

ORDINANCE NO. FINAL ADOPTION (CM)

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF WATSONVILLE REPEALING CHAPTER 53 (CANNABIS FACILITIES) OF TITLE 14 (ZONING) IN ITS ENTIRETY AND ADDING A NEW CHAPTER 53 (CANNABIS FACILITIES) OF TITLE 14 (ZONING) OF THE WATSONVILLE MUNICIPAL CODE REGARDING THE CULTIVATION, MANUFACTURE, DISTRIBUTION, TESTING, DELIVERY AND RETAIL SALES OF CANNABIS AND CANNABIS PRODUCTS

WHEREAS, the revisions to Chapter 14-53 (Cannabis Facilities) and 14-16 (District Regulations) will provide more visibility, more location options, more streamlined permitting for cannabis business owners, and more tax revenue for the City while still providing a comprehensive regulatory program for all types of cannabis businesses in Watsonville; and

WHEREAS, the revisions to Chapter 14-53 (Cannabis Facilities) and 14-16 (District Regulations) were developed with input from the City Council, local cannabis business owners, the prevention community, and the Watsonville Police Department with the goal of balancing the welfare of youth in the community with the challenging business environment for the cannabis industry; and

WHEREAS, the Council desires to enact an ordinance updating Chapter 14-53 (Cannabis Facilities) and 14-16 (District Regulations) regulating cannabis facilities and cultivation so Watsonville residents may have safe and convenient access to cannabis while also ensuring that such uses do not conflict with the General Plan, are not incompatible with surrounding uses, and are not detrimental to the public health, safety, and welfare; and

WHEREAS, on May 7, 2024, the Planning Commission of the City of Watsonville considered the proposed Ordinance and voted 7-0 to adopt Resolution No. 06-24

recommending the City Council adopt amendments to WMC Chapter 14-16 (District Regulations) and Chapter 14-53 (Cannabis Facilities); and

WHEREAS, the City Council has reviewed the Ordinance, held a public hearing thereon, and found the request to be consistent with the Findings required for a zoning text amendment pursuant to Section 14-12.807 of the Watsonville Municipal Code.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF WATSONVILLE, CALIFORNIA, DOES HEREBY ORDAIN AS FOLLOWS:

SECTION 1. FINDINGS.

The above recitals are hereby declared to be true and correct findings of the City Council of the City of Watsonville.

SECTION 2. ENACTMENT.

Title 14 (Zoning) is hereby amended by repealing Chapter 53 (Cannabis Facilities) in its entirety and adding a new Chapter 53 (Cannabis Facilities) of the Watsonville Municipal Code to read in words and figures as follows:

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CHAPTER 14-53 CANNABIS FACILITIES*

Article 1. General Provisions

Sec. 14-53.101 Purpose and intent.

(a) This chapter is intended to implement the Medicinal and Adult Use Cannabis Regulation and Safety Act (Senate Bill 94, approved by Governor June 27, 2017, filed with California Secretary of State on June 27, 2017, hereafter "MAUCRSA") to accommodate the needs of medically ill persons in need of cannabis for medicinal purposes as recommended by their health care provider(s), and to provide access to same.

(b) This chapter is intended to provide access to adult-use cannabis for persons aged twenty-one (21) and over as authorized by the Control, Tax and Regulate the Adult Use Cannabis Act ("AUMA" or "Proposition 64" approved by California voters in 2016),

while imposing sensible regulations on the use of land to protect the City's residents, neighborhoods, and businesses from disproportionately negative impacts.

(c) It is the further purpose and intent of this chapter to regulate the cultivation, processing, manufacturing, testing, sale, delivery, distribution and transportation of cannabis and cannabis products in a responsible manner to protect the health, safety, and welfare of the residents of the City of Watsonville and to enforce rules and regulations consistent with State law.

(d) It is, in addition, the purpose and intent of this chapter to require all commercial cannabis operators to obtain and renew annually a permit to operate within the City of Watsonville.

(e) Nothing in this chapter is intended to authorize the possession, use, or provision of cannabis for purposes that violate State law.

(f) This chapter is in addition to any other permits, licenses and approvals which may be required to conduct business in the City.

Sec. 14-53.102 Legal authority.

Pursuant to Sections 5 and 7 of Article XI of the California Constitution, the provisions of MAUCRSA and any subsequent State legislation and/or regulations regarding same, the City may adopt standards, requirements and regulations for the licensing and permitting of commercial cannabis activity. Any standards, requirements, and regulations regarding health and safety, security, and worker protections established by the State of California, or any of its departments or divisions, shall be the minimum standards applicable in the City to all commercial cannabis activity.

Sec. 14-53.103 Definitions.

The following definitions shall apply to this chapter:

The definitions promulgated for the California Cannabis Cultivation Program in Division 8 (Cannabis Cultivation) of Title 3 (Food and Agriculture) of the California Code of Regulations Section 8000 et seq., 3 CCR 8000.

The definitions promulgated for the California Bureau of Cannabis Control in Division 42 (Bureau of Cannabis Control) of Title 16 (Professional and Vocational Regulations) of the California Code of Regulations Section 5000 et seq., 16 CCR 5000.

(a) “Cannabis processing” shall mean the drying, curing, grading, or trimming of cannabis within a permitted cannabis cultivation facility or as part of a standalone cannabis processing facility.

(b) “Discrepancy” shall mean a five percent difference between the licensee’s physical inventory and the inventory recorded in the track and trace system.

(c) “Facility” shall mean any building or structure used for or related to the cultivation, processing, testing, retail sales, delivery or manufacturing of cannabis.

(d) “Manager” shall mean a person who participates in the direction, control, or supervision of a permittee.

(e) “Owner” shall mean a person with an aggregate ownership interest of 20 percent or more in the commercial cannabis business, unless the interest is solely a security, lien, or encumbrance. For purposes of this section, “aggregate” means the total ownership interest held by a single person through any combination of individually held ownership interests in a commercial cannabis business and ownership interests in an entity that has an ownership interest in the same commercial cannabis business. For example, a person who owns 10 percent of the stock in a commercial cannabis business as an individual shareholder and 100 percent of the stock in an entity that owns 10 percent of the stock in the same commercial cannabis business has a 20 percent aggregate ownership interest in the commercial cannabis business.

(1) An individual who manages, directs, or controls the operations of the commercial cannabis business, including but not limited to:

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

(b) A general partner of a commercial cannabis business that is organized as a partnership.

(c) A non-member manager or managing member of a commercial cannabis business that is organized as a limited liability company.

(d) The trustee(s) and all persons who have control of the trust and/or the commercial cannabis business that is held in trust.

(e) The chief executive officer, president or their equivalent, or an officer, director, vice president, general manager or their equivalent

(2) If the commercial cannabis business is owned in whole or in part by an entity and the entity includes individuals who manage, direct, or control the operations of the commercial cannabis business, as described in subsection (a)(2)(E), those individuals shall also be disclosed as owners. Department of Cannabis Control Medicinal and Adult-Use Commercial Cannabis Regulations (January 2023) Page 23 of 222

(3) If available evidence indicates that an individual qualifies as an owner, the Department may notify the applicant or licensee that they must either disclose the individual as an owner and submit the information required by section 15002 or demonstrate that the individual does not qualify as an owner.

(f) “Permittee” shall mean a person issued a cannabis use permit under this chapter to engage in commercial cannabis activity.

(g) “Youth Center” shall mean any public or private facility that is exclusively used to host recreational or social activities for minors (under 18 years of age), such as private youth membership organizations or clubs, social service teenage club facilities, or amusement facilities. “Youth Centers” does not include any building, location, or facility where any programs, activities, or services: (a) are offered at private residences, (b) involve martial arts/combat sports, cultural or similar education, or physical fitness, or (c) are offered for fewer than five (5) hours per day each day the building, location, or facility is open. Notwithstanding the foregoing, Youth Centers shall also mean any facility determined by the City of Watsonville Parks Department to be a recreation center in a City park.

Sec. 14-53.104 Cannabis use permit required to engage in cannabis business.

(a) A cannabis use permit shall be required before engaging in commercial cannabis activity in the City.

(b) An application for a cannabis use permit shall include the information and completed and verified documents as may be prescribed by the Zoning Administrator.

(c) The Zoning Administrator shall determine and provide submittal requirements and instructions for cannabis use permit applications.

(d) All application fees shall be paid when the application is submitted.

(e) No application shall be complete until the Zoning Administrator notifies an applicant in writing that the Zoning Administrator deems the application complete.

Sec. 14-53.105 Requirements for cannabis delivery by businesses outside City.

No cannabis delivery business located outside the City shall deliver cannabis and/or cannabis products to a customer located inside the City unless all the following requirements are met:

(a) The business for delivery is properly licensed by the State of California and by any California city or county.

(b) The delivery business has first obtained, paid for and maintains in full force and effect a City business license under Chapter 3-4.

(c) The delivery business has registered with the Police Department using forms approved by the Chief of Police and provided a copy of its State license and local government approval permitting it to engage in commercial cannabis delivery.

(d) The delivery business has obtained and continues to maintain in full force and effect the required State license or licenses for the commercial cannabis activities in which they are engaged.

Sec. 14-53.106 Permit classes, numbers and location.

(a) Cannabis use permit classifications are:

Watsonville Cannabis Use Permit Classifications

Classification	Activity	Description
1A	Cultivation	Indoor. Up to five thousand (5,000) square feet of canopy space.
2A	Cultivation	Indoor. Five thousand one (5,001) to ten thousand (10,000) square feet of canopy space.
3A	Cultivation	Indoor. Ten thousand one (10,001) to twenty-two thousand (22,000) square feet of canopy space.
6	Manufacture	Manufacturer for products not using volatile solvents.
7	Manufacture	Manufacturer for products using volatile solvents.
8	Testing laboratory	Independent lab for the purpose of testing cannabis and cannabis products.
9	Retailer non-storefront	Must have a licensed premises but is not open to the public. Sales conducted exclusively by delivery.
10	Retailer	No more than three (3) retail sites.

Classification	Activity	Description
11	Distribution	Cannabis distribution.
	Cannabis processing	A facility where cannabis is dried, cured, trimmed and/or graded.

(b) Any cannabis use permit shall automatically expire if cannabis business activity ceases for ninety (90) calendar days or more.

(c) The number of cannabis facilities in the City shall not exceed:

Cannabis Use Permit Classifications	Permitted Numbers of Cannabis Use Permits	
	Number of Equity Licenses	Maximum Facilities Allowed
Type 1A, 2A, or 3A (cultivation)	1	6
Type 6 or 7 (manufacturing)	1	15
Type 8 (testing)	1	No limit
Type 9 (non-storefront retail)		7; only those cultivation and/or manufacturing permittees holding a valid City use permit shall be eligible to obtain a Type 9 cannabis use permit to sell only products cultivated/manufactured at their local Watsonville facility
Type 10 (storefront retail)	1	3
Type 11 (distribution)*	1	2 (standalone)
Processing	1	3

* Distribution shall be allowed in conjunction with a valid permit for cultivation, manufacturing, and/or processing license with approval of an administrative use permit.

A permittee may have only one (1) of each of the following classes of cannabis use permits:

License Type	Description
1A, 2A, or 3A	Cultivation
6 or 7	Manufacturing
9	Non-storefront delivery
10	Retail

License Type	Description
11	Distribution
	Cannabis processing

(d) Type 1A, 2A, or 3A (cultivation) cannabis use permits shall be limited to two (2) parcels.

(e) More than one (1) cannabis facility may be located on a single parcel. A separate permit is required for each cannabis facility.

Separation Requirements¹

	Cultivation and Processing	Manufacture	Distribution	Testing	Retail
Schools, licensed daycares and youth centers	600'	600'	600'	600'	600'
Park	600'	NA	NA	NA	NA
Residential district	250'	NA	NA	NA	NA
Legal residential use	100'	NA	NA	NA	NA
Faith-based facility or library	600'	NA	NA	NA	NA

¹ Separation distance from K-12 schools, daycares and youth centers shall be measured from property line to property line. Separation distance for cultivation facilities shall be measured from parcel line of sensitive use to nearest wall of cultivation facility.

Sec. 14-53.107 Cannabis equity use permit set-aside.

(a) A minimum of one (1) cannabis use permit for each cannabis license type shall be reserved in order to provide for support of those businesses determined eligible under Chapter 5-49 by the Cannabis Equity Officer. Such equity applications shall be processed in conformance with the provisions of this chapter with the following exceptions:

- (1) Equity applications shall be scored against other equity applicants during the application process, and shall not compete with nonequity applicants.
- (2) Entitlement permit fees for eligible equity applicants shall be waived.
- (3) If during an application period no equity applicants have been identified, the equity license shall be made available to a nonequity applicant.

(4) Eligibility as an equity applicant shall be determined prior to and/or during the pre-application process.

(b) Renewal. In order to renew a cannabis equity use permit, an equity applicant must provide proof that it continues to satisfy the equity criteria at the time of its annual permit renewal.

An equity applicant that no longer satisfies the equity criteria but is compliant with all other requirements of Chapter 5-49 will be entitled to renew the cannabis use permit but will not be eligible for any other benefits of an equity assistance program.

(c) Cannabis equity use permits are nontransferable.

(d) The ownership structure of the cannabis equity business shall not be modified for five (5) years after the cannabis equity permittee has commenced business, unless such modification maintains eligibility in the cannabis equity program as determined by the Cannabis Equity Officer.

Sec. 14-53.108 Cannabis use permit pre-application –Type 10 Retail Permits

When the Zoning Administrator determines that the number of active Type 10 Retail Permits in the City is less than the number of cannabis Type 10 Retail Permits allowed, the Zoning Administrator shall advertise in at least one (1) newspaper of general circulation and post on the City's website an announcement that the City will accept applications for additional cannabis Type 10 Retail Permits. The notice shall identify the City's application web page, requirements, application deadline(s), and contact information for questions.

(a) The Zoning Administrator shall determine an appropriate period within which to allow submittal of pre-applications.

(b) The Zoning Administrator shall determine the form and requirements for a cannabis Type 10 Retail pre-application.

(c) Applicants shall submit cannabis Type 10 Retail pre-applications to the Zoning Administrator.

(d) Cannabis Type 10 Retail pre-applicants shall be subject to a competitive, merit-based review to determine eligibility to apply for a cannabis use permit.

(e) Staff shall then schedule interviews with three (3) more applicants than the number of cannabis Type 10 Retail permits available.

(f) City staff shall review and score all pre-applications after expiration of the pre-application period. A Type 10 Retail pre-application selection committee shall consist of representatives of the Police Chief, Fire Chief, Community Development Director, and City Manager and an independent third-party cannabis consultant selected by the Zoning Administrator and shall convene to review applications and interview applicants. The Type 10 Retail pre-applicants determined to best meet the community's needs shall then be asked to submit an application for a cannabis use permit.

(g) If the cannabis Type 10 Retail pre-applicant interview panel approves any cannabis retail pre-application, the applicant shall have (6) six months to submit a cannabis use permit application to the Community Development Department for consideration.

Sec. 14-53.109 Evidence of cannabis background check required.

(a) All applicants for a cannabis use permit must be legally authorized for cannabis activity under State law.

(b) All applicants shall provide the Zoning Administrator with evidence of submittal of a LiveScan criminal background check for all owners of the business.

(c) The criminal background checks completed for business owners must at a minimum disclose:

(1) Whether any owner has ever plead guilty or no contest or been convicted of a violent felony as defined by California Penal Code Section 667.5(c), or equivalent offenses in other states or under the laws of the United States.;

(2) Whether any owner has ever plead guilty or no contest or been convicted of a felony involving dishonesty, fraud or deceit, including but not limited to fraud, forgery, theft, or embezzlement as those offenses are defined in California Penal Code Sections 186.11, 470, 484, and 504a, respectively; or equivalent offenses in other states or under the laws of the United States; or

(3) Whether any owner has ever plead guilty or no contest or been convicted of a felony, possession, transportation, distribution or similar activities related to controlled substances, as defined in the Federal Controlled Substances

Act, not including cannabis-related offenses for which the conviction occurred before the passage of MAUCRSA.

(d) Evidence that any owner has plead guilty or no contest or been convicted of any of the offenses enumerated in this section may be grounds for denial of a cannabis use permit.

Sec. 14-53.110 Approval of cannabis use permit.

Cannabis use permits shall be processed in accordance with the procedures described in Part 5 of Chapter 14-12.

Approval of a Type 10 Retail cannabis use permit shall be contingent on the following:

(a) Type 10 Cannabis retail applicant must have been identified as a potential candidate the pre-application process; and

(b) The applicant must obtain approval of a cannabis use permit within six (6) months of selection as a potential Type 10 retail cannabis use permit holder; and

(c) Obtaining all necessary State license(s) within six (6) months of positive recommendation through the pre-application process.

If any one (1) or more of the above items have not been satisfied, the Type 10 retail cannabis use permit shall not be approved.

Sec. 14-53.111 Fees and charges.

An applicant, permittee, owner, manager and employee shall timely and fully pay required fees when due. The amount of the following required fees shall be established by Council resolution:

(a) A Type 10 cannabis retail pre-application fee is due and payable in full when a cannabis pre-application is submitted;

(b) A Type 10 cannabis retail pre-application interview fee is due and payable in full within ten (10) days of notice that a pre-application interview has been granted;

(c) A cannabis use permit application fee is due and payable in full when a qualified applicant submits a cannabis use permit application;

(d) A cannabis use permit renewal fee is due and payable for each location when a cannabis use permit renewal application is submitted to the City;

(e) Any other fees for inspection, auditing or investigation not included within the other fees associated with a cannabis use permit application or a cannabis use permit renewal application.

Sec. 14-53.112 Change in location/business structure.

(a) A cannabis use permit does not run with the land. It is personal to the permittee. A permittee may apply to relocate contingent upon first obtaining a new cannabis use permit for the new location, and approval from the State licensing agency for the new location. The process and the fees for relocation shall be the same as the process and fees in Sections 14-53.108 and 14-53.112.

(b) Prior to any change in information provided in the application for a cannabis use permit or any change in status of compliance with the provisions of this chapter, including any change in the applicant's ownership or control (maintenance of a minimum 20 percent ownership), the permittee shall file an application for a new cannabis use permit with the Zoning Administrator and pay the applicable cannabis use permit fee. No change in ownership shall be effective prior to approval of a new cannabis use permit.

(c) A permittee may change the form of its business entity upon application to the Zoning Administrator and presentation of a new business license application under Chapter 3-4 if membership of the new business entity is substantially similar to the original permittee, owner and managers.

(d) If the original permittee is an unincorporated association, mutual or public benefit corporation, agricultural or consumer cooperative and transitions to or forms a new business entity as allowed under MAUCRSA; provided, that the board of directors (or, in the case of an unincorporated association, the owners and managers) are substantially the same as the original permittee.

(e) Although an application for a new cannabis use permit is not required in these two (2) circumstances, the permittee shall notify the Zoning Administrator in writing of the change prior to the change becoming effective by filing a new business license application with a written explanation of the change. Failure to comply with this provision is grounds for cannabis use permit revocation.

(f) Any attempt to transfer a cannabis use permit directly or indirectly in violation of this section is void and is ground for revocation of the cannabis use permit.

Sec. 14-53.113 Renewal or revocation.

(a) Each cannabis use permit shall be valid for a period not exceeding one (1) year and require renewal each year on or before June 30th. Renewal of cannabis use permit shall be as provided for in this section.

(b) No cannabis use permit issued under this chapter may be renewed unless:

(1) A new application has been filed as set forth in Section 14-53.114 no later than March 30th or ninety (90) days before expiration date of the use permit, whichever first occurs;

(2) The cannabis use permit renewal application fee in Section 14-53.111 has been paid; and

(3) The applicant satisfies all requirements of this chapter.

(c) Cannabis Use Permit Renewal Application.

(1) An application to renew a cannabis use permit shall be on forms provided by the Zoning Administrator. The forms shall be signed under penalty of perjury, and shall include, but not be limited to, the following information:

(i) The names of the applicant's owners and managers;

(ii) The street address;

(iii) The Santa Cruz County Tax Assessor's parcel number of the existing cannabis facility;

(iv) A copy of the applicant's State-issued license to engage in a cannabis business;

(v) The applicant's and owner's waiver and release of the City from any and all liability arising from the application for a cannabis use permit, the issuance of the cannabis use permit, the denial of the cannabis use permit, or the enforcement of the conditions of the cannabis use permit;

(vi) For retail cannabis businesses, provide proof that at least fifteen (15%) percent of product inventory is sourced from cannabis businesses located in the City of Watsonville, the County of Santa Cruz, and/or the County of Monterey;

(vii) Proof of compliance with workers' compensation State insurance requirements;

(viii) Identification of any changes to the information the applicant submitted on the original cannabis use permit renewal application;

(ix) Any law enforcement or enforcement activity related to the permittee's operations during the past calendar year;

(x) A representation that the applicant continues to hold in good standing any license required by the State of California to operate a cannabis facility; and

(xi) Such other information as the Zoning Administrator deems reasonably necessary to conduct a thorough review of the cannabis use permit renewal application.

(d) Review of the Use Permit Renewal Application.

(1) Upon receipt of an application for renewal of a cannabis use permit, the Zoning Administrator shall update the permittee's file and perform whatever investigation the Zoning Administrator deems necessary to determine whether to grant or deny the cannabis use permit. The investigation may include a physical inspection of the facility and any delivery vehicles, at the discretion of the Zoning Administration.

(2) Issuance of a renewal cannabis use permit is a discretionary act. No applicant shall be automatically entitled to receive a use permit renewal based solely on meeting the basic requirements of this chapter. It is not necessary for the Zoning Administrator to issue findings before granting a use permit renewal to an applicant who is requesting to maintain already-approved business operations.

(e) The Zoning Administrator or designee may revoke or elect not to renew a cannabis use permit issued under this chapter if:

(1) The applicant or permittee and its owners and managers have not complied at all times with this chapter.

(2) Any failure to comply with the cannabis use permit conditions of approval or the Municipal Code.

(3) Any other facts, circumstances or conditions which indicate that renewal of the cannabis use permit will be detrimental to the health, safety, or welfare of the residents of the City.

(4) The Zoning Administrator or designee is aware of any law enforcement or State license enforcement activity related to the permittee's operations either with the locally permitted facility or any other facility owned and/or operated by the permittee in any other jurisdiction during the past calendar year that led to a documented, material violation of one (1) or more conditions of the facility's cannabis use permit.

Sec. 14-53.114 Limitations on City's liability.

(a) To the fullest extent permitted by law, the City shall not be liable whatsoever, with respect to approving any permit pursuant to this chapter or the operation of any facility approved pursuant to this chapter. As a condition of approval of a cannabis use permit as provided in this chapter, the applicant or its legal representative shall:

(1) Execute an agreement, in a form approved by the City Attorney, agreeing to indemnify, defend (at applicant's sole cost and expense), and hold the City, its officers, elected and appointed officials, employees, representatives, and agents, harmless and defend from any and all claims, losses, damages, injuries, or liabilities of any kind arising out of, or in any way related to, the City's issuance or denial of a cannabis use permit, the registration or operation of a cannabis facility, the process used by the City in making any decision, the alleged violation of any Federal, State, or local laws by the applicant, or the prosecution of the applicant or permittee or its owners or managers for violation of Federal or State laws;

(2) Maintain insurance at the coverage limits and of the types required by the City's risk manager in compliance with State law;

(3) Name the City as an additional insured on all liability policies;

(4) Agree to reimburse the City for all costs and expenses, including any court costs and attorney fees that the City may be required to pay as a result of any legal challenge related to the City's approval of a cannabis use permit. The City may, at its sole discretion, participate at its own expense in the defense of any such action, but such participation shall not relieve the permittee of its obligation hereunder.

Article 2. Required Findings

Sec. 14-53.201 Findings for approval.

When considering applications for a cannabis use permit, the Zoning Administrator or Planning Commission shall evaluate the impact of the proposed use on and its compatibility with surrounding properties and neighborhoods to ensure the appropriateness of the use at a particular location to determine whether it can make all required findings of Section 14-12.513 (required findings for conditional use permits).

Article 3. Operating Conditions

Sec. 14-53.301 Uniform use permit conditions for all cannabis facilities.

All cannabis use permits shall be subject to all general conditions of this section and all specific conditions for the cannabis use permit class.

(a) Parking area lighting and exterior lighting mounted on the facility shall be balanced and shall not result in glare on adjoining properties, shall complement the security systems required in this chapter to ensure that all areas of the location are visible, and shall provide increased lighting at all entrances to the facility. The lighting required in this subsection shall be on from dusk to dawn.

(b) No person, other than a licensed security guard, shall be in possession of any firearm while on the premises without having first obtained a license from the State and City authorizing the person to be in possession of such firearm.

(c) Each applicant or permittee shall notify the City within 24 hours after discovering any of the following: diversion, theft, loss, or any criminal activity involving the cannabis activity or operation of the facility; significant discrepancies identified during inventory; or any breach of security.

(d) No permittee shall be delinquent in the payment of any State and City taxes and fees.

(e) The permittee shall hold all required State licenses under the Cannabis Regulation and Safety Act (Business and Professions Code Section 19300, et seq.), as it may be amended, and under all other applicable State laws.

(f) At any time during hours of operation and without notice, City may enter the facility to observe compliance of the facility operation, and may inspect facility records, books, accounts, financial data, and all data and records relevant to its cannabis use permit for the purposes of conducting an audit or compliance review.

(g) It is unlawful for any person to refuse to allow, impede, obstruct, or interfere with an inspection, or the review of the copying of records and monitoring (including recordings) including, but not limited to, the concealment, destruction, and falsification of any paper, electronic or other records deemed necessary and reasonable to administer the requirements of this chapter.

(h) It shall be unlawful and a violation of this chapter for any person to employ any other person at a facility who is not at least twenty-one (21) years of age.

(i) All weighing devices must be maintained in compliance with local, County, State, or Federal law and comply with applicable regulations regarding device registration with the Santa Cruz County Agricultural Commissioner.

(j) All facilities shall follow all local, County, State, and Federal requirements for solid waste and hazardous waste disposal. The County of Santa Cruz Environmental Health Division may inspect the facility at any time during business hours to ensure compliance with this section.

(k) Facilities shall employ security personnel as follows:

(1) All security personnel shall register and maintain valid registration status with the State of California's Department of Consumer Affairs. At no time shall any security personnel register with the State at any level that is less than that of a State-licensed private security officer. Proof of application and registration for all security personnel shall be maintained by the applicant or permittee and shall consist of copies of all relevant documentation including: application forms, receipts for application fees and LiveScan fees, and actual proof of registration.

(2) While on duty, all security personnel shall have a nameplate containing the security personnel's full name and the word "SECURITY" printed in bold, capital letters. The nameplate shall be exhibited prominently on the clothing, at chest level, and shall be visible and easily read at all times. The nameplate shall be a minimum of two (2") inches high and four (4") inches wide, with the required information printed in capital letters, at least three-fourths (3/4") inches high and in a contrasting color. As an alternative to a nameplate, the security personnel's name and the word "SECURITY" may be embroidered on the security personnel's outermost garment with the required information meeting the above specifications and located at chest level.

(l) Each permittee shall conspicuously display its cannabis use permit and State license within the facility. Each facility that engages in delivery or transportation services shall carry a copy of the facility cannabis use permit in all vehicles that deliver or transport cannabis.

(m) No applicant or permittee may hold a license from the State Department of Alcoholic Beverage Control to sell alcohol beverages, nor may the facility include a business that sells alcohol beverages. No alcohol may be stored, sold, dispensed or used on the facility.

(n) The facility shall take all necessary and reasonable steps, including the refusal of service to any customer of the applicant or permittee, to prevent:

- (1) The distribution of cannabis to minors;
- (2) Revenue from the sale or distribution of cannabis from going to criminal enterprises, gangs and cartels;
- (3) The diversion of cannabis from California to any other state;
- (4) State-authorized cannabis activity from being used as a cover or pretext for the trafficking of other illegal drugs or other illegal activity;
- (5) Violence and the use of firearms in the cultivation and distribution of cannabis;
- (6) Drugged driving or the exacerbation of other adverse public health consequences associated with cannabis use;

(7) Growing of cannabis on public lands and the attendant public safety and environmental dangers posed by cannabis production on public lands; and

(8) Cannabis possession or use on Federal property.

(o) All cannabis facilities shall include the following language on all job postings as well as all applications for employment in both English and Spanish in minimum twelve (12) point font all caps:

THE CANNABIS INDUSTRY IS NOT A FEDERALLY RECOGNIZED BUSINESS, THEREFORE THERE MAY BE RISKS TO INDIVIDUALS WORKING IN THIS INDUSTRY, WHO MAY NEED TO DISCLOSE WORK INFORMATION ON FEDERAL APPLICATIONS.

(p) The manufacture and sale of flavored combustible products (intended for inhalation or vaporization) is prohibited.

(q) Microbusiness—Commercial Activity. All cultivation, manufacturing, distribution, and retail activities performed by a permittee under a Type 12 microbusiness permit shall occur on the same licensed premises. Areas of the premises for manufacturing and cultivation shall be separated from the distribution and retail areas by a wall and all doors between the areas shall remain closed when not in use.

Sec. 14-53.302 Type 1A, 2A, or 3A conditions (cultivation).

All cannabis use permits for Type 1A, 2A or 3A cultivation facilities shall be approved only if subject to all of the conditions of this section.

(a) Outdoor commercial cultivation is prohibited. All cultivation of cannabis must occur within a permanent, permitted structure.

(b) In no case shall cannabis plants be visible from a public or private road, sidewalk, park or any common public viewing area.

(c) Commercial cannabis cultivation which is permitted in the City of Watsonville shall not exceed twenty-two thousand (22,000) square feet of canopy space permitted by State law with a valid cannabis use permit.

(d) A permittee may cultivate cannabis at more than one (1) location if each location is separately permitted and the total square footage of cannabis cultivated does not exceed the total allowed under the license type.

(e) Cannabis cultivation shall be conducted in accordance with State and local laws related to land conversion, grading, electricity, water usage, water quality, woodland and riparian habitat protection, agricultural discharges, and similar matters.

(f) Pesticides and fertilizers shall be properly labeled and stored to avoid contamination through erosion, leakage or inadvertent damage from pests, rodents or other wildlife.

(g) Cultivation shall at all times occur in such a way as to ensure the health, safety, and welfare of the public, the employees working at the facility, visitors to the area, neighboring properties, and the end users of the cannabis being cultivated, to protect the environment from harm to streams, fish, and wildlife; to ensure the security of the cannabis being cultivated; and to safeguard against the diversion of cannabis.

(h) The applicant or permittee shall prohibit loitering by persons outside the facility, either on the premises or within one hundred (100') feet of the premises.

(i) The cultivation of cannabis shall not create hazards due to the use or storage of materials, processes, products, chemicals, fertilizers, or wastes.

(j) The interior and exterior of the facility, including driveways, sidewalks, parking strips, fire access roads and streets on or adjacent to the premises, shall be kept in a clean and safe condition.

(k) Exterior lighting on the premises and location shall ensure the safety of the public and the members and employees of the applicant or permittee while not disturbing surrounding residential or commercial areas.

(l) Each permittee shall operate in a manner such that the cultivation of cannabis does not adversely affect the health or safety of nearby properties through the creation of mold, mildew, dust, glare, heat, noise, noxious gases, odor, smoke, traffic, vibration, or other impacts.

(m) The facility shall follow all pesticide use requirements of local, State, and Federal law. City staff may inspect the facility at any time during business hours to ensure compliance with this section.

(n) Odor control devices and techniques shall be incorporated in all facilities to ensure that odors from cannabis are not detectable off site. Facilities shall provide a sufficient odor-absorbing ventilation and air filtration system so that odor generated inside the facility that is distinctive to its operation is not detected outside of the facility, anywhere

on adjacent property or public rights-of-way, on or about the exterior or interior common area walkways, hallways, breezeways, foyers, lobby areas, or any other areas available for use by common tenants or the visiting public, or within any other unit located inside the same building as the facility. Facilities shall install and maintain the following equipment or any other equipment which the Chief of Police determines has the same or better effectiveness:

(1) A ventilation and air filtration system that prevents internal odors from being emitted externally;

(2) An air filtration system that creates negative air pressure between the facility's interior and exterior so that the odors generated inside the facility are not detectable on the outside of the facility.

Sec. 14-53.303 Type 6 and 7 conditions (manufacturing).

All cannabis use permits for Type 6 or 7 manufacturing facilities shall be approved only if subject to all conditions of this section. All cannabis use permits shall be subject to all of the general conditions of this section and the specific conditions of this article for the specific permit type.

(a) Cannabis manufacturing shall only be permitted pursuant to Section 14-53.101 or any subsequently created manufacturing State license as defined in MAUCRSA, and may be permitted to operate only within those zone districts as defined in Section 14-53.106.

(b) No compressed gases used in the manufacturing may be stored in containers that exceed the amount approved by the Watsonville Fire Department and authorized by this cannabis use permit. Each facility shall be limited to a total number of tanks authorized by the Watsonville Fire Department.

(c) Cannabis manufacturing facilities may use heat, screens, presses, steam distillation, ice water, ethanol and other methods without employing solvents or gases to create kief, hashish, bubble hash, or infused dairy butter, or oils or fats derived from natural sources, and other extracts.

(d) If an extraction process uses a professional grade closed loop CO₂ gas extraction system every vessel must be certified by the manufacturer for its safe use. The CO₂ must be of at least ninety-nine (99%) percent purity.

(e) Closed loop systems for compressed gas extraction systems must be commercially manufactured and bear a permanently affixed and visible serial number.

(f) Certification from an engineer licensed by the State of California, or by a certified industrial hygienist, must be provided to the Community Development Department for a professional grade closed loop system to certify that the system was commercially manufactured, is safe for its intended use, and was built to codes of recognized and generally accepted good engineering practices, including but not limited to:

- (1) The American Society of Mechanical Engineers (ASME);
- (2) American National Standards Institute (ANSI);
- (3) Underwriters Laboratories (UL); or
- (4) The American Society for Testing and Materials (ASTM).

(5) The certification must contain the signature and stamp of the professional engineer or industrial hygienist and serial number of the extraction unit being certified.

(g) Professional closed loop systems and other equipment used for extraction must be approved for use by the Watsonville Fire Department and meet all fire, safety, and building code requirements specified in the California Building Reference Codes.

(h) Facilities may use food grade glycerin, ethanol, and propylene glycol solvents to create or refine extracts. Ethanol should be removed from the extract in a manner to recapture the solvent and ensure that it is not vented into the atmosphere.

(i) Facilities creating cannabis extracts must develop standard operating procedures, good manufacturing practices, and a training plan prior to producing extracts for the marketplace.

(j) Any person using solvents or gases in a closed looped system to create cannabis extracts must be fully trained on how to use the system, have direct access to applicable material safety data sheets and handle and store the solvents and gases safely.

(k) Parts per million for one (1) gram of finished extract cannot exceed State standards for any residual solvent or gas when quality assurance tested.

(l) Preparation of Edible Cannabis Products.

(1) All food products, food storage facilities, food-related utensils, equipment and materials shall be approved, used, managed and handled in accordance with the California Retail Food Code (Section 113700 et seq. of the California Health and Safety Code). All food products shall be protected from contamination at all times; and

(2) All food handlers shall be clean, in good health and free from communicable diseases.

Baked products (e.g., brownies, bars, cookies, cakes), tinctures, and other nonrefrigerated type items may be sold or distributed at a cannabis retailer. The County of Santa Cruz Environmental Health Department may inspect the facility at any time during business hours to ensure compliance with this section.

(3) Products with specific youth appeal and adverse health impacts, such as products that mix other addictive and psychoactive substances with cannabis (e.g., nicotine, alcohol, or added caffeine), artificial flavors or additives that increase underage appeal, cannabis “candies” produced in character shapes (gummy bears, Swedish Fish, animal-shaped chocolates) that would have higher appeal to youth, shall be awarded fewer points in the application process.

(4) Cannabis products shall not be created in the shape of a human, animal, fruit, or any youth-friendly depiction.

(m) Packaging of Cannabis.

(1) Before sale or delivery of any edible cannabis or edible cannabis product the same shall be labeled and in tamper-evident packaging which at least meets the requirements of California Business and Professions Code Section 19347, as the same may be amended from time to time or superseded or replaced by subsequent State legislation or by any department or division of the State of California. The City Council may impose additional packaging and labeling requirements on cannabis or cannabis products.

(2) Cannabis or cannabis products shall be packaged in resealable, tamper-evident, child-proof, opaque packaging with text and adult-intended design. Packaging that has special appeal to youth, such as cartoons, recreational

images (sports, musicians, etc.), names referencing pop culture figures, or bright, eye-catching colors, is prohibited.

Sec. 14-53.304 Type 8 conditions (testing).

All cannabis use permits for Type 8 testing facilities shall be approved only if subject to all of the conditions of this section.

(a) Testing labs shall be required to conduct all testing in a manner pursuant to Business and Professions Code Section 26100 and shall be subject to State and local law. Each testing lab shall be subject to additional regulations as determined from time to time as more regulations are developed under this chapter and any subsequent State of California legislation regarding the same.

(b) Testing labs shall conduct all testing in a manner consistent with general requirements for the competence of testing and calibrations activities, including sampling using verified methods.

(c) All cannabis testing laboratories performing testing shall obtain and maintain ISO/IEC 17025 accreditation as required by the Bureau.

(d) Testing labs shall destroy any harvest batch whose testing sample indicates noncompliance with health and safety standards required by the Bureau unless remedial measures can bring the cannabis or cannabis products into compliance with quality standards as specified by law and implemented by the Bureau.

(e) Each operator shall ensure that a testing laboratory employee takes the sample of cannabis or cannabis products from the distributor's premises for testing required by State law and that the testing laboratory employee transports the sample to the testing laboratory.

(f) Except as provided by State law, a testing laboratory shall not acquire or receive cannabis or cannabis products except from a permittee in accordance with State law, and shall not distribute, sell, or dispense cannabis, or cannabis products, from the licensed premises from which the cannabis or cannabis products were acquired or received. All transfer or transportation shall be performed pursuant to a specified chain of custody protocol.

(g) A testing laboratory may receive and test samples of cannabis or cannabis products from a qualified patient or primary caregiver only if the qualified patient or primary caregiver presents the qualified patient's valid physician's recommendation for

cannabis for medicinal purpose. A testing lab shall not certify samples from a qualified patient or primary caregiver for resale or transfer to another party or permittee. All tests performed by a testing laboratory for a qualified patient or primary caregiver shall be recorded with the name of the qualified patient or primary caregiver and the amount of the cannabis or cannabis products received.

Sec. 14-53.305 Storefront and non-storefront delivery conditions.

All cannabis use permits for non-storefront and storefront delivery facilities shall be approved only if subject to all of the conditions of this section.

(a) The business operating the delivery service shall provide the Chief of Police with evidence of a valid State license for a facility on whose authorization the delivery service is performing the delivery function.

(b) A cannabis business may receive orders for cannabis deliveries through any technology platform owned and controlled by the business, or independently approved by the Chief of Police, or his or her designee, that enables customers to arrange for or facilitate the transfer of cannabis and/or cannabis products by the cannabis business to registered customers.

(c) The business operating the delivery service shall furnish to the Chief of Police the year, make, model, color, license plate number, and numerical vehicle identification number (VIN) for any and all vehicles that will be used to deliver cannabis goods.

(d) Non-storefront delivery by those cannabis cultivation and manufacturing facilities with valid local use permits shall be limited to only those products cultivated and/or manufactured by the licensed facility.

(e) Age verification using an ID scanner at point of delivery that matches required State-approved identification. This identification must match information and address on file as part of purchase.

(f) Delivery shall be only to the person named as the customer ordering. A signature shall be required upon transfer to be verified at delivery to match with all electronically or physically stored identification and signatures.

(g) Delivery hours are limited to 8:00 a.m. to 10:00 p.m. with no new orders initiated after 9:30 p.m. for same day delivery.

- (h) All cannabis products shall remain locked in vehicle.
- (i) Detailed education about cannabis products (including concentration, dosage, titration and proper use warnings) shall be listed on the ordering platform and with product dissemination.
- (j) Utilize GPS surveillance mapping to track delivery provider location.
- (k) Delivery vehicles shall be equipped with a camera to enhance safety while conducting all deliveries.
- (l) A cannabis delivery business shall not deliver cannabis or cannabis product to an individual if there is reason to believe that cannabis or cannabis product will be diverted to a person under twenty-one (21) years of age unless that person is a qualified patient or a person with an identification card, as those terms are defined in Health and Safety Code Section 11362.7.
- (m) A cannabis business shall not deliver cannabis or cannabis product to any jurisdiction that prohibits deliveries.
- (n) Incident Reporting Requirements.
 - (1) Any vehicle accident resulting in injury to any person shall be reported to the local police department where the incident occurred, a manager of the retailer immediately, and to the Chief of Police, or his or her designee, within twenty-four (24) hours. The report shall include the date, time, location, involved vehicle and driver, circumstances and local police department case number.
 - (2) For any vehicle accident resulting in property damage only, the delivery driver shall exchange driver, vehicle, and insurance information with all involved parties, and the accident may be reported to the local police department where the incident occurred, a manager of the retailer immediately, and the Chief of Police, or his or her designee, within twenty-four (24) hours. The report shall include the date, time, location, involved vehicle and driver, circumstances, and local police department case number, as applicable.
 - (3) Any loss of cannabis, cannabis product, or money shall be reported to the local police department where the incident occurred and a manager of the retailer immediately, and to the Chief of Police, or his or her designee, within twenty-four (24) hours. The report shall include the date, time, location, involved vehicle and driver, circumstances and local police department case number. Any

theft of cannabis, cannabis product, or money during the delivery process shall be immediately reported to the local police department where the incident occurred and a cannabis manager immediately, and, if the incident did not occur within the investigative jurisdiction of the City of Watsonville Police Department, a duplicate City of Watsonville Police Department notification will be made by calling the nonemergency citizen contact dispatch center number.

Sec. 14-53.306 Type 10 conditions (storefront retail).

All cannabis use permits for Type 10 storefront retail facilities shall be approved only if subject to all of the conditions of this section.

(a) No more than the number of cannabis retailers adopted by resolution may operate within the City of Watsonville at any one (1) time and shall be issued a permit by the City of Watsonville.

(b) Parking for retail cannabis facilities shall be a minimum of one (1) parking space per three hundred (300) square feet of floor area dedicated to the business, plus 1 space for each employee on shift.

(c) Retailers shall verify the age and all necessary documentation of each individual to ensure the customer is not under the age of eighteen (18) years. If the potential customer is eighteen (18) to twenty (20) years old, retailer shall confirm the customer's possession of a valid doctor's recommendation and/or Health and Safety Code Section 11362.71 identification card (medical marijuana card). For adult-use purchases, retailers shall verify that all customers are twenty-one (21) years of age or older for the purchase of cannabis or cannabis products. Individuals must show their government-issued identification, and, in the case of medical cannabis facilities, their physician's recommendation, or a cannabis card issued pursuant to Health and Safety Code Section 11362.71 in order to gain access into the retailer.

(d) Entrances into the sales floor shall have entry strictly controlled. A physical barrier shall be utilized to limit access to and entry into the retailer to separate it from the reception/lobby area. Doctor recommendations are not to be obtained or provided at the retail location.

(e) Uniformed licensed security personnel shall be employed to monitor site activity, control loitering and site access, and to serve as a visual deterrent to unlawful activities at all times that the retail facility is open in compliance with Section 14-53.404(a)13.

(f) Retailers may have only that quantity of cannabis and cannabis products to meet the daily demand readily available for sale on site in the retail sales area of the retailer. Additional product may be stored in a secured, locked area to which customers, vendors, and visitors shall not have access.

(g) All restroom facilities shall remain locked and under the control of management.

(h) Retailers and microbusinesses authorized to conduct retail activities shall only serve customers who are within the licensed premises except as specifically allowed.

(1) The sale of cannabis goods shall not occur through a pass-through window or a slide-out tray to the exterior of the premises.

(2) No cannabis goods shall be sold and/or delivered through a drive-through window.

(3) Notwithstanding subsections (1) and (2) above, licensed retailers or licensed microbusinesses authorized to engage in retail sales may provide curbside delivery conducted pursuant to the following:

(a) A licensed retailer or licensed microbusiness authorized to engage in storefront sales at their licensed premises may conduct sales through curbside delivery. Cannabis goods that have been purchased by a customer may be delivered to the customer in a vehicle parked immediately outside the licensed retail premises in spaces clearly marked and set aside for curbside delivery customers. Curbside delivery of cannabis goods must occur under video surveillance and meet the requirements of DCC section 15044, subsection © for recording point-of-sale areas. Retail employees engaging in curbside delivery must verify each customer's age pursuant to subsection 14-53.306 (c). Licensed retailers who are only authorized to engage in retail sales through delivery shall not conduct sales through curbside delivery.

(b) Prior to initiating a curbside delivery service, a retailer shall submit a Minor Modification application to the Zoning Administrator in order to modify the cannabis use permit to include procedures for curbside delivery, identify camera locations, additional lighting, and any other information deemed necessary to ensure that the proposed curbside delivery service will not cause negative impacts to health and safety.

(i) Retailers or microbusinesses shall not operate as or with a drive-in or drive-through at which cannabis goods are sold to persons within or about a motor vehicle.

(j) All cannabis goods sold by a retail business shall be contained in child-resistant packaging.

(k) Retailers shall record point-of-sale areas and areas where cannabis goods are displayed for sale on the video surveillance system. At each point-of-sale location, camera placement must allow for the recording of the facial features of any person purchasing or selling cannabis goods, or any person in the retail area, with enough clarity to determine identity.

(l) A retail permittee or microbusiness permittee who is engaged in retail sale shall hire or contract for security personnel who are at least twenty-one (21) years of age to provide security services for the licensed retail premises. Refer to Section 14-53.404(a)(13) for security personnel requirements.

(m) Access to Retailer Premises.

(1) Access to the premises of a retail permittee shall be limited to individuals who are at least twenty-one (21) years of age.

(2) Notwithstanding subsection (n)(1) of this section, individuals who are at least 18 years of age and in possession of a valid physician's recommendation shall be granted access to the premises of a retail permittee for the sole purpose of purchasing medicinal cannabis consistent with the physician's recommendation.

(n) Authorized Sales. A retailer shall only sell adult-use cannabis and adult-use cannabis products to individuals who are at least twenty-one (21) years of age. A retailer may sell medicinal cannabis, medicinal cannabis products, adult-use cannabis, and adult-use cannabis products to individuals who are at least eighteen (18) years of age, but not yet twenty-one (21), if those individuals are in possession of a valid physician's recommendation. Medicinal cannabis sales to individuals twenty-one (21) years of age and older are unrestricted.

(o) Limited Access Areas. A retailer shall establish limited access areas and permit only authorized individuals to enter the limited access areas. Authorized individuals include individuals employed by the retailer as well as any outside vendors, contractors, or other individuals conducting business that requires access to the limited access area. All individuals granted access to the limited access area shall be at least twenty-one (21)

years of age, and if not employed by the retailer, shall be escorted at all times by an employee of the permittee/permittee. A retailer shall maintain a log of all individuals who are not employees who are granted access to the limited access area. These logs shall be made available to the Chief of Police or the Development Services Director upon request.

(p) Operating hours of the storefront retailer license shall be limited to the hours of 8:00 a.m. to 10:00 p.m., seven (7) days a week.

(q) Storefront/Retail Security Requirements. All provisions incorporated within Section 14-53.404 (Security) are directly applicable to and binding on all facilities, including all storefront/retail businesses.

(r) “No smoking” signs shall be placed near the entrance and exit of the business.

(s) The retail cannabis premise shall have an independent exterior entrance that is not shared with any other business or residence.

(t) No vending machines shall be allowed.

(u) For retail cannabis businesses, provide proof that at least fifteen (15%) percent of product inventory is sourced from cannabis businesses located in the City of Watsonville, the County of Santa Cruz, and/or the County of Monterey;

(v) Retail facilities shall not charge a slotting fee to Watsonville cultivation/manufacturing businesses for the display of local product in the retail facility.

Sec. 14-53.307 Type 11 conditions (distribution).

All cannabis use permits for Type 11 distribution facilities shall be approved only if subject to all conditions of this section.

(a) After taking physical possession of a cannabis goods batch, the distributor shall contact a testing laboratory and arrange for a laboratory employee to come to the distributor’s licensed premises to select a representative sample for laboratory testing.

(b) A distributor shall ensure that all cannabis goods batches are stored separately and distinctly from other cannabis goods batches on the distributor’s premises.

(c) The distributor shall ensure that the batch size from which the sample is taken meets the requirements of State law, specifically the testing provisions within the California Code of Regulations.

(d) A distributor or an employee of the distributor shall be physically present to observe the laboratory employee obtain the sample of cannabis goods for testing and shall ensure that the increments are taken from throughout the batch. The sampling shall be video-recorded, and the recording kept available to State and local authorities for a minimum of one hundred eighty (180) days, pursuant to Section 5305 of the California Code of Regulations.

(e) A distributor shall not transport cannabis or cannabis products to a licensed retail facility until and unless it has verified that the cannabis or cannabis products have been tested and certified by a testing lab as being in compliance with State health and safety requirements pursuant to Sections 5705, 5710 and 5714 of the California Code of Regulations.

(f) Each facility that engages in distribution services shall carry a copy of the use permit in all vehicles that distribute cannabis.

The distributor shall be in compliance with State and local cannabis regulations at all times, including California Business and Professions Code Division 10 (Cannabis), as may be amended.

Article 4. Operating Standards

Sec. 14-53.401 Signs and advertising.

Exterior signage shall comply with the sign standards set forth in Watsonville Municipal Code Chapter 14-21.

(a) A facility shall not print, publish, advertise, or disseminate in any way or by any means, other than a dedicated business Internet website accessible only through an age gate portal.

(b) A facility may provide an entry in the telephone directory with the name, location, and phone number of the facility. Such directory entry may identify the business as a “cannabis facility.” The telephone directory shall not include: pricing of products, details regarding specific cannabis products, or cannabis photography or graphics related to the cannabis plant or cannabis products.

(c) Banners, sandwich boards, flags, billboards, placards, and persons waving signs are prohibited.

(d) All signage and advertising shall comply with the state of California Business and Professions Code Sections 26150 through 26155 and any modifications or relocations of these code sections. In addition, any form of advertisement or signage that includes pricing of cannabis and cannabis products, details related to specific cannabis products, or photography or graphics of the cannabis plans or cannabis products is prohibited except on a dedicated business website accessible only through an age gate portal.

Sec. 14-53.402 Permissible delivery locations and customers.

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

(a) A licensed facility shall not deliver cannabis goods to an address located on publicly owned land or any address on land or in a building leased by a public agency.

(b) A licensed facility shall comply with all requirements of State and local law pertaining to the cannabis permit and all subsequent policies, procedures and regulations which may be amended by the Community Development Department from time to time in order to enforce this chapter.

Sec. 14-53.403 Recordkeeping.

(a) Each facility shall maintain an inventory control and reporting system to track and report on all aspects of the facility including, but not limited to, such matters as cannabis tracking, inventory data, and gross sales (by weight and sale) and shall ensure that such information is compatible with the City's recordkeeping systems and complies with State law. The system must have the capability to produce historical transactional data for review by the City of Watsonville. All information provided to the City pursuant to this subsection shall be confidential and shall not be disclosed, except as otherwise may be required under the law. Such system must be authorized by the City Manager or their designee.

(b) Each applicant or permittee shall maintain at the premises all records and documents required by this chapter and all the information and records listed below:

(1) The name, address, and telephone number(s) of the owner, landlord and/or lessee of the location;

(2) The name, address, and telephone number of each patient and primary caregiver, along with a copy of the written documentation provided by each qualified patient designating his or her primary caregiver;

(3) The name, business address, and telephone number of each attending physician who provided a physician's recommendation for any patient of the applicant or permittee;

(4) The records of all qualified patients with a valid identification card and primary caregivers with a valid identification card may be maintained by the applicant or permittee using only the identification card number issued by the State pursuant to California Health and Safety Code Section 11362.7 et seq., in lieu of the information required by this section;

(5) Complete and up-to-date records regarding the amount of cannabis cultivated, produced, harvested, stored, or packaged at its cultivation site;

(6) Complete and up-to-date manifest records regarding cannabis transfers from the applicant or permittee's cultivation site to dispensing location(s), including the date and time of the transfer; the name and address of the cultivation facility and the name and address of the supplier if different from the cultivation facility; the amount, form, type, batch and lot number of cannabis transferred; the time of departure from the cultivation facility; the time of arrival at the dispensing location; the names of the employees distributing the product; and the name of the employee who received the product at the dispensing location;

(7) Complete and up-to-date records documenting each transfer of cannabis from the applicant or permittee's dispensing location to patients including the amount provided, the form or product category in which the cannabis was provided, the date and time provided, the name of the employee making the transfer, and the amount of monetary or other transaction;

(8) All receipts of the applicant or permittee, including but not limited to all contributions and all expenditures incurred by the applicant or permittee for the cultivation and dispensing of cannabis; and

(9) Records demonstrating compliance with State and Federal rules and regulations regarding reporting and taxation of income received.

(c) The permittee shall review the information recorded in the track and trace system at least once every 30 calendar days to ensure its accuracy, including at a minimum:

(1) Reconciling on-hand inventory of cannabis and cannabis product with the records in the track and trace system; and

(2) Reviewing the permittee's authorized users and removing any users who are no longer authorized to enter information into the track and trace system.

(d) If a permittee finds a discrepancy between the on-hand inventory and the track and trace system, the licensee shall conduct an audit and notify the DCC and Watsonville City Manager in writing if the discrepancy is significant as defined in DCC section 15034

(e) All records required by this section shall be maintained by the applicant or permittee for a period of seven (7) years and shall be made available by the applicant or permittee to the Zoning Administrator and any City official charged with enforcing the provisions of this Code upon request.

Sec. 14-53.404 Security.

(a) A permitted facility shall implement enough security measures to deter and prevent the unauthorized entrance into areas containing cannabis or cannabis products, and to deter and prevent the theft of cannabis or cannabis products at the facility. Except as may otherwise be determined by the City Manager or his/her designee(s), these security measures shall include, but shall not be limited to, all of the following:

(1) Alarm system (perimeter, fire, and panic buttons).

(2) Remote monitoring of alarm systems by licensed security professionals.

(3) Perimeter lighting systems (including motion sensors) for after-hours security.

(4) Perimeter security and lighting as approved by the Police Chief and Director of the Community Development Department or his/her designee.

(5) Preventing individuals from remaining on the premises of the facility if they are not engaging in an activity directly related to the permitted operations of the facility.

(6) Establishing limited access areas accessible only to authorized facility personnel.

(7) Except for live growing plants which are being cultivated at a cultivation operation, all cannabis and cannabis products shall be stored in a secured and locked vault or vault equivalent. All safes and vaults shall be compliant with Underwriters Laboratories burglary-resistant and fire-resistant standards. All cannabis and cannabis products, including live plants that are being cultivated, shall be kept in a manner as to prevent diversion, theft, and loss.

(8) Installing twenty-four (24) hour security surveillance cameras of at least HD-quality to monitor all entrances and exits to and from the premises, all interior spaces within the facility which are open and accessible to the public, all interior spaces where cannabis, cash or currency is being stored for any period of time on a regular basis and all interior spaces where diversion of cannabis could reasonably occur. All cameras shall record in color. All exterior cameras shall be in weatherproof enclosures, shall be located so as to minimize the possibility of vandalism, and shall have the capability to automatically switch to black and white in low light conditions. The facility shall be responsible for ensuring that the security surveillance camera's footage is remotely accessible by the City Manager or his/her designee(s), and that it is compatible with the City's software and hardware. In addition, remote and real-time, live access to the video footage from the cameras shall be provided to the City Manager or his/her designee(s). Video recordings shall be maintained for a minimum of ninety (90) days and shall be made available to the City Manager or his/her designee(s) upon request. Video shall be of sufficient quality for effective prosecution of any crime found to have occurred on the site of the facility and shall be capable of enlargement via projection or other means. Internet Protocol address information shall be provided to the Watsonville Police Department by the facility, to facilitate remote monitoring of security cameras by the Department or its designee.

(9) Sensors shall be installed to detect entry and exit from all secure areas and shall be monitored in real time by a security company licensed by the State of California Bureau of Security and Investigative Services.

(10) Panic buttons shall be installed in all facilities with direct notification to the Watsonville Police Department dispatch and shall be configured to immediately alert dispatch for the Watsonville Police Department.

(11) Having a professionally installed, maintained, and monitored real-time alarm system by a security company licensed by the State of California Department of Consumer Affairs Bureau of Security and Investigative Services. Such security system shall be operational twenty-four (24) hours a day seven (7) days a week.

(12) Any bars installed on the windows or the doors of the facility shall be installed only on the interior of the building.

(13) Security personnel shall be on site during operating hours as well as any hours in which employees may be on site before or after regular operating hours. Security personnel must be at least 21 years of age, licensed by the State of California Bureau of Security and Investigative Services personnel and comply with Chapters 11.4 and 11.5 of Division 3 of the Business and Professions Code. Security personnel shall be subject to the prior review and approval of the City Manager or his/her designee(s), with such approval not to be unreasonably withheld. Firearms may be carried by security personnel while they are on duty if authorized by the Chief of Police.

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

(15) Entrance areas are to be locked at all times and under the control of a designated responsible party that is either (i) an employee of the facility, or (ii) a licensed security professional.

(a) For retail facilities, the entrance area to the sales floor is to be under the control of a designated responsible party that is either (i) an employee of the facility, or (ii) a licensed security professional, during hours of operation.

(16) Each facility shall have an accounting software system in place to provide point-of-sale data as well as audit trails for both product and cash, where applicable.

(17) Each facility shall demonstrate to the Chief of Police, City Manager or their designees, compliance with the State's track and trace system for cannabis and cannabis products, as soon as it is operational.

(18) Each facility shall have a professionally installed video surveillance system, access control and intrusion alarm systems designed to protect the inventory, facility, and employees. Each business shall have network security protocols that are certified by Underwriters Laboratories.

(19) Exterior vegetation shall be planted, altered and maintained in a fashion that precludes its use as a hiding place for persons on the premises.

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

(b) Each facility shall identify a designated security representative/liaison to the City of Watsonville, who shall be reasonably available to meet with the City Manager or his/her designee(s) regarding any security related measures and/or operational issues. The designated security representative/liaison shall, on behalf of the cannabis facility, annually maintain a copy of the current security plan on the cannabis facility to present to the City Manager or his/her designee upon request that meets the following requirements:

(1) Confirms that a designated manager will be on duty during business hours and will be responsible for monitoring the behavior of employees.

(2) Identifies all managers of the cannabis facility and their contact phone numbers.

(3) Confirms that first aid supplies and operational fire extinguishers are in the service areas and the manager's office.

(4) Confirms that burglar, fire, and panic alarms are operational and monitored by a licensed security company twenty-four (24) hours a day, seven (7) days a week, and provides contact information for each licensed security company.

(5) Identify enough licensed, interior and exterior security personnel who will monitor individuals inside and outside the facility, the parking lot, and any adjacent property under the business' control.

(6) Confirm that the licensed security personnel shall regularly monitor the parking lot and any adjacent property to ensure that these areas are: (i) free of

individuals loitering or causing a disturbance; (ii) are cleared of employees and their vehicles one-half (1/2) hour after closing.

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

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

(e) A facility shall notify the City Manager or his/her designee(s) within twenty-four (24) hours after discovering any of the following:

(1) Significant discrepancies identified during inventory. A significant discrepancy in inventory is defined as a five percent difference between the licensee's physical inventory and the inventory recorded in the track and trace system.

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

(3) The loss or unauthorized alteration of records related to cannabis, customers or employees or agents of the facility.

(4) Any other breach of security.

(f) Compliance with the foregoing requirements shall be verified by the Zoning Administrator before commencing business operations. The Zoning Administrator may supplement these security requirements once operations begin upon request of the business owner.

Sec. 14-53.405 Video surveillance.

(a) Minimum Requirements. The following video surveillance requirements shall apply to all facilities:

(1) Prior to exercising the privileges of a facility, an applicant must install a fully operational video surveillance and security camera recording system. The

recording system must record in digital format and meet the requirements of this chapter.

(2) All video surveillance records and recordings must be stored in a secure area that is only accessible to an applicant or permittee's management staff.

(3) Video surveillance records and recordings must be made available upon request to the Division, the relevant local licensing authority, or any other State or local law enforcement agency for a purpose authorized by the Municipal Code or for any other State or local law enforcement purpose.

(4) Video surveillance records and recordings of point-of-sale areas shall be held in confidence by all employees and representatives of the Division, except that the Division may provide such records and recordings to the relevant local licensing authority, or any other State or local law enforcement agency, for a purpose authorized by the Municipal Code or for any other State or local law enforcement purpose.

(b) Video Surveillance Equipment.

(1) Video surveillance equipment shall, at a minimum, consist of digital or network video recorders, cameras capable of meeting the recording requirements described in this rule, video monitors, digital archiving devices, and a color printer capable of delivering still photos.

(2) All video surveillance systems must be equipped with a failure notification system that provides prompt notification to the applicant or permittee of any prolonged surveillance interruption and/or the complete failure of the surveillance system.

(3) Permittees are responsible for ensuring that all surveillance equipment is properly functioning and maintained so that the playback quality is suitable for viewing and the surveillance equipment is capturing the identity of all individuals and activities in the monitored areas.

(4) All video surveillance equipment shall have sufficient battery backup to support a minimum of four (4) hours of recording in the event of a power outage.

(c) Placement of Cameras and Required Camera Coverage.

(1) Camera coverage is required for all limited access areas, point-of-sale areas, security rooms, all points of ingress and egress to limited access areas, all areas where cannabis or cannabis-infused product is displayed for sale, and all points of ingress/egress to the exterior of the licensed premises.

(2) Camera placement shall be capable of identifying activity occurring within twenty (20') feet of all points of ingress and egress and shall allow for the clear and certain identification of any individual and activities on the licensed premises.

(3) At each point-of-sale location, camera coverage must enable recording of the patients', caregivers' or customer(s)' and employee(s)' facial features with sufficient clarity to determine identity.

(4) All entrances and exits to the facility shall be recorded from both indoor and outdoor vantage points.

(5) The system shall be capable of recording all predetermined surveillance areas in any lighting conditions. If the licensed premises has a cannabis cultivation area, a rotating schedule of lighted conditions and zero-illumination can occur as long as ingress and egress points to flowering areas remain constantly illuminated for recording purposes.

(6) Areas where cannabis is grown, tested, cured, manufactured, or stored shall have camera placement in the room facing the primary entry door at a height which will provide a clear unobstructed view of activity without sight blockage from lighting hoods, fixtures, or other equipment.

(7) Cameras shall also be placed at each location where the following activities occur:

(i) Weighing, packaging, transport, preparation, or tagging of cannabis or cannabis products.

(ii) Storage and counting of cash.

(8) At least one (1) camera must be dedicated to record the access points to the secured surveillance recording area.

(d) Location and Maintenance of Surveillance Equipment.

(1) The surveillance room or surveillance area shall be a limited access area.

(2) Surveillance recording equipment must be housed in a designated, locked and secured room or other enclosure with access limited to authorized employees, agents of the City, County and State for a purpose authorized by this Code or for any other State or local law enforcement purpose, and service personnel or contractors.

(3) Permittees must keep a current list of all authorized employees and service personnel who have access to the surveillance system and/or room on the licensed premises. Permittees must keep a surveillance equipment maintenance activity log on the licensed premises to record all service activity including the identity of the individual(s) performing the service, the service date and time and the reason for service to the surveillance system.

(4) Off-site monitoring and video recording storage of the licensed premises by the permittee or an independent third party is authorized as long as standards exercised at the remote location meet or exceed all standards for on-site monitoring.

(5) Each cannabis licensed premises located in a common or shared building must have a separate surveillance room/area that is dedicated to that specific licensed premises. Commonly owned facilities located in the same local jurisdiction may have one (1) central surveillance room located at one (1) of the commonly owned licensed premises which simultaneously serves all of the commonly owned facilities. The facility that does not house the central surveillance room is required to have a review station, printer, and map of camera placement on the premises. All minimum requirements for equipment and security standards as set forth in this section apply to the review station.

(e) Video Recording and Retention Requirements.

(1) All camera views of all limited access areas must be continuously recorded twenty-four (24) hours a day. The use of motion detection is authorized when a permittee can demonstrate that monitored activities are adequately recorded.

(2) All surveillance recordings must be kept for a minimum of ninety (90) days and be in a format that can be easily accessed for viewing. Video recordings

must be archived in a format that ensures authentication of the recording as legitimately captured video and guarantees that no alteration of the recorded image has taken place.

(3) The permittee's surveillance system or equipment must have the capabilities to produce a color still photograph from any camera image, live or recorded, of the licensed premises.

(4) The date and time must be embedded on all surveillance recordings without significantly obscuring the picture. The date and time must be synchronized with any point-of-sale system.

(5) Time is to be measured in accordance with the official United States time established by the National Institute of Standards and Technology and the U.S. Naval Observatory in Pacific time.

Sec. 14-53.406 Additional terms and conditions.

Based on the information set forth in the application, the Zoning Administrator or Planning Commission may impose reasonable terms and conditions on the proposed operations of the facility in addition to those specified in this chapter.

Article 5. Enforcement

Sec. 14-53.501 Compliance.

(a) All cannabis facilities shall pay any applicable sales, use, business or other tax, and all license, registration, or other fees pursuant to Federal, State, County, and local law, or any other regulatory agencies as applicable.

(b) All cannabis facilities and their related permittees or cooperatives shall fully comply with all the provisions of the Compassionate Use Act of 1996, the Medical Cannabis Program Act, the 2008 Attorney General Guidelines, MAUCRSA, any subsequently enacted State law or regulatory, licensing, or certification requirement, all applicable provisions of this Code, and any specific, additional operating procedures and measures as may be imposed as conditions of approval of the regulatory permit.

(c) Nothing in this chapter shall be construed as authorizing any actions which violate State or local law regarding the cultivation, transportation, manufacture, provision, sale, transfer, or disposition of cannabis.

Sec. 14-53.502 Inspections.

(a) The Zoning Administrator shall have the right to enter all cannabis facilities from time to time unannounced during the facility's hours of operation for the purpose of making reasonable inspections to observe and enforce compliance with this chapter, to inspect and copy records required to be maintained under this chapter, or to inspect and view recordings made by security cameras, all without requirement for a search warrant, subpoena, or court order.

(b) Nothing in this chapter requires the disclosure of any patient's private medical record.

(c) The Zoning Administrator may summarily suspend or revoke a cannabis regulatory permit, or disqualify an applicant from the registration process, or elect not to renew a regulatory permit if any of the following, singularly or in combination, occur:

(1) The Zoning Administrator determines that the facility has failed to comply with any requirement of this chapter or any condition of approval or a circumstance or situation has been created that would have permitted the Zoning Administrator to deny the regulatory permit pursuant to Section 14-53.114;

(2) The permittee or facility has conducted itself or is being conducted in a manner that creates or results in a public nuisance;

(3) Ownership is changed without the new owners securing a regulatory permit;

(4) The applicant or permittee relocates to a different location or premises;

(5) The facility fails to allow inspection and/or copying of the security recordings, the activity logs and records required under this chapter, or the premises by authorized City officials;

(6) Applicant violates State law or rulemaking for the purpose of compliance with this chapter.

Sec. 14-53.503 Appeals.

Any decision regarding or pertaining to the regulatory permit process set forth in this chapter, or any action taken by the Zoning Administrator pursuant hereto, may be appealed per Section 14-10.1100 et seq.

Sec. 14-53.504 Violation is misdemeanor.

As provided in Section 1-2.01, any violation of this chapter is a misdemeanor.

SECTION 3. ENVIRONMENTAL COMPLIANCE.

The provisions of this ordinance are exempt from the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines section 15061(b)(3). This section is the "common sense exemption" that states that CEQA applies only to projects which have the potential for causing a significant effect on the environment. If the Lead Agency can determine with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA. Pursuant to this section, the proposed amendments and adjustments fit within the general rule that CEQA only applies to projects that have the potential for causing a significant effect on the environment, because the proposed amendments and adjustments would primarily revise administrative processes relating to cannabis operator permits and renewal of those permits and minor regulatory amendments to the operation of cannabis businesses and would therefore not have a significant effect on the environment. The proposed amendments would also not have a significant effect on the environment because they are allowing commercial retail operations in existing commercial districts and therefore the proposed amendments would not have a significant effect on the environment and therefore the activity is not subject to CEQA.

SECTION 4. SEVERABILITY.

If any provision of this ordinance or the application thereof to any person or circumstance is held invalid, the remainder of the ordinance and the application of such provision to other persons or circumstances shall not be affected thereby.

SECTION 5. PUBLICATION.

This ordinance shall be published in the Watsonville Register-Pajaronian and/or Santa Cruz Sentinel in compliance with the provisions of the Charter of the City of Watsonville.

SECTION 6. EFFECTIVE DATE.

This ordinance shall be in force and take effect thirty (30) days after its final adoption.
