permittee that has maintained compliance with all City, State, and other applicable cannabis and business related laws shall be entitled to renew its Transportation Permit subject to all prevailing laws at the time of renewal.

N. To the fullest extent permitted by law, the City does not assume any liability, and expressly does not waive sovereign immunity, with respect to any cannabis transportation activities, or for the activities of any Transportation Permittee.

(4) Conditional Use Permit. All parcels of real property within the City's Cannabis Overlay Zones, upon which cannabis transportation activities may occur, must obtain a CUP from the City for all such activities.

(e) **Enforcement.**

(1) Any cannabis transportation within the City in violation of this Section is hereby declared to be unlawful and a public nuisance.

(2) Any party who engages in a violation of this Section, or who owns, possesses, controls, or has charge of any parcel of real property in the City upon which a violation of this Section is maintained, shall be subject to the penalties and remedies provided by this Section.

(3) Any violation of this Section shall constitute a separate offense for each and every day the violation occurs or persists.

(4) Any person in violation of any provision of this Section shall be guilty of a misdemeanor and shall be punishable by a fine of up to \$ 1,000 and up to six months imprisonment per offense per day.

(5) Any person in violation of any provision of this Section shall be punishable by an administrative fine of up to a \$1,000 per offense per day.

(6) Any violation of this Section or any other City or State cannabis law by a Transportation Permittee, or a Transportation Permittee's agent, is grounds for revoking the

relevant Transportation Permit. In addition, the City Manager or the City Manager's designee may revoke a Transportation Permit if any of the following occur subject to a reasonable opportunity for the permittee to cure the deficiency during a period of no more than 60 days:

A. The City Manager or the City Manager's designee determines that the Transportation Permittee has failed to comply with this Section, any condition of approval, or any agreement or covenant as required pursuant to this Section.

B. The adult-use and/or medical cannabis transportation operations cease for more than 90 calendar days.

(7) For Transportation Permits involving a Physical Location, the City Manager or the City Manager's designee may also revoke the Transportation Permit if any of the following occur:

A. Ownership of the Physical Location is changed or transferred to a third party, without prior City approval.

B. The Physical Location fails to maintain 120 hours of security recordings.

C. The Physical Location fails to provide remote access to the security cameras to the City Manager, the City Manager's designee, or the Chief of Police, or fails to allow inspection of the security recordings, the activity logs, or of the premises by authorized City officials.

(8) Any decision regarding the revocation of a Transportation Permit may be appealed to an independent neutral third party administrative hearing officer appointed by the City Manager or the City Manager's designee ("Hearing Officer"). Said appeal shall be made by a notice of appeal from the person appealing within 15 days from the date of the decision to revoke the Transportation Permit. The appeal shall be accompanied by a written verified declaration setting forth the basis for the claim that the Transportation Permit was improperly revoked. The Hearing Officer's decision shall be final and binding upon the City and the appellant.

(9) These penalties and remedies are cumulative, and in addition to any other penalties and remedies available to the City.

[Ord. No. 573, Section 3, 7/12/17]"

EXHIBIT "F"

"17.80.110 Cannabis Testing"

(a) **Purpose.** The purpose and intent of this Section is to regulate the testing of adult-use and medical cannabis prior to manufacturing or dispensing to the public in accordance with State law in order to promote the health, safety, morals, and general welfare of the residents and businesses within the City. The City intends to be on the forefront of adult-use and medical cannabis research and testing. The City is authorized to regulate this activity pursuant to the MAUCRSA.

(b) **Definitions.** For purposes of this Section, the following definitions shall apply, unless the context clearly indicates otherwise:

(1) "Cannabis" means all parts of the plant *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 division, "cannabis" does not mean "industrial hemp" as defined by Section 11018.5 of the Health and Safety Code.

(2) "City" means the City of Adelanto, California.

(3) "City Manager" means the individual duly appointed by a majority of the City Council to serve in the capacity as executive officer of the City on a permanent or interim basis.

(4) "CUP" means a Conditional Use Permit issued by the City in accordance with this Code.

(5) "Fully enclosed and secure structure" means a space within a building, greenhouse or other structure which has a complete roof enclosure supported by connecting walls extending from the ground to the roof, which is secure against unauthorized entry, provides complete visual screening, and which is accessible only through one or more lockable doors and is inaccessible to minors.

(6) "MAUCRSA" means the Medicinal and Adult-Use Cannabis Regulation and Safety Act (MAUCRSA). (Bus. & Prof. Code, section 26000 et seq.)

(7) "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 and other applicable State laws, by a medicinal cannabis patient in California who possesses a physician's recommendation. For purposes of this definition, "medical cannabis" also means "medical marijuana." "Cannabis Permittee" means a person or entity that has been issued a permit by the

City, or another city in the State of California in accordance with the MAUCRSA or other applicable State laws, to participate in a commercial adult-use and/or medical cannabis activity, such as cultivation, manufacturing, distribution, transportation, testing, dispensing, or delivering.

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

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

(2) Licensed by the bureau.

(9) “Testing Permit” means a City permit to test the quality of adult-use and/or medical cannabis produced by cultivation and manufacturing Permittees pursuant to the terms and conditions of this Section and the conditions of approval for the permit.

(10) “Testing Permittee” means an applicant who has applied for and has been issued a Testing Permit by the City pursuant to the terms and conditions of this Section.

(c) **Cannabis Testing Prohibited.** All commercial cannabis testing within the City is prohibited except as expressly permitted by this Section.

(d) **Cannabis Testing Conditionally Permitted.** Commercialcannabis testing is conditionally permitted in the City only as expressly specified in this Section.

(1) Cannabis Testing Standards. Commercial cannabis testing, within the City, shall be in conformance with the following standards:

A. Commercial cannabis testing shall only be allowed upon application and approval of a Testing Permit and a CUP, or Minor Conditional Use Permit (CUP) for proposed uses within existing buildings requiring no more than Tenant Improvements, in accordance with the criteria and process set forth in this Section and this Code.

B. Commercialcannabis testing is a conditionally permitted use only on properties within the City’s Cannabis Overlay Zones.

C. No commercial cannabis testing facility shall be established, developed, or operated within 600 feet of a school, public playground or park, child care or day care facility, youth center, or church. All distances shall be measured in a straight line, without regard to intervening structures, from the nearest point of the building or structure in which the commercial cannabis testing is, or will be, located to the nearest property line of those uses described in this Subsection.

D. A commercial cannabis testing facility may not be located within the same unit as an indoor cannabis cultivation facility, manufacturing facility, distribution facility, transportation facility, or dispensary.

E. Subject to the further requirements of this Section, only Type 8 State testing licenses, as specified in the MAUCRSA and Business and Professions Code section 26050, will be allowed to operate in the City.

F. Commercialcannabis testing is allowed only within fully enclosed and secure structures that are inaccessible to minors.

G. Commercialcannabis testing shall not exceed the square footage authorized pursuant to the applicable CUP.

H. From any public right-of-way, there shall be no visible exterior evidence of any cannabis testing activity.

I. Cannabis testing shall not adversely affect the health or safety of the nearby residents by creating dust, glare, heat, noise, smoke, traffic, vibration, or other impacts, and shall not be hazardous due to use or storage of materials, processes, products, or wastes.

J. Each commercial cannabis testing facility shall fully comply with all of the applicable restrictions and mandates set forth in State law. A commercial cannabis testing facility shall comply with all size requirements for such facility as imposed by State law. A cannabis testing facility shall not engage in any activities not allowed by a cannabis testing facility pursuant to State law. A cannabis testing facility shall comply with all horticultural, labeling, processing, and other standards required by State law.

K. There is no set restriction on the hours of operation of a commercial cannabis testing facility; however, restricted hours of operation may be established as a condition of approval of the Testing Permit or the applicable CUP.

L. All cannabis shall be kept in a secured manner during all business and nonbusiness hours.

M. A cannabis testing facility shall operate within a legal structure that is compliant with all applicable State and local laws.

N. A cannabis testing facility must pay all applicable sales taxes pursuant to all federal, State, and local laws.

O. On-site smoking, ingestion, or consumption of cannabis or alcohol shall be prohibited on the premises of a cannabis testing facility. The term "premises" as used in this Subsection includes the actual cannabis testing building, as well as any accessory structures and parking areas. The cannabis testing facility building entrance shall be clearly and legibly posted with a notice indicating that smoking, ingesting, or consuming cannabis or alcohol on the premises or in the vicinity of the facility is prohibited.

P. Signage for a cannabis testing facility shall be limited to name of business only, shall be in compliance with the City's sign code, and shall contain no advertising of any companies, brands, products, goods, or services. Signage shall not include any drug-related symbols.

Q. Alcoholic beverages shall not be sold, stored, distributed, or consumed on the premises. A cannabis testing facility shall not hold or maintain a license from the State Department of Alcohol Beverage Control to sell alcoholic beverages, or operate a business that sells alcoholic beverages. In addition, alcoholic beverages shall not be provided, stored, kept, located, sold, dispensed, or used on the premises of any cannabis testing facility.

R. Physician services shall not be provided on the cannabis testing facility premises.

S. The building in which any cannabis testing facility is located, as well as the operations as conducted therein, shall fully comply with all applicable rules, regulations, and laws including, but not limited to, zoning and building codes, the City's business license ordinances, the Revenue and Taxation Code, the Americans with Disabilities Act, and the MAUCRSA. Compliance with all requirements of State law pertaining to cannabis testing is also required.

T. A cannabis testing facility shall not grow, cultivate, process, distribute, transport, sell, dispense, or administer cannabis from the facility to the public. A cannabis testing facility shall not be operated as a cannabis dispensary.

U. The operators of a cannabis testing facility shall provide the City Manager, or the City Manager's designee, with the name, phone number, facsimile number, and email address of an on-site representative to whom the City and the public can provide notice if there are any operational problems associated with the cannabis testing facility. A cannabis testing facility shall make every good faith effort to encourage residents and the public to call this representative to resolve any operational problems before any calls or complaints are made to the City or law enforcement.

V. Each cannabis testing facility shall be operated in accordance with the conditions of approval associated with the applicable CUP for the parcel of real property upon which the cannabis testing activities occur.

W. Each cannabis testing facility shall have a security plan including the following measures:

1. Security cameras shall be installed and maintained in good condition, and used in an on-going manner with at least 120 concurrent hours of digitally recorded documentation in a format approved by the City Manager or the City Manager's designee. The cameras shall be in use 24 hours per day, seven days per week. The areas to be covered by the security cameras include, but are not limited to, the storage areas, testing areas, all doors and windows, and any other areas as determined by the City Manager or the City Manager's designee. Remote log-in information shall be provided to the City Manager, the Code Enforcement Manager, and the Chief of Police to allow them to view the security camera images and recordings from their own facilities at any time. Any disruption in security camera images shall be cured expeditiously in good faith.

2. The cannabis testing facility shall be secured with an alarm system that is operated and monitored by a reputable security company.

3. Entrance to the cannabis testing area, and all storage areas, shall be locked at all times, and under the control of the cannabis testing facility's staff.

4. The entrances, and all window areas, shall be illuminated during evening hours. The cannabis testing facility shall comply with the City's lighting standards regarding fixture type, wattage, illumination levels, shielding, etcetera, and shall secure the necessary lighting approvals and permits as needed.

5. All windows on the building that houses the cannabis testing facility shall be appropriately secured and all cannabis securely stored.

X. Recordings made by the security cameras shall be made available to the City Manager, the City Manager's designee, or law enforcement upon verbal request-no search warrant or subpoena shall be needed to view the recorded materials.

Y. Upon reasonable notice to the Testing Permittee which shall be no less than 12 hours, the City Manager, or the City Manager's designee, shall have the right to enter any cannabis testing facility for the purpose of making reasonable inspections to observe and enforce compliance with this Section and all laws of the City and the State. The City Manager or his or her designee must approve all inspections in advance and shall maintain a log tracking the time and date of all inspections, the individual requesting the inspection, and the result of each inspection. Individuals participating in such an inspection must take precautions to comply with standard safeguards and procedures in place at the facility regarding security, clean room/clean area access and anti-contamination measures.

Z. Each cannabis testing facility must employ full time quality control personnel.

AA. All cultivated cannabis, and manufactured cannabis products, must be properly tested prior to being dispensed to the public as required by the MAUCRSA, Business and Professions Code section 26100, and the State Department of Public Health regulations.

BB. Each Testing Permittee shall be independent from all other persons and entities involved in the cannabis industry including, but not limited to, cannabis cultivators, manufacturers, distributors, transporters, and dispensaries.

CC. A cannabis testing facility shall not acquire or receive cannabis or cannabis products except from a Cannabis Permittee A Testing Permittee shall not cultivate, manufacture, distribute, transport, deliver, or dispense cannabis or cannabis products.

DD. A cannabis testing facility must adopt a standard operating procedure using methods consistent with general requirements for the competence of testing and calibration activities, including sampling. A Testing Permittee must use testing standards and methods established specifically for cannabis testing by the State.

EE. A cannabis testing facility must establish standard operating procedures that provide for adequate chain of custody controls for samples transferred to the cannabis testing facility for testing.

FF. A Testing Permittee must obtain testing samples according to a statistically valid sampling method. All testing samples must be picked independently and at random by the Testing Permittee. Testing samples cannot be pre-selected by outside persons or entities involved in the cultivation, manufacturing, distribution, transportation, delivery, or dispensing of cannabis.

GG. Cannabis from dried flower must, at minimum, be tested for concentration, pesticides, mold, and other contaminants. Cannabis extracts must, at minimum, be tested for concentration and purity of the product.

HH. A cannabis testing facility must analyze samples according to either the most current version of the cannabis inflorescence monograph ("Monograph") published by the American Herbal Pharmacopoeia or other scientifically valid methodology that is equal or superior to the Monograph.

II. If a test result falls outside the specifications authorized by law or regulation, the cannabis testing facility shall follow a standard operating procedure to confirm or refute the original result.

JJ. A cannabis testing facility must destroy the remains of any sample of cannabis or cannabis product upon completion of the testing analysis.

KK. A cannabis testing facility must destroy cannabis batches whose testing samples indicate noncompliance with health and safety standards promulgated by the State Department of Public Health, unless remedial measures can bring the cannabis into compliance.

LL. A Testing Permittee shall issue a certificate of analysis for each sample tested to report whether the chemical profile of the sample conforms to the specifications for the sample for compounds. Compounds tested include, but are not limited to, the compounds listed under Business and Professions Code section 26100.

MM. A Testing Permittee shall issue a certificate of analysis for each sample tested to report whether the presence of contaminants in the sample does or does not exceed the levels that are the lesser of either the most current version of the Monograph or those set by the State Department of Public Health. Contaminants tested include, but are not limited to, the contaminants listed under Business and Professions Code section 26100.

NN. Each cannabis testing facility must analyze whether residual levels of volatile organic compounds in each sample tested are below the lesser of either the specifications set by the United States Pharmacopeia (U.S.P. Chapter 467) or those set by the State Department of Public Health.

OO. All testing devices used by a cannabis testing facility must be UL listed, or otherwise approved for the intended use by the City's Building Official or the Fire Department. Any testing devices using only non-pressurized water are exempt from such approval.

PP. Unless otherwise prohibited, all testing devices used by a cannabis testing facility that utilize hydrocarbons or otherwise flammable solvents must operate in a closed loop,

or in such a way that all solvent material is recovered in the process. All hazardous material must be disposed of in a manner that is compliant with all local, State, and federal guidelines for the disposal of hazardous materials.

QQ. Each cannabis testing facility must notify the State Department of Public Health and the City Manager, or the City Manager's designee, within one business day after the receipt of notice of any kind that its accreditation has been denied, suspended, or revoked.

(2) Testing Permit Applications. All applicants wishing to obtain a Testing Permit from the City shall file an application with the City upon a form provided by the City and shall pay a Testing Permit Application Fee as established by the City. An application for a Testing Permit shall include at least the following information:

- A. An estimate of the size of the proposed cannabis testing facility.
- B. The address of the location for which the Testing Permit is sought. Only one Testing Permit will be issued per location.
- C. A site plan and floor plan for the proposed premises denoting the use of all areas on the premises, including storage, testing areas, lighting, signage, et cetera.
- D. A proposed security plan in compliance with the Cannabis Testing Standards.
- E. The names, addresses, and relevant criminal histories of all potential employees, facility managers, and other relevant parties for the cannabis testing facility. Relevant criminal histories shall include any drug-related or felony convictions, the nature of such offenses, and the sentences received for such convictions.
- F. The name and address of the owner and lessor of the real property upon which the cannabis testing activity is proposed to be conducted. In the event the applicant is not the legal owner of the property, the application must be accompanied with a notarized acknowledgement from the owner of the property that a cannabis testing facility will be operated on the property.
- G. Evidence that the cannabis testing facility is independent from all other persons and entities involved in the cannabis industry, as required by Business and Professions Code section 26001.
- H. Evidence that the cannabis testing facility follows the methodologies, ranges, and parameters that are contained in the scope of the accreditation for testing cannabis and cannabis products. The cannabis testing facility shall also comply with any other requirements specified by the State Department of Public Health.
- I. Authorization for the City Manager or the City Manager's designee to seek verification of the information contained within the application.

J. Evidence that the cannabis testing facility will be located in a legal structure that is compliant with all applicable State and local laws.

K. A statement in writing by the applicant that the applicant certifies under penalty of perjury that all the information contained in the application is true and correct.

L. Any such additional and further information as is deemed necessary by the City Manager or the City Manager's designee to administer this Section.

M. The City Manager or the City Manager's designee shall conduct a background check of any applicant seeking a Testing Permit, including all potential employees and any person who may be a facility manager or otherwise responsible for the activities of the cannabis testing facility ("Applicant's Agents"), and shall prepare a report on the acceptability of the applicant and the Applicant's Agents and the suitability of the proposed location.

N. The City Manager, or the City Manager's designee, shall rank all qualified applications in order of those that best satisfy the requirements of this Section and provide the highest level of service and opportunities for residents of the City based on the requirements of this Section and the following criteria ("Merit List"):

1. The operational plan for the facility.
2. The security plan for the facility.
3. The experience of the operators of the facility.
4. The adequacy of capitalization for the facility and its operations.
5. The employment of City residents and other public benefits to the

City.

(3) Testing Permit. The following conditions apply to each Testing Permit:

A. A Testing Permit will not be awarded to an applicant if:

1. The applicant or the Applicant's Agents made one or more false or misleading statements or omissions in the application or during the application process.
2. The proposed cannabis testing facility is not allowed by State or local law.
3. The applicant is not a legal representative of the cannabis testing facility.
4. The applicant or the Applicant's Agents have been convicted of a felony, or a misdemeanor involving moral turpitude, or the illegal use, possession, distribution, transportation, or any such similar activity related to controlled substances, with the exception of cannabis related offenses for which the conviction occurred prior to passage of Compassionate Use Act. A conviction within the meaning of this Section means a plea or verdict of guilty or a conviction following a plea of nolo contendere.

5. The applicant or the Applicant's Agents have engaged in unlawful, fraudulent, unfair, or deceptive business acts or practices.

6. The applicant has not satisfied each and every requirement of this Section.

B. A Testing Permit shall be awarded by the City to eligible Testing Permit applicants in order of the Merit List as established by the City Manager or the City Manager's designee. The number of Testing Permits shall be limited to those that may be reasonably accommodated within the Testing Zone as determined by the City Manager or the City Manager's designee.

C. Before a Testing Permit can be issued to an applicant, Testing Permit fees must be paid to offset all related costs to the City, and the proposed cannabis testing facility location must pass all applicable inspections.

D. A Testing Permit is subject to the conditions of approval in the applicable CUP for the parcel of real property upon which the cannabis testing activity occurs.

E. A Testing Permit is subject to any additional conditions that may be applied by the City at the time of issuance or renewal as necessary to properly regulate the cannabis testing activity and to protect the public.

F. All cannabis testing activities shall be subject to an excise tax to be established by the City and the voters.

G. A Testing Permittee may not hold or use any other cannabis activity permits or licenses that would otherwise be a violation of this Section, the MAUCRSA, or Business and Professions Code section 26050.

H. A Testing Permittee may not own or have an ownership interest in any activity or facility related to cannabis cultivation, manufacturing, distribution, transportation, delivery, or dispensing.

I. A Testing Permittee shall enter into an agreement with the City to fully reimburse the City for all fiscal impacts, costs, expenses, fees, and attorneys' fees incurred by the City related to the Testing Permit and the cannabis testing activity.

J. Testing Permittees who are in good standing with the City and who were previously authorized to engage in medical cannabis testing, may request an abbreviated application for a permit to engage in adult-use cannabis testing within the same testing facility, and they may operate under both permits in the same space, subject to state and local laws. The abbreviated permit process will allow Testing Permittees to submit certain previously approved application materials for their adult-use Testing Permit. The City reserves the right to request the Testing Permittee to submit a new Testing Permit application if the resubmitted materials do not satisfy the City's Testing Permit requirements. The City Manager will determine the appropriate fees for the adult-use permit, and the City Manager shall issue the adult-use permits on an expedited basis based on the prior applications and approvals.

K. A Testing Permittee shall:

1. Carry liability insurance in the amounts and types set by the City Manager or the City Manager's designee, and name the City as an additional insured on all such insurance policies.

2. Execute an Indemnification Agreement prepared by the City that fully indemnifies the City for all liabilities associated with the Testing Permit, the Testing Permittee's cannabis related activities, and any action taken by the Testing Permittee pursuant to this Section.

3. Defend the City, at the Testing Permittee's sole expense, in any action against the City or its agents, officers, or employees associated with the Testing Permit, the Testing Permittee's cannabis related activities, or any action taken by the Testing Permittee pursuant to this Section. The City may, at its sole discretion, participate in the defense of any such action, but such participation shall not relieve the Testing Permittee of its indemnification and reimbursement obligations.

4. Reimburse the City for all costs, expenses, fees, and attorney fees incurred by the City related to any action against the City or its agents, officers, or employees associated with the Testing Permit, the Testing Permittee's cannabis related activities, or any action taken by the Testing Permittee pursuant to this Section.

L. Each Testing Permittee shall keep the City and law enforcement updated with the names, addresses, and relevant criminal histories of all employees, facility managers, and other relevant parties for the cannabis testing facility at all times. Relevant criminal histories shall include any drug-related or felony convictions, the nature of such offenses, and the sentences received for such convictions.

M. Each Testing Permittee shall account for job creation in the City and shall commit to employing a workforce that resides in the City. A minimum of 50% of all employees employed by the Testing Permittee at the cannabis testing facility shall be residents of the City. A Testing Permittee shall use good faith efforts to comply with this subsection and shall report the residential composition of its workforce to the City every year and at any other time upon demand by the City Manager or the City Manager's designee.

N. A Testing Permit issued pursuant to this Section may be transferred so long as the Permittee satisfies the City's Testing Permit application requirements and is in good standing with the city under the following circumstances:

1. The transfer results from the existing Permittee changing the corporation type or business type on file with the California Secretary of State,

2. The transfer is necessary to reflect the death or disability of an owner and/or the person on file with the City as being responsible for the permitted operations, or

3. To reflect a bona-fide transfer of the permit as a part of a transfer of the permitted operation.

O. All Testing Permit transfers are subject to the City Manager's or his or her designee's prior approval, which shall not be unreasonably withheld. A Testing Permit shall expire and be null and void 12 months after issuance to the Testing Permittee unless properly renewed. Upon payment of the applicable Testing Permit fees and passing the requisite Testing Permit inspections, a Testing Permittee that has maintained compliance with all City, State, and other applicable adult-use and/or medical cannabis and business related laws shall be entitled to renew its Testing Permit subject to all prevailing laws at the time of renewal.

P. To the fullest extent permitted by law, the City does not assume any liability, and expressly does not waive sovereign immunity, with respect to any cannabis testing activities or for the activities of any cannabis testing facility.

(4) Conditional Use Permit. All parcels of real property in the Testing Zone upon which cannabis testing activities may occur must obtain a CUP from the City for all such activities.

(e) **Enforcement.**

(1) Any cannabis testing within the City in violation of this Section is hereby declared to be unlawful and a public nuisance.

(2) Any party who engages in a violation of this Section, or who owns, possess, controls, or has charge of any parcel of real property in the City upon which a violation of the Section is maintained, shall be subject to the penalties and remedies provided by this Section.

(3) Any violation of this Section shall constitute a separate offense for each and every day the violation occurs or persists.

(4) Any person in violation of any provision of this Section shall be guilty of a misdemeanor and shall be punishable by a fine of up to \$1,000 and up to six months imprisonment per offense.

(5) Any person in violation of any provision of this Section shall be punishable by an administrative fine of up to a \$1,000 per offense.

(6) Any violation of this Section or any other City or State cannabis law by a Testing Permittee or a Testing Permittee's agent is grounds for revoking the relevant Testing Permit. In addition, the City Manager or the City Manager's designee may revoke a Testing Permit if any of the following occur subject to a reasonable opportunity for the permittee to cure the deficiency during a period of no more than 60 days:

A. The City Manager or the City Manager's designee determines that the cannabis testing facility has failed to comply with this Section, any condition of approval, or any agreement or covenant as required pursuant to this Section.

B. The cannabis testing operations cease for more than 90 calendar days.

C. Ownership of the cannabis testing facility is changed or transferred to a third party, without prior City approval.

D. The cannabis testing facility fails to maintain 120 hours of security recordings.

E. The cannabis testing facility fails to provide remote access to the security cameras to the City Manager, the City Manager's designee, the Code Enforcement Manager, or the Chief of Police, or fails to allow inspection of the security recordings, the activity logs, or of the premises by authorized City officials.

(7) Any decision regarding the revocation of a Testing Permit may be appealed to an independent neutral third party administrative hearing officer appointed by the City Manager or the City Manager's designee ("Hearing Officer"). Said appeal shall be made by a notice of appeal from the person appealing within 15 days from the date of the decision to revoke the Testing Permit. The appeal shall be accompanied by a written verified declaration setting forth the basis for the claim that the Testing Permit was improperly revoked. The Hearing Officer's decision shall be final and binding upon the City and the appellant.

(8) These penalties and remedies are cumulative, and in addition to any other penalties and remedies available to the City.

[Ord. No. 548, Section 3, 10/12/16; Ord. No. 556, Section 5, 12/14/16; Ord. No. 558, Section 5, 12/14/16; Ord. No. 564, Section 5, 6/28/17.]”

EXHIBIT "G"

"17.80.120 Cannabis Dispensaries"

(a) **Purpose.** The purpose and intent of this Section is to regulate the dispensing and delivery of adult-use and medical cannabis that is sold in accordance with State law in order to promote the health, safety, and general welfare of the residents and businesses within the City. The City is authorized to regulate this activity pursuant to the MAUCRSA .

(b) **Definitions.** For purposes of this Section, the following definitions shall apply, unless the context clearly indicates otherwise:

(1) "Cannabis" means all parts of the plant *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 division, "cannabis" does not mean "industrial hemp" as defined by Section 11018.5 of the Health and Safety Code.

(2) "CUP" means a Conditional Use Permit issued by the City in accordance with this Code.

(3) "Fully enclosed and secure structure" means a space within a building, greenhouse or other structure which has a complete roof enclosure supported by connecting walls extending from the ground to the roof, which is secure against unauthorized entry, provides complete visual screening, and which is accessible only through one or more lockable doors and is inaccessible to minors.

(4) "Deliver," "Delivering," and "Delivery" shall be defined in accordance with the MAUCRSA, Business and Professions Code section 26001, and other applicable State laws.

(5) "Dispensary," "Dispense," and "Dispensing" shall be defined in accordance with the MAUCRSA and other applicable State laws. Dispensing shall include the acts of advertising, offering for sale, selling, providing, giving away, and delivering any adult-use and/or medical cannabis products to any individual, customer, qualified patient, primary care provider, or end user.

(6) "Dispensary Permit" means a City permit to dispense and deliver adult-use and/or medical cannabis in accordance with the terms and conditions of this Section and the conditions of approval for the permit.

(7) "Dispensary Permittee" means a person or entity that has been issued a Dispensary Permit by the City pursuant to the terms and conditions of this Section.

(8) “MAUCRSA” means the Medicinal and Adult-Use Cannabis Regulation and Safety Act (MAUCRSA). (Bus. & Prof. Code, section 26000 et seq.)

(9) “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 and other applicable State laws, by a medicinal cannabis patient in California who possesses a physician’s recommendation. For purposes of this definition, “medical cannabis” also means “medical marijuana.”..”

(10) “Cannabis Permittee” means a person or entity that has been issued a permit by the City, or another city in the State of California in accordance with the MAUCRSA, or other applicable State laws, to participate in a commercial adult-use and/or medical cannabis activity, such as cultivation, manufacturing, distribution, transportation, testing, or dispensing.

(11) “Cannabis Dispensary Overlay Zone (“Dispensary Overlay Zone”) means the area bounded by Air Expressway to the north, Rancho Road to the south, Adelanto Street and Permain Street and to the west, and Mesa Linda Road to the east (Cannabis Overlay Zone 1), and the area bounded by Violet Road to the north, Powerline Road to the south, Jonathan Road to the west, and Highway 395 to the east. The easterly boundary to Highway 395 is setback 600’ from the highway. (Cannabis Overlay Zone 2).

(c) **Cannabis Dispensing and Delivery Prohibited.** All cannabis dispensing and delivery within the City is prohibited except as expressly permitted by this Section.

(d) **Dispensing and Delivery of Cannabis Conditionally Permitted.** Dispensing and delivery of adult-use and/or medical cannabis is conditionally permitted in the City only as expressly specified in this Section.

(1) Cannabis Dispensary Standards. Adult-use and/or medical cannabis dispensing and delivery within the City shall be in conformance with the following standards:

A. Adult-use and/or medical cannabis dispensing and delivery shall only be allowed upon application and approval of a Dispensary Permit and a CUP in accordance with the criteria and process set forth in this Section and this Code.

B. A. Adult-use and/or medical cannabis dispensing and delivery is a conditionally permitted use only on properties within the Dispensary Overlay Zones.

C. Medical cannabis dispensing activities may only include the selling of medical cannabis from a dispensary and the delivery of medical cannabis from a dispensary to a qualified patient or primary caregiver.

D. Adult-use cannabis dispensing activities may only include the selling of adult-use cannabis from a dispensary and the delivery of adult-use cannabis from a dispensary to an individual over the age of 21 in compliance with State and local regulations.

E. No cannabis dispensary shall be established, developed, or operated within 600 feet of a school, public playground or park, child care or day care facility, youth center, or church, nor within 500 feet of a residential property. All distances shall be measured in a straight line, without regard to intervening structures, from the nearest point of the building or structure in which the cannabis dispensary is, or will be located, to the nearest property line of those uses described in this Subsection.

F. Cannabis dispensaries may not be located within the same unit as a testing facility.

G. Subject to the further requirements of this Section, only "M" or "A" Type 10 State testing licenses, as specified in the MAUCRSA and Business and Professions Code section 26050, will be allowed to operate in the City.

H. Adult-use and/or medical cannabis dispensing and delivery is allowed only within fully enclosed and secure structures that are inaccessible to minors.

I. Adult-use and/or medical cannabis dispensing and delivery activities shall not exceed the square footage authorized pursuant to the applicable CUP.

J. From any public right-of-way, there shall be no visible exterior evidence of any cannabis dispensing or delivery activity.

K. Cannabis dispensing and delivery shall not adversely affect the health or safety of any nearby residents by creating dust, glare, heat, noise, smoke, traffic, vibration, or other impacts, and shall not be hazardous due to use or storage of materials, processes, products, or wastes.

L. Each cannabis dispensary shall fully comply with all of the applicable restrictions and mandates set forth in State law. Each cannabis dispensary shall comply with all size requirements for such facility as imposed by State law. A cannabis dispensary shall not engage in any activities not allowed by an adult-use and/or medical cannabis dispensary pursuant to State law. A cannabis dispensary shall comply with all horticultural, labeling, processing, and other standards required by State law.

M. Adult-use and/or medical cannabis dispensaries shall only be operated between the hours of 6:00 a.m. and 9:00 p.m. or as otherwise established as a condition of approval of the Dispensary Permit or the applicable CUP.

N. All cannabis shall be kept in a secured manner during all business and nonbusiness hours.

O. Each cannabis dispensary shall operate within a legal structure that is compliant with all applicable State and local laws.

P. Each cannabis dispensary must pay all applicable sales taxes pursuant to all federal, State, and local laws.

Q. On-site smoking, ingestion, or consumption of cannabis or alcohol shall be prohibited on the premises of all cannabis dispensaries except for properly licensed businesses that have well ventilated private lounges that are partitioned off from access to all other areas of the dispensary, are designed to prevent the flow of smoke to any other area, and are otherwise operated in compliance with Labor Code section 6404.5 and other applicable State laws for “private smokers’ lounges.” The term “premises” as used in this Subsection includes the actual cannabis dispensary building, as well as any accessory structures and parking areas. The cannabis dispensary building entrance shall be clearly and legibly posted with a notice indicating that smoking, ingesting, or consuming cannabis or alcohol on the premises, or in the vicinity of the dispensary, is prohibited except in designated lounges that comply with the mandates of this Subsection.

R. Signage for each cannabis dispensary shall be limited to name of the business only, shall be in compliance with the City’s sign code, and shall contain no advertising of any other companies, brands, products, goods, or services. Signage shall not include any drug-related symbols.

S. Alcoholic beverages shall not be sold, stored, distributed, or consumed on the premises. A cannabis dispensary shall not hold or maintain a license from the State Department of Alcohol Beverage Control to sell alcoholic beverages, or operate a business that sells alcoholic beverages. In addition, alcohol shall not be provided, stored, kept, located, sold, dispensed, or used on the premises of any cannabis dispensary.

T. Physician services and medical cannabis recommendations shall not be provided on the cannabis dispensary premises.

U. The building in which any dispensary is located, as well as the operations as conducted therein, shall fully comply with all applicable rules, regulations, and laws including, but not limited to, zoning and building codes, the City’s business license ordinances, the Revenue and Taxation Code, the Americans with Disabilities Act, and the MAUCRSA. Compliance with all requirements of State law pertaining to adult-use and/or medical cannabis dispensing and delivery is also required.

V. A cannabis dispensary shall not grow, cultivate, manufacture, or process cannabis from the dispensary, unless expressly and affirmatively authorized by State and local law. A cannabis dispensary shall not be operated as a cannabis cultivation, manufacturing, distribution, transportation, or testing facility, unless expressly and affirmatively authorized by State and local law.

W. The operators of a cannabis dispensary shall provide the City Manager or the City Manager’s designee with the name, cell phone number, facsimile number, and email address of an on-site representative to whom the City and the public can provide notice if there are any operational problems associated with the cannabis dispensary. Each cannabis dispensary shall make every good faith effort to encourage residents and the public to call this representative to resolve any operational problems before any calls or complaints are made to the City or law enforcement.

X. A cannabis dispensary shall be operated in accordance with the conditions of approval associated with the applicable CUP for the parcel of real property upon which the cannabis dispensing or delivery activities occur.

Y. Dispensary Permittees shall implement sufficient security measures to both deter and prevent unauthorized entrance into areas containing adult-use and/or medical cannabis products and theft of adult-use and/or medical cannabis products from the dispensary.

Z. A cannabis dispensary shall have a security plan including the following measures:

1. Security cameras shall be installed and maintained in good condition, and used in an on-going manner with at least 120 concurrent hours of digitally recorded documentation in a format approved by the City Manager or the City Manager's designee. The cameras shall be in use 24 hours per day, seven days per week. The areas to be covered by the security cameras include, but are not limited to, the storage areas, dispensing areas, delivery areas, all doors and windows, and any other areas as determined by the City Manager or the City Manager's designee. Remote log-in information shall be provided to the City Manager, the Code Enforcement Manager, and the Chief of Police to allow them to view the security camera images and recordings from their own facilities at any time. Any disruption in security camera images shall be cured expeditiously in good faith.

2. The cannabis dispensary shall be secured with an alarm system that is operated and monitored by a reputable security company.

3. Entrance to the dispensing or delivery areas, and all storage areas, shall be locked at all times, and under the control of the adult-use and/or medical cannabis dispensary's staff.

4. All adult-use and/or medical cannabis shall be stored in a secured and locked room, safe, or vault, and in a manner as to prevent diversion, theft, or loss.

5. The entrances and all window areas shall be illuminated during evening hours. The dispensary shall comply with the City's lighting standards regarding fixture type, wattage, illumination levels, shielding, etcetera, and shall secure the necessary lighting approvals and permits as needed.

6. All windows on the building that houses the cannabis dispensary shall be appropriately secured.

7. No loitering—individuals shall not be allowed to remain on the premises of the dispensary unless they are engaging in activity expressly related to the operations of the dispensary.

AA. Recordings made by the security cameras shall be made available to the City Manager, the City Manager's designee, the City's Code Enforcement Manager, and law enforcement upon verbal request - no search warrant or subpoena shall be needed to view the recorded materials.

BB. Upon reasonable notice to the Dispensary Permittee which shall be no less than 12 hours, the City Manager, or the City Manager's designee, shall have the right to enter the

cannabis dispensary for the purpose of making reasonable inspections to observe and enforce compliance with this Section and all laws of the City and the State. The City Manager or his or her designee must approve all inspections in advance and shall maintain a log tracking the time and date of all inspections, the individual requesting the inspection, and the result of each inspection. Individuals participating in any such inspection must take precautions to comply with standard safeguards and procedures in place at the facility regarding security, clean room/clean area access and anti-contamination measures.

CC. A Dispensary Permittee shall notify the City Manager or the City Manager's designee within 24 hours of discovering any of the following:

1. Significant discrepancies identified during inventory. The level of significance shall be determined by the City Manager or the City Manager's designee.
2. Diversion, theft, loss, or any criminal activity involving the dispensary or any agent or employee of the dispensary.
3. The loss or unauthorized alteration of records related to medical cannabis, registered qualifying patients, primary caregivers, or dispensary agents or employees.
4. Any other breach of security.

DD. A Dispensary Permittee shall not dispense or deliver medical cannabis to any person without a physician's recommendation.

EE. A Dispensary Permittee shall only dispense or deliver medical cannabis to individuals who provide government-issued identification and adequate documentation demonstrating qualification to purchase, obtain, or possess medical cannabis.

FF. A Dispensary Permittee shall only dispense or deliver adult-use cannabis to individuals who provide government-issued identification and adequate documentation demonstrating qualification to purchase, obtain, or possess adult-use cannabis.

GG. Physician's recommendations shall be verified by a Dispensary Permittee prior to dispensing or delivering any medical cannabis to a qualified patient or primary caregiver, and at least every six months thereafter.

HH. A dispensary may not employ or enter into any agreements with any physicians who recommend medical cannabis.

II. A Dispensary Permittee shall inspect all cannabis and cannabis products received for quality assurance prior to dispensing or delivering to any person.

JJ. Each dispensary shall dispense and deliver adult-use and/or medical cannabis products only after those adult-use and/or medical cannabis products have been inspected and quality tested by a qualified third party testing facility as required by the MAUCRSA, Business and Professions Code section 26100, the Department of Food and Agriculture regulations, and the State Department of Public Health regulations.

KK. Each dispensary shall do regular monthly inventories, and shall record the total quantity of cannabis on the premises. These records shall be maintained for three years from the date created and shall be open to inspection by the City Manager, the City Manager's Designee, Code Enforcement, and law enforcement.

LL. A Dispensary Permittee shall register with the City each location where cannabis is stored for purposes of dispensing or delivery.

MM. A dispensary shall maintain patient records in a secure location within the City, available for inspection upon demand by the City Manager, the City Manager's designee, Code Enforcement, or law enforcement. Such records shall include, without limitation, a copy of the physician's recommendation and, if using a primary caregiver, a notarized written authorization from the patient to be represented by such primary caregiver.

NN. During the delivery of adult-use and/or medical cannabis, each vehicle driver shall carry a copy of the Dispensary Permit, a copy of the delivery request, a form of government-issued identification, and all other information required by State law. The driver shall present these documents upon the request of law enforcement, Code Enforcement, the City Manager, or the City Manager's designee.

OO. Prior to sale at a dispensary or delivery, cannabis products shall be labeled and placed in a tamper-evident package. Labels and packages of adult-use and/or medical cannabis products shall, at minimum, meet the requirements specified under Business and Professions Code sections 26106 and 26120 and other all applicable State laws:

1. Be equipped with, and utilize, a vehicle alarm system.
2. Have and utilize a direct communication system with the dispensary.
3. Keep all cannabis in a secure and locked container.
4. Have an internal partition between the driver and all passengers from the cannabis storage containers that prevents access by the driver and passengers to all cannabis products from inside the vehicle.
5. Not carry more cannabis than allowed by State law and required to fulfill all immediate delivery requests.

(2) Dispensary Permit Applications. All applicants wishing to obtain a Dispensary Permit from the City shall file an application with the City upon a form provided by the City and shall pay a Dispensary Permit Application Fee as established by the City. An application for a Dispensary Permit shall include at least the following information:

- A. The address of the applicant's headquarters.
- B. An estimate of the size of the proposed adult-use and/or medical cannabis dispensary.
- C. The address of the location for which the Dispensary Permit is sought.

D. A site plan and floor plan for the proposed premises denoting the use of all areas on the premises, including storage, dispensing and delivery areas, lighting, signage, etcetera.

E. A proposed security plan in compliance with the Adult-use and Medical Cannabis Dispensary Standards.

F. The names, addresses, and relevant criminal histories of all potential employees, facility managers, and other relevant parties for the dispensary. Relevant criminal histories shall include any drug-related or felony convictions, the nature of such offenses, and the sentences received for such convictions.

G. The name and address of the owner and lessor of the real property upon which the adult-use and/or medical cannabis dispensary activity is proposed to be conducted. In the event the applicant is not the legal owner of the property, the application must be accompanied with a notarized acknowledgement from the owner of the property that an adult-use and/or medical cannabis dispensary may be operated on the property.

H. Authorization for the City Manager or the City Manager's designee to seek verification of the information contained within the application.

I. Evidence that the adult-use and/or medical cannabis dispensary will be located in a legal structure that is compliant with all applicable State and local laws.

J. Evidence that the adult-use and/or medical cannabis dispensary has registered with the City all locations where adult-use and/or medical cannabis will be stored for purposes of dispensing or delivery.

K. A statement in writing by the applicant that the applicant certifies under penalty of perjury that all the information contained in the application is true and correct.

L. Any such additional and further information as is deemed necessary by the City Manager or the City Manager's designee to administer this Section.

M. The City Manager or the City Manager's designee shall conduct a background check of any applicant seeking a Dispensary Permit, including all potential employees and any person who may be a facility manager or otherwise responsible for the activities of the adult-use and/or medical cannabis dispensary ("Applicant's Agents"), and shall prepare a report on the acceptability of the applicant and the Applicant's Agents and the suitability of the proposed location.

N. The City Manager or the City Manager's designee shall rank all qualified applications in order of those that best satisfy the requirements of this Section and provide the highest level of service and opportunities for residents of the City based on the requirements of this Section and the following criteria ("Merit List"):

1. The operational plan for the dispensary.

2. The security plan for the dispensary.
3. The experience of the operators of the dispensary.
4. The adequacy of capitalization for the dispensary and its operations.
5. The employment of City residents and other public benefits to the

City.

(3) Dispensary Permit. The following conditions apply to each Dispensary Permit:

A. A Dispensary Permit will not be awarded to an applicant if:

1. The applicant or the Applicant's Agents made one or more false or misleading statements or omissions in the application or during the application process.

2. The proposed adult-use and/or medical cannabis dispensary is not allowed by State or local law.

3. The applicant is not a legal representative of the adult-use and/or medical cannabis dispensary.

4. The applicant or the Applicant's Agents have been convicted of a felony, or a misdemeanor involving moral turpitude, or the illegal use, possession, distribution, transportation, or any such similar activity related to controlled substances, with the exception of cannabis related offenses for which the conviction occurred prior to passage of Compassionate Use Act. A conviction within the meaning of this Section means a plea or verdict of guilty or a conviction following a plea of nolo contendere.

5. The applicant or the Applicant's Agents have engaged in unlawful, fraudulent, unfair, or deceptive business acts or practices.

6. The applicant has not satisfied each and every requirement of this Section.

B. A Dispensary Permit shall be awarded by the City to eligible Dispensary Permit applicants in order of the Merit List as established by the City Manager or the City Manager's designee. .

C. A Dispensary Permit is subject to the conditions of approval in the applicable CUP for the parcel of real property upon which the adult-use and/or medical cannabis dispensing or delivery activity occurs.

D. A Dispensary Permit is subject to any additional conditions that may be applied by the City at the time of issuance or renewal as necessary to properly regulate the cannabis dispensing or delivery activities and to protect the public.

E. A Dispensary Permittee may not hold or use any other cannabis related permits or licenses that would otherwise be a violation of this Code, the MAUCRSA, or Business and Professions Code section 26050.

F. Before a Dispensary Permit will be issued to an applicant, Dispensary Permit fees must be paid to offset all foreseeable costs to the City for all dispensary related operations. Dispensary Permittees shall enter into an agreement with the City to fully reimburse the City for all fiscal impacts, costs, expenses, fees, and attorneys' fees incurred by the City related to the Dispensary Permit and the cannabis dispensing and delivery activity not collected at the time the Dispensary Permit is issued.

G. A Dispensary Permittee shall:

1. Carry liability insurance in the amounts and types set by the City Manager or the City Manager's designee, and name the City as an additional insured on all such insurance policies.

2. Execute an Indemnification Agreement prepared by the City that fully indemnifies the City for all liabilities associated with the Dispensary Permit, the Dispensary Permittee's cannabis related activities, and any action taken by the Dispensary Permittee pursuant to this Section.

3. Defend the City, at the Dispensary Permittee's sole expense, in any action against the City or its agents, officers, or employees associated with the Dispensary Permit, the Dispensary Permittee's cannabis related activities, or any action taken by the Dispensary Permittee pursuant to this Section. The City may, at its sole discretion, participate in the defense of any such action, but such participation shall not relieve the Dispensary Permittee of its indemnification and reimbursement obligations.

4. Reimburse the City for all costs, expenses, fees, and attorneys' fees incurred by the City related to any action against the City or its agents, officers, or employees associated with the Dispensary Permit, the Dispensary Permittee's cannabis related activities, or any action taken by the Dispensary Permittee pursuant to this Section.

H. Each Dispensary Permittee shall keep the City and law enforcement updated with the names, addresses, and relevant criminal histories of all employees, facility managers, and other relevant parties for the adult-use and/or medical cannabis dispensary at all times. Relevant criminal histories shall include any drug-related or felony convictions, the nature of any such offenses, and the sentences received for such convictions.

I. A Dispensary Permittee shall account for job creation in the City and shall commit to employing a workforce that resides in the City. A minimum of 50 percent of all employees employed by the Dispensary Permittee at the adult-use and/or medical cannabis dispensary shall be residents of the City. A Dispensary Permittee shall use good faith efforts to comply with this Subsection and shall report the residential composition of its workforce to the City every year and at any other time upon demand by the City Manager or the City Manager's designee.

J. A Dispensary Permit issued pursuant to this Section may be transferred so long as the Permittee satisfies the City's Dispensary Permit application requirements and is in good standing with the City under the following circumstances:

1. The transfer results from the existing Permittee changing the corporation type or business type on file with the California Secretary of State,

2. The transfer is necessary to reflect the death or disability of an owner and/or the person on file with the City as being responsible for the permitted operations, or

3. To reflect a bona-fide transfer of the permit as part of a transfer of the permitted operation.

All Dispensary Permit transfers are subject to the City Manager's or his or her designee's prior approval, which shall not be unreasonably withheld.

K. A Dispensary Permit shall expire and be null and void 12 months after issuance to the Dispensary Permittee unless properly renewed. Upon payment of the applicable Dispensary Permit fees, and passing the requisite Dispensary Permit inspections, a Dispensary Permittee that has maintained compliance with all City, State, and other applicable cannabis and business related laws shall be entitled to renew its Dispensary Permit subject to all prevailing laws at the time of renewal.

L. To the fullest extent permitted by law, the City does not assume any liability, and expressly does not waive sovereign immunity, with respect to any cannabis dispensing or delivery activities, or for the activities of any cannabis dispensary.

(4) Conditional Use Permit. All parcels of real property in the Dispensary Overlay Zones, upon which cannabis dispensing or delivery activities may occur, must obtain a CUP from the City for all such activities.

(e) **Enforcement.**

(1) Any cannabis dispensing or delivery activities within the City in violation of this Section are hereby declared to be unlawful and a public nuisance.

(2) Any party who engages in any violation of this Section, or who owns, possesses, controls, or has charge of any parcel of real property in the City upon which a violation of the Section is maintained, shall be subject to the penalties and remedies provided by this Section.

(3) Any violation of this Section shall constitute a separate offense for each and every day the violation occurs or persists.

(4) Any person in violation of any provision of this Section shall be guilty of a misdemeanor and shall be punishable by a fine of up to \$1,000 and up to six months imprisonment per offense per day.

(5) Any person in violation of any provision of this Section shall be punishable by an administrative fine of up to a \$1,000 per offense per day.

(6) Any violation of this Section or any other City or State cannabis law by a Dispensary Permittee, or a Dispensary Permittee's agent, is grounds for revoking the relevant

Dispensary Permit. In addition, the City Manager or the City Manager's designee may revoke a Dispensary Permit if any of the following occur subject to a reasonable opportunity for the permittee to cure the deficiency during a period of no more than 60 days:

A. The City Manager or the City Manager's designee determines that the cannabis dispensary has failed to comply with this Section, any condition of approval, or any agreement or covenant as required pursuant to this Section.

B. The adult-use and/or medical cannabis dispensing or delivery operations cease for more than 90 calendar days.

C. Ownership of the adult-use and/or medical cannabis dispensary is changed or transferred to a third party, without prior City approval.

D. The adult-use and/or medical cannabis dispensary fails to maintain 120 hours of security recordings.

E. The adult-use and/or medical cannabis dispensary fails to provide remote access to the security cameras to the City Manager, the City Manager's designee, the Code Enforcement Manager, or the Chief of Police, or fails to allow inspection of the security recordings, the activity logs, or of the premises by authorized City officials.

(7) Any decision regarding the revocation of a Dispensary Permit may be appealed to an independent neutral third party administrative hearing officer appointed by the City Manager or the City Manager's designee ("Hearing Officer"). Said appeal shall be made by a notice of appeal from the person appealing within 15 days from the date of the decision to revoke the Dispensary Permit. The appeal shall be accompanied by a written verified declaration setting forth the basis for the claim that the Dispensary Permit was improperly revoked. The Hearing Officer's decision shall be final and binding upon the City and the appellant.

(8) These penalties and remedies are cumulative, and in addition to any other penalties and remedies available to the City.

[Ord. No. 553, Section 5, 5/24/17; Ord. No. 557-A, Section 2, 5/24/17]"