

ORDINANCE NO. _____(N.C.S.)

**AN ORDINANCE OF THE CITY OF SALINAS AMENDING CHAPTERS 5 AND 19A
RELATING TO THE REGULATION AND TAXATION OF COMMERCIAL CANNABIS
BUSINESSES AND RELATED OPERATIONS**

City Attorney Summary

Commercial Cannabis Businesses are permitted in the City of Salinas, subject to the requirements of Chapter 5, Article VII of the Municipal Code. Some of these businesses are also required to pay a commercial cannabis business tax, as described in Chapter 19A of the Municipal Code. This Ordinance would amend these Sections by establishing permitting and regulatory procedures for Nursery and Research and Development businesses, would establish and/or modify requirements relating to the disposal of cannabis waste and the issuance of employee identification cards, and would create a lower tax burden for Cultivation operations that are Nurseries.

SECTION 1: Section 5-07.05 of Chapter 5, Article VII of the Salinas City Code is hereby amended to read as follows (additions shown in underline, deletions in ~~striketrough~~):

Sec. 5-07.05. - Definitions.

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

(a) "Adult Use" shall refer to the consumption of cannabis or cannabis products by a person 21 years of age or older, but excludes the use of cannabis or cannabis products in a manner consistent with a physician's recommendation.

(b) "Cannabis" means all parts of the Cannabis sativa Linnaeus, Cannabis indica, or Cannabis ruderalis, whether growing or not; the seeds thereof; the resin, whether crude or purified, extracted from any part of the plant; and every compound, manufacture, salt, derivative, mixture, or preparation of the plant, its seeds, or resin. "Cannabis" also means the separated resin, whether crude or purified, obtained from cannabis. "Cannabis" does not include the mature stalks of the plant, fiber produced from the stalks, oil or cake made from the seeds of the plant, any other compound, manufacture, salt, derivative, mixture, or preparation of the mature stalks (except the resin extracted therefrom), fiber, oil, or cake, or the sterilized seed of the plant which is incapable of germination. For the purpose of this Article, "cannabis" does not mean "industrial hemp" as that term is defined by Section 11018.5 of the California Health and Safety Code.

(c) "Cannabis accessories" means any equipment, products or materials of any kind which are used, intended for use, or designed for use in planting, propagating, cultivating, growing, harvesting, manufacturing, compounding, converting, producing, processing, preparing, testing, analyzing, packaging, repackaging, storing, smoking, vaporizing, or containing cannabis, or for ingesting, inhaling, or otherwise introducing cannabis or cannabis products into the human body.

(d) "Cannabis activity" includes the cultivation, possession, manufacture, distribution, processing, storing, laboratory testing, labeling, transportation, delivery, or sale of cannabis or cannabis products.

(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 permit" means any type of permit for cannabis activity issued by the City of Salinas, including either a Commercial Cannabis Permit or an Administrative Permit issued by the city of Salinas pursuant to this Article.

(g) "Cannabis product" 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.

(h) "Cannabis Waste" means any waste that is not hazardous waste, as defined in Public Resources Code section 40141, that contains cannabis and that has been made unusable and unrecognizable in the manner prescribed in sections 5054 and 5055 of Title 16, Division 42 of the California Code of Regulations. Includes, but is not limited to, unsold or contaminated cannabis or cannabis product, samples which have been tested by a laboratory, unused material used for research, and/or contaminated packaging.

~~(i)~~ (h) "Caregiver" or "Primary Caregiver" has the same meaning as that term is defined in Section 11362.7 of the California Health and Safety Code.

~~(j)~~ (i) "Commercial cannabis activity" means "cannabis activity" conducted for financial or other valuable consideration, including activities conducted by a nonprofit agency.

~~(k)~~ (j) "Commercial cannabis business" means any person or business, including a nonprofit, which engages in commercial cannabis activity.

~~(l)~~ (k) "Cultivation" means any activity involving the propagation, planting, growing, harvesting, drying, curing, grading, or trimming of cannabis. Cultivation may include, but is not limited to, those activities that are allowed in a Nursery.

~~(m)~~ (l) "Cultivation site" means a facility where cannabis is propagated, planted, grown, harvested, dried, cured, graded, or trimmed, or that does all or any combination of those activities, including a Personal Grow.

~~(n)~~ (m) "Day Care Center" has the same meaning as in Chapter 37 of the Salinas Municipal Code.

~~(o)~~ (n) "Delivery" means the retail sale of cannabis or cannabis products (pursuant to an order placed for purchase of the same) to a customer for consumption, where the transaction does not occur within a licensed dispensary. "Delivery" also includes the use of any technology platform owned and controlled by a retailer, and further includes the soliciting and receiving of an order for

cannabis or cannabis product. “Delivery” does not include the transportation of cannabis or cannabis products between licensees as defined under “Distribution,” below.

(~~op~~) "Dispensary" means a licensed facility where cannabis, cannabis products, and/or devices facilitating the use of cannabis or cannabis products are offered, either individually or in any combination, for retail sale within the premises.

(~~qp~~) "Dispensing" means any activity involving the retail sale of cannabis or cannabis products from a dispensary.

(~~rq~~) "Distribution" means the procurement, sale, and transport of cannabis or cannabis products between entities licensed by the State of California. “Distribution” excludes the transport or sale of cannabis and cannabis products to a customer for consumption, as defined under “Delivery,” above.

(~~sf~~) "Distributor" means a person licensed to engage in the distribution of cannabis and/or cannabis products.

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

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

(v) “Immature Cannabis Plant” means a nonflowering Cannabis plant that is no taller than eight inches and no wider than eight inches produced from a cutting, clipping, or seedling.

(~~wu~~) "License" means a license issued by the State of California pursuant to Division 10 of the California Business and Professions Code, and includes both A-licenses and M-licenses, as well as a testing laboratory licenses.

(~~vx~~) “Licensee” means a person or business possessing a “license” issued pursuant to Division 10 of the California Business & Professions Code.

(~~yw~~) "Live plants" means living cannabis flowers and plants, including seeds, sprouts, immature plants (including unrooted clones), and vegetative stage plants.

(~~zx~~) “Manufacture” or “Manufacturing” means to compound, blend, extract, infuse, or otherwise make or prepare a cannabis product.

(~~aa~~) "Manufacturer" means a licensee that conducts the production, preparation, propagation, or compounding of cannabis or cannabis products either directly or indirectly or by extraction methods, or independently by means of chemical synthesis at a fixed location that packages or repackages ~~medical~~-cannabis or ~~medical~~-cannabis products or labels or relabels its container. A manufacturer includes a licensee that infuses cannabis in its products but does not perform its own

extraction, as well as any business that accepts Cannabis Waste and renders it into an unrecognizable and unusable form in preparation for final disposal.

~~(abz)~~ “Market” refers to the supply chain of licensed commercial cannabis businesses conducting operations with other businesses of the same market type. The two types of markets are the adult-use and the medicinal markets, which are distinguished through the issuance of an “M-Type” license by the State for businesses participating in the medicinal market, and an “A-Type” license issued by the State to businesses participating in the adult-use market. A single business may participate in both markets.

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

~~(adb)~~ “Nursery” means a licensee that produces only clones, ~~immature~~ Cannabis plants, seeds, and other agricultural products used specifically for the propagation and cultivation of cannabis.

~~(aee)~~ “Owner” shall have the same meaning as “principal” as defined below.

~~(afd)~~ “Patient” or “Qualified patient” shall have the meaning given that term by California Health and Safety Code Section 11362.7.

~~(aeg)~~ “Person” means an individual, firm, partnership, joint venture, association, corporation, limited liability company, estate, trust, business trust, receiver, syndicate, or any other group or combination acting as a unit, and includes the plural as well as the singular number.

~~(ahf)~~ “Person with an identification card” shall have the meaning given that term by California Health and Safety Code Section 11362.7.

~~(aig)~~ “Personal Grow” refers to the possession, planting, cultivation, harvesting, drying, and/or processing of cannabis within an individual’s personal residence for that individual’s sole use. Excludes the provision, donation, sale, or distribution of this cannabis to any other person, including commercial cannabis businesses, as well as the manufacture of any cannabis product utilizing this cannabis.

~~(ajh)~~ “Principal” means a person who is any of the following:

- (1) A person with an aggregate ownership interest of 20 percent or more in the person applying for a license or a licensee, unless the interest is solely a security, lien, or encumbrance;
- (2) The chief executive officer;
- (3) A member of the board of directors; or
- (4) Any individual who will be participating in the direction, control, or management of the person applying for a license.

~~(aik)~~ “Premises” means the designated portion of a structure, entire structure, or structures and land specified in an application that is owned, leased, or otherwise held under the control of the

applicant or licensee where commercial cannabis activity will be or is conducted. The premises shall be a contiguous area.

(a~~j~~l) “Qualified Patient” shall have the meaning given that term by California Health and Safety Code Section 11362.7.

(a~~m~~k) “Recreational Facility” shall mean a site used for “Commercial Recreation,” as that term is defined in Chapter 37 of the Municipal Code.

(a~~n~~l) “Recreational use” shall have the same meaning as “Adult use” as defined herein.

(a~~o~~) “Research and Development Facility” means a licensee that conducts research on cannabis, cannabis products, or any component thereof for the purposes of the innovation, introduction, and/or improvement of products and processes associated with the cannabis industry, but does not sell, either at retail or wholesale, any cannabis or cannabis product. Excludes Testing Laboratories.

(a~~p~~m) “Sell,” “Sale,” and “to sell” includes any transaction whereby, for any consideration, title to cannabis or cannabis products is transferred from one person to another, and includes the delivery of cannabis or cannabis products pursuant to an order placed for the purchase of the same and soliciting or receiving an order for the same, but does not include the return of cannabis or cannabis products by a licensee or consumer to the licensee from whom the cannabis or cannabis product was purchased.

(a~~q~~n) “Selection Committee” means the group of City employees that has been tasked by the City Manager to review and approve Commercial Cannabis Permits in accordance with this Article.

(a~~r~~e) “Small Distribution Facility” means a facility or business involved in the distribution of cannabis and/or cannabis product that complies with the requirements of Section 5-07.12.

(a~~s~~p) “Testing Laboratory” means a laboratory, facility, or entity in the state that offers or performs tests of cannabis or cannabis products for the purpose of verifying product purity and/or quality and that is both of the following:

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

(2) In possession of a “license” issued by the State of California.

(a~~t~~q) “Topical cannabis” means a product intended for external application and/or absorption through the skin. A topical cannabis product is not considered a drug as defined by Section 109925 of the California Health and Safety Code.

(a~~u~~f) “Volatile Solvent” means a solvent that is or produces a flammable gas or vapor that, when present in the air in sufficient quantities, will create explosive or ignitable mixtures.

(a~~s~~v) “Volatile Manufacturing” means manufacturing cannabis products in a manner that utilizes one or more volatile solvents.

(a~~w~~) “Waste Disposal Services Provider” means any person who provides services for the disposal of cannabis waste and possesses an appropriate license from the State of California.

SECTION 2: Section 5-07.07 of Chapter 5, Article VII of the Salinas City Code is hereby amended to read as follows (additions shown in underline, deletions in ~~strike through~~):

Sec. 5-07.07. – Commercial Cannabis Permits – Application Procedures.

All persons desiring to operate a Cultivation, Manufacturing, Distribution (except Small Distribution as described in Section 5-07.12), Dispensary, or Delivery business or businesses, as defined in this Article, shall first obtain a Commercial Cannabis Permit in accordance with the requirements of this Section. (a) At a minimum, an application for a Commercial Cannabis Permit shall contain the following:

- (1) The printed full name, signature, date of birth, social security number, and present address and telephone number of all business owners and principals;
- (2) The address to which correspondence from the city of Salinas is to be sent;
- (3) The names and addresses of all businesses operated by and the employment of the business owners and principals for the five years immediately preceding the date of the application;
- (4) Any litigation in which the applicant(s) has been involved within the five years immediately preceding the date of the application and a statement of whether any business currently operated by the applicant(s) or operated by the applicant(s) within the five years immediately preceding the date of the application has been investigated or the permit or license authorizing the operation of such business has been revoked or suspended within the five years immediately preceding the date of the application;
- (5) The type of commercial cannabis business for which approval is sought, including whether the business is seeking a permit to conduct medicinal and/or adult-use cannabis activities.(6) The approximate number of customers projected to be served by the commercial cannabis business;
- (7) The address of any commercial cannabis business currently being or previously operated by all or any of the applicants.
- (8) The supply sources for all cannabis and cannabis products sold at the commercial cannabis business, including the testing facilities that will be utilized to verify product safety and/or quality.
- (9) For an application including Cultivation, a cultivation plan that includes the following information:
 - a. A cultivation and operations plan demonstrating that the proposed operation would meet or exceed minimum legal standards for water usage, conservation and use; drainage, runoff, and erosion control; watershed and habitat protection; and proper storage of fertilizers, pesticides, and other regulated products to be used on the parcel. The plan shall also include a description of the cultivation activities (indoor, mixed-light) and schedule of activities during each month of growing and harvesting, or an explanation of growth cycles and anticipated harvesting schedules for all-season harvesting (indoor, mixed-light).
 - b. A description of a legal water source, irrigation plan, and projected water use.

c. Identification of the source of electrical power and plan for compliance with applicable Building Codes and related codes.

d. Plan for addressing odor and other public nuisances which may be created by or emanate from the cultivation site.

(10) Descriptions of odor control devices and techniques to prevent odors from being detectable off-site.

(11) Procedures for identifying, managing, and disposing of contaminated, adulterated, deteriorated or excess ~~medical-cannabis or~~ cannabis product.

(12) Procedures for inventory control to prevent diversion of cannabis and cannabis product, employee screening, storage of cannabis and cannabis product, personnel policies, and record-keeping procedures.

(13) A detail of the procedures to be utilized at the facility including a description of how chemicals and fertilizers will be stored, handled, used and disposed of; manufacturing methods (including whether the manufacturing processes used will be volatile or nonvolatile), the transportation process, and quality control procedures.

(14) A site plan and floor plan of the commercial cannabis business denoting the property lines and the layout of all areas of the commercial cannabis business including storage, cultivation, manufacturing, testing, distributing, reception/waiting, dispensing, and all ancillary support spaces, and the relationship of the facility to adjacent properties and land uses.

(15) Size, height, colors, and design of any proposed signage at the site. A city of Salinas sign permit issued pursuant to the Salinas Municipal Code shall be required.

(16) An operations and security plan, including the amount and method of storage for any hazardous materials used or produced on-site. For Delivery and Distribution companies, the security plan shall include provisions relating to vehicle security and the protection of employees and product during loading and in transit.

(17) Standard operating procedures detailing how operations will comply with state and local regulations, how safety and quality of products will be ensured, record-keeping procedures for financing, testing, and adverse event recording, and product recall procedures.

(18) Proposed hours of operation.

(19) Recycling and waste disposal information for cannabis materials.

(20) A statement in writing by the applicant that he or she certifies under penalty of perjury that all the information contained in the application is true and correct.

(21) A Zoning Verification Letter from the Salinas Community Development Department indicating whether the proposed use is permitted, may be considered, or is not presently permitted at the subject site by Chapter 37 of the Salinas Municipal Code. The letter shall also include a list

of any known sensitive uses, as defined in this Article, known to be located within the distance(s) designated by this Article.

(b) No person who has been charged with and has charges pending for, or has been convicted of, a drug-related crime, felony, or crime of moral turpitude within the past ten years may be engaged (actively or passively) in the operation of any commercial cannabis business, unless the drug-related crime involves the possession, sale, transport, cultivation, manufacture, or use of cannabis or cannabis-related product, the activity charged or convicted was legal according to the laws of the state in which the violation or alleged violation occurred at the time of the violation, and the individual charged has all necessary licenses, permits, and/or other approvals necessary to conduct the activity within the subject jurisdiction. A conviction within the meaning of this section means a plea or verdict of guilty or a conviction following a plea of nolo contendere. This Section shall not apply to those who have been previously charged with a crime if those charges were later dropped or the person was found not guilty of those charges.

(c) Applications shall be submitted to the City Attorney. The City Attorney or his/her designee shall review each application to determine whether it contains all of the required information. If the application does not contain all of the required information, the application shall be denied. The City Attorney shall provide written notice to the applicant detailing the components which were not provided that led to the application's denial. Applications which include all of the required information will be forwarded to the City Manager or his/her designee, which may be the Selection Committee, for review.

(d) The City Manager shall appoint a Selection Committee to review applications for Commercial Cannabis Permits. The Committee shall include a minimum of three members, and each member shall represent a different Department within the City. No member of the City Attorney's Office shall serve on the Selection Committee. In reviewing an application for a permit pursuant to this Article or in reviewing the proposed commercial cannabis business, the Selection Committee may request whatever additional information is deemed necessary to carry out the purposes of this Article.

(e) The Selection Committee shall have the authority to either grant or deny an application for a Commercial Cannabis Permit. Notwithstanding what is otherwise provided in this Article, the Selection Committee, when approving a Commercial Cannabis Permit, may place any additional limitations and conditions on the operation of the business as deemed necessary, consistent with the public interest and with this Article.

(f) When an application for a Commercial Cannabis Permit is denied, the Selection Committee shall convey the reasons for the denial and the findings of fact upon which the decision is based to the City Attorney, who shall prepare and send a notice of denial, including the reasons for denial, to the applicant. Any person denied a Commercial Cannabis Permit shall have the right to appeal such denial in accordance with this section.

(g) In addition to whatever additional findings may be made by the Selection Committee (or the appellate body or the city council in the event of an appeal initiated pursuant to this Article), an

application for a commercial cannabis permit may be denied upon making any of the following findings:

- (1) The applicant made one or more false or misleading statements or omissions on the registration application or during the application process.
- (2) The applicant is not qualified to operate a commercial cannabis business.
- (3) The applicant fails to meet the requirements of this Article or any regulation adopted pursuant to this Article.
- (4) The operation of the proposed commercial cannabis business at the proposed location is prohibited by any state or local law or regulation.
- (5) Any person who is listed on the application is ineligible to operate a commercial cannabis business due to their criminal history as specified in subsection (b) of this section.
- (6) The applicant or the operator listed in the application is less than twenty-one years of age.
- (7) The Selection Committee determines that the proposal, taken as a whole, would be unable to operate without significant impact on the community.
- (8) The number of businesses of the subject application type that have been approved or permitted within the City of Salinas meets or exceeds the maximum number of that respective business type specified in this Article.

SECTION 2: Section 5-07.12 of Chapter 5, Article VII of the Salinas City Code is hereby amended to read as follows (additions shown in underline, deletions in ~~striketrough~~):

Sec. 5-07.12. – Administrative Permits

All persons desiring to operate a ~~Testing Laboratory or Small Distribution~~commercial cannabis business ~~or businesses, as defined in this Article, described in this Section~~ shall first obtain an Administrative Permit in accordance with the requirements of this Section. Businesses subject to the Administrative Permit process are not subject to the requirements of Division 5 of this Article; provided, however, that the business may be subject to additional requirements, including selected requirements otherwise provided in Division 5, that are developed pursuant to regulations established by the City Manager consistent with Division 11 of this Article.

(a) The Office of the City Manager shall issue Administrative Permits. The City shall develop and publish regulations related to the approval of Administrative Permits. The review of the Administrative Permit shall be limited to confirming compliance with adopted laws and regulations.

(b) Testing Laboratories may be approved provided that the business has first obtained a City of Salinas Business License and any land-use approvals required by the City of Salinas, has prior to the commencement of operations obtained ~~any required licenses~~ Type 8 License from the State of California, and is otherwise compliant with state laws and regulations.

(c) A Small Distribution Facility may be approved when the operation meets the following criteria:

- (1) The Distributor obtains any required state licenses and is operating in compliance with applicable state laws and regulations.
- (2) The amount of space utilized for the Distribution portion of the operation shall not exceed 500 square feet.
- (3) Any cash and/or cannabis or cannabis product with a total value in excess of \$1,000 shall be stored in a safe or vault.
- (4) The site is used only as a physical location used for the drop-off or pick-up of cannabis product by a licensed testing facility or the transfer of cannabis product between licensees.
- (5) This Section does not include Delivery of ~~medical~~-cannabis or ~~medical~~-cannabis product as defined in Section 5-07.05(~~no~~).

(d) A Nursery may be approved provided that the operation meets all of the following criteria:

- (1) The Nursery operator obtains a Type 4 License from the State of California, maintains that License in good standing, and is operating in compliance with applicable state laws and regulations.
- (2) The growing of cannabis at the site shall be limited to the growing of Immature Cannabis Plants.
- (3) The Nursery operation must be conducted entirely within an enclosed building.
- (4) Sales shall be limited to seeds, cuttings, and Immature Cannabis Plants. Any other cannabis or cannabis products produced at the site shall be disposed of as waste pursuant to Section 5-07.19.5.
- (5) A Nursery may obtain a Small Distribution Permit at the same site, provided that the Distribution occurring is accessory to the use of the Nursery.
- (6) The Nursery shall be subject to requirements specified in Section 5-07.36.

(e) A Research and Development Facility may be approved provided that the operation meets the following criteria:

- (1) The business has first obtained a City of Salinas Business License and any land-use approvals required by the City of Salinas, has prior to the commencement of operations obtained any required licenses from the State of California, and is otherwise compliant with state laws and regulations.
- (2) Any facility which includes the growing of mature cannabis plants or the extraction of oils shall include odor control devices and techniques to ensure that odors from cannabis are not detectable off-site.
- (3) Any cash and/or cannabis or cannabis product with a total value in excess of \$1,000 shall be stored in a safe or vault. This excludes living cannabis plants; however, operations which will

include more than 30 square feet of canopy space for mature cannabis plants shall require the approval of a Security Plan as described in Section 5-07.25 of this Article.

(4) A Research and Development Facility may not sell, whether wholesale or retail, any cannabis or cannabis product, and all used or unused cannabis and/or cannabis product shall be disposed as waste pursuant to Section 5-07.19.5.

(5) A Research and Development Facility may obtain a Small Distribution Permit at the same site, provided that the Distribution occurring is accessory to the use of the Nursery.

SECTION 4: Section 5-07.19.5 is added to Chapter 5, Article VII of the Salinas City Code to read as follows:

Sec. 5-07.19.5. – Disposal of Cannabis Waste

All cannabis waste shall be properly disposed of in accordance with California laws and regulations. All commercial cannabis businesses shall comply with the following:

(a) The business may not sell or give away cannabis waste, except to a Waste Disposal Service Provider.

(b) Cannabis shall not be disposed of or removed from the premises of any business until it has first been rendered unrecognizable and unusable by a third party, unless it has been accepted by a Waste Disposal Service Provider.

(c) All businesses shall comply with all applicable waste management laws including, but not limited to, Division 30 of the Public Resources Code.

(d) Each business shall dispose of cannabis waste in a secured waste receptacle or in a secured area on the licensed premises. For the purposes of this section, “secure waste receptacle” or “secured area” means that physical access to the receptacle or area is restricted to the licensee and its employees. Public access to the designated receptacle or area is prohibited.

(e) The following shall apply to each business:

(1) If the City of Salinas has a franchise agreement with a third party entity for the disposal of solid waste within the City of Salinas, and that entity has the desire and necessary authorization(s) to handle that waste, the business shall obtain service for the disposal of cannabis and cannabis waste if offered by that entity.

(2) If the City of Salinas does not have a franchise agreement with any party for the disposal of solid waste, or if said party either does not wish or is not able to dispose of cannabis waste, then the business shall dispose of all Cannabis Waste in accordance with this Article and state law. The business may demonstrate this by either contracting with a person licensed by the State of California to provide said service, or by demonstrating how the business will obtain the necessary state licenses and approvals to dispose of its own waste. This Section shall not be construed to eliminate the requirement for service to dispose of solid waste other than Cannabis Waste from

any entity which has a franchise agreement with the City to provide solid waste disposal service within the City of Salinas.

(f) If a business is composting cannabis waste on the licensed premises, it shall do so in compliance with title 14, California Code of Regulations, chapter 3.1 (commencing with Section 17850). The business shall maintain documentation that composted cannabis has been rendered unrecognizable and unusable by a third-party, and shall obtain any other required Permits. The business shall allow the City to inspect this documentation upon request.

(g) Each business shall maintain records regarding its disposal of Cannabis Waste. These records shall comply with state requirements, and shall also be made available to the City of Salinas upon request. These records shall include, but are not necessarily limited to, the following:

(1) Waste Disposal Service Provider information, including the name, business address, phone number, contact person, and state license number(s);

(2) Documentation from the Waste Disposal Service Provider that indicates the weight, volume, date, and time of each collection of Cannabis Waste at the premises; and

(3) Copies of the certified weight ticket or other documentation prepared by the Waste Disposal Service Provider confirming receipt of the Cannabis Waste at one, or more, of the following solid waste facilities:

(A) A manned, fully permitted solid waste landfill or transformation facility;

(B) A manned, fully permitted composting facility or manned composting operation;

(C) A manned, fully permitted in-vessel digestion facility or manned in-vessel digestion operation;

(D) A manned, fully permitted transfer/processing facility or manned transfer/processing operation; or

(E) A manned, fully permitted chip and grind operation.

(h) If a business is self-hauling cannabis waste to one, or more, of the solid waste facilities in subsection (g)(3) of this section, the following shall apply:

(1) The business shall maintain third-party confirmation that the cannabis has been rendered unrecognizable and unusable prior to disposal.

(2) The business shall obtain for each delivery of cannabis waste a copy of a certified weight ticket or receipt documenting delivery from the solid waste facility. The solid waste facility shall indicate upon the ticket its knowledge that the waste disposed of includes Cannabis Waste.

(3) The solid waste authority must have obtained all approvals necessary to receive Cannabis Waste, and shall provide documentation to the business to that effect. The business shall maintain this documentation and shall make it available for inspection by the City upon request.

(4) Only business principals or employees may transport self-hauled cannabis waste.

SECTION 5: Section 5-07.24 of Chapter 5, Article VII of the Salinas City Code is hereby amended to read as follows (additions shown in underline, deletions in ~~strike through~~):

Sec. 05-07.24. – Security Measures.

The Chief of Police is authorized to promulgate all regulations necessary to implement the requirements and fulfill the policies of this Section related to commercial cannabis businesses including, but not limited to, the following subjects:

(a) A permitted commercial cannabis business shall implement sufficient security measures to both deter and to prevent unauthorized entrance into areas containing ~~medical~~-cannabis or ~~medical~~ cannabis products and theft of ~~medical~~-cannabis or ~~medical~~-cannabis products at the commercial cannabis business. Except as may otherwise be determined by the Chief of Police, these security measures shall include, but shall not be limited to, all of the following:

(1) Preventing individuals from remaining on the premises of the commercial cannabis business if they are not engaging in the activity expressly related to the operations of the commercial cannabis business.

(2) Establishing limited access areas accessible only to authorized commercial cannabis business personnel.

(3) Except for live growing plants which are being cultivated at a ~~e~~Cultivation facility or Nursery, all cannabis and cannabis products shall be stored in a secured and locked room, safe, or vault. All cannabis and cannabis products, including live plants which are being cultivated, shall be kept in a manner as to prevent diversion, theft, and loss, except for limited amounts of cannabis used for display purposes or immediate sale at a dispensary.

(4) Installing 24-hour security surveillance cameras of at least HD-quality to monitor all entrances and exits to and from the premises and to monitor all interior spaces within the commercial cannabis business which are open and accessible to the public. The security surveillance cameras shall be remotely accessible to the Salinas Police Department and shall be compatible with the Salinas Police Department's software and hardware and remote real-time, live access to the video footage from the cameras shall be provided to the Salinas Police Department. Video recordings shall be maintained for a minimum of forty-five days.

(5) Sensors shall be installed to detect entry and exit from all secure areas.

(6) Panic buttons shall be installed in all commercial cannabis businesses.

(7) Having a professionally installed, maintained, and monitored alarm system.

(8) Any bars installed on the windows or the doors of the commercial cannabis business shall be installed only on the interior of the building.

(9) Security personnel hired by the commercial cannabis business shall be subject to the prior review and approval of the chief of police or his designee.

(10) Each commercial cannabis business shall have the capability to remain secure and operational during a power outage and shall ensure that all access doors are not solely controlled by an electronic access panel to ensure that locks are not released during a power outage.

(b) Each commercial cannabis business shall identify a liaison to the Salinas Police Department who shall be reasonably available to meet with the Chief of Police or his/her designee regarding security measures and operational issues.

(c) As part of the application and permitting process, each commercial cannabis business shall have a transportation plan describing the procedures for legally, safely, and securely transporting cannabis and cannabis products and currency.

(d) A commercial cannabis business shall notify the Chief of Police or his/her designee within twenty-four hours after discovering any of the following:

(1) Discrepancies identified during inventory. The level of significance shall be determined by the Chief of Police.

(2) Diversion, theft, loss, or any criminal activity involving the commercial cannabis business or any agent or employee of the commercial cannabis business.

(3) The loss or unauthorized alteration of records related to cannabis, registering qualifying patients, primary caregivers, or employees or agents of the commercial cannabis business.

(4) Any other breach of security.

(e) These regulations shall constitute minimum standards only. The City of Salinas may impose additional security measures in a commercial cannabis permit if the City determines that these additional measures are necessary to ensure the safety and security of the commercial cannabis business, its customers, and its neighbors.

SECTION 5: Section 5-07.25 of Chapter 5, Article VII of the Salinas City Code is hereby amended to read as follows (additions shown in underline, deletions in ~~striketrough~~):

Sec. 05-07.25. – Employee Work Permits

(a) Any person who is an employee or who otherwise works or volunteers within a commercial cannabis business, other than a business owner or principal, must obtain a work permit from the Chief of Police. The Chief of Police is hereby authorized to promulgate all regulations necessary to implement the work permit process contemplated in this section including, but not limited to, the reasons for denial of a work permit to any person. A work permit shall be valid for a twelve month period and must be renewed on an annual basis. Applications for work permits shall be submitted under oath and shall contain a statement of the past criminal record, if any, of the applicant and such information as may be deemed necessary by the Chief of Police to determine whether it would be appropriate and in the public interest to issue a work permit to the applicant. The initial application shall be accompanied by fingerprints and a recent photograph of the applicant in a form and manner as required by the Chief of Police. In the event a person changes employment from one commercial cannabis business within the city to another, the work permit

holder shall notify the Chief of Police in writing of the change of employment within ten days of such change or the work permit shall be suspended or revoked.

(b) The business shall provide an identification card to all persons, including employees and principals, employed or working at the commercial cannabis business. This identification card shall include on its front, at a minimum: the business's name (as identified on its state license); the business type; the person's first name and the first initial of the person's last name; whether the person is an employee or principal; the expiration date of the employee's Work Permit (if applicable); and a recent color photograph of the person that clearly shows the full front of the person's face and is at least one inch in width and one-and-one-half inches in height. The card shall also include, on either the front or reverse sides, the business's state license number, an employee identification number provided by the business, and the employee's Work Permit number. The required information shall be included in the original manufacture of the card, and the information on the card may not be updated through any other method, including writing on the card or placing tape on the card. Each person to whom an identification card ~~work permit~~ is issued shall wear his or her personal identification card, ~~issued by the city of Salinas,~~ at a prominent and readily-visible location on the outermost garment and approximately chest-high. Such identification card shall at all times be in good and readable condition.

(c) Each owner or operator of a commercial cannabis business shall maintain on-site a current register of all the employees currently employed by the commercial cannabis business and shall produce such register upon demand by the Chief of Police, his/her designee, or any other city of Salinas official authorized to enforce the Salinas City Code for purposes of determining compliance with this Article.

(d) Each application for a work permit and renewal of an existing work permit shall be accompanied by a fee set by resolution of the City Council and shall be valid for a period of twelve months from the date of issuance, unless terminated, suspended, or revoked sooner. The fee is non-refundable and shall not be returned in the event the work permit is denied, revoked, or suspended.

(e) ~~The Chief of Police may allot to each permitted business a limited number of identification cards for use by i~~Individuals performing intermittent work at or who are visiting the commercial cannabis business, such as electricians, waste disposal companies, potential customers or vendors, shall not be required to obtain a permanent identification card pursuant to subsection (b), above. However, these persons shall be issued identification cards by the business identifying them as visitor~~ete~~. Persons using these visitor identification cards shall be accompanied at all times by an owner/principal or a regular employee of the business, and shall at no time be left unattended. A record of all persons issued these visitor identification cards – including names, businesses, times in, times out, and the purpose of the visit – shall be maintained by the business and shall be made available for inspection by the City upon request.

(f) It shall be unlawful and a violation of this Article for any person to employ any other person at a commercial cannabis business who is not at least twenty-one (21) years of age, except that a business that engages only in the medicinal market may employ persons at least eighteen (18) years of age.

SECTION 6: Section 19A.10.070 of Chapter 19A of the Salinas City Code is hereby amended to read as follows:

(a) Every person whether it is a "not for profit", "a nonprofit" or a "non-profit organization" as defined in this section, or a for-profit entity who is engaged in a Commercial Cannabis Cultivation business in the city shall pay an annual cannabis business tax on medical marijuana and non-medical marijuana where it is permissible by both state and local law. The initial tax shall be set at a rate of fifteen dollars per square foot of canopy space utilized in connection with cultivation of marijuana. In addition, on the third anniversary of the date this chapter is adopted by the city council, the tax rate shall automatically increase to twenty- five dollars per square foot. Beginning on January 1, 2020 and on January 1, of each succeeding year thereafter, the amount of each tax imposed by this section shall automatically be adjusted up to the equivalent to the most recent change in the annual average of the Consumer Price Index ("CPI") for all urban consumers in the San Francisco-Oakland-San Jose areas as published by the United States Government Bureau of Labor Statistics; however, no such adjustment shall decrease any tax imposed by this section.

~~This tax set forth in this subsection shall be applicable to all portions of a Cultivation operation unless a business notifies the City that a portion of the Cultivation operation will be dedicated to except Nursery operations. In this case, the portion of the operation which has been dedicated to~~ Every person whether it is a "not for profit" or a "non-profit organization" as defined in this section, or a for-profit entity who is engaged in a Commercial Cannabis Business in the City that is dedicated exclusively to a Nursery Operation shall pay an annual cannabis business tax on medical marijuana and non-medical marijuana, where it is permissible by both state and local law. ~~Nursery operations shall initially be taxed at the rate~~ of two dollars per square foot of canopy space utilized in connection with cultivation of marijuana. In addition, on the third anniversary of the date this chapter was originally adopted by the city council, the tax rate shall automatically increase to five dollars per square foot. Beginning on January 1, 2020 and on January 1, of each succeeding year thereafter, the amount of each tax imposed by this section shall automatically be adjusted up to the equivalent to the most recent change in the annual average of the Consumer Price Index ("CPI") for all urban consumers in the San Francisco-Oakland-San Jose areas as published by the United States Government Bureau of Labor Statistics; however, no such adjustment shall decrease any tax imposed by this section.

~~specified in subsection (b), below. The City must be notified immediately if any portion designated as a Nursery is converted to another use. If a subsequent inspection by the City or its representatives discovers that an area designated as Nursery is in fact being used for other Cultivation purposes, the Cultivation business shall be responsible to pay the tax rates described in this Section back to the previous City inspection, including any penalties and interest~~

(b) Every person whether it is a "not for profit", "a nonprofit" or a non-profit organization" as defined in this section, or a for-profit entity who is engaged in business as a dispensary, delivery service, or manufacturer of commercial Cannabis in the city shall pay an annual cannabis business tax on medical marijuana and non-medical marijuana where permissible by both state and local

law. The initial tax shall be set at five percent of the gross receipts annually for the first three years. On the third anniversary of the date this chapter is adopted by the city council, the tax rate shall automatically increase to ten percent of the annual gross receipts.

SECTION 7: SEVERABILITY. If any section, subsection, sentence, clause or phrase of this Ordinance is for any reason held invalid by a court of competent jurisdiction, such a decision shall not affect the validity of the remaining portions of this Ordinance. The City Council declares that it would have passed this Ordinance and each section, subsection, sentence, clause, or phrase thereof, irrespective of the fact that one or more sections, subsections, sentences, clauses, or phrases, be declared invalid.

SECTION 8: EFFECTIVE DATE. This Ordinance shall become effective on the thirty-first day following its adoption.

This ordinance was introduced and read of the 17th day of April, 2018, and passed and adopted on the 1st of May, 2018, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

APPROVED:

Joe Gunter, Mayor

APPROVED AS TO FORM:

Christopher A. Callihan, City Attorney

ATTEST:

Patricia M. Barajas, City Clerk