

ORDINANCE NO. 1260

AN ORDINANCE (“ORDINANCE”) OF THE PEOPLE OF THE CITY OF SOUTH EL MONTE, CALIFORNIA, AMENDING CHAPTER 5.26 (CANNABIS ACTIVITIES) OF TITLE 5 OF THE SOUTH EL MONTE MUNICIPAL CODE TO ONLY PERMIT CANNABIS COMMERCIAL OPERATIONS THAT INVOLVE THE ACTIVITY OF RETAILER (MEDICAL-ONLY AND MEDICAL/ADULT USE); REPEALING CHAPTER 17.31 OF TITLE 17 OF THE SOUTH EL MONTE MUNICIPAL CODE, RELATING TO CANNABIS ACTIVITY PROHIBITIONS; AMENDING SOUTH EL MONTE MUNICIPAL CODE SECTIONS 17.14.030, 17.16.030, AND 17.18.030(O), RELATING TO PERMITTED USES IN THE COMMERCIAL (C), COMMERCIAL-MANUFACTURING (C-M), AND MANUFACTURING (M) ZONES; ADDING SECTION 9.08.045 TO CHAPTER 9.08 OF TITLE 9 OF THE SOUTH EL MONTE MUNICIPAL CODE, RELATING TO THE DISPLAY AND SALE OF PARAPHERNALIA FOR THE CONSUMPTION OF CANNABIS IN PERMITTED COMMERCIAL CANNABIS OPERATIONS; AMENDING SOUTH EL MONTE MUNICIPAL CODE SECTION 5.04.045, RELATING TO BUSINESS LICENSE REQUIREMENTS FOR COMMERCIAL CANNABIS RETAILERS; AND APPROVING A GENERAL CANNABIS BUSINESS TAX BY ADDING CHAPTER 3.40 (CANNABIS BUSINESS TAX) TO TITLE 3 OF THE SOUTH EL MONTE MUNICIPAL CODE

WHEREAS, in 1996 State of California (“State”) voters approved Proposition 215, the Compassionate Use Act of 1996 (“CUA”), codified as Section 11362.5 of the State Health and Safety Code, to exempt certain patients and their primary caregivers from criminal liability under state law for the possession and cultivation of cannabis for medical purposes; and

WHEREAS, in 2003 the State legislature enacted Senate Bill 420, the Medical Marijuana Program Act (“MMPA”), codified as Sections 11362.7, *et seq.*, of the State Health and Safety Code, and as later amended, to clarify the scope of the CUA relating to the possession and cultivation of cannabis for medical purpose, and to authorize local governing bodies to adopt and enforce laws consistent with its provisions; and

WHEREAS, in October 2015, the State legislature adopted AB 266, AB 243, and SB 643, collectively referred to as the Medical Cannabis Regulation and Safety Act (“MCRSA”), which established a comprehensive regulatory and licensing scheme for commercial medical cannabis operations; and

WHEREAS, at the November 8, 2016 general election, the Control, Regulate and Tax Adult Use of Marijuana Act (“AUMA”) was approved by State voters as Proposition 64, which established a comprehensive regulatory and licensing scheme for commercial adult-use (recreational) cannabis operations, and which also legalized limited personal recreational cannabis use, possession, and cultivation; and

WHEREAS, on June 27, 2017 Governor Brown signed Senate Bill 94, the Medicinal and

Adult Use Cannabis Regulation and Safety Act (“MAUCRSA”), which merged the regulatory regimes of MCRSA and AUMA; and

WHEREAS, under MAUCRSA the State began issuing licenses in 2018 for both medical and adult-use (recreational) cannabis businesses in twenty (20) different categories, which are found in Section 26050 of the State Business & Professions Code, to include licensing categories cannabis cultivators, manufacturers, testers, retailers, distributors, and microbusinesses; and

WHEREAS, the MAUCRSA, through Section 26200(a)(1) of the State Business and Professions Code, provides local jurisdictions the right to completely prohibit the establishment or operation of any or all of the twenty (20) different categories of medical and recreational business operations to be licensed by the State under Section 26050 of the State Business and Professions Code; and

WHEREAS, the MAUCRSA, through Section 26055(d) of the State Business & Professions Code, provides that a State commercial cannabis license may not be issued to an applicant whose operations would violate the provisions of any local ordinance or regulation; and

WHEREAS, the MAUCRSA, through Section 26200(a)(1) of the State Business & Professions Code, provides local jurisdictions the right to adopt and enforce local ordinances to regulate any or all of the twenty (20) different categories of medical and adult-use business operations to be licensed by the State under Section 26050 of the State Business and Professions Code, including, but not limited to, local zoning and land use requirements; and

WHEREAS, the MAUCRSA, Section 26201 of the State Business and Professions Code, provides that any standards, requirements, and regulations regarding health and safety, environmental protection, testing, security, food safety, and worker protections established by the state for the twenty (20) different categories of medical and adult-use business operations to be licensed by the State under Section 26050 of the State Business and Professions Code shall be the minimum standards, and a local jurisdiction may establish additional standards, requirements, and regulations; and

WHEREAS, pursuant to the above-described express statutory authority and its police power, the City of South El Monte (the “City”) now desires to amend Chapter 5.26 (Cannabis Activities) of Title 5 of the City Municipal Code to permit certain commercial adult-use cannabis uses (retail (medical / adult-use / non-medical) sales); and

WHEREAS, pursuant to the above-described express statutory authority and its police power, the City now desires to amend Chapter 5.26 (Cannabis Activities) of Title 5 of the City Municipal Code so as to expressly authorize the City Manager to issue administrative rules and regulations governing commercial cannabis uses within the City; and

WHEREAS, as part of this Ordinance, the City desires to impose a tax upon commercial cannabis operations, to be known as the “Cannabis Business Tax,” pursuant to voter approval, so that every person engaged in conducting a commercial cannabis operation shall pay a cannabis business tax, regardless of whether such operation has a valid permit pursuant to the South El Monte

Municipal Code; and

WHEREAS, pursuant to subdivision (b) of Section 2 of Article XIIC of the California Constitution and Section 53720 *et seq.* of the Government Code, the City Council is authorized to impose a general tax upon submission of such general tax to the voters of the City and approval by a majority of the voters voting on the issue, at an election consolidated with a regularly scheduled general election for members of the City Council; and

WHEREAS, presently the City has no specific local tax on cannabis commercial operations; and

WHEREAS, MAUCRSA and AUMA do not preempt local taxation of commercial cannabis operations; and

WHEREAS, pursuant to Government Code Section 9222 and Government Code Sections 53720 *et seq.*, on August 2, 2022, the City Council approved this Ordinance for submittal to the voters of the City, and called a General Municipal Election for that purpose to be held on November 8, 2022, and consolidated with the Statewide General Election that will be held on the same date; and

WHEREAS, although the City does not desire nor intend by this Ordinance to allow any commercial cannabis uses in the City other than the medical cannabis retailers that may be permitted pursuant to Chapter 5.26 of the City’s Municipal Code, the City does desire to seek voter approval for a broad cannabis tax that is applicable to permitted commercial cannabis uses, any unlawful or unpermitted commercial cannabis uses which may be in operation at any time, and any potential commercial cannabis uses that may be allowed in the future; and

WHEREAS, if this Ordinance is approved by a majority of voters, then this Ordinance will, among other amendments, amend the South El Monte Municipal Code to add a new Chapter 3.40 (“Cannabis Business Tax”) to Title 3 (Revenue and Finance) of the South El Monte Municipal Code to enact the Cannabis Business Tax, which includes a “commercial cannabis tax” and a “commercial cannabis cultivation tax,” as such terms are used in said Chapter 3.40; and

WHEREAS, the City desires and intends that revenue generated from said cannabis taxes can be spent for unrestricted general revenue purposes; and

WHEREAS, the City finds that this Ordinance is not subject to the California Environmental Quality Act (“CEQA”) pursuant to both the exemption provided by Section 26055(h) of the State Business and Professions Code as well as Sections 15060(c)(3) and 15061(b)(3) of the CEQA Guidelines; and

WHEREAS, nothing in this Ordinance shall be construed to allow any person to engage in conduct that endangers others or causes a public nuisance;

NOW, THEREFORE, THE PEOPLE OF THE CITY OF SOUTH EL MONTE, CALIFORNIA FIND AND ORDAIN AS FOLLOWS:

SECTION 1. FINDINGS. The people of the City of South El Monte hereby make the following findings:

- A. The recitals set forth above are all true and correct and are incorporated herein as

findings of fact.

- B. The regulation of commercial cannabis activities established by this Ordinance amendment are to protect and promote the public health, safety and welfare, and are enacted pursuant to the authority granted to the City by State law.
- C. Tax revenue from commercial cannabis operations can provide funds for additional City services to promote and protect the general health and welfare of the citizens of the City.

SECTION 2. NEW CANNABIS REGULATIONS. Chapter 5.26 (Cannabis Activities) of Title 5 (Business Taxes, Licenses, and Regulations) of the City Municipal Code is hereby retitled and amended in its entirety to read as follows:

“CHAPTER 5.26 - COMMERCIAL CANNABIS OPERATIONS REGULATORY PROGRAM

Sec. 5.26.010 - Purpose and intent.

Sec. 5.26.020 - Commercial cannabis operation prohibited without City Commercial Cannabis Operation Permit.

Sec. 5.26.030 - Definitions.

Sec. 5.26.040 - Prohibited commercial cannabis operations.

Sec. 5.26.050 – Permitted commercial cannabis operations.

Sec. 5.26.060 - Maximum number of Commercial Cannabis Operation Permits.

Sec. 5.26.070 - Commercial Cannabis Operation Permit application procedure.

Sec. 5.26.080 - Limitations on the City’s liability.

Sec. 5.26.090 - Commercial Cannabis Operation Permit term.

Sec. 5.26.100 - Change in location; transfer; updated application information.

Sec. 5.26.110 - General operating standards and restrictions.

Sec. 5.26.120 - Retailer operating standards and restrictions.

Sec. 5.26.120.5 - Delivery operating standards and restrictions.

Sec. 5.26.130 – Community benefits agreement.

Sec. 5.26.140 - Administration.

Sec. 5.26.150 - Fees.

Sec. 5.26.160 - Suspension and revocation.

Sec. 5.26.170 – Appeals.

Sec. 5.26.180 – Violations and penalties; public nuisance.

Sec. 5.26.190 - Service of notices.

Sec. 5.26.200 - Prohibitions.

Sec. 5.26.210 - Nonconforming use.

Sec. 5.26.220 – Exceptions.

Sec. 5.26.230 – Operative date.

Sec. 5.26.240 – Severability.

Sec. 5.26.250 – City Council Authority to Amend.

Sec. 5.26.260 – City Councilmember Conflicts of Interest.

Sec. 5.26.010 - Purpose and intent.

- A. The purpose of this chapter is to establish a comprehensive set of regulations with an attendant regulatory permit applicable to the operation of certain types of commercial cannabis operations, while simultaneously establishing an express prohibition on certain other types of commercial cannabis operations.
- B. The regulations for, and prohibitions on, specific types of commercial cannabis operations are enacted to preserve the public health, safety, and welfare of the residents and visitors of the City, consistent with the State’s Compassionate Use Act of 1996, Medical Marijuana Program Act of 2003, Adult Use of Marijuana Act of 2016 MAUCRSA, and all applicable State laws governing commercial cannabis operations.
- C. The issuance of a Commercial Cannabis Operation Permit shall constitute a revocable privilege and shall not create or establish any vested rights for the development or use of a property.
- D. This chapter and any administrative regulations adopted pursuant to this chapter shall be known as the “Commercial Cannabis Operations Regulatory Program” or the “Program”.

Sec. 5.26.020 - Commercial cannabis operation prohibited without City Commercial Cannabis Operation Permit.

It shall be unlawful to own, establish, operate, use, or permit the establishment or activity of a commercial cannabis operation, or to participate in commercial cannabis operations as an employee, contractor, agent, volunteer, or in any manner or capacity, other than as provided in this chapter and pursuant to both a current and valid City Commercial Cannabis Operation Permit, as well as the equivalent State license for such commercial cannabis operation as provided for by Section 26050 of the State Business & Professions Code, and as amended from time to time. The prohibition contained in this section shall include renting, leasing, or otherwise permitting a commercial cannabis operation to occupy or use a location, vehicle, or other mode of transportation.

Sec. 5.26.030 - Definitions.

As used in this chapter, the following words and phrases shall have the following meanings. Words and phrases not specifically defined below shall have the meanings ascribed to them elsewhere in this Code or shall otherwise be defined by common usage. For definitions of nouns, the singular shall also include the plural; for definitions of verbs, all verb conjugations shall be included. Any reference to State statutes includes any regulations promulgated thereunder and is deemed to include any successor or amended version of the referenced statute or regulatory provision.

- A. “Adult use” (i.e., “recreational” or “non-medical”) refers to activity involving cannabis or cannabis products, which is restricted to adults 21 years of age and older and who do not possess a physician’s recommendation, in contrast to an activity

involving medical cannabis or medical cannabis products.

- B. “Alcohol or drug treatment facility” shall have the same definition as “alcoholism or drug abuse recovery or treatment facility” as defined in Section 11834.02(a) of the State Health and Safety Code, which currently defines the term as “any premises, place, or building that provides residential nonmedical services to adults who are recovering from problems related to alcohol, drug, or alcohol and drug misuse or abuse, and who need alcohol, drug, or alcohol and drug recovery treatment or detoxification services.” Further, “alcohol or drug treatment facility” shall also include such a facility that provides treatment for minors to the extent permitted by law.
- C. “Applicant” means a person who files an application for a Commercial Cannabis Operation Permit under this chapter. (and shall not include the owners or the managers of the applicant).
- D. “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.
- E. “Cannabis concentrate” means cannabis that has undergone a process to concentrate one or more active cannabinoids, thereby increasing the product's potency. Resin from granular trichomes from a cannabis plant is a concentrate for purposes of this division. A cannabis concentrate is not considered food, as defined by Section 109935 of the Health and Safety Code, or a drug, as defined by Section 109925 of the Health and Safety Code.
- F. “Cannabis products” means cannabis that has undergone a process whereby the plant material has been transformed into a concentrate, including but not limited to, concentrated cannabis, or an edible or topical product containing cannabis or concentrated cannabis and other ingredients.
- G. “City” means the City of South El Monte, State of California.
- H. “City Attorney” means the City of South El Monte City Attorney, and includes his/her designee(s).
- I. “City Council” means the City Council of the City of City of South El Monte.
- J. “City Manager” means the City of South El Monte City Manager, and includes his/her designee(s).
- K. “Code” means the City of South El Monte Municipal Code, and may be amended.
- L. “Commercial cannabis operation” includes the cultivation, possession, manufacture, distribution, processing, storing, laboratory testing, packaging, labeling, transportation, delivery, or sale (including retail and wholesale, and including medical-only and adult-use sales) of cannabis and cannabis products; except, as applicable, the activities provided in Section 5.26.220(A) or as preempted by State

law.

- M. “Commercial Cannabis Operation Permit” shall mean a City permit issued pursuant to the procedures provided for in this chapter allows the permit holder to operate a specific type of commercial cannabis operation in the City subject to the requirements of this chapter, State law, and the specific permit.
- N. “County” means the County of Los Angeles, State of California.
- O. “Cultivation” means any activity involving the planting, growing, harvesting, drying, curing, grading, or trimming of cannabis.
- P. “Customer” means a natural person twenty-one (21) years of age or over or a natural person eighteen (18) years of age that is a qualified patient or primary caregiver.
- Q. “Day care center” means, a facility other than a family day care home, infant centers, toddler, preschool, and school age children licensed by the State Department of Social Services pursuant to Section 1596.951 of the State Health and Safety Code. Pursuant to the authority delegated by the State to the City under Section 26054(b) of the State Business and Professions Code, this definition of “day care center” under this chapter shall override the definition of “day care center” in MAUCRSA at Section 26001 of the State Business and Professions Code.
- R. “Delivery” means the commercial transfer of cannabis or cannabis products to a customer, and includes the use of any technology platform owned and controlled by the same person making such use.
- S. “Director” means the City of South El Monte Community Development Director, and includes his/her designee(s).
- T. “Distribution” means the procurement, sale, and transport of cannabis and cannabis products between entities licensed for and/or engaged in commercial cannabis operations under State law.
- U. “Distributor” means a person engaged in distribution.
- V. “Edible” means cannabis product that is intended to be used, in whole or in part, for human consumption, including, but not limited to, chewing gum, but excluding products set forth in Division 15 (commencing with Section 32501) of the Food and Agricultural Code. An edible cannabis product is not considered food, as defined by Section 109935 of the State Health and Safety Code, or a drug, as defined by Section 109925 of the State Health and Safety Code.
- W. “Employee” means any person (whether paid or unpaid) who provides regular labor or regular services for a commercial cannabis operation, including, but not limited to, at the location of a commercial cannabis operation. The term “employee” includes managers and owners as used in this chapter.
- X. “Extraction” means the process of obtaining cannabis concentrates from cannabis plants, including but not limited to through the use of solvents like butane, alcohol or carbon dioxide.
- Y. “Finance Director” means the City of South El Monte Finance Director, and includes his/her designee(s).
- Z. “Fire Chief” means the City of Los Angeles County Fire Department Chief, and includes his/her designee(s).

- AA. “Gross receipts” means, except as otherwise specifically provided herein, whether designated as a sales price, royalty, rent, commission, dividend, or other designation, the total amount (including all receipts, cash, credits, and property of any kind or nature) received or payable for sales of goods, wares, or merchandise without any deduction therefrom on account of the cost of the property sold, the cost of materials used, labor, or service costs, interest paid or payable, losses, or any other expense whatsoever. However, the following shall be excluded from gross receipts:
1. Cash discounts where allowed and taken on sales;
 2. Any tax required by law to be included in or added to the purchase price and collected from the consumer or purchaser
 3. Such part of the sale price of any property returned by purchasers to the seller as refunded by the seller by way of cash or credit allowances or return of refundable deposits previously included in gross receipts;
 4. Receipts derived from the occasional sale of used, obsolete, or surplus trade fixtures, machinery, or other equipment used by the taxpayer in the regular course of the taxpayer’s business
 5. Cash value of sales, trades, or transactions between departments or units of the same business
 6. Whenever there are included within the gross receipts amounts which reflect sales for which credit is extended and such amount proved uncollectible in a given year, those amounts may be excluded from the gross receipts in the year they prove to be uncollectible; provided, however, if the whole or portion of such amounts excluded as uncollectible are subsequently collected, they shall be included in the amount of gross receipts for the period when they are recovered
 7. Receipts of refundable deposits, except that such deposits when forfeited and taken into income of the business shall not be excluded when in excess of one dollar; and
 8. Any proceeds resulting from a transfer or change of ownership or control in the business.
- BB. “Identification card” has the same definition as provided for in Section 11362.7(g) of the State Health and Safety Code , and as may be amended, defined as “a document issued by the [State Department of Health Services] that identifies a person authorized to engage in the medical use of cannabis and the person’s designated primary caregiver, if any.”
- CC. “Labeling” means any label or other written, printed, or graphic matter upon cannabis or a cannabis product, upon its container or wrapper, or that accompanies any cannabis or cannabis product.
- DD. “Labor peace agreement” means an agreement between a cannabis retailer and any bona fide labor organization that, at a minimum, protects the City’s proprietary interests by prohibiting labor organizations and members from engaging in picketing,

work stoppages, boycotts, and any other economic interference with a cannabis retailer. This agreement means that the cannabis retailer has agreed not to disrupt efforts by the bona fide labor organization to communicate with, and attempt to organize and represent, the cannabis retailer’s employees. The agreement shall provide a bona fide labor organization access at reasonable times to areas in which the cannabis retailer’s employees work, for the purpose of meeting with employees to discuss their right to representation, employment rights under State law, and terms and conditions of employment.

- EE. “Liquid Assets” means assets that can be readily converted into cash. “Liquid assets” include, but are not limited to, the following: funds in checking or savings accounts, certificates of deposit, money market accounts, mutual fund shares, publicly traded stocks, and United States savings bonds. “Liquid assets” does not mean household items, furniture and equipment, vehicles, cannabis or cannabis products, business inventory, or real property and improvements thereto.
- FF. “Location” means any parcel of land, whether vacant or occupied by a building, group of buildings, or accessory buildings, and includes the buildings, structures, yards, open spaces, lot width, and lot area.
- GG. “Lighting” means the act of illuminating as well as the effect achieved by the arrangement of lights.
- HH. “Live scan” means a system for inkless electronic fingerprinting and the automated background check developed by the California Department of Justice (“DOJ”) that involves digitizing fingerprints and electronically transmitting the fingerprint image data along with personal descriptor information to computers at the DOJ for completion of a criminal record check; or such other comparable inkless electronic fingerprinting and automated background check process as determined by the City Council.
- II. “Manager” means an employee responsible for management and/or supervision of a commercial cannabis operation including but not limited to, any (i) manager or managing member or other officer of a limited liability company or (ii) president, chief executive officer, secretary, treasurer, chief financial officer, or other officer of a for profit corporation.
- JJ. “Manufacture” or “manufacturing” means to compound, blend, extract, infuse, or otherwise make or prepare a cannabis product; includes the activities of a manufacturer.
- KK. “Manufacturer” means a person that conducts the production, preparation, propagation, or compounding of cannabis or cannabis products either directly or indirectly or by extraction methods, or independently by means of chemical synthesis, or by a combination of extraction and chemical synthesis at a fixed location that packages or repackages cannabis or cannabis products or labels or relabels its container; includes the activity of manufacturing.
- LL. “Marijuana” has the same definition as provided for “cannabis” in this chapter.
- MM. “MAUCRSA” means the State Medicinal and Adult-Use Cannabis Regulation and Safety Act, codified at Sections 11018 *et seq.* of the State Health and Safety Code, Sections 26001 *et seq.* of the State Business and Professions Code, Section 34010 of the State Revenue and Tax Code, and Sections 81000 *et seq.* of the State Food and

Agriculture Department Code, as may hereinafter be amended.

- NN. “Medical” refers to activity involving medical cannabis or medical cannabis products, in contrast to an activity involving adult-use cannabis or adult-use cannabis products.
- OO. “Medical cannabis” or “medical cannabis product” means cannabis or a cannabis product used in compliance with state law for medical purposes, pursuant to the Compassionate Use Act (Section 11362.5 of the State Health and Safety Code §), the Medical Marijuana Program Act (Sections 113262.7, *et seq.* of the State Health and Safety Code), and the MAUCRSA.
- PP. “Minor” means a person under twenty-one (21) years of age.
- QQ. “Owner” means any of the following:
1. A person owning in the aggregate equity interests representing ten (10) percent or more of the voting power of all outstanding equity in the applicant or a commercial permittee.
 2. The president, chief executive officer, secretary, treasurer, or chief financial officer of a nonprofit applicant or permittee; or
 3. A member of the board of directors of a nonprofit applicant or permittee.
- Notwithstanding the above, every applicant and permittee must have at least one individual person designated as an “owner” for the purpose of compliance with this chapter, including the review and evaluation of any Commercial Cannabis Operation Permit application.
- RR. “Microbusiness” shall have the same definition as provided for in Section 26070 of the State Business and Professions Code, and as may be amended.
- SS. “Nursery” means a person that produces only clones, immature plants, seeds, and other agricultural products used specifically for the planting, propagation, and cultivation of cannabis.
- TT. “Operations Officer(s)” shall refer to the Director, the Fire Chief, the Police Chief, the Finance Director and the City Manager, individually or collectively.
- UU. “Package” means any container or receptacle used for holding cannabis or cannabis products.
- VV. “Packaging” or “packages” means an activity involved with placing cannabis or cannabis products in a package.
- WW. “Park” means public land which has been designated for park or recreational activities, including but not limited to a park, playground, nature trails, swimming pool, athletic field, basketball court, tennis court, pedestrian or bicycle paths, beaches, open space, or similar public land within the City or which is under the control, operation or management of the City Recreation and Parks Department. “Park” shall not include any youth center.
- XX. “Permittee” means a person issued a Commercial Cannabis Operation Permit by the City.
- YY. “Person” means any individual, firm, co-partnership, joint venture, association,

corporation, limited liability company, estate, trust, business trust, receiver, syndicate, or any other group or combination acting as a unit.

- ZZ. “Person with an identification card” has the same definition as provided for in Section 11362.7(c) of the State Health and Safety Code, and as may be amended, defined as “an individual who is a qualified patient who has applied for and received a valid identification card pursuant to this article.”
- AAA. “Physician’s recommendation” means a determination from a physician that a patient’s medical cannabis use is deemed appropriate and is recommended by the physician on the basis of the physician has determined that the patient’s health would benefit from the use of cannabis in the treatment of cancer, anorexia, AIDS, chronic pain, spasticity, glaucoma, arthritis, migraine, or any other illness for which cannabis provides relief, in strict accordance with Section 11362.5 of the State Health and Safety Code.
- BBB. “Police Chief” means the Los Angeles County Sheriff, and includes his/her designee(s).
- CCC. “Police Department” means the Los Angeles County Sheriff’s Department.
- DDD. “Premises” means the designated structure or structures and land specified in a Commercial Cannabis Operation Permit application that is owned, leased, or otherwise held under the control of the applicant or permittee where commercial cannabis operation will be or is conducted. The premises shall be a contiguous area and shall only be occupied by one permittee.”
- EEE. “Primary caregiver” has the same definition as provided for in Section 11362.7(d) of the State Health and Safety Code, and as may be amended, defined as “the individual, designated by a qualified patient or by a person with an identification card, who has consistently assumed responsibility for the housing, health, or safety of that patient or person”. A “primary caregiver” shall also meet the requirements of Section 11362.7(e) of the State Health and Safety Code , and as may be amended, which provide that a “primary caregiver shall be at least 18 years of age, unless the primary caregiver is the parent of a minor child who is a qualified patient or a person with an identification card or the primary caregiver is a person otherwise entitled to make medical decisions under state law pursuant to Sections 6922, 7002, 7050, or 7120 of the Family Code.”
- FFF. “Qualified patient” has the same definition as provided for in Section 11362.7(f) of the State Health and Safety Code , and as may be amended, defined as “a person who is entitled to the protections of Section 11362.5, but who does not have an identification card issued pursuant to this article.”
- GGG. “Religious institution” means any church, synagogue, mosque, temple, or building which is used primarily for religious worship, religious education, and related religious activities.
- HHH. “Residentially zoned property” means any parcel of land located within the City zoned: R-1 (Single-Family Residential Zone), R-2 (Multiple Residential Zone), or R-3 (Multiple Residential Zone)
- III. “Retailer” means a person engaged in the retail sale or delivery of cannabis or cannabis products to a customer. “Retailer” includes “Retailer (Medical-Only)” and “Retailer (Medical/Adult Use).” “Retailer (Medical-Only)” refers to a retailer which

is restricted by the terms of its Commercial Cannabis Operation Permit to engaging in the retail sale or delivery of medical cannabis or cannabis products as stated in Section 5.26.120(A). “Retailer (Medical/Adult-Use)” refers to a retailer which is not so restricted by the terms of its Commercial Cannabis Operation Permit, and which accordingly may engage in the retail sale or delivery of medical or adult-use cannabis or cannabis products to a customer.

- JJJ. “Retail sale(s)” means any commercial cannabis operation involving the retail sale of cannabis or cannabis products from a retailer.
- KKK. “Sale(s)” means any sale, exchange, or barter or other transaction for any consideration.
- LLL. “School” means as evidenced by the State Department of Education school directory, a public school instructing children in grades kindergarten through 12, as authorized by the State Department of Education or a private school instructing children in grades kindergarten through 12 that has filed a verification of private school affidavit with the State Department of Education pursuant to Section 33190 of the State Education Code, excluding any private school in which education is primarily conducted in a private home. Pursuant to the authority delegated by the State to the City under Section 26054(b) of the State Business and Professions Code, this definition of “school” under this chapter shall override the definition of “school” used in MAUCRSA or Section 11362.768 of the State Health and Safety Code.
- MMM. “Site” means the premises and actual physical location of a Commercial Cannabis Operation, as well as its accessory structures and parking areas
- NNN. “State” means the State of California.
- OOO. “Testing laboratory” or “testing” refers to a laboratory, facility, or entity that offers or performs tests on cannabis or cannabis products; includes the activity of laboratory testing.
- PPP. “Youth center” means, (A) any public or private facility that is primarily used to host recreational or social activities for minors, such as private youth membership organizations or clubs, social service teenage club facilities, or (B) a park, playground, or recreational area specifically designed to be used by children that may have play equipment installed, including public grounds designed for athletic activities such as baseball, softball, soccer, or basketball or any facility located on a public or private school grounds, or on City, County, or parks. “Youth center” shall not include any private martial arts, yoga, ballet, music, or similar studio of this nature nor shall it include any private athletic training facility, pizza parlor, restaurant, video arcade, dentist office, or doctor’s office primarily serving children. Pursuant to the authority delegated by the State to the City under Section 26054(b) of the State Business and Professions Code, this definition of “youth center” under this chapter shall override the definition of “youth center” in MAUCRSA at Section 26001 of the State Business and Professions Code.

Sec. 5.26.040 - Prohibited commercial cannabis operations.

- A. Commercial cannabis operations (including non-profit operations) within the City that involve the activities of non-storefront retailer (whether medical-only or medical/adult-use), cultivation, manufacturer, testing, distribution, or microbusiness

are prohibited, including but not limited to commercial cannabis operations licensed by the State in the license classifications listed below as provided in Section 26050 of the State Business and Professions Code:

1. Type 1 = Cultivation; Specialty Outdoor; Small.
 2. Type 1A = Cultivation; Specialty Indoor; Small.
 3. Type 1B = Cultivation; Specialty Mixed Light; Small.
 4. Type 1C = Cultivation; Specialty Cottage; Small.
 5. Type 2 = Cultivation; Outdoor; Small.
 6. Type 2A = Cultivation; Indoor; Small.
 7. Type 2B = Cultivation; Mixed-light; Small.
 8. Type 3 = Cultivation; Outdoor; Medium.
 9. Type 3A = Cultivation; Indoor; Medium.
 10. Type 3B = Cultivation; Mixed-Light; Medium.
 11. Type 4 = Cultivation; Nursery.
 12. Type 5= Cultivation; Outdoor; Large.
 13. Type 5A = Cultivation; Indoor; Large
 14. Type 5B = Cultivation; Mixed-Light; Large.
 15. Type 6 = Manufacturer 1.
 16. Type 7 = Manufacturer 2.
 17. Type 8 = Testing.
 18. Type 9 = Non-Storefront Retailer (Delivery Only)
 19. Type 11 = Distributor
 20. Type 12 = Microbusiness.
- B. The prohibition provided by above subsection (A) includes any similar activities authorized under new or revised State licenses, or any other State authorization, to allow any type, category or classification of cannabis commercial operations that involve the activities of non-storefront retailer (Type 9, i.e., delivery only) (whether medical-only or medical/adult-use), cultivation, manufacturer, testing, distribution, microbusiness, or similar operations (including non-profit, collective or cooperative operations).

Sec. 5.26.050 - Permitted commercial cannabis operations.

- A. Commercial cannabis operations (including non-profit operations) within the City which involve the activity of retailer (Type 10; medical-only and medical/adult-use) are allowed subject to issuance and maintenance of a valid and current City Commercial Cannabis Operation Permit, continuing adherence to this entire chapter and all applicable City and State regulations and laws, and issuance and maintenance of a valid and current equivalent state license type listed below, as provided for in Section 26050 of the State Business and Professions Code:

1. Type 10 = Retailer (Medical-Only; Medical/Adult-Use).
- B. The requirements provided by above subsection (A) apply to any similar activities authorized under new or revised State licenses, or any other State authorization, to allow any type, category or classification of cannabis commercial operations that involve the activity of retailer (medical-only and medical/adult-use) or similar operations (including non-profit, collective or cooperative operations).

Sec. 5.26.060 -Maximum Number of Commercial Cannabis Operation Permits.

- A. The number of Commercial Cannabis Operation Permits for retailer (medical-only and medical/adult-use, collectively) commercial cannabis operations based within the City shall be no more than three (3), of which no more than two (2) shall be retailer (medical-only), and no more than one (1) shall be retailer (medical/adult-use).
- B. Notwithstanding Subsection (A) of this Section, if the City Council opts to reinstitute the application procedure during the second year following the operative date of this chapter pursuant to Section 5.26.070(H), then one additional retailer (medical/adult-use) Commercial Cannabis Operation Permit may issue such that the maximum number of Commercial Cannabis Operation Permits for retailer (medical-only and medical/adult-use, collectively) commercial cannabis operations based within the City shall be increased to no more than four (4), of which no more than two (2) shall be retailer (medical-only), and no more than two (2) shall be retailer (medical/adult-use).
- C. The number of Commercial Cannabis Operation Permits for non-storefront retailer (delivery only) (whether medical-only or medical/adult-use) (including retailers or microbusinesses engaged in delivery) commercial cannabis operations based outside the City to engage in delivery within the City shall be zero (0). However, should a court of competent jurisdiction, as a judicial remedy, order the City Council to increase the maximum number of Commercial Cannabis Operation Permits for non-storefront retailer (delivery only) (including retailers or microbusinesses engaged in delivery) commercial cannabis operations based outside the City to engage in delivery within the City, the number of Commercial Cannabis Operation Permits for non-storefront retailer (delivery only) (including retailers or microbusinesses engaged in delivery) commercial cannabis operations based outside the City to engage in delivery within the City shall be no more than two (2).
- D. The maximum number of Commercial Cannabis Operation Permits issued for retailer (including medical-only and medical/adult use retailer, individually and collectively) commercial cannabis operations based within the City or non-storefront retailer (delivery only) (including retailers or microbusinesses engaged in delivery) based outside the City may not be amended by the City Council or regulations promulgated by the City Manager pursuant to this chapter. However, the City Council may and shall increase the maximum number of Commercial Cannabis Operation Permits issued for retailer commercial cannabis operations based within the City or non-storefront retailer (delivery only) (including retailers or microbusinesses engaged in delivery) based outside the City (i) if ordered to do so by a court of competent jurisdiction as a judicial remedy or (ii) by a vote of the People of the City.

Sec. 5.26.070 Commercial Cannabis Operation Permit application procedure.

- A. Following the effective date of this chapter, the City Manager, pursuant to Section 5.26.140, shall, as a ministerial duty, make available the necessary forms, adopt any necessary application rules for the submission, intake, review, and approval of applications for retailer (medical-only and medical/adult-use) commercial cannabis operations up to the maximum number of Commercial Cannabis Operation Permits authorized in Section 5.26.060.
- B. The City Manager shall, as a ministerial duty, cease acceptance of Commercial Cannabis Operation Permit applications for retailer (medical-only and medical/adult-use) commercial cannabis operations thirty (30) days after making available the necessary forms and adopting any necessary application rules for the submission, intake, review, and approval of Commercial Cannabis Operation Permit applications for retailer (medical-only and medical/adult-use) commercial cannabis operations.
- C. Within thirty (30) days of ceasing the acceptance of Commercial Cannabis Operation Permit applications for retailer (medical-only and medical/adult-use) commercial cannabis operations, the City Manager shall, as a ministerial duty, review timely submitted Commercial Cannabis Operation Permit applications for retailer (medical-only and medical/adult-use) commercial cannabis operations for the following minimum requirements:
 - 1. Payment of an application fee established by resolution of the City Council within forty-five (45) days following the effective date of this chapter to cover all costs incurred by the City in the application process;
 - 2. Sufficient evidence of the legal right to use the proposed property for the proposed use, to include a lease, sublease, purchase agreement, assignment of purchase agreement, or lease or purchase option, in the name of the applicant, which may include nominal consideration and be contingent upon issuance of a Commercial Cannabis Operation Permit or other approvals. The City shall only consider one applicant per property address or County Assessor's Identification Number. In the event that more than one applicant applies for a Commercial Cannabis Operation Permit application at a given property address or a given County Assessor's Identification Number, the City Manager shall, as a ministerial duty, only accept the Commercial Cannabis Operation Permit application with the earliest effective date for the evidence of the legal right to use the proposed property for the proposed use in the name of the applicant;
 - 3. Sufficient evidence to demonstrate that the proposed property complies with the location and zoning requirements in Section 5.26.120;
 - 4. Proof that an owner or owners of the applicant with an aggregate ownership interest of fifty (50) percent or more has served as an owner or owners with an aggregate ownership interest of fifty (50) percent or more of six or more other retailer (medical-only or medical/adult-use) commercial cannabis operations by a city, county, or state since at least January 1, 2022;

5. Proof of funds showing that the applicant has access and control of over \$500,000.00 in Liquid Assets (which such Liquid Assets having been under possession for at least ninety (90) days prior to the date of the application submission under this Section), which may be shown via a binding legal agreement in the name of the applicant such as a promissory note so long as said legal agreement is accompanied by a proof of funds in the name of a party to the agreement that demonstrates access and control of over \$500,000.00 in Liquid Assets under possession for at least ninety (90) days prior to the date of the application submission under this Section. Applicants and permittees shall not be required to show that the applicant or permittee has access and control of over \$500,000.00 in Liquid Assets except on initial application pursuant to this Section 5.26.070, a change in location application pursuant to Section 5.26.100, or an ownership transfer application pursuant to Section 5.26.100;
6. For an applicant with two (2) or more employees, proof of a labor peace agreement between a bona fide labor organization and the applicant (the applicant shall provide the City with a copy of the labor peace agreement that contains the signatures of the union representative and the cannabis business). For applicants with less than two (2) employees who have not yet entered into a labor peace agreement, the applicant shall provide a notarized statement indicating that the applicant will enter into and abide by the terms of a labor peace agreement within thirty (30) days after employing two (2) employees;
7. A set of plans, including a site development plan, floor plan(s), building elevations (all four (4) sides), and a conceptual landscape plan with the percentage of landscaping in the parking lot, setback areas, and tree size and species;
8. Colored interior and elevation renderings;
9. A completed background check application and receipt for each owner and manager of the applicant pursuant to Section 5.26.110(H); and
10. The following application components: (a) Qualifications of the applicant's owners and managers; (b) business and operations plan; (c) security plan; (d) safety plan; (e) neighborhood compatibility plan; (f) labor and employment plan; and (g) community benefits plan.
11. Disclosure of whether the applicant is applying for a Commercial Cannabis Operation Permit as a retailer (medical-only) or retailer (medical/adult-use).

The City Manager shall, as a ministerial duty, reject any Commercial Cannabis Operation Permit application that fails to meet the minimum requirements contained in this Subsection (C), and applicants shall not have the right to supplement or amend their Commercial Cannabis Operation Permit applications.

- D. Within sixty (60) days of completing the application review under Subsection (C) above, the City Manager shall, as a ministerial duty, review and score any complete

applications pursuant to the following objective review criteria according to the following quantitative evaluation scale, with retailer (medical-only) applicants ranked only against other retailer (medical-only) applicants and retailer (medical/adult-use) applicants ranked only against other retailer (medical/adult-use) applicants unless otherwise provided by administrative regulations promulgated pursuant to Section 5.26.140:

1. Qualifications of the applicant’s owners and managers – 250 points

The People of the City find that a proven track-record of for retailer commercial cannabis operations that successfully generate tax revenue carries out the purpose and intent of the Program and are, therefore, critical for an applicant to demonstrate the qualifications of the applicant’s owners and managers. Accordingly, 150 of the 250 points awardable under this Subsection (1) shall only be awarded, as a ministerial duty, if an owner or owners of the applicant with an aggregate ownership interest of fifty (50) percent or more is currently at the time of application submission under this Section an owner or owners with an aggregate ownership interest of fifty (50) percent or more of a single licensed and lawfully operating retailer commercial cannabis operations (excluding any non-retailer microbusiness, cultivation, manufacturing, distribution, or other non-retailer commercial cannabis operation components) that has generated at least \$5,000,000.00 in gross receipts in a consecutive six-month period in the year immediately preceding the date of the application submission under this Section, as demonstrated by tax payment receipts from, tax filings to, or tax returns filed with a city, county, or state.

The remaining 100 of the 250 points awardable under this Subsection (1) shall be awarded, as a ministerial duty, pursuant to the following objective criteria:

- a. Up to 50 points – A description of the applicant’s owner and manager qualifications detailing any special business or professional qualifications or licenses of the applicant’s owner and manager that would add to the quality of services that the retailer commercial cannabis operation would provide, including in areas related to cannabis, such as legal, finance, business ownership / administration, waste management, real estate development, scientific, or healthcare or wellness fields.
- b. Up to 50 points – Documentation that the applicant’s owners and managers have experience operating retailer commercial cannabis operations in any jurisdiction where retailer commercial cannabis operations are permitted.

2. Plans, renderings, and overall location – 50 points

The 50 points awardable under this Subsection (2) shall be awarded, as a ministerial duty, pursuant to the following objective criteria:

- a. Up to 10 points – A premise diagram in accordance with Section 5006 of Division 42 of Title 16 of the State Code of Regulations.
- b. Up to 10 points – A site development plan that provides information on existing conditions and proposed improvements to the site and how it

meets or will meet the development standards outlined in this Code. Information on existing conditions shall include:

- i. Exterior photographs showing all sides of any existing structure(s);
 - ii. Photographs of existing parking areas, landscaping, trash enclosure, and signage;
 - iii. Information on existing use on the site, including the addresses, uses, and square footages;
 - iv. Photographs of the existing site if the site is vacant; and
 - v. Photographs of adjacent properties for context.
- c. Up to 10 points – A floor plan showing information on the existing layout and proposed layout of the building interior.
 - d. Up to 10 points – Building elevations that provide information on existing conditions and proposed improvements.
 - e. Up to 5 points – A conceptual landscape plan with the percentage of landscaping in the parking lot, setback areas, and tree size and species.
 - f. Up to 5 points – Colored interior renderings and exterior elevation renderings (for both existing and/or proposed improvements).

3. Business and operations plan – 100 points

The 100 points awardable under this Subsection (3) shall be awarded, as a ministerial duty, pursuant to the following objective criteria:

- a. Up to 10 points – A written description of the total square footage of the facility with estimated square footage of proposed uses.
- b. Up to 10 points – A schedule for beginning operations, including a narrative outlining any proposed construction improvements and a timeline for completion.
- c. Up to 10 points – A budget for construction, operation, maintenance, compensation of employees, equipment costs, utility costs, and other operating costs.
- d. Up to 5 points – A description of the sources(s) of capital and use(s) of capital.
- e. Up to 10 points – Pro forma financial statements for at least three (3) years of operation.
- f. Up to 5 points – A description of the type of products to be sold and the estimated quantity and value of product(s) to be sold.
- g. Up to 5 points – A description of marketing procedures and tactics.
- h. Up to 10 points – A description of day-to-day operations that should acknowledge both state and local laws and should be consistent with

industry best practices.

- i. Up to 5 points – A description of hours of operation and opening procedures.
- j. Up to 10 points – A description of cash handling procedures.
- j. Up to 10 points – A description of inventory control procedures to include identification of point-of-sale systems, and track and trace software.
- k. Up to 10 points – A description of transportation, loading and unloading, distribution, or delivery procedures.

4. Security plan – 100 points

The 100 points awardable under this Subsection (4) shall be awarded, as a ministerial duty, pursuant to the following objective criteria:

- a. Up to 20 points – The security plan shall be prepared by a professional security consultant.
- b. Up to 10 points – A premises security diagram.
- c. Up to 50 points – A description of access control, inventory control, cash handling, and other security procedures and security equipment demonstrating compliance with the security requirements under this chapter.
- d. Up to 10 points – A description of the intrusion alarm and monitoring system including the name and contact information for the monitoring company.
- e. Up to 10 points – A description of the services of on-site security guards to include the (i) number of security guards; (ii) the hours security guards will be on-site; (iii) locations where security will be positioned; and (iv) security guard responsibilities.

5. Safety plan – 100 points

The 100 points awardable under this Subsection (5) shall be awarded, as a ministerial duty, pursuant to the following objective criteria:

- a. Up to 20 points – The safety plan shall be prepared by a professional fire prevention and suppression consultant.
- b. Up to 10 points – A premises safety diagram to include (1) a description / illustration of evacuation routes and (2) location of fire extinguishers and other fire suppression equipment.
- c. Up to 50 points – A description of safety procedures, training for emergency situations, and safety equipment demonstrating compliance with the safety requirements under this chapter.

- d. Up to 10 points – Identify all gases, pesticides, and chemicals to be used and their storage locations.
 - e. Up to 10 points – A description of the firm alarm and monitoring system including the name and contact information for the monitoring company.
6. Neighborhood compatibility plan – 100 points

The 100 points awardable under this Subsection (6) shall be awarded, as a ministerial duty, pursuant to the following objective criteria:

- a. Up to 40 points – A “Good Neighbor Policy” that (i) includes policies and measures in place to protect adjacent uses from any potential impacts (*e.g.*, noise, light, odor, traffic, etc.) related to the proposed cannabis business and (ii) describes how the cannabis business and its operating characteristics will be proactively managed so the business is not detrimental to the public health, safety, convenience, or welfare of persons residing, working, visiting, or recreating in the surrounding area and will not result in the creation of a nuisance.
 - b. Up to 20 points – A description of odor mitigation practices to include: (i) identifying potential sources of odor; (ii) a description of odor control devices and techniques employed to ensure that odors from cannabis are not detectable beyond the permitted premises; and (iii) all proposed staff odor training and system maintenance.
 - c. Up to 20 points – A description of a waste management plan that includes waste disposal locations within the proposed premises and the applicant’s security measures and methods of rendering waste unusable and unrecognizable.
 - d. Up to 20 points – A description of efforts at sustainability / environmental impact mitigation.
7. Community benefits plan – 100 points

The People of the City find that monetary donations to local non-profit organizations, financial support of City sponsored activities or organizations, in kind donations to the City or other charitable organizations, and economic incentives to the City carry out the purpose and intent of the Program and are, therefore, critical for an applicant to demonstrate an effective community benefits plan. Accordingly, 50 of the 100 points awardable under this Subsection (7) shall only be awarded if the applicant pledges to voluntarily provide a public benefit to a public use (or a combination thereof), which is defined as a direct financial contribution equal to two (2) percent of projected gross receipts of the applicant to a public school located within the City, a public park located within the City, and/or a public or nonprofit community organization serving the City or its residents. Beyond the above and as a ministerial duty, no further direct financial contributions shall be considered as part of an applicant’s community benefits plan.

The remaining 50 of the 100 points awardable under this Subsection (7) shall be awarded, as a ministerial duty, pursuant to the following objective criteria:

- a. Up to 25 points – A description of a social responsibility plan to include identification of a community liaison, plans to serve as a social equity business incubator, plans to aide and participate in the work of local non-profits, community- based organizations, civic organizations, or social services organizations.
- b. Up to 25 points – A description of a plan to develop a public health outreach and educational program that outlines the risks of youth use of cannabis and that identifies resources available to youth related to drugs and drug addiction.

8. Labor and employment plan – 200 points

The People of the City find that a proven track-record of cannabis retailer operations with high labor standards and commitment to labor peace carries out the purpose and intent of the Program and are, therefore, critical for an applicant to demonstrate an effective labor and employment plan. Accordingly, 100 of the 200 points awardable under this Subsection (8) shall only be awarded if the applicant provides documentation that the individual or natural person owner or owners of the applicant (disregarding any intervening or intermediary entity owner or owners of the applicant) with an aggregate ownership interest of fifty (50) percent or more have entered into collective bargaining agreements with a labor organization that currently represents cannabis workers in the United States effective since at least July 1, 2021, inclusive of renewals (and remaining effective, inclusive of renewals, on the date of the application submission under this Section) and such collective bargaining agreements accrete or automatically apply to all cannabis retailers permitted or licensed in the State after July 1, 2021 (notwithstanding the fact that employees of such cannabis retailers permitted or licensed in the State after July 1, 2021 (if any), have yet to have had an opportunity to recognize the labor organization that currently represents cannabis workers in the United States), by the individual or natural person owner or owners of the applicant (disregarding any intervening or intermediary entity owner or owners of the applicant) with an aggregate ownership interest of ninety (90) percent or more referenced above.

The remaining 100 of the 200 points awardable under this Subsection (8) shall be awarded, as a ministerial duty, pursuant to the following objective criteria:

- a. Up to 10 points – An organizational chart of showing owners, managers, and employees.
- b. Up to 10 points – A description of the owner’s and manager’s roles in day-to-day operations and decisions.
- c. Up to 10 points – A description of the number of employees, title /

- position, and their respective responsibilities
- d. Up to 15 points – A description of compensation to employees, opportunities for continuing education, and employee training.
 - e. Up to 15 points – A description of whether the cannabis business is committed to offering employees a living wage.
 - f. Up to 15 points – A description of benefits provided to employees such as health care, vacation, and medical leave, to the degree they are offered as part of employment.
 - g. Up to 15 points – A description of a plan to recruit employees from socially and economically disadvantaged backgrounds.
 - h. Up to 10 points – A description of a plan to have at least 50% of employee positions filled and hours worked by employees residing in the City.
- E. Upon timely receipt of a Commercial Cannabis Operation Permit application, the City Manager shall conduct background checks in accordance with Section 5.26.110(H). Following review and scoring of applications completed pursuant to objective review criteria under Subsection (D), the City Manager shall, as a ministerial duty, recommend that the City Council issue Commercial Cannabis Operation Permits to applicants in order of their rank under Subsection (D) up to the maximum number of Commercial Cannabis Operation Permits authorized in Section 5.26.060. The City Council shall consider the City Manager's recommendations, and may conduct its own independent review and scoring of applications completed pursuant to objective review criteria under Subsection (D) and substitute such review and scoring for that of the City Manager in whole or in part if it sees fit to do so, and shall thereupon, as a ministerial duty, issue Commercial Cannabis Operation Permits to applicants in order of their rank under Subsection (D) up to the maximum number of Commercial Cannabis Operation Permits authorized in Section 5.26.060. For the initial iteration of the application process pursuant to this section, the number of Commercial Cannabis Operation Permits issued shall be no more than two (2) retailer (medical-only) and one retailer (medical/adult use) Commercial Cannabis Operation Permits. In the event of a tie in the order of ranking under Subsection (D) between one or more applicants up to the maximum number of Commercial Cannabis Operation Permits authorized in Section 5.26.060, the City Council shall, as a ministerial duty, break the tie and issue Commercial Cannabis Operation Permits to the applicants with the highest scoring application component in the following order: (1) Qualifications of the applicant's owners and managers; (2) labor and employment plan; (3) security plan; (4) safety plan; (5) community benefits plan; (6) neighborhood compatibility plan; (7) business and operations plan; and (8) plans, renderings, and overall location. In the event of a tie on all application components between one or more applicants up to the maximum number of Commercial Cannabis Operation Permits authorized in Section 5.26.060, the City Manager shall not hold a public lottery, but rather arrange for the tied applicants to provide public presentations before the City Council, after

which the City Council shall publicly rank the applicants pursuant to ranking sheets prepared by the City Manager that achieve a forced ranking based on all of the objective review criteria and quantitative evaluation scale in Subsection (D), and the City Council shall issue Commercial Cannabis Operation Permits to applicants in order of their rank up to the maximum number of Commercial Cannabis Operation Permits available following the City Manager/City Council’s original ranking and issuance of Commercial Cannabis Operation Permits and the limits contained in Section 5.26.060. However, the City Council shall not issue a Commercial Cannabis Operation Permit to any applicant with an applicant, owner, or manager that:

1. Provided false or misleading information on the applicant’s Commercial Cannabis Operation Permit application;
 2. Has been convicted of (or pled no contest to) “an offense that is substantially related to the qualifications, functions, or duties of the business or profession for which the application is made” as that term is defined in 26057(b)(4) of the State Business and Professions Code; or
 3. Has been sanctioned by a licensing authority or a city, county, or state for unlicensed commercial cannabis operations or has had a license suspended or revoked under MAUCRSA in the three (3) years immediately preceding the date the application was submitted.
- F. Any decision of the City Council under this Section 5.26.070 shall be a final administrative decision not subject to administrative appeal under any provisions of this chapter or any provisions of this Code but, rather, subject to judicial review and remedies.
- G. In the event that (1) the number of active, operating retailer (medical-only or medical/adult-use) commercial cannabis operations and issued Commercial Cannabis Operation Permits falls below the maximum number of Commercial Cannabis Operation Permits for retailer (medical-only or medical/adult-use) commercial cannabis operations authorized in Section 5.26.060 or (2) the City Council is ordered to increase the maximum number of Commercial Cannabis Operation Permits issued for retailer (medical-only or medical/adult-use) commercial cannabis operations by a court of competent jurisdiction as a judicial remedy (*e.g.*, if a court of competent jurisdiction orders the City Council to make Commercial Cannabis Operation Permits available for non-storefront retailer (delivery only) (including retailers or microbusinesses engaged in delivery) commercial cannabis operations based outside the City to engage in delivery within the City), the City Manager shall, as a ministerial duty, within thirty (30) days reinstitute the application procedure under this Section 5.26.070, subject to the maximum number of Commercial Cannabis Operation Permits authorized and available (not allocated to an active, lawfully operating retailer) for issuance pursuant to Section 5.26.060. For the purpose of this Section, a retailer (medical-only or medical/adult-use) commercial cannabis operation shall be considered operating if (1) upon initial issuance of Commercial Cannabis Operation Permit (or approval of a change in location pursuant to Section 5.26.100), the retailer commercial cannabis operation commences lawful operations within twenty-four (24) months or (2) following initial commencement of lawful operations, the retailer

commercial cannabis operation does not cease or abandon operations for one-hundred eighty (180) consecutive or cumulative days in any one (1) year period.

- H. Additionally, at any time during the second year from the operative date of this chapter, the City Council may, by resolution or minute action, reinstitute the application procedure under this Section 5.26.070 for the purpose of considering issuance of one additional retailer (medical/adult-use) Commercial Cannabis Operation Permit, in which case the maximum number of Commercial Cannabis Operation Permits for retailer (adult-use/medical) commercial cannabis operations based in the City shall increase from one to two as stated in Section 5.26.060(B).

Sec. 5.26.080 - Limitations on the City's liability.

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

- A. Execution of an agreement, in a form approved by the City Attorney, agreeing to indemnify, defend (at applicant's sole cost and expense), and hold the City, and its officers, officials, employees, representatives, and agents harmless, from any and all claims, losses, damages, injuries, liabilities, or losses which arise out of or which are in any way related to the City's issuance of the Commercial Cannabis Operation Permit, the City's decision to approve the retailer commercial cannabis operation, the process used by the City in making its decision, or the alleged violation of any federal, State, or local laws by the retailer commercial cannabis operation or any of its owners, managers, officers, employees, or agents.
- B. Maintain insurance at coverage limits, and with conditions thereon determined necessary and appropriate from time to time by the City Attorney.
- C. Defend and indemnify the City, its elected and appointed officials, employees and attorneys for all costs and expenses, including but not limited to attorneys' fees and court costs, that the City may be required to pay as a result of any legal challenge related to the City's approval of the applicant's Commercial Cannabis Operation Permit, any matter arising from the operations of said cannabis business and/or related to the City's approval of retailer commercial cannabis operations. The City, at its sole discretion, may participate at its own expense in the defense of any such action, but such participation shall neither relieve nor increase any of the obligations imposed on the applicant hereunder.
- D. Provides written authorization to the Operations Officers to conduct reasonable unannounced inspections of the location of the commercial cannabis operation at the reasonable discretion of the City, including but not limited to inspection of security, inventory, and written records and files pertaining to the commercial cannabis operation, for the purposes of ensuring compliance with this chapter and all laws of the City and the State.

Sec. 5.26.090 - Commercial Cannabis Operation Permit term.

- A. Subject to this Section 5.26.090 and Section 5.26.160, the term of each Commercial Cannabis Operation Permit shall be indefinite.
- B. Upon the one (1) year anniversary of the date of issuance for each Commercial Cannabis Operation Permit and every year thereafter, the City Manager shall conduct a performance review of the permittee to assess compliance with the requirements of this chapter and State law. Within thirty (30) days of the conclusion of the annual performance review of the permittee, the City Manager shall issue a letter of compliance or noncompliance outlining all items to be corrected to ensure full compliance. In the event of any noncompliance, the permittee shall have sixty (60) days to remedy such noncompliance. However, in the event such noncompliance items cannot be reasonably remedied within sixty (60) days, such noncompliance items shall not constitute a serious material violation of any law and/or any rule, regulation, and/or standard adopted pursuant to this chapter subject to suspension or revocation under Section 5.26.160 if the permittee commences correction of such noncompliance items within sixty (60) days and thereafter diligently prosecutes correction of such noncompliance items to completion.
- C. The permittee shall pay a fee in an amount to be set by the City Council via resolution to cover the costs of conducting the performance review, together with any costs incurred by the City to administer the Program created under this chapter.

Section 5.26.100 – Change in location; transfer, updated application information.

- A. A permittee may change the business location specified in a Commercial Cannabis Operation Permit upon submission and approval of a change in location application promulgated, as a ministerial duty, by the City Manager pursuant to regulations adopted under Section 5.26.140 within one-hundred eighty (180) days following the effective date of this chapter. The permittee shall pay an application fee established by resolution of the City Council to cover all costs incurred by the City in the review and processing of change in location applications. The City Manager shall process such change in location applications as a ministerial duty within thirty (30) days of receipt.
- B. An owner of a Commercial Cannabis Operation Permit shall not transfer ownership or control of such Commercial Cannabis Operation Permit to another person unless and until the permittee and transferee obtain an amendment to the Commercial Cannabis Operation Permit from the City Manager stating that the transferee is now an owner of the permittee. A permittee may change the ownership specified in a Commercial Cannabis Operation Permit upon submission and approval of a change in ownership application promulgated, as a ministerial duty, by the City Manager pursuant to regulations adopted under Section 5.26.140 within one-hundred eighty (180) days following the effective date of this chapter. The permittee shall pay an application fee established by resolution of the City Council to cover all costs incurred by the City in the review and processing of change in ownership applications. The

City Manager shall process such change in ownership applications as a ministerial duty within five (5) business days once the City Manager reasonably determines that the transferee passed the background check required for owners and meets all other requirements of this chapter.

- C. Notwithstanding Subsection (B), during the first three years following the issuance of a Commercial Cannabis Operation Permit, the City Manager shall not process any application to change the ownership or control of a Commercial Cannabis Operation Permit that results in the permittee altering its ownership composition in a manner that would result in the permittee not being entitled to points it was awarded when the permittee was an applicant pursuant to Section 5.26.070. For example, if a permittee received 100 points when it was an applicant for providing documentation that the individual or natural person owner or owners of the applicant (disregarding any intervening or intermediary entity owner or owners of the applicant) with an aggregate ownership interest of ninety (90) percent or more have entered into a collective bargaining agreement with a labor organization that currently represents cannabis workers in the United States effective since at least July 1, 2021, inclusive of renewals (and remaining effective, inclusive of renewals, on the date of the application submission under this Section), the City Manager shall not process or authorize any change in ownership or control of the permittee if the change would result in the permittee being unable to continue to satisfy the aforementioned criteria subsequent to its approval.
- D. Notwithstanding Subsection (B), no Commercial Cannabis Operation Permit may be transferred when the City Manager has notified the permittee that its Commercial Cannabis Operation Permit has been or may be suspended or revoked.
- E. Any attempt to transfer a Commercial Cannabis Operation Permit either directly or indirectly in violation of this Section 5.26.100 is hereby declared void, and such an unpermitted transfer shall be deemed a ground for revocation of the permit.
- F. An applicant or permittee shall notify the City Manager or designee(s) within fifteen (15) calendar days of any material change in the information provided in the applicant or permittee's Commercial Cannabis Operation Permit application or any change in status of compliance with the provisions of this chapter, including any change in ownership or management...

Sec. 5.26.110 - General operating standards and restrictions.

A commercial cannabis operation shall operate in conformance with the following minimum standards, and such standards shall be deemed to be part of the conditions on the permit for a commercial cannabis operation to ensure that its operation is in compliance with State law and this Code, and to mitigate any potential adverse impacts of the commercial cannabis operation on the public health, safety or welfare.

Additional minimum standards may be adopted from time to time either by resolution or ordinance from the City Council, or by the City Manager pursuant to Section 5.26.140.

- A. State Standards. All state requirements and regulations that govern the operation of a commercial cannabis operation, including but not limited to ones related specifically

to certain types of commercial cannabis operations, shall apply as minimum requirements and regulations and requirements for commercial cannabis operations within the City of South El Monte, in addition to the requirements and regulations of this chapter and this Code.

B. Security.

1. General. All cannabis, cannabis products and cash present or kept at the premises shall be securely stored against both unauthorized access as well as theft.
2. Security Cameras.
 - a. Security cameras shall be installed and maintained in good condition, with at least ninety (90) days of digitally recorded documentation in a format approved by the City Manager and the Police Chief.
 - b. The camera and recording system must be of adequate quality, color rendition, and resolution to allow the identification of any individual present at the site of the commercial cannabis operation.
 - c. The cameras shall be in continuous use 24 hours per day, 7 days per week.
 - d. The recording system must be capable of exporting the recorded video in standard MPEG formats to another common medium approved by the City Manager, such as DVD and/or a USB drive.
 - e. The areas to be covered by the security cameras include, but are not limited to, the storage areas, operation areas, all doors and windows, the parking lot, all exterior sides of the property adjacent to the public rights of way, and any other areas as determined by the City Manager and Police Chief.
 - f. Remote log-in information will be provided to the Operations Officers to allow them to view live and recorded security camera images remotely at any time.
3. Alarm System. The location of the commercial cannabis operation shall be alarmed with a centrally-monitored fire and burglar alarm system, and monitored by an alarm company properly licensed by the State Department of Consumer Affairs Bureau of Security and Investigative Services in accordance with Sections 7590, *et seq.* of the State Business and Professions Code . and whose agents are properly licensed and registered under applicable law.
4. Locked Entrances. All entrances into the building housing a commercial cannabis operation shall be locked from the exterior at all times with entry controlled by employees.
5. Windows. All windows on the building that houses the commercial cannabis operation shall be secured against entry from the outside.
6. No employee shall refuse, impede, obstruct or interfere with an inspection conducted pursuant to the authorizations provided by this chapter.

C. Odors.

1. A commercial cannabis operation shall have an air treatment system that

ensures off-site odors shall not result from its activities.

2. This requirement at a minimum means that the commercial cannabis operation shall be designed to provide sufficient odor absorbing ventilation and exhaust systems so that any odor generated inside the location of the commercial cannabis operation is not detected outside the building, on adjacent properties or public rights-of-way, or within any other unit located within the same building as the commercial cannabis operation, if the use only occupies a portion of a building.

D. Authorizations.

1. The Operations Officers shall have the right to enter all areas of the commercial cannabis operation from time to time unannounced for the purpose of making reasonable inspections to observe and enforce compliance with this chapter and all laws of the City and State.
2. Recordings made by security cameras required pursuant to this chapter shall be made available to the Operations Officers upon verbal request; no search warrant or subpoena shall be needed to view the recorded materials.

E. Records.

1. Commercial cannabis operations shall maintain on-site the following records either in paper or electronic form:
 - a. The full name, address, and telephone numbers of the owner and lessee of the property.
 - b. The name, date of birth, address, and telephone number of each employee of the commercial cannabis operation; the date each was hired; and the nature of each employee's participation in the commercial cannabis operation.
 - c. Copies of all required state licenses.
 - d. An inventory record documenting the dates and amounts of cannabis and cannabis products received at the site, the daily amounts of cannabis and cannabis products on the site, and the daily amounts of cannabis and cannabis products leaving the site for any reason, including but not limited to being sold, delivered, or distributed.
 - e. A written accounting of all expenditures, costs, revenues and profits of the commercial cannabis operation, including but not limited to cash and in-kind transactions.
 - f. A copy of all insurance policies related to the operation of the commercial cannabis operation.
 - g. A copy of the commercial cannabis operation's most recent year's financial statement and tax return.
 - h. Proof of a valid and current permit issued by the City in accordance with this chapter, and the equivalent State of California license to operate the commercial cannabis operation. Every commercial cannabis operation shall display at all times during business hours the City permit issued pursuant to the provisions of this chapter, and the equivalent State license,

in a conspicuous place so that it may be readily seen by all persons entering the location of the commercial cannabis operation.

2. All records required to be maintained by the commercial cannabis operation must be maintained for no less than seven (7) years and are subject to immediate inspection (consistent with requirements pertaining to qualified patient confidentiality pursuant to applicable State and federal law) upon a lawful written request by an Operation Officer.
3. A commercial cannabis operation shall report any loss, damage, or destruction of these records to the Operation Officers within twenty-four (24) hours of the loss, damage, or destruction.

F. Site Management.

1. Commercial cannabis operations shall not result in a nuisance or adversely affect the health, welfare, or safety of nearby persons by creating dust, glare, heat, noise, noxious gases, odors, smoke, traffic, vibration, or other impacts, or be hazardous due to use or storage of materials, processes, products or waste. The permittee shall promptly and diligently both prevent as well as eliminate conditions on the site of the commercial cannabis operation that constitute a nuisance.
2. A permittee shall maintain the exterior of the site, including any parking lots under the control of the permittee, free of litter, debris, and trash.
3. The Commercial Cannabis Operation permittee shall properly store and dispose of all waste generated on the site, including chemical and organic waste, in accordance with all applicable laws and regulations.
4. Notwithstanding any provisions of this code to the contrary, the Commercial Cannabis Operation permittee shall remove all graffiti from the site and parking lots under the control of the Commercial Cannabis Operation Permittee within 72 hours of its application.

G. State Board of Equalization Seller's Permit Required.

1. Commercial cannabis operations must obtain a Seller's Permit from the State Board of Equalization as applicable.
2. Such permit shall be displayed in a conspicuous place so that it may be readily seen by all persons entering the location of the commercial cannabis operation.

H. Employees.

1. All employees must submit to fingerprinting and criminal background checks by the City.
 - a. No employee convicted within the last ten years of a felony substantially related to the qualifications, functions or duties of an employee of a commercial cannabis operation (such as a felony conviction for distribution of controlled substances, money laundering, racketeering, etc.) shall be employed by a commercial cannabis operation, unless such employee has obtained a certificate of rehabilitation (expungement of felony record) under State law or under a similar federal statute or state law where the expungement was granted.

surrounding the premises and adjacent properties during business hours if related to the members of the subject commercial cannabis operation.

1. “Reasonable steps” shall include immediately calling the Police Department upon observation of the activity, and requesting that those engaging in activities that constitute a nuisance or are otherwise illegal to cease those activities, unless personal safety would be threatened in making the request.
 2. “Nuisance” includes but is not limited to disturbances of peace, open public consumption of cannabis, alcohol or controlled substances, excessive pedestrian or vehicular traffic, including the formation of any pedestrian lines outside the building, illegal drug activity, harassment of those passing by, excessive littering, excessive loitering, illegal parking, excessive loud noises, especially late at night or early in the morning hours, lewd conduct or law enforcement detentions and arrests.
- P. Upon and after receiving possession of a Commercial Cannabis Operation Permit as provided for in this chapter, a permittee shall:
1. Maintain continuing compliance with criminal background check requirements of this chapter by ensuring that:
 - a. Upon the hiring, association or retention of an employee by the commercial cannabis operation, the requirements of Section 5.26 are immediately met for such employee by provision of appropriate documentation to the City Manager; and
 - b. the City Manager and Police Chief are immediately informed in writing of any felony conviction as described in 5.26.110(H) for any current employee.
 2. Maintain continuing compliance with all applicable insurance requirements, including, but not limited to, those imposed by City and this chapter.
- Q. Workforce Plan. A permittee shall implement a workforce plan that includes at least the following provisions:
1. Commitment for thirty percent (30%) of employees to be local hires; this local hiring requirement is satisfied when a permittee shows that it has either hired or made a good faith effort to hire bona fide residents of the City or persons that may establish residency after initial employment with the permittee;
 2. Commitment to offer apprenticeships and/or compensation for continuing education in the field of commercial cannabis operations; and
 3. Paying a living wage to employees. “Living wage” means compensation equivalent to \$20 per hour inclusive of benefits but excluding tips.
- R. Exemption. The regulations contained in this chapter shall not apply to a commercial cannabis operation engaged in the following uses, as long as such use complies strictly with applicable law, including this Code, regulating such use and the location of such use, including, but not limited to, Section 11362.5 of the State Health and Safety Code and Sections 11362.71 *et seq.* of the State Health And Safety Code: A clinic licensed pursuant to Chapter 1 of Division 2 of the State Health and Safety Code; a health care facility licensed pursuant to Chapter 2 of Division 2 of the State Health and Safety

Code; a residential care facility for persons with chronic life-threatening illness licensed pursuant to Chapter 3.01 of Division 2 of the State Health and Safety Code; a residential care facility for the elderly licensed pursuant to Chapter 3.2 of Division 2 of the State Health and Safety Code; and, a residential hospice or a home health agency licensed pursuant to Chapter 8 of Division 2 of the State Health and Safety Code.

Sec. 5.26.120 – Retailer operating standards and restrictions.

A retailer commercial cannabis operation shall operate in conformance with both Section 5.26.110, as well as the following minimum standards, and such standards shall be deemed to be part of the conditions of the Commercial Cannabis Operation Permit for a retailer commercial cannabis operation to ensure that its operation is in compliance with State law and this Code, and to mitigate any potential adverse impacts of the commercial cannabis operation on the public health, safety or welfare.

Additional minimum standards may be adopted from time to time either by resolution or ordinance from the City Council, or by the City Manager pursuant to Section 5.26.140.

- A. City Permit and State License. No person shall engage in retailer commercial cannabis operations without both a current and valid Commercial Cannabis Operation Permit and a current and valid equivalent State license as provided for under Section 26200 of the State Business and Professions Code, and as may be amended. Retailer (medical-only) commercial cannabis operations shall only sell, dispense, or provide medical cannabis or medical cannabis products to a qualified patient with a written physician’s recommendation, a person with an identification card, or a primary caregiver with written documentation attesting to lawful status as a primary caregiver.
- B. State Standards. All state requirements and regulations that govern retailer commercial cannabis operations, including but not limited to the regulations promulgated by the State Department of Cannabis Control, and as may be amended, shall apply as minimum requirements and regulations and requirements for retailer commercial cannabis operations within the City, in addition to the requirements and regulations of this chapter and this Code.
- C. Location and Design Requirements.

Pursuant to the authority delegated by the State to the City under Section 26054(b) of the State Business and Professions Code and overriding the location and design requirements contained in Section 26054(b) of the State Business & Professions Code, retailer commercial cannabis operations in the City shall be subject to the following location and design requirements:

- 1. Retailer commercial cannabis operations shall be a permitted use subject to this chapter on property (1) located more than one-thousand (1,000) feet any retailer commercial cannabis operation permitted under this chapter, alcohol or drug treatment facility, day care center, religious institution, school, or youth center, (2) located more than three- hundred-fifty (350) feet from the City’s jurisdictional boundary or any park or residentially zoned property, and (3) zoned: C (Commercial Zone) or C-M (Commercial-Manufacturing Zone) including any overlay zone districts covering the C (Commercial Zone) or C-M (Commercial-Manufacturing Zone).

2. The distances specified in Subsection (C) shall be the horizontal distance measured in a straight line from the parcel line of the sensitive use to the closest parcel line of the lot on which the cannabis retailer is to be located without regard to intervening structures. The 1,000 foot distance specified in Subsection (C) may be reduced to as little as 800 feet by administrative regulation pursuant to Section 5.26.140 if necessary to allow for issuance of the number of Commercial Cannabis Operation Permits provided by this chapter.
 3. Each retailer commercial cannabis operation shall:
 - a. Be constructed in a manner that prevents odors to surrounding uses, and promotes quality design and construction, and consistency with the surrounding properties. Odors from the cannabis retailer shall not be detectable from outside the premises and adequate odor control technology shall be utilized;
 - b. Be provided with adequate electricity, sewerage, disposal, water, fire protection, and storm drainage facilities for the intended purpose; and
 - c. Provide and maintain a neighborhood compatibility plan so the City Manager or designee(s) may find that the cannabis retailer and its operating characteristics are not detrimental to the public health, safety, convenience, or welfare of persons residing, working, visiting, or recreating in the surrounding neighborhood and will not result in the creation of a nuisance.
- D. Customers.
1. Prior to dispensing medical cannabis or medical cannabis products to a qualified patient, a retailer commercial cannabis operation shall verify the age and all necessary documentation of each customer to ensure the customer is not under the age of eighteen (18) years and obtain verification from the recommending physician that the person requesting medical cannabis or medical cannabis products is a qualified patient, and shall maintain a copy of the physician recommendation, or identification card, as described in Sections 11362.71 et seq. of the State Health and Safety Code, as may be amended from time to time, on site for period of not less than seven (7) years.
 2. Prior to dispensing cannabis or cannabis products to an adult-use customer, a retailer (medical/adult-use) commercial cannabis operation shall verify the age and all necessary documentation of each customer to ensure the customer is not under the age of twenty-one (21) years.
- E. Opaque Packaging. All cannabis or cannabis products sold to a customer shall be prohibited from leaving the site unless placed in opaque packaging which conceals the nature of the product from human vision.
- F. Dispensing and Storage Areas. Entrance to the retailer sales floor and any storage areas shall be locked at all times, and under the control of employees.

- G. Interior Lighting. The premises within which the commercial cannabis operation is operated shall be equipped with and, at all times during which is open to the public, shall remain illuminated with overhead lighting fixtures of sufficient intensity to illuminate every place to which members of the public or portions thereof are permitted access with an illumination of not less than two foot-candles as measured at the floor level.
- H. Signs. A retailer commercial cannabis operation shall notify customers (verbally or by written agreement) and by posting a notice or notices conspicuously at least 15-point type within permitted premises that state as follows:
1. “The sale or diversion of cannabis or cannabis products without a license issued by persons entering the site, the City of South El Monte is a violation of State law and the South El Monte Municipal Code.”
 2. “Secondary sale, barter, or distribution of cannabis or cannabis products purchased from a permittee is a crime and can lead to arrest.”
 3. “Customers must not loiter in or near these premises and may not consume cannabis or cannabis products in the vicinity of this business or in any place not lawfully permitted. These premises and vicinity are monitored to ensure compliance.”
 4. “WARNING: The use of cannabis or cannabis products may impair a person's ability to drive a motor vehicle or operate heavy machinery.”
 5. “CALIFORNIA PROP. 65 WARNING: Smoking of cannabis and cannabis-derived products will expose you and those in your immediate vicinity to cannabis smoke. Cannabis smoke is known by the State of California to cause cancer and reproductive harm.”
- I. “No Recommendations On-site. A retailer commercial cannabis operation shall not have a physician or any person licensed to recommend medical cannabis for medical use at the location of the retailer commercial cannabis operation to provide a recommendation or physician’s recommendation, for the use of medical cannabis.
- J. Sanitation. A permittee shall establish and implement written procedures that maintain the highest industry standards of sanitation and cleanliness for the operation so as to ensure cannabis and cannabis products sold to the public are free of harmful contaminants.
- K. Training. A permittee shall establish and implement written procedures that provide for the highest industry standards of training for employees.
- L. Prohibited Activities. No cannabis cultivation, testing or manufacturing shall occur within the premises of the retailer operation.
- M. No Alcohol. Retailer commercial cannabis operations shall not hold or maintain a license from the State Department of Alcoholic Beverage Control to sell alcoholic beverages, or operate a business that sells alcoholic beverages.
- N. No Lounge or Cafe. Retailer commercial cannabis operations shall not operate as a lounge, cafe or restaurant serving food or drinks for consumption on-site. There shall be no seating area, tables, couches, or chairs for the gathering or congregating of members.

- O. Age Restriction. Minors, except qualified patients or primary caregivers over the age of eighteen (18) years old as verified customers, are prohibited from entering the location of the retailer cannabis operation.
- P. Public Information. The permittee shall make available to customers a list of the rules and regulations governing medical cannabis use and consumption within the City and recommendations on sensible medical cannabis etiquette.

Sec. 5.26.120.5 – Delivery operating standards and restrictions.

- A. Delivery shall comply with State law at all times.
- B. Security plans developed pursuant to this chapter shall include provisions relating to vehicle security and the protection of employees and product during loading and in transit.
- C. A commercial cannabis operation engaged in delivery shall facilitate the delivery of cannabis or cannabis products with a technology platform owned by or licensed to the delivery-only commercial cannabis operation engaged in delivery that uses point-of-sale technology to track and database technology to record and store the following information for each transaction involving the exchange of cannabis or cannabis products between the commercial cannabis operation engaged in delivery and customer:
 - 1. The identity of the individual dispensing cannabis or cannabis products on behalf of the commercial cannabis operation engaged in delivery;
 - 2. The identity of the customer receiving cannabis or cannabis products from the commercial cannabis operation engaged in delivery;
 - 3. The type and quantity of cannabis or cannabis products dispensed and received;
 - 4. The gross receipts charged by the commercial cannabis operation engaged in delivery and received by the individual dispensing cannabis or cannabis products on behalf of the commercial cannabis operation engaged in delivery for the cannabis or cannabis products dispensed and received; and
 - 5. The location or address where the sale or retail sale took place or closed.
- D. A commercial cannabis operation engaged in delivery shall maintain a database and provide a list of the individuals and vehicles authorized to conduct delivery, and a copy of the valid State driver's license issued to the driver of any such vehicle on behalf of the commercial cannabis operation engaged in delivery to the City Manager.
- E. Individuals making deliveries of cannabis or cannabis products on behalf of the commercial cannabis operation engaged in delivery shall maintain a physical copy of the delivery request (and invoice) and shall make it available upon the request of agents or employees of the City requesting documentation.
- F. During delivery, a copy of the commercial cannabis operation engaged in delivery's Commercial Cannabis Operation Permit and State license shall be in the vehicle at all

times, and the driver shall make it available upon the request of agents or employees of the City requesting documentation.

- G. A commercial cannabis operation engaged in delivery shall only permit or allow delivery of cannabis or cannabis products in a vehicle that is (1) insured at or above the legal requirement in the State; (2) capable of securing (locking) the cannabis or cannabis products during transportation; (3) capable of being temperature controlled if perishable cannabis or cannabis products is being transported; and (4) does not display advertising or symbols visible from the exterior of the vehicle that suggest the vehicle is used for cannabis delivery or affiliated with a commercial cannabis operation engaged in delivery.
- H. A commercial cannabis operation engaged in delivery shall facilitate deliveries with a technology platform owned by or licensed to the commercial cannabis operation engaged in delivery that uses global positioning system technology to track, and database technology to record and store the following information:
1. The time that the individual conducting delivery on behalf of the commercial cannabis operation engaged in delivery departed its premises.
 2. The time that the individual conducting delivery on behalf of the commercial cannabis operation engaged in delivery completed delivery to the customer.
 3. The time that the individual conducting delivery on behalf of the commercial cannabis operation engaged in delivery returned to its premises.
 4. The route the individual conducting delivery on behalf of the commercial cannabis operation engaged in delivery traveled between departing and returning to its premises to conduct delivery.
 5. For each individual delivery transaction, the identity of the individual conducting deliveries on behalf of the commercial cannabis operation engaged in delivery.
 6. For each individual delivery transaction, the vehicle used to conduct delivery on behalf of the commercial cannabis operation engaged in delivery.
 7. For each individual delivery transaction, the identity of the customer receiving cannabis or cannabis products from the commercial cannabis operation engaged in delivery.
 8. For each individual delivery transaction, the type and quantity of cannabis or cannabis products dispensed and received.
 9. For each individual delivery transaction, the gross receipts charged by the commercial cannabis operation engaged in delivery and received by the individual conducting deliveries on behalf of the commercial cannabis operation engaged in delivery for the cannabis or cannabis products dispensed and received.
- I. The individual making deliveries on behalf of the commercial cannabis operation

engaged in delivery shall personally verify for each individual delivery transaction the identity of the customer receiving cannabis or cannabis products from the commercial cannabis operation engaged in delivery and (1) for medical cannabis or medical cannabis products to a qualified patient, the age and all necessary documentation of each customer to ensure the customer is not under the age of eighteen (18) years and obtain verification from the recommending physician that the person requesting medicinal cannabis or medicinal cannabis products is a qualified patient, and shall maintain a copy of the physician recommendation or identification card as described in Sections 11362.71 *et seq.* of the State Health and Safety Code, as may be amended from time to time, on site for period of not less than seven (7) years or (2) for cannabis or cannabis products to an adult-use customer, age and all necessary documentation of each customer to ensure the customer is not under the age of twenty-one (21) years.

Sec. 5.26.130 – Community Benefit Agreement.

The applicant may propose entering into a community benefit agreement with the City setting forth the terms and conditions under which the facility will operate that is in addition to the requirements of this chapter, including, but not limited to, public outreach and education, community service, payment of fees and other charges as mutually agreed, and such other terms and conditions that will protect and promote the public health, safety, and welfare of the City and its residents and visitors.

Sec. 5.26.140 – Administration.

- A. Consistently with stated requirements of this chapter (and in particular not to repeal or constructively repeal this chapter), in addition to any regulations adopted under State law, the City Manager is authorized to establish any additional rules, regulations, and standards governing the issuance or denial of Commercial Cannabis Operation Permits, the ongoing operation of commercial cannabis operations and the City’s oversight thereof, or concerning any other subject determined to be necessary to carry out the purposes of this chapter.
- B. Such regulations shall be approved by resolution of the City Council published on the City’s website.
- C. Regulations promulgated, by the City Manager, shall become effective upon date of publication. Commercial cannabis operations shall be required to comply with all State and local laws and regulations, including but not limited to any rules, regulations or standards adopted by the City Manager.

Sec. 5.26.150 - Fees.

An application fee set by resolution of the City Council shall be required for formal processing of every application made under this chapter. The City Council is further authorized to pass resolutions to recover any and all fees and costs incurred by the administration and implementation of this chapter through an appropriate fee recovery mechanism to be imposed upon commercial cannabis operations.

Sec. 5.26.160 - Suspension and revocation.

- A. The City Manager is authorized to suspend and/or revoke a Commercial Cannabis Operation Permit issued pursuant to this chapter upon the determination through

written findings of a failure to materially comply with any provision of this chapter, any Commercial Cannabis Operation Permit condition, or any agreement or covenant required or made pursuant to this chapter.

- B. Notwithstanding Subsection (A), the City Manager may suspend or revoke a Commercial Cannabis Operation Permit if any of the following occur:
1. The equivalent State license has been suspended or revoked by the State; or
 2. Operations cease for more than one hundred eight (180) consecutive or cumulative days in any one (1) year period; or
 3. Ownership is changed or transferred without complying with Section 5.26.100; or
 4. The commercial cannabis operation fails to maintain required security camera recordings; or
 5. The commercial cannabis operation fails to allow inspection of the security recordings, the activity logs, the records, or of the site by Operations Officers pursuant to this chapter.
- C. Conditions (if any) of suspension or revocation are at the reasonable discretion of the City Manager and may include, but are not limited to, a prohibition on all owners, managers and employees of the suspended or revoked commercial cannabis operation from operating within the City for a period of time set forth in writing and/or a requirement (when operations may resume, if at all, pursuant to the City Manager's reasonable determination) for the holder of the suspended or revoked Commercial Cannabis Operation Permit to resubmit an application for a Commercial Cannabis Operation Permit pursuant to the requirements of this chapter.

Sec. 5.26.170 – Appeals.

Any decision regarding the City Manager's suspension or revocation of a Commercial Cannabis Operation Permit pursuant to Section 5.26.160 may be appealed to the City Council by a permittee or interested party as follows:

- A. If the appellant wishes to appeal a decision to the City Council, the appellant must file a written appeal with the City Clerk within ten (10) calendar days of the decision. The written appeal shall specify the person making the appeal, the decision appealed from, state the reasons for the appeal, and include any evidence in support of the appeal which the applicant seeks to be considered by the City Council.
- B. Notice of the time and place of an appeal hearing shall be providing to the appellant within thirty (30) days of receipt by the City Clerk of the written appeal.
- C. The appeal hearing shall be held within sixty (60) days of the filing of the written appeal with the City Clerk, unless the 60 day time limit is waived by the appellant, or unless the City Council continues the appeal hearing date for good cause and upon written notification to the appellant.
- D. The City Council shall review the facts of the matter, written documents submitted for review, the basis for making the decision which is under appeal, and then determine whether the appealed decision should be reversed or affirmed. The determination made shall be in writing, shall set forth the reasons for the determination, and shall be final.

- E. The provisions of Section 1094.6 of the Code of Civil Procedure sets forth the procedure for judicial review of any final determination. Parties seeking such judicial review shall file such action within ninety (90) days of a determination being made final.

Sec. 5.26.180 – Violations and penalties; public nuisance.

- A. Any material violation of the provisions of this chapter is punishable as a misdemeanor or an infraction, at the discretion of the City Attorney, pursuant to Chapters 1.14 and 1.16 of this Code, except for as preempted by State law and material any violation of the provisions of this chapter is subject to administrative citation, at the reasonable discretion of the City, pursuant to Chapters 1.14 and 1.16 of this Code.
- B. Public Nuisance Abatement.
 - 1. Any commercial cannabis operation that is conducted in material violation of any provision of this chapter is hereby declared to constitute a public nuisance and, as such, may be abated or enjoined from further operation, in accordance with the procedures set forth in Chapter 8.36 of this Code.
 - 2. All costs to abate such public nuisance, including attorneys' fees and court costs, shall be paid by the person causing the nuisance, including the commercial cannabis operation and the property owner where the nuisance is occurring.
- C. The remedies described in this section are not mutually exclusive. Pursuit of any one remedy shall not preclude City from availing itself of any or all available administrative, civil, or criminal remedies, at law or equity.
- D. Any material violation of the provisions of this chapter shall constitute a separate offense for each and every day during which such violation is committed or continued.

Sec. 5.26.190 - Service of notices.

Any notice required by this chapter is deemed issued and served upon the earliest date that either: the notice is deposited in the United States mail, postage pre-paid, addressed to the most recent mailing address provided to the City pursuant to the requirements of this chapter; or, the date upon which personal service of the notice is provided to a responsible party.

Sec. 5.26.200 - Prohibitions.

- A. Any commercial cannabis operation in violation of this chapter, or any other applicable State law is expressly prohibited.
- B. It is unlawful for any commercial cannabis operation in the City, or any agent, employee or representative of such commercial cannabis operation, to permit any breach of peace or any disturbance of public order or decorum by any tumultuous, riotous or disorderly conduct at the site of the commercial cannabis operation.

Sec. 5.26.210 - Nonconforming use.

No use which purports to have engaged in commercial cannabis operations of any nature prior to the enactment of this chapter shall be deemed to have been a legally established use under the provisions of this Code, or any other City ordinance, rule or regulation, and such use shall not be entitled to claim legal nonconforming status.

Sec. 5.26.220 – Exceptions

- A. To the extent that the following activities are permitted by state law, nothing in this chapter shall prohibit a person twenty-one (21) years of age or older from:
1. Possessing, processing, purchasing, transporting, obtaining or giving away to persons twenty-one (21) years of age or older, without compensation whatsoever, not more than twenty-eight and one-half (28.5) grams of cannabis not in the form of concentrated cannabis;
 2. Possessing, processing, purchasing, transporting, obtaining or giving away to persons twenty-one (21) years of age or older, without compensation whatsoever, up to eight grams of cannabis in the form of concentrated cannabis;
 3. Possessing, transporting, purchasing, obtaining, using, manufacturing, or giving away cannabis accessories to persons twenty-one (21) years of age or older without compensation whatsoever; or
 4. Engaging in the indoor cultivation of six (6) or fewer live cannabis plants within a single private residence or inside an accessory structure located upon the grounds of a private residence that is fully enclosed and secured, to the extent such cultivation is authorized by Sections 11362.1 and 11362.2, of the State Health and Safety Code, as may be amended from time to time.
- B. This chapter shall also not prohibit any commercial cannabis operations that the City is required by law to permit within its jurisdiction pursuant to State law.

Sec. 5.26.230 – Operative date.

This chapter shall be operative ten (10) days after the date that the City Council declares that a majority of the City’s voters voting at the November 8, 2022, election have voted in favor of this chapter at such election.

Sec. 5.26.240 - Severability.

If any section, subsection, subdivision, sentence, clause, phrase, word, or portion of this chapter is, for any reason, held to be invalid or unconstitutional by the decision of any court of competent jurisdiction, such decision shall not affect the validity of the remaining portions of this chapter. The people of the City of South El Monte hereby declare that they would have adopted this chapter and each section, subsection, subdivision, sentence, clause, phrase, word, or portion thereof, irrespective of the fact that any one or more sections, subsections, subdivisions, sentences, clauses, phrases, words or portions thereof be declared invalid or unconstitutional.

Sec. 5.26.250. City Council Authority to Amend.

The City Council has the right and authority to amend this chapter, with the exception of Section 5.26.060 (which may only be amended (i) if ordered to do so by a court of competent jurisdiction as a judicial remedy or (ii) by a vote of the People of the City), to further its purposes and intent (including but not limited to amendment for more efficient administration as determined by the City Council), in any manner that does not increase a tax rate, or otherwise constitute a tax increase for which voter approval is required by Article XIII C of the California Constitution, pursuant to Elections Code Section 9217.

Sec. 5.26.260. City Councilmember Conflicts of Interest.

Notwithstanding any other provision of this Chapter, prior to participating in any decision relating to a cannabis business, each city councilmember shall do all of the following

1. Disclose on the record any financial interest in the cannabis business that is subject to the decision.
2. Disclose on the record any campaign contributions and benefits or gifts received from the cannabis business that is subject to the decision.
3. Disclose on the record any ex parte communications that the city councilmember may have had with a cannabis business that is the subject of the decision.
4. Each city councilmember shall warrant and represent, on the record and in a form approved by the City Council, that they have complied with these requirements and all applicable law.

If it is later determined that a city councilmember has not complied with the above requirements or if it is determined that a city councilmember has violated applicable law, then the city councilmember is disqualified from all decisions relating to the cannabis business subject to the decision. The requirements of this Section 5.26.260 shall be in addition to any applicable law, including, without limitation, the California Political Reform Act and the related regulations of the Fair Political Practices Commission. ~~Notwithstanding any other provision of this Chapter, if a councilmember has an ownership or partnership interest in a commercial cannabis operation, receives any compensation beyond lawful campaign contributions from a commercial cannabis operation, or receives any benefits beyond permitted benefits or gifts allowed by FPPC regulations from a commercial cannabis operation, then that councilmember is disqualified from voting on an item involving that commercial cannabis operation where there is that conflict of interest.~~

SECTION 3. REPEAL OF CHAPTER 17.31. Chapter 17.31 of Title 17 of the City Municipal Code is hereby repealed in its entirety.

SECTION 4. AMENDMENT TO SECTION 17.18.030(O). Section 17.18.030(O) of Chapter 17.18 of Title 17 of the South El Monte Municipal Code is hereby repealed in its entirety.

SECTION 5. ADDITION OF SECTION 9.08.045. Section 9.08.045 shall be added to Chapter 9.08 of Title 9 of the South El Monte Municipal Code as follows:

“This Chapter shall not apply to a retailer commercial cannabis operation permitted pursuant to Chapter 5.26 of Title 5 of this Code.”

SECTION 6. AMENDMENT TO SECTION 17.14.030. Section 17.14.030 of Chapter 17.14 of Title 17 of the City Municipal Code is hereby amended by adding Subsection (S) as follows:

“Retailer commercial cannabis operations in accordance with Chapter 5.26 of Title 5 of this Code.”

SECTION 7. AMENDMENT TO SECTION 17.16.030. Section 17.16.030 of Chapter 17.16 of Title 17 of the City Municipal Code is hereby amended by adding Subsection (F) as follows:

“Retailer commercial cannabis operations in accordance with Chapter 5.26 of Title 5 of this Code.”

SECTION 8. SENSITIVE USES. The People of the City find that the definitions of the sensitive uses (alcohol or drug treatment facilities, day care centers, parks, religious institutions, schools, and youth centers) under the amendment to Chapter 5.26 of the City Municipal Code in this Ordinance are subject to some degree of interpretation. However, the People of the City also find that certainty

regarding the identification of sensitive uses (alcohol or drug treatment facilities, day care centers, parks, religious institutions, schools, and youth centers) under the amendments to Chapter 5.26 of the City Municipal Code in this Ordinance is required to carry out the purpose and intent of the Ordinance so that the People, the City, and prospective applicants can clearly identify where and where not lawful retailer commercial cannabis operations under this Ordinance may be located. Accordingly and pursuant to the authority delegated by the State to the People of the City under Section 26054(b) of the State Business and Professions Code and overriding the location and design requirements contained in Section 26054(b) of the State Business and Professions Code, the sensitive uses established by resolution of the City Council (including alcohol or drug treatment facilities, day care centers, parks, religious institutions, schools, and youth centers) and only those sensitive uses shall be considered under the amendment to Section 5.26.070 of the City Municipal Code in this Ordinance for the purpose of the initial establishment of retailer commercial cannabis operations pursuant to the initial iteration of the retailer commercial cannabis operations application procedure under the amendment to Section 5.26.070 of the City Municipal Code in this Ordinance (to include any review and scoring of any applications pursuant to the objective review criteria and quantitative evaluation scale under the amendment to Section 5.26.070 of the City Municipal Code in this Ordinance). Only following the initial iteration of the retailer commercial cannabis operations application procedure and the initial issuance of Commercial Cannabis Operation Permits under the amendment to Section 5.26.070 of the City Municipal Code in this Ordinance, and except as otherwise provided by the City Council resolution, may the City Manager designee reinterpret the list of sensitive uses for the purpose of subsequent iterations of the retailer commercial cannabis operations application procedure under the amendment to Section 5.26.070 of the City Municipal Code in this Ordinance and change in location applications under the amendment to Section 5.26.130 of the City Municipal Code in this Ordinance.

SECTION 9. AMENDMENT TO SECTION 5.04.045. Section 5.04.045 of Title 5 of the South El Monte Municipal Code is hereby amended to add “Retailer (Type 10) Commercial Cannabis Operations (Medical / Adult-Use / Non-Medical) in accordance with Chapter 5.26 of Title 5 of this Code” as a new item number 9 to the list of businesses, occupations, or other activities requiring licenses in the City as set forth in Los Angeles County Code Section 7.04.010 as amended by South El Monte Municipal Code Section 5.04.045, and to renumber existing items 9 through 45 of the list accordingly.

SECTION 10. ADDITION OF CHAPTER 3.40 (CANNABIS BUSINESS TAX). Chapter 3.40 (Cannabis Business Tax) is hereby added to Title 3 (Revenue and Finance) of the South El Monte Municipal Code, to read in its entirety as follows:

“CHAPTER 3.40 CANNABIS BUSINESS TAX

Section 3.40.010. Definitions.

Section 3.40.020. Tax.

Section 3.40.030. Operation of Tax.

Section 3.40.040. Returns and Remittances.

Section 3.40.050. Failure to Pay Tax.

Section 3.40.060. Refunds and Claims.

Section 3.40.070. Enforcement.

Section 3.40.080. Debts; Deficiencies; Determinations; Hearings.

Section 3.40.090. Operative Date.

Section 3.40.100. City Council Authority to Amend.

Section 3.40.110. City Councilmember Conflicts of Interest.

Sec. 3.40.010. Definitions.

The following definitions apply to this chapter unless the context clearly denotes otherwise. Terms not defined herein shall be given the definitions set forth in Chapter 5.26 of this Code.

- A. “Cannabis” shall have the meaning set forth in Section 5.26.030 of this Code.
- B. “Cannabis products” shall have the meaning set forth in Section 5.26.030 of this Code.
- C. “City” means the City of South El Monte.
- D. “Code” shall mean the South El Monte Municipal Code.
- E. “Commercial cannabis operation” shall have the meaning set forth in Section 5.26.030 of this Code. “Commercial cannabis activity” and “cannabis business” shall be synonymous with “commercial cannabis operation.”
- F. “Cultivation” shall have the meaning set forth in Section 5.26.030 of this Code.
- G. “Delivery” shall have the meaning set forth in Section 5.26.030 of this Code.
- H. “Distribution” shall have the meaning set forth in Section 5.26.030 of this Code.
- I. “Distributor” shall have the meaning set forth in Section 5.26.030 of this Code.
- J. “Edible” shall have the meaning set forth in Section 5.26.030 of this Code.
- K. “City Manager” means the City’s City Manager, or his or her designee.
- L. “Location” shall have the meaning set forth in Section 5.26.030 of this Code.
- M. “Manufacture” or “manufacturing” shall have the meaning set forth in Section 5.26.030 of this Code.
- N. “Manufactured cannabis” means raw cannabis that has undergone a process whereby the raw agricultural product has been transformed into a concentrate, an edible product, or a topical product.
- O. “Manufacturer” shall have the meaning set forth in Section 5.26.030 of this Code.
- P. “Marijuana” has the same definition as “cannabis.”
- Q. “Operation” means a “commercial cannabis operation.”
- R. “Permit,” or “local permit” means a Commercial Cannabis Operation Permit, as that term is defined in Section 5.26.030 of this Code.
- S. “Person” shall have the meaning set forth in Section 5.26.030 of this Code.
- T. “Proceeds” means total amount of gross revenue actually received or receivable by a commercial cannabis operation from all sales of goods of any kind, including but not limited to cannabis and cannabis products; the total amount of compensation actually received or receivable for the performance of any act or service whatever nature it may be, including but not limited to commercial cannabis activity, from which a charge is made or credit allowed, whether such service is done singly and/or as part

of or in connection with the sale of materials; goods, wares or merchandise; discounts, rents, royalties, fees, commissions, dividends or other gains. Proceeds includes all receipts, cash, credits and property of any kind or nature, consideration of any nature, without any deduction therefrom on account of the cost of property sold, the cost of materials used, labor or services costs, interest paid or payable or losses or other expenses or deduction whatsoever. Excluded from Proceeds are any taxes required by law to be added to the purchase and collected from the consumer or purchaser, such part of the sales price of any property returned by the purchaser to the seller as refunded by the seller by way of cash or credit allowances or return of refundable deposits previously included in Proceeds. Proceeds may also exclude such other amounts that may be permitted by the City Manager as not being included in Proceeds pursuant to administrative rulings or instructions provided by the City Manager. “Proceeds” is intended to include all gross revenue of the commercial operation whether for commercial cannabis activities or other activities (e.g., revenue from sales of other goods at the location).

- U. “Retailer” means a person engaged in the retail sale or delivery of cannabis or cannabis products to a customer. A retailer may be a storefront or non-storefront retailer.
- V. “Space utilized as cultivation area” shall mean any space or ground, floor or other surface area (whether horizontal or vertical) which is used during the cannabis germination, seedling, vegetative, pre-flowering, flowering and/or harvesting phases, including without limitation any space used for activities such as growing, planting, seeding, germinating, lighting, warming, cooling, aerating, fertilizing, watering, irrigating, topping, pinching, cropping, trimming, curing or drying cannabis or any such space available for or used for storing any products, supplies or equipment related to any such activities, no matter where such storage may take place or such storage space may be located. “Space used as cultivation area” shall include space used to cultivate cannabis plants on platforms and stack them in multiple layers on top of each other (i.e., vertical cultivation). “Space utilized as cultivation area” shall be calculated in square feet and measured using clearly identifiable and/or apparent boundaries, including all of the space within the boundaries. Such space may be noncontiguous but each unique area included in the total calculation shall be separated by an identifiable and/or apparent boundary, including but not limited to, interior walls, shelves, and greenhouse walls, nursery wall or canopy walls, hoop house walls, garden benches, hedgerows, fencing, garden beds, or garden plots. “Space used as cultivation area” includes space which is immediately available for the activities described herein even if not being used at the time of determination. The City Manager shall determine the “space utilized as cultivation area” during the initial Term of the operation, and at least annually thereafter.
- W. “Tax” means the commercial cannabis tax and commercial cannabis cultivation tax imposed by this chapter.
- X. “Term” means such term or period of time as may be designated by the City Manager for reporting or payment of tax, provided, however, that if no such term is designated, Term shall mean a calendar month (meaning that the annual tax shall be divided by 12 for the appropriate fiscal year). Notwithstanding the foregoing, the Term for payment of tax may be set on a monthly, quarterly, semi-annual or annual basis by the City Manager. Taxes may be prorated to the extent the City Manager provides for a term other than that specified above, to the extent a commercial cannabis

operation commences on a date other than the first date of a Term, upon cessation of the business, or for other appropriate reasons.

Y. “Testing laboratory” shall have the meaning set forth in Section 5.26.030 of this Code.

Sec. 3.40.020. Tax.

- A. Commercial Cannabis Tax (non-cultivation). Every person conducting a commercial cannabis operation other than cultivation in the City, regardless of whether such operation has a valid permit pursuant to this Code, shall pay, on a per-Term basis, a commercial cannabis tax (non-cultivation) of not more than six percent (6%) of the proceeds of the commercial cannabis operation.
- B. Commercial Cannabis Cultivation Tax. Every person conducting a commercial cannabis operation involving cultivation in the City, regardless of whether such operation has a valid permit pursuant to this Code, shall pay a maximum commercial cannabis cultivation tax of no more than ten dollars (\$10) per square foot per fiscal year (July 1 to June 30) for space utilized as cultivation area. Notwithstanding the foregoing, taxes imposed on space utilized as cultivation area shall be adjusted annually on July 1 of each year, commencing July 1, 2023, after the date of imposition based on changes in the Consumer Price Index (“CPI”) for all urban consumers in the Los Angeles-Long Beach-Anaheim areas (or similar index) as published by the United States Government Bureau of Labor Statistics for the prior calendar year; provided, however, no adjustment shall decrease any maximum tax imposed by this chapter.
- C. Purpose of Tax. The revenue generated by the commercial cannabis tax and the commercial cannabis cultivation tax may be spent for unrestricted general revenue purposes.
- D. Intent of Tax. The taxes provided for in this chapter do not authorize any commercial cannabis operation or use that is not otherwise expressly allowed by this Code. The taxes provided for in this chapter are intended to both allow the City to levy the taxes on commercial cannabis operations and uses that are authorized or allowed in the City as of the date of enactment of this chapter and to provide the City with the ability to levy the taxes on potential future commercial cannabis operations and uses that may after enactment of this chapter be allowed in the City by local ordinance or initiative. The taxes imposed by this chapter are in addition to all other applicable taxes imposed by this Code, including, but not limited to, the sales and use tax imposed by Chapter 3.04 of Title 3 and the business license fees imposed by Chapter 5.04 of Title 5.
- E. Automatic Maximum Rates. The tax rates of the commercial cannabis tax (non-cultivation) and the commercial cannabis cultivation tax shall automatically be set at the maximum rates specified in this chapter each July 1 unless established otherwise at a lower rate by resolution or ordinance of the City Council.
- F. Authority to Levy Tax at Lower than Maximum Authorized Rate. The City Council may, at any time, by resolution or ordinance and without voter approval, levy the tax at any rate lower than the maximum rate authorized by this chapter; provided, however, the maximum tax rate permitted to be levied without further voter approval shall be and remain the maximum tax rate set forth in this chapter.
- G. Future Exemptions, Exceptions, Penalties and Interest Permitted. The City Council may establish exemptions, incentives, or other reductions, and penalties and interest charges or determinations of tax due for failure to pay the tax in a timely manner, as

otherwise allowed by this Code or California law. No action by the City Council under this section shall prevent it from later increasing the tax or removing any exemption, incentive, or reduction, and thereby restoring the maximum tax specified in this chapter.

Sec. 3.40.030. Operation of Tax.

- A. Failure to pay the taxes set forth in this chapter shall be subject to penalties, interest charges, and determinations of tax due as set forth in this chapter and as the City Council may establish, and the City may use any or all other enforcement remedies provided for in this Code, or pursuant to state law.
- B. The payment of the tax required pursuant to this chapter shall not be construed as authorizing the conduct or continuance of any illegal business or of a legal business in an illegal manner. Nothing in this chapter shall be construed to authorize commercial cannabis operations.
- C. Taxes provided for hereunder are not sales or use taxes and shall not be calculated or assessed as such. The taxes shall not be separately identified or otherwise specifically assessed or charged to any individual, consumer or customer; rather, the taxes are imposed upon the commercial cannabis operation.
- D. The City Manager shall promulgate rules, regulations, and procedures to implement and administer this chapter to ensure the efficient and timely collection of the tax imposed by this chapter, including without limitation, formulation and implementation of penalties and interest to be assessed for failure to pay the tax as provided.

Sec. 3.40.040. Returns and Remittances.

The tax shall be due and payable as follows:

- A. Each person owing tax, within 45 days (or such other period as may be established by the City Manager) after the conclusion of each Term, shall prepare and submit a tax return to the City Manager. The tax return shall include all information necessary to determine the amount of tax owed for the subject Term, including the proceeds of the commercial cannabis operation (for all operations other than cultivation) and the total square footage of space utilized as cultivation area, for cultivation operations. At the time the tax return is filed, the full amount of the tax owed for the preceding term shall be remitted to the City. Where the Term is set on an annual basis, the City Manager may require prorated payments or estimated tax payments on more frequent intervals during the Term, as such intervals may be established by the City Manager.
- B. All tax returns shall be completed on forms provided by the City Manager.
- C. Tax returns and payments for all outstanding taxes owed the City are immediately due to the City Manager upon cessation of business of a commercial cannabis operation for any reason or upon sale of a commercial cannabis operation.
- D. Whenever any payment, statement, report, request or other communication received by the City Manager is received after the time prescribed by this section for the receipt thereof, but is in an envelope bearing a postmark showing that it was mailed on or prior to the date prescribed in this section for the receipt thereof, or whenever the City Manager is furnished substantial proof that the payment, statement, report, request, or other communication was in fact deposited in the United States mail on or prior to the date prescribed for receipt thereof, the City Manager may regard such payment,

statement, report, request, or other communication as having been timely received. If the due date falls on a date the City Hall is closed, or on a Saturday, Sunday, or federal holiday, the due date shall be the next regular business day on which the City Hall is open to the public following the due date.

- E. Unless otherwise specified in this chapter, taxes shall be deemed delinquent if not paid on or before the due date pursuant to this section.
- F. The City Manager is not required to send a delinquency or other notice or bill to any person subject to payment of tax pursuant to this chapter, and failure to send such notice or bill shall not affect the validity of any tax or penalty due under this chapter.

Sec. 3.40.050. Failure to Pay Tax.

Any person who fails or refuses to pay any tax required to be paid pursuant to this chapter on or before the due date shall pay penalties and interest as follows:

- A. A penalty of no more than twenty-five percent (25%) of the amount of tax remaining unpaid (in addition to the amount of unpaid tax), plus interest on the unpaid tax calculated from the due date of the tax at a rate not to exceed twelve percent (12%) per year (or one percent (1%) per month), and these penalties and interest rates will automatically be set at the maximum amounts unless established otherwise as a lower amount by resolution of the City Council.
- B. Whenever a check is submitted in payment of a tax and the check is subsequently returned unpaid by the bank upon which the check is drawn, and the check is not redeemed prior to the due date, the taxpayer will be liable for the tax amount due plus penalties and interest as provided for in this section, as well as any other amount allowed under state law.
- C. The tax due shall be that amount due and payable from the operative date of this chapter.
- D. The City Manager may waive the penalties of up to twenty-five percent (25%) each imposed upon any person if:
 - 1. The person provides evidence satisfactory to the City Manager that failure to pay timely was due to circumstances beyond the control of the person and occurred notwithstanding the exercise of ordinary care and the absence of willful neglect, and the person paid the delinquent tax and accrued interest owed the City prior to applying to the City Manager for a waiver.
 - 2. The waiver provisions specified in this subsection shall not apply to interest accrued on delinquent tax, and a waiver shall be granted no more than once during any twenty-four month period for any given payor of commercial cannabis tax (non-cultivation), and no more than once during any five (5) year period for any given payor of commercial cannabis cultivation tax.

Sec. 3.40.060. Refunds and Claims.

- A. No refund or claim shall be made of any tax collected pursuant to this chapter, except as provided in this section.
- B. No refund of any tax collected pursuant to this chapter shall be made because of the discontinuation, dissolution, or other termination of an operation.
- C. Any person entitled to a refund of taxes paid pursuant to this chapter may elect in

writing to have such refund applied as a credit against cannabis business taxes for the next term.

- D. Whenever the amount of any tax, penalty, or interest has been overpaid, paid more than once, or has been erroneously or illegally collected or received by the City under this chapter, such amount may be refunded to the claimant who paid the tax, provided that a written claim for refund is filed with the City Manager if the claim is equal to or less than \$5,000 and the City Council if the claim is more than \$5,000. Refund claims must be filed as set forth above within one year of the subject tax payment pursuant to Government Code Section 911.2. Each person requesting a refund or making a claim shall file the claim as provided herein. The submission of a written claim, which shall be acted upon by the City Manager if less than or equal to \$5,000 or the City Council if more than \$5,000, shall be a prerequisite to suit thereon. (See Section 935 of the California Government Code). The City Manager, or the City Council where the claim is in excess of \$5,000, shall act upon the refund claim within the time period set forth in Government Code Section 912.4. If the City Council fails or refuses to act on a refund claim within the time prescribed by Government Section 912.4, the claim shall be deemed to have been rejected by the City Council on the last day of the period within which the City Council was required to act upon the claim as provided in Government Code Section 912.4. The City Manager or City Clerk or other officer charged with such duty shall give notice of the action in a form that substantially complies with that set forth in Government Code Section 913. To the extent allowed by law, nothing herein shall permit the filing of a claim on behalf of a class or group of taxpayers unless each member of the class has submitted a written claim as provided by this Section 3.40.060.
- E. The City Manager shall have the right and authority to examine and audit all the books and business records of the claimant in order to determine the eligibility of the claimant to the claimed refund. No claim for refund shall be allowed if the claimant therefor refuses to allow such examination of claimant's books and business records after request by the City Manager to do so. The authorization herein shall extend to any agent hired by the City to audit the books, including an independent auditor.
- F. In the event that the tax was erroneously paid and the error is attributable to the City, the entire amount of the tax erroneously paid shall be refunded to the claimant. If the error is attributable to the claimant, the City shall retain the amount set forth in this chapter from the amount to be refunded to cover expenses.
- G. The City Manager shall initiate a refund of any tax which has been overpaid or erroneously collected whenever the overpayment or erroneous collection is revealed by a City audit of tax receipts. In the event that the tax was erroneously paid and the error is attributable to the City, the entire amount of the tax erroneously paid shall be refunded to the claimant. If the error is attributable to the claimant, the City shall retain the amount set forth in this chapter from the amount to be refunded to cover expenses.

Sec. 3.40.070. Enforcement.

- A. It shall be the duty of the City Manager to enforce each and all of the provisions of this chapter.
- B. For purposes of administration and enforcement of this chapter generally, the City Manager, with the assistance of the City Attorney, may from time to time promulgate administrative rules and regulations.

- C. The City Manager shall have the power to audit and examine all books and records of operations as well as persons engaged in the conducting of an operation, including both state and federal income tax returns, California sales tax returns, logs, receipts, bank records, or other evidence documenting the proceeds of the operation and/or space utilized as cultivation area, or persons engaged in the conduct of an operation, for the purpose of ascertaining the amount of tax, if any, required to be paid by the provisions of this chapter, and for the purpose of verifying any statements or any item thereof when filed by any person pursuant to this chapter. If such operation or person, after written demand by the City Manager, refuses to make available for audit, examination or verification such books, records, or equipment as the City Manager requests, the City Manager may, after full consideration of all information within the City Manager's knowledge concerning the operation and activities of the person so refusing, make a determination of tax due in the manner provided in Section 3.40.080.
- D. The City Manager shall have the power to enter upon the premises upon reasonable notice to the commercial cannabis operation at least once per Term for the purposes of determining space utilized as cultivation area, to review items requested in subsection C of this section or as otherwise needed for enforcement of this chapter.
- E. The conviction and punishment of any person for failure to pay the required tax shall not excuse or exempt such person from any civil action for the tax debt unpaid at the time of such conviction. No civil action shall prevent a criminal prosecution for any violation of the provisions of this chapter or of any state law requiring the payment of all taxes.
- F. Any person violating any provision of this chapter or any regulation or rule passed in accordance herewith, or knowingly or intentionally misrepresenting to any officer or employee of the City any material fact, either concerning the operation and administration of this chapter, or as provided for in this chapter, shall be deemed guilty of a misdemeanor. Notwithstanding the foregoing, the City Attorney/Prosecutor, in his or her discretion, may elect to charge and prosecute any violation as an infraction in lieu of a misdemeanor or to not charge and prosecute at all.

Sec. 3.40.080. Debts; Deficiencies; Determinations; Hearings.

- A. The amount of any tax, penalties, and interest imposed by this chapter shall be deemed a debt to the City, and any person conducting an operation without also making payment to the City of the taxes, penalties and interest imposed by this chapter shall be liable in an action in the name of the City in any court of competent jurisdiction for the full amount of the tax, and penalties and interest owed by such operation.
- B. If the City Manager is not satisfied that any statement filed as required by this chapter is correct, or that the amount of tax is correctly computed, the City Manager may compute and determine the amount to be paid and make a deficiency determination upon the basis of the facts contained in the statement or upon the basis of any information in his or her possession or that may come into his or her possession. One or more deficiency determinations of the amount of tax due for a period or periods may be made. When a person ceases or discontinues an operation, a deficiency determination may be made at any time within three years thereafter as to any liability arising from engaging in such business whether or not a deficiency determination is issued prior to the date the tax would otherwise be due.
- C. Under any of the following circumstances, the City Manager may make and give notice of a determination of the amount of tax owed by a person under this chapter:

Agenda 5.a. – Revisions to pages 51 and 52 of Ordinance 1260 – Special Meeting of 8-2-22

1. If the person has not filed any statement or return required by this chapter.
 2. If the person has not paid any tax due under the provisions of this chapter.
 3. If the person has not, after demand by the City Manager, filed a corrected statement or return, or furnished to the City Manager adequate substantiation of the information contained in a statement or return already filed, or paid any additional amount of tax due under this chapter.
 4. If the City Manager determines that the nonpayment of any tax due under this chapter is due to fraud, a penalty of twenty-five percent (25%) of the amount of the tax shall be added thereto in addition to penalties and interest otherwise stated in this chapter.
 5. The notice of determination shall separately set forth the amount of any tax known or estimated by the City Manager, after consideration of all information within his or her knowledge concerning the business and activities of the person assessed, to be due under this chapter, and such notice shall include the amount of any penalties or interest accrued on each amount to the date of the notice of determination.
 6. The notice of determination shall be served upon the person either by handing it to him or her personally, or by a deposit of the notice in the United States mail, postage prepaid thereon, addressed to the person at the address of the location of the business appearing on the face of the business tax certificate issued under this Code or to such other address as such person shall register with the City Manager for the purpose of receiving notices provided under this chapter; or, should the person have no business tax certificate issued and should the person have no address registered with the City Manager for such purpose, then to such person's last known address. For the purposes of this section, a service by mail is complete at the time of deposit in the United States mail.
- D. Within ten days after the date of service of a notice of determination of the amount of tax owed by a person under this chapter, or other determination of the City Manager pursuant to subsection (C)(5) of this section, the person may apply in writing to the City Manager for a hearing on the determination. If application for a hearing before the City is not timely made, the tax assessed by the City Manager shall become final. The procedures for such a hearing shall be conducted as required by law and as follows:
1. The City Council delegates its authority to conduct such a hearing on the determination to an independent hearing officer. The compensation of the hearing officer shall not depend on any particular outcome of the appeal. The hearing officer shall have full authority and duty to preside over the hearing on the determination in the manner set forth herein and as required by law.
 2. Within 30 days of the receipt of any such application for hearing, the City Manager shall cause the matter to be set for hearing before the independent hearing officer, unless a later date is agreed to by the City Manager and the person requesting the hearing.
 3. Notice of the hearing shall be given by the City Manager to the person requesting the hearing not later than five days prior to the date of the hearing. For good cause, the hearing officer may continue the administrative hearing

from time to time. At the hearing, the applicant may appear and offer evidence to show why the determination of the City Manager should not be confirmed and fixed as the tax due or the other determination of the City Manager pursuant to subsection (C)(5). In conducting the hearing, the hearing officer shall not be limited by the technical rules of evidence. Failure of the person who applied for a hearing on the determination to appear shall not affect the validity of the proceedings or order issued thereon.

4. Upon conclusion of the hearing, or no later than 10 days after the conclusion of the hearing, the hearing officer shall determine and reassess the proper tax to be charged or make such other determination as provided in subsection (C)(5) and shall give written notice to the person in the manner prescribed in this chapter for giving notice of determination, and the hearing officer shall submit its decision and the record to the City Clerk. The decision of the hearing officer shall be final.
5. The provisions of this section apply to any decision, deficiency determination, assessment, or other decision or ruling of the City Manager, except decisions made pursuant to Section 3.40.060 (Refunds and Claims). Any person aggrieved by any decision subject to this section shall comply with the hearing procedure of this section. Pursuant to Government Code Section 935(b), compliance with this section shall be a prerequisite to a suit thereon. To the extent allowed by law, nothing herein shall permit the filing of a claim or action on behalf of a class or group of taxpayers.

Sec. 3.40.090. – Operative date.

This chapter shall be operative ten (10) days after the date that the City Council declares that a majority of the City’s voters voting at the November 8, 2022, election have voted in favor of this chapter at such election.

Sec. 3.40.100. City Council Authority to Amend.

The City Council has the right and authority to amend this chapter, to further its purposes and intent (including but not limited to amendment for more efficient administration as determined by the City Council), in any manner that does not increase a tax rate, or otherwise constitute a tax increase for which voter approval is required by Article XIII C of the California Constitution, pursuant to Elections Code Section 9217.

Sec. 3.40.110. City Councilmember Conflicts of Interest.

Notwithstanding any other provision of this Chapter, prior to participating in any decision relating to a cannabis business, each city councilmember shall do all of the following

1. Disclose on the record any financial interest in the cannabis business that is subject to the decision.
2. Disclose on the record any campaign contributions and benefits or gifts received from the cannabis business that is subject to the decision.
3. Disclose on the record any ex parte communications that the city councilmember may have had with a cannabis business that is the subject of the decision.

4. ~~Each city councilmember shall warrant and represent, on the record and in a form approved by the City Council, that they have complied with these requirements and all applicable law.~~

~~If it is later determined that a city councilmember has not complied with the above requirements or if it is determined that a city councilmember has violated applicable law, then the city councilmember is disqualified from all decisions relating to the cannabis business subject to the decision. The requirements of this Section 3.40.110 shall be in addition to any applicable law, including, without limitation, the California Political Reform Act and the related regulations of the Fair Political Practices Commission.”~~

~~if a councilmember or candidate for city council has an ownership or partnership interest in a cannabis business, receives any compensation beyond lawful campaign contributions from a cannabis business, or receives any benefits beyond permitted benefits or gifts allowed by FPPC regulations from a cannabis business, then that councilmember, council candidate who is elected to the city council and the cannabis business is disqualified from voting on any item involving that cannabis business where there is that conflict of interest.”~~

SECTION 11. SEVERABILITY. If any provision, section, paragraph, sentence, phrase, or word of this Ordinance is, rendered or declared invalid, illegal, or unconstitutional by any final action in a court of competent jurisdiction or by reason of any preemptive legislation, such constitutionality, illegality or invalidity shall only affect such provision, section, paragraph, sentence, phrase, or word and shall not affect or impair any remaining provisions, sections, paragraphs, sentences, phrases, or words, or the application of this Ordinance to any other person or circumstance, and to that end, the provisions hereof are severable. It is hereby declared to the intent of the People of the City that this Ordinance would have been adopted had such unconstitutional, illegal or invalid provision, section, paragraph, sentence, phrase, or word not been included herein.

SECTION 12. APPROPRIATIONS LIMIT. Pursuant to Article XIII B of the California Constitution, the appropriations limit for the City of South El Monte is increased to the maximum extent over the maximum period of time allowed under the law consistent with the revenues generated by this tax.

SECTION 13. CONFLICTING MEASURES. The People of the City find and declare that the provisions of this Ordinance relating to the regulation and taxation of commercial cannabis operations in the City may conflict with one or more provisions of other initiative measures. It is the intent of the People that if this Ordinance receives a greater number of affirmative votes than a conflicting measure at the same election, this Ordinance shall prevail in its entirety over a conflicting measure.

SECTION 14. AMENDMENT. Following the operative date of this Ordinance, the City Council may, pursuant to the procedures set forth in the State Government Code and the City Municipal Code and without prior approval of the electorate, amend this Ordinance including Chapter 5.26 (Cannabis Activities) of Title 5 (Business Taxes, Licenses, and Regulations) of the City Municipal Code, with the exception of Section 5.26.060 of the City Municipal Code, which may only be amended (i) if ordered to do so by a court of competent jurisdiction as a judicial remedy or (ii) by a vote of the People of the City.

SECTION 15. CEQA. The City Council finds that this Ordinance is not subject to the CEQA pursuant to both the exemption provided by Sections 15060(c)(3) and 15061(b)(3) of the CEQA Guidelines.

SECTION 16. OPERATIVE DATE. This Ordinance shall be operative 10 days after the date that the City Council declares that a majority of the City’s voters voting at the November 8, 2022, election

have voted in favor of a cannabis-related measure at such election.

SECTION 17. CERTIFICATION. The City Clerk shall certify to the adoption of this ordinance, and shall cause the same to be posted and codified in the manner required by law.

PASSED, APPROVED, AND ADOPTED this ____ day of _____, 2022.

Gloria Olmos, Mayor

ATTEST:

Donna G. Schwartz, City Clerk

APPROVED AS TO FORM:

Anthony R. Taylor, City Attorney