

ORDINANCE REPEALING CHAPTER 7.128 OF THE SANTA CRUZ COUNTY CODE AND ADOPTING NEW CHAPTER 7.128 REGARDING LICENSES FOR NON-RETAIL COMMERCIAL CANNABIS BUSINESSES

The Board of Supervisors of Santa Cruz County hereby finds and declares the following:

WHEREAS, in 1992 the voters of the County of Santa Cruz enacted Measure “A”, adding Chapter 7.122 to the Santa Cruz County Code which declared support for making cannabis available for medical use; and

WHEREAS, in 1996, the voters of the State of California approved Proposition 215 (codified as California Health and Safety Code section 11362.5, and entitled "The Compassionate Use Act of 1996"), which enabled persons who are in need of cannabis for medical purposes to use it without fear of criminal prosecution under limited, specified circumstances; and

WHEREAS, in 2004, the Legislature enacted Senate Bill 420 (codified as California Health and Safety Code sections 11362.7 *et seq.*) to clarify the scope of Proposition 215, and to provide qualifying patients and primary caregivers who cultivate cannabis for medical purposes with a limited defense to certain specified State criminal statutes; and

WHEREAS, County Code Chapter 7.124 of the Santa Cruz County Code implements the provisions of Proposition 215 and Senate Bill 420 by establishing a medical cannabis identification card program operated by the County; and establishing local guidelines for the possession and cultivation of medical cannabis used by qualified patients and caregivers; and

WHEREAS, on or about September 11, 2015, the California Legislature approved Assembly Bill 266, Assembly Bill 243, and Senate Bill 643, together constituting the “Medical Marijuana Regulation and Safety Act,” and subsequently renamed the “Medical Cannabis Regulation and Safety Act” (hereinafter “MCRSA”), which the Governor thereafter signed into law; and

WHEREAS, on December 8, 2015, the Board of Supervisors enacted an ordinance adding Chapter 7.128 to the Santa Cruz County Code, which created an interim licensing scheme to regulate the commercial cultivation of medical cannabis; and

WHEREAS, on November 8, 2016, the voters of the State of California enacted Proposition 64, the “Control, Regulate and Tax Adult Use of Marijuana Act” (the “AUMA”); and

WHEREAS, the stated purpose of the AUMA is to establish a comprehensive system to legalize, control, and regulate the cultivation, processing, manufacture, distribution, testing, and sale of nonmedical cannabis, including cannabis products, for use by adults 21 years and older, and to tax the commercial growth and retail sale of cannabis; and

WHEREAS, the AUMA creates a licensing system whereby the State will issue licenses to businesses authorizing them to cultivate, distribute, transport, store, manufacture, process, and sell nonmedical cannabis and cannabis products for adults 21 years of age and older, with such licenses to be issued starting January 1, 2018; and

WHEREAS, the AUMA mandates that State licensing authorities shall not approve an application for a State license if approval of the State license will violate the provisions of any local ordinance or regulation adopted in accordance with the requirements of the AUMA; and

WHEREAS, the AUMA states that nothing in it shall be interpreted to supersede or limit the authority of a local jurisdiction to adopt and enforce local ordinances to regulate businesses licensed under the AUMA, including, but not limited to, local zoning and land use requirements, business license requirements, and requirements related to reducing second hand smoke, or to completely prohibit the establishment or operation of one or more types of businesses licensed by the State within the local jurisdiction; and

WHEREAS, 69.89 percent of Santa Cruz County voters approved the passage of the AUMA; and

WHEREAS, on or about June 27, 2017, Governor Jerry Brown approved Senate Bill 94, a law designed to implement the provisions of the AUMA and synthesize it with the provisions of the MCRSA; and

WHEREAS, SB 94 amended Business and Professions Code section 26055 to add subsection (h), which provides that the CEQA process does not apply to the adoption of an ordinance, rule, or regulation by a local jurisdiction that requires discretionary review and approval of applications for permits, licenses, or other authorizations to engage in commercial cannabis activity, and that in order to qualify for this exemption, the discretionary review of applications provided for by any such law, ordinance, rule, or regulation shall include a requirement for any applicable environmental review pursuant to the CEQA process to occur prior to taking action on such applications; and

WHEREAS, (1) the unregulated cultivation, manufacture, and distribution of cannabis and cannabis products in the unincorporated area of Santa Cruz County can adversely affect the health, safety, and well-being of the county and its residents; and (2) comprehensive civil regulation of premises used for cannabis cultivation, manufacture, and distribution is proper and necessary to avoid the risks of criminal activity, degradation of the natural environment, obnoxious smells, indoor electrical fire hazards that may result from unregulated cannabis business activities, and related risks; and

WHEREAS, (1) it is the purpose and intent of this ordinance to implement State law by providing a means for regulating the cultivation, manufacture, and distribution of cannabis in a manner that is consistent with State law and regulations, and which balances the needs of consumers, residents, and businesses, and promotes the health, safety, and welfare of the residents and businesses within the unincorporated territory of Santa Cruz County; and (2) the intent and purpose of this ordinance is to establish reasonable regulations upon the manner in which cannabis may be cultivated, manufactured, and distributed, including restrictions on the location of non-retail commercial cannabis activities and the amount of cannabis that may be

cultivated, manufactured, or distributed at or from any location, in order to protect the environment, water supply, public health, safety, and welfare in Santa Cruz County; and

WHEREAS, by adopting the regulations contained in this ordinance, Santa Cruz County will achieve a significant reduction in the aforementioned harms caused or threatened by the unregulated cultivation, manufacture, and distribution of cannabis and cannabis products in the unincorporated area of the County; and

WHEREAS, no provision of the Chapter created by this ordinance shall be deemed a defense or immunity to any action brought against any person by Santa Cruz County, the Santa Cruz County District Attorney, the Attorney General of the State of California, or the United States of America.

NOW THEREFORE the Board of Supervisors of the County of Santa Cruz ordains as follows:

SECTION I

The Santa Cruz County Code is hereby amended by deleting existing Chapter 7.128 in its entirety.

SECTION II

The Santa Cruz County Code is hereby amended by adding new Chapter 7.128 to read as follows:

Chapter 7.128 Licenses For Non-Retail Commercial Cannabis Businesses

Sections:

- 7.128.010 Purpose.**
- 7.128.030 Definitions.**
- 7.128.050 Prohibited activities.**
- 7.128.070 Creation of the Non-Retail Commercial Cannabis Business Licensing Program.**
- 7.128.090 License required.**
- 7.128.110 Cannabis cultivation licenses.**
- 7.128.130 Cannabis manufacturing licenses.**
- 7.128.150 Cannabis distribution licenses.**
- 7.128.170 General requirements applicable to all non-retail commercial cannabis license types.**
- 7.128.190 Denial or revocation of license; remedies.**
- 7.128.210 Enforcement.**
- 7.128.230 No duty to enforce.**

7.128.010 Purpose.

The purpose of this Chapter is to provide a licensing scheme to regulate non-retail commercial cannabis businesses engaged in the cultivation, manufacture, and distribution of cannabis and cannabis products in the unincorporated area of Santa Cruz County. It is also the purpose of this Chapter to mitigate the negative impacts and secondary effects associated with ongoing non-retail cannabis business activities including, but not limited to: demands placed on law enforcement and administrative resources; neighborhood disruption; cannabis sales to minors; robberies, burglaries, assaults, and other violent crimes; and the damage to the natural environment resulting from destructive cannabis cultivation, manufacturing, and distribution activities.

This Chapter is not intended to conflict with federal or State law. It is the intention of the County that this Chapter be interpreted to be compatible with federal and State enactments and in furtherance of the public purposes that those enactments encompass. In addition, this Chapter is not intended to regulate the non-commercial cultivation of cannabis, which is governed by SCCC Chapter 7.124.

7.128.030 Definitions.

As used in this Chapter, the following words and phrases shall have the meanings respectively ascribed to them by this section.

(A) “Applicant” means the person, firm, partnership, joint venture, association, corporation, limited liability company, estate, trust, business trust, receiver, syndicate, or any other group or combination acting as a unit (and the plural as well as the singular), submitting an application for a commercial cultivation, manufacturing or distribution license under this Chapter, consistent with the regulations set forth in this Chapter.

(B) “Approved on-site source” means a source of water on the parcel at issue for which the applicant has obtained 1) the permission of all persons holding a legal right to the use of that water; and 2) the permission of all relevant federal, State, and local government agencies having authority to control or regulate the use of that water.

(C) “Building” means any structure consisting of walls and a roof, which is used for the housing, shelter, or enclosure of persons, animals, chattels, or property of any kind.

(D) “Cannabis” means all parts of the plant *Cannabis sativa* Linnaeus, *Cannabis indica*, or *Cannabis ruderalis*, whether growing or not, as defined under the California Medical Cannabis Regulation and Safety Act at Health and Safety Code Section 19300.5(f), as may be amended.

(E) “Cannabis cultivation” means the planting, growing, developing, propagating, harvesting, drying, processing, curing, grading, trimming, packaging, or storage of, one or more cannabis plants or any part thereof in any location, indoor or outdoor, including within a fully enclosed and secure building. This definition should be read consistently with the definition for cannabis cultivation set forth in Chapter 13.10, to the extent there may be minor differences.

(F) “Cannabis distribution” means the activity of transporting cannabis or cannabis products between licensees, and any ancillary activity, such as packaging or labeling products, or storage between transport, that is conducted in association with the distribution activity. This definition should be read consistently with the definition for cannabis distribution set forth in Chapter 13.10, to the extent there may be minor differences.

(G) “Cannabis manufacture” shall mean production, preparation, propagation, or compounding of manufactured cannabis products either directly or indirectly, or by extraction methods, independently by means of chemical synthesis, or by a combination of extraction and chemical synthesis, at a fixed location, including any storage, packaging, or repackaging of cannabis products in conjunction with manufacture. This definition should be read consistently with the definition for cannabis manufacture set forth in Chapter 13.10, to the extent there may be minor differences.

(H) “Cannabis manufacture facility”, “manufacture facility”, or “facility”, when used with reference to manufacture, means a structure(s) within which cannabis manufacture occurs.

(I) “Cannabis plant” means any mature or immature cannabis plant, or any cannabis seedling, unless otherwise specifically provided herein.

(J) “Cannabis product” means plant material that has been transformed, through a manufacture process whether by mechanical means and/or using solvents, into concentrated cannabis, or cannabis tinctures, edibles, drinks, topical salves, lotions or other materials containing cannabis or concentrated cannabis and other ingredients.

(K) “Canopy” means the designated area(s) at a licensed premises that will contain cannabis plants at any point in time, as follows: (1) Canopy shall be calculated in square feet and measured using clearly identifiable boundaries of all area(s) that will contain cannabis plants at any point in time, including all of the space(s) within the boundaries; (2) Canopy may be noncontiguous but each unique area included in the total canopy calculation shall be separated by an identifiable boundary that includes, but is not limited to, interior walls, shelves, greenhouse walls, hoop house walls, garden benches, hedgerows, fencing, garden beds, or garden plots; and (3) If cannabis plants are being cultivated using a shelving system, the surface area of each level shall be included in the total canopy calculation.

(L) “Closed-loop Extraction” means an extraction system that is designed to recover the solvents employed to extract cannabis that is built to codes of recognized and generally accepted good engineering standards, such as those of: (1) American National Standards Institute (ANSI); (2) American Society of Mechanical Engineers (ASME); (3) Underwriters Laboratories (UL); or (4) The American Society for Testing and Materials (ASTM).

(M) “Co-Location” means two or more different licensees operating on a single parcel, or two or more different licensees collectively operating on more than one parcel as part of an approved Master Plan, in order to reduce the overall impacts of development. Examples include two or more different cultivation licensees, or two or more different manufacturing licensees, operating on a single parcel, or four cultivation licensees operating on three adjacent parcels that are part of an approved Master Plan. “Co-Location” does not refer to a single person or entity holding more

than one category of license (e.g., cultivation, manufacturing, and distribution) and operating on a single parcel.

(N) “Cultivation site” means a location where cannabis is cultivated, and includes any structures used for cultivation activities.

(O) “Distribution facility” or “facility”, when used with reference to cannabis distribution, means a structure(s), separate and apart from a cultivation site or manufacture facility, in which cannabis or cannabis products are stored for any length of time in the course of distribution.

(P) “Fence” means a wall or barrier connected by boards, masonry, rails, panels, or any other materials for the purpose of enclosing space or separating and securing parcels of land. For purposes of this Chapter, the term “Fence” does not include tarpaulins, scrap material, hedges, or bushes.

(Q) “Growing Area” means a specific area on a cultivation site where cannabis is grown.

(R) “Hazardous material” means any material as defined in California Health and Safety Code Section 25501(n), as may be amended.

(S) “Hoop house” means an agricultural shade structure as described in SCCC Section 12.10.315.

(T) “Indoor” or “indoors” means any area that is contained within an enclosed structure that contains exterior walls and a roof, including any structure that may be open to the elements periodically by way of retracting the walls or the roof. For purposes of this Chapter, any structure that is serviced by utilities for powering grow lights, fans, etc., is considered “indoors.”

(U) “Infused product” means a product created through a process by which cannabis, cannabinoids, or cannabis concentrates are directly incorporated into an existing product to create a cannabis product, e.g., an edible (such as a baked good, tincture, or vape pen) or a topical (such as a lotion, salve, or soap) product.

(V) “License” means the written evidence of permission given by the Licensing Official for a licensee to engage in non-retail cannabis business activity. “License” does not mean “permit” within the meaning of the Permit Streamlining Act, and a license does not constitute a permit that runs with the land on which the cannabis business activity takes place.

(W) “Licensee” means the person or entity holding a valid license to engage in non-retail cannabis business activity under this Chapter.

(X) “Licensing Official” means the official appointed by the County Administrative Officer who is responsible for implementing the provisions of this Chapter.

(Y) “Master Plan” means a plan approved by the Licensing Official to allow multiple licensed cannabis businesses located on adjacent parcels to share infrastructure in order to reduce environmental impacts. For example, licensees who are part of an approved Master Plan may be

able to share infrastructure available on one parcel that would otherwise be required for each individual parcel.

(Z) “MAUCRSA” refers to the California Medicinal and Adult-Use Cannabis Regulation and Safety Act, Senate Bill No. 94, approved by the Governor on June 27, 2017, as may be amended.

(AA) “Non-retail cannabis business activity” means cannabis business activity that does not involve sales to retail consumers. Retail sales of cannabis and cannabis products directly to consumers are governed by the dispensary regulations set forth in SCCC Chapter 7.130.

(BB) “Non-volatile extraction” shall include: (1) mechanical extraction (e.g., cold water, heat press); (2) chemical extraction using a food-grade non-volatile solvent such as a non-hydrocarbon-based solvent or other solvent such as water, vegetable glycerin, vegetable oils, animal fats, or food-grade glycerin; (3) chemical extraction using a professional closed-loop CO2 gas extraction system.

(CC) “Non-volatile solvent” means any solvent used in the extraction process that is not a volatile solvent. This includes, but is not limited to, carbon dioxide and ethanol.

(DD) “Outdoor” or “Outdoors” means any area that is not “indoors” as defined in this Chapter.

(EE) “Owner” means any of the following:

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

(2) The chief executive officer of a nonprofit or other entity.

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

(4) An individual who will be participating in the direction, control, or management of the entity applying for a license.

(FF) “Parcel” means that unit of land assigned a unique Assessor’s Parcel Number by the County Assessor, whether vacant or occupied by a building, group of buildings, or accessory buildings, and includes the buildings, structures, yards, open spaces, lot width, and lot area. The Licensing Official shall have the discretion to consider contiguous parcels under common ownership as a single parcel for purposes of this Chapter, where appropriate.

(GG) “Program” means the Non-Retail Commercial Cannabis Business Licensing Program created by this Chapter.

(HH) “Residence” means a fully enclosed structure or structures, including any attached garage, used as a dwelling unit. “Residence” does not include a detached ancillary structure, such as a shed, barn, etc.

(II) “SCCC” means Santa Cruz County Code.

(JJ) “Structure” shall have the meaning ascribed by SCCC Section 13.10.700-S.

(KK) “Volatile extraction” involves chemical extraction using volatile solvents.

(LL) “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. Examples of volatile solvents include, but are not limited to, butane, hexane, and propane.

(MM) The following words or phrases when used in this section shall be construed as defined in California Health and Safety Code Section 11362.7, as may be amended: “qualified patient;” “identification card;” “person with an identification card;” and “primary caregiver.”

7.128.050 Prohibited activities.

(A) Other than as specifically allowed under the terms of this Chapter, it is unlawful and shall constitute a public nuisance for any person to cultivate cannabis for commercial purposes without 1) a currently valid local license required by this Chapter; and 2) a currently valid State license required under California law. For regulations on the cultivation of cannabis for non-commercial purposes, see SCCC Chapter 7.124.

(1) Exception: A cultivation site granted an exemption by the Planning Director pursuant to SCCC Section 13.10.670(G) as enacted by Ordinance No. 5090 (now repealed), is exempt from this section, as long as the area subject to cultivation is not expanded or enlarged beyond what existed on January 1, 2010 at the location where the exemption was granted. The holder of the exemption may move its location to another site in the County, as long as the area subject to cultivation does not exceed what existed on January 1, 2010 at the location where the exemption was originally granted, and as long as the new site meets all other requirements of this Chapter, other than those specifically waived by the Licensing Official.

(B) It is unlawful and shall constitute a public nuisance for any person to manufacture cannabis products, including but not limited to edible products (e.g., beverages and food products), topical products (e.g., lotions, salves, etc.), and cannabis concentrates without 1) a currently valid local license required by this Chapter; and 2) a currently valid State license required under California law.

(C) It is unlawful and shall constitute a public nuisance for any person to distribute cannabis or cannabis products without 1) a currently valid local license required by this Chapter; and 2) a currently valid State license required under California law.

(D) It is unlawful and shall constitute a public nuisance for any person owning, leasing, occupying, or having charge or possession of any parcel within the County to cause or allow such parcel to be used for any activity prohibited by this Chapter.

7.128.070 Creation of the Non-Retail Commercial Cannabis Business Licensing Program.

(A) There is hereby created the Non-Retail Commercial Cannabis Business Licensing Program. The Program shall be operated by the Licensing Official. The Licensing Official shall

be designated by the County Administrative Officer.

(B) The Licensing Official shall take the necessary steps to build and manage the Program. This includes, but is not limited to, accomplishing the following tasks:

- (1) Creating application forms for licensees;
- (2) Conducting pre-licensure inspections;
- (3) Approving, conditionally approving, and denying license applications;
- (4) Issuing, renewing, and revoking licenses;
- (5) Creating a system on the County's website to communicate the number of licenses issued and to notify the public as to whether applications for licenses are being accepted;
- (6) Establishing administrative policies, procedures, rules, and regulations necessary to implement the Program consistent with this Chapter;
- (7) Collecting fees necessary to implement the Program; and
- (8) Working with other County officials and staff to ensure that licensees comply with all aspects of the County Code, including but not limited to any necessary permits required under SCCC Title 12 (Building Regulations), Title 13 (Planning and Zoning Regulations), and Title 16 (Environmental and Resource Protection).

7.128.090 License required.

(A) Original License.

(1) Submission Of The Application.

(a) An application for an original license under this Chapter shall be made on the forms designated for that purpose promulgated by the Licensing Official, and shall include all required information, attachments, and signatures required by the Licensing Official. The forms shall be submitted under penalty of perjury, and shall include, but not be limited to, the following information:

(i) The names of the applicant(s) and the owner(s) of the proposed non-retail commercial cannabis business;

(ii) The exact location by street address and Assessor's Parcel Number(s) where the non-retail commercial cannabis business activity will take place;

(iii) The applicants' and owners' waiver and release of the County from any and all liability for monetary damages related to or arising from the application for a license, the issuance of the license, the denial of the license, or the enforcement of the conditions of the

license, including a complete defense and indemnification of the County from any third-party action related to the issuance of a license;

(iv) A copy of all applications submitted for State licensure of cannabis business operations;

(v) Background information as determined by the Licensing Official, including but not limited to a statement that the applicant(s) and owner(s) have submitted to a Live Scan background check no earlier than thirty days prior to the date the application is submitted;

(vi) Tax identification information;

(vii) Security plans;

(viii) Information regarding submittal of applications for required land use and/or building permits;

(ix) If the application concerns cultivation, a map containing the location of the growing area (cultivation should take place in a single growing area where total garden canopy may be easily measured, or as few areas as reasonably possible, rather than spread throughout the parcel);

(x) Identification of previous law enforcement and/or code enforcement activity at the premises related to cannabis;

(xi) A completed Best Management and Operational Practices Plan;

(xii) Such other information as required under this Chapter, or as the Licensing Official deems reasonably necessary for the County's thorough review of the application.

(2) Review Of The Application.

(a) Upon receipt of an application for an original license and all required fees, the Licensing Official shall create a Licensing File related to the application, and will evaluate the application for consistency with this Chapter and other applicable County, State, and federal laws and regulations. The Licensing Official shall inform the applicant of any deficiencies which must be addressed prior to processing. After determining that the application is sufficient for processing purposes, the Licensing Official shall conduct a physical inspection of the site where the proposed non-retail commercial cannabis business activity will occur to determine whether it meets the requirements of this Chapter. The Licensing Official shall be the custodian of the Licensing File. The Licensing File is a public record within the meaning of the California Public Records Act.

(i) As part of the inspection outlined above, the Licensing Official shall take photos of the proposed site of the cannabis business operations and keep a copy of those photos with the Licensing File for enforcement purposes.

(b) Required Findings. Issuance of a license is a discretionary act. No applicant is automatically entitled to receive a license based solely on meeting the basic requirements of this Chapter. In order to issue an original license, the Licensing Official must make the following findings:

(i) Issuance of the license will be consistent with all requirements set forth in this Chapter and all administrative rules and regulations then in place, and either none of the grounds for denial under SCCC Section 7.128.190(A) exist, or the approval of the license will be subject to an enforceable condition(s) resolving any existing grounds for denial.

(ii) Issuance of the license will not create or maintain a nuisance, or be otherwise detrimental to public health, safety, or welfare.

(iii) The applicable environmental review pursuant to Division 13 (commencing with Section 21000) of the Public Resources Code (the CEQA process) has been completed.

(iv) The applicant has obtained all permits required under the Santa Cruz County Code (development, building, grading, etc.) and any other applicable jurisdiction for the land use authorized under the license (including, but not limited to, rules specific to location and public notice).

(3) Grant Or Denial Of The License.

(a) After concluding the required pre-license investigation, the Licensing Official shall notify the applicant in writing whether the license has been granted, conditionally granted, or denied, including any reasons for denial.

(b) Conditions. The Licensing Official is authorized to impose conditions on the license at the time it is granted in order to ensure the proposed business activity will meet the intent and requirements of this Chapter and other applicable provisions of the Santa Cruz County Code.

(4) Length Of Time The Original License Is Valid.

The original license shall expire one year after it is issued. If a licensee wishes to continue business operations after expiration of the original license, the licensee must obtain a renewal license, as set forth below in section 7.128.090(B).

(B) Renewal License.

(1) Requirement To Obtain A Renewal License.

(a) In order to continue business operations after the original license expires, a licensee must obtain a renewal license. A renewal license must be obtained annually via an application form designated for that purpose. It is incumbent on the holder of a license to ensure that the license is renewed before license expiration in order to continue business operations.

(b) Renewal license applications must be submitted at least 90 days before an existing license expires. The Licensing Official is not authorized to accept an untimely renewal license application.

(c) Each renewal license is valid for a one year period from the date it is issued. If a licensee wishes to continue business operations after expiration of the renewal license, it must obtain a new renewal license per the terms of this section.

(2) Submission Of The Renewal License Application.

An application for a renewal license shall be made on the forms designated for that purpose promulgated by the Licensing Official, and shall be accompanied by the applicable fees set forth in the Unified Fee Schedule. The forms shall be submitted under penalty of perjury, and shall include, but not be limited to, the following information:

(a) The information required for the submission of an original license under section 7.128.090(A);

(b) Identification of any changes to the information the applicant submitted on the original license application, including but not limited to any proposed changes to the business operations (including growing area if the application concerns a cultivation site);

(c) Any law enforcement, license enforcement, or other code enforcement activity related to the licensee's operations during the past calendar year;

(d) A representation that the applicant continues to hold in good standing any license required by the State of California for non-retail commercial cannabis business activities;

(e) A representation that the applicant continues to hold in good standing any land use permits required by the County of Santa Cruz to permit the specific type of land use at issue in the application; and

(f) Such other information as the Licensing Official deems reasonably necessary to a thorough review of the application.

(3) Review Of The Renewal License Application.

(a) Upon receipt of an application for a renewal license, the Licensing Official shall update the licensee's Licensing File and perform whatever investigation the Licensing Official deems necessary to determine whether to grant, conditionally grant, or deny the renewal license. The investigation may include a physical inspection of the licensee's business operations and facilities, at the discretion of the Licensing Official, to determine whether the licensee remains in compliance with the regulations of this Chapter.

(b) Issuance of a renewal license is a discretionary act. No applicant is automatically entitled to receive a renewal license based solely on meeting the basic requirements of this Chapter. It is not necessary for the Licensing Official to issue findings

before granting a renewal license to an applicant who is requesting to maintain already-approved business operations. However, if a renewal license applicant is seeking to change business operations in any substantive respect (e.g., increasing operating hours, increasing employees, increasing size of authorized operations, etc.), the Licensing Official must make the findings required under Section 7.128.090(A)(2)(b) before approving the renewal license application.

(c) If any physical changes are proposed at the cannabis business facility, the Licensing Official shall conduct an inspection of the proposed changes to ensure that the licensee will remain compliant with the regulations of this Chapter and other applicable provisions of the Santa Cruz County Code if a renewal license is granted. As part of this mandatory inspection, the Licensing Official shall take photos of the specific location of the proposed changes and keep a copy of those photos with the Licensing File for enforcement purposes. Any change in the location of the cannabis business operations area shall comply with all conditions and restrictions of any use or development permit issued under SCCC Chapter 13.10, or approval of a permit amendment shall be required for such change prior to issuance of the renewal license.

(4) Grant Or Denial Of The Renewal License.

(a) The Licensing Official shall notify the applicant in writing of whether the renewal license has been granted, conditionally granted, or denied, including any reasons for denial.

(b) The Licensing Official is authorized to impose new or additional conditions on the renewal license at the time it is granted in order to ensure that all cannabis business activities will meet the requirements of this Chapter and other applicable provisions of the Santa Cruz County Code.

(C) Amending A License.

Licensees may submit an application to amend an existing license on a form promulgated by the Licensing Official for that purpose. Applications to amend a license will be reviewed by the Licensing Official in a manner consistent with the review of original and renewal license applications. Granting an application to amend a license is a discretionary act. If an applicant is seeking to amend a license to change business operations in any substantive respect (e.g., increasing operating hours, increasing employees, increasing size of authorized operations, etc.), the Licensing Official must make the findings required under Section 7.128.090(A)(2)(b) before granting the application to amend the license. In addition, any such change shall comply with all conditions and restrictions of any use or development permit issued under Chapter 13.10, or an approved permit amendment shall be required for such change prior to issuance of the license amendment. No change may occur until an amendment has been granted and any applicable County permits are obtained. If changes trigger other jurisdictions' requirements, the applicant is responsible for obtaining authorizations, permits, or the like in advance of making any changes to a cannabis business operation.

(D) Co-Location Of Licensees.

(1) The Licensing Official is authorized to approve the Co-Location of licensees in order to minimize the impacts associated with cannabis business operations. Licensees may be

co-located regardless of license type, as long as each licensee meets all of the requirements set forth in this Chapter for that licensee's individual license type. Licensees may also be co-located with a dispensary licensed under Chapter 7.130 if all business activities meet all requirements of this Chapter and Chapter 7.130. The operations of co-located licensees cannot exceed those authorized under the use or development permits granted under SCCC Chapter 13.10 for the site at issue. Limitations on size and scope of operations for co-located businesses are set forth in detail in specific parts of this Chapter, where applicable.

(2) Applicants seeking to co-locate must submit a written "Co-Location Agreement" signed by each potential licensee and the property owner. Each licensee may be held liable for violations committed by any other licensee participating in the co-location agreement.

(E) Master Plan Operations.

(1) In order to minimize the impacts associated with cannabis business operations the Licensing Official is authorized to approve a Master Plan operation comprised of multiple licensed cannabis businesses operating on adjacent parcels and sharing infrastructure that would otherwise be individually required if the businesses were operating alone. Licensees may be involved in a Master Plan regardless of license type, as long as each licensee meets all of the requirements set forth in this Chapter for that licensee's individual license type.

(2) Applicants seeking approval of a Master Plan must submit a proposed "Master Plan Agreement" to the Licensing Official. The agreement must be approved by the Licensing Official and signed by each potential licensee and the property owner before approval of the Master Plan. Each licensee may be held liable for violations committed by any other licensee participating in the Master Plan Agreement, and the agreement must contain a written statement acknowledging this.

(3) At least one licensee must reside in a permitted residence on one of the parcels that participate in the Master Plan.

(4) The Licensing Official shall develop administrative policies and procedures for the effective implementation of this section, as well as rules to regulate Master Plans in a way that furthers the policies of sharing infrastructure, ensuring security and operations compatible with the surrounding neighborhood, and reducing environmental impacts.

(F) Vertical Integration.

Nothing in this Chapter shall prohibit a single person or entity from holding more than one category of license, provided the licensee obtains all required licenses and otherwise complies with the terms of this Chapter and all other applicable provisions of the Santa Cruz County Code.

(G) Application Fees And License Fees.

(1) Application Fees.

All work performed in reviewing applications, consulting with the applicant, conducting site inspections, and making determinations on the application shall be billed to the applicant on an at-cost basis. An application for a license must be accompanied by a deposit as set forth in the Unified Fee Schedule. If the deposit is exhausted before work on the application is completed, the Licensing Official shall obtain a further deposit before performing more work on the application. At the conclusion of the Licensing Official's work, the Licensing Official will either refund the remaining balance, or bill the applicant for any overage. No license shall be granted until all application fees have been paid in full.

(2) License Fees.

A license shall not be granted to an applicant under this Chapter until the applicant has paid a non-refundable license fee as set forth in the Unified Fee Schedule. The purpose of this fee is to pay for the costs of administering and enforcing the Program regulations related to licensure that are not covered by application fees.

(H) Required Statements On Licenses.

All licenses issued by the Licensing Official must contain the signature of the owner(s) of the license. In addition, all licenses shall contain the following statements, displayed prominently on the license itself:

(1) An acknowledgement that persons engaging in cannabis business activity may be subject to prosecution under federal laws;

(2) An acknowledgment that, by accepting the license and engaging in cannabis business activities, the Licensee: (a) has released the County from any and all liability for monetary damages related to or arising from the application for a license, the issuance of the license, the enforcement of the conditions of the license, the revocation of the license, or any federal action related to the license; and (b) shall defend, indemnify and hold harmless the County and its officers, agents, and employees from and against any claim (including attorney's fees) against the County, its officers, employees or agents to attack, set aside, void or annul the approval of the license or any subsequent renewal or amendment of the license; and

(3) Any other statements deemed necessary by the Licensing Official.

7.128.110 Cannabis cultivation licenses.

(A) License Categories.

The following categories of local cannabis cultivation licenses are created under this Section.

(1) Class CA licenses for cultivation taking place on parcels zoned CA (Commercial

Agriculture) per the Santa Cruz County Zoning Ordinance (SCCC section 13.10.311 *et seq.*).

(2) Class A licenses for cultivation taking place on parcels zoned A (Agriculture) per the Santa Cruz County Zoning Ordinance, and on parcels zoned SU (Special Use) with an underlying General Plan land use designation of “residential” or “agricultural.”

(3) Class RA licenses for cultivation taking place on parcels zoned RA (Residential Agriculture) per the Santa Cruz County Zoning Ordinance.

(4) Class C-4 licenses for cultivation taking place on parcels zoned C-4 (Commercial Services) per the Santa Cruz County Zoning Ordinance.

(5) Class M licenses for cultivation taking place on parcels zoned M-1 (Small Light Industrial), M-2 (Light Industrial), or M-3 (Mineral Extraction Industrial) per the Santa Cruz County Zoning Ordinance, or on parcels with a General Plan “Q” (Quarry) overlay designation.

(6) Class TP licenses for cultivation taking place on parcels zoned TP (Timber Production) per the Santa Cruz County Zoning Ordinance.

(B) General Eligibility Restrictions For Cultivation Licenses.

(1) In order to be eligible to apply for an original license for an existing or proposed cultivation site, the applicant must have participated in the County’s 90-day registration process carried out in 2016 (including the completion of a registration form) and must have obtained acknowledgment of registration from the Licensing Official. The Licensing Official shall reject any application for an original license by an applicant who did not participate in the County’s registration process.

(a) Exception: The registration process was and is voluntary for those persons or entities with a documented history of over 3 years of commercial farming or agricultural production unrelated to cannabis production in the CA zone district in Santa Cruz County prior to November 2016.

(b) Exception: The registration process was and is voluntary for the operator of a cultivation site granted an exemption by the Planning Director pursuant to SCCC Section 13.10.670(G) as enacted by Ordinance No. 5090 (now repealed).

(2) Cultivation licenses may only be issued to applicants who provide the Licensing Official with sufficient reliable evidence documenting that they 1) have been cultivating cannabis in Santa Cruz County since before January 2013; or 2) have been engaged in commercial farming or agricultural production unrelated to cannabis production for over 3 years in the CA zone district in Santa Cruz County prior to November 2016, and are applying for a Class CA license.

(3) Class TP Licenses will only be issued to applicants who provide sufficient evidence that cannabis was being cultivated as of November 2016 on the parcel for which they are seeking a cannabis cultivation license.

(4) No license may be issued to cultivate cannabis on a parcel unless the cultivator or cultivation manager resides in a permitted residence on the parcel. This provision does not apply to Class CA, C-4, and M License types, or certain licensed cultivation sites that are part of an approved Master Plan pursuant to section 7.128.090(E).

(5) No license may be issued to cultivate cannabis on a parcel that has active violations of the Santa Cruz County Code, including but not limited to those sections related to grading, building, zoning, environmental, or fire code violations.

(6) No license may be issued to cultivate cannabis on publicly owned land.

(C) Canopy Limits.

(1) Each licensee shall be subject to the following limits on maximum canopy, based on license class. The Licensing Official may place additional or further restrictions on canopy size to maintain consistency with other laws, agricultural uses, and neighborhood compatibility.

(a) Class CA License. Size of canopy allowed, subject to approval of the Licensing Official:

(i) For single licensees on a single parcel, up to 2.5 percent of the size of the parcel, not to exceed twenty-two thousand (22,000) square feet.

(ii) For Co-Location on parcels smaller than 20 acres, up to 5 percent of the size of the parcel, not to exceed one acre total among all licensees.

(iii) For Co-Location on parcels 20 acres or larger where cultivation takes place solely within permitted structures existing as of November 2016, canopy limits will be set by the Licensing Official. For Co-Location on parcels 20 acres or larger where cultivation requires new structural development, up to 5 percent of the size of the parcel, not to exceed two (2) acres total among all licensees.

(b) Class A License: Size of canopy allowed, subject to approval of the Licensing Official:

(i) For single licensees on a single parcel, up to 1.5 percent of the size of the parcel, not to exceed ten thousand (10,000) square feet.

(ii) For Co-Location on parcels smaller than 20 acres, up to 3 percent of the size of the parcel, not to exceed ten thousand (10,000) square feet total among all licensees.

(iii) For Co-Location on parcels 20 acres or larger, up to 1.5 percent of the size of the parcel, not to exceed twenty-two thousand (22,000) square feet among all licensees.

(c) Class RA License: Size of canopy allowed, regardless of whether the parcel is occupied by one licensee or Co-located licensees, subject to approval of the Licensing Official:

(i) Up to 1.25 percent of the size of the parcel, not to exceed five thousand one hundred (5,100) square feet on parcels between five and ten acres in size.

(ii) Up to 1.25 percent of the size of the parcel, not to exceed ten thousand (10,000) square feet on parcels larger than ten acres.

(d) Class C-4 and Class M Licenses: Size of canopy allowed, regardless of whether the parcel is occupied by one licensee or Co-located licensees, subject to approval of the Licensing Official:

(i) Not to exceed twenty-two thousand (22,000) square feet.

(ii) The cumulative total amount of garden canopy approved for licensure by all licensees under the Class C-4 and Class M Licenses shall not exceed one hundred thousand (100,000) square feet for the unincorporated area of the county. Once this amount is reached, the Licensing Official shall provide a report to the Board of Supervisors with a recommendation on whether this limitation should be adjusted.

(e) Class TP Licenses: Size of canopy allowed, regardless of whether the parcel is occupied by one licensee or Co-located licensees, subject to approval of the Licensing Official:

(i) Up to 1.25 percent of the size of the parcel, not to exceed five thousand one hundred (5,100) square feet on parcels between five and ten acres in size.

(ii) Up to 1.25 percent of the size of the parcel, not to exceed ten thousand (10,000) square feet on parcels larger than ten acres.

(iii) With a TP License, canopy may only be expanded on eligible sites to the maximum size identified in (i) and (ii) above upon specific application to expand, and only if no greater than 0.25 additional acres are disturbed to accommodate the expansion and any development related to commercial operations on the site.

(f) Class SU Licenses: Size of canopy allowed, regardless of whether the site is occupied by one licensee or Co-located licensees, subject to approval of the Licensing Official:

(i) Up to 1.25 percent of the size of the parcel, not to exceed five thousand one hundred (5,100) square feet on parcels between five and ten acres in size.

(ii) Up to 1.25 percent of the size of the parcel, not to exceed ten thousand (10,000) square feet on parcels larger than ten acres.

(D) Restrictions Related To Cannabis Cultivation Operations.

- (1) Cannabis plants shall not be visible from any adjacent public right-of-way.
- (2) No lighting for cultivation purposes, except that necessary for security, shall be visible at cultivation sites from sunset to sunrise.
- (3) Occupied residences located on parcels with cultivation sites must comply with all applicable County ordinances, including but not limited to use of water, power, septic, and fire suppression.
- (4) If cannabis cultivation occurs outdoors, the growing area must be fully secured. The Licensing Official shall determine whether the area shall be enclosed within an opaque fence at least six feet in height, including a locked gate to prevent unauthorized entry, or whether no fencing, or alternative fencing, including but not limited to alternative height, material, and location, will be approved on a case-by-case basis.
- (5) Burning of cleared cannabis vegetation, excess plant material, or cannabis vegetative waste is prohibited.
- (6) Cannabis shall not be cultivated in violation of SCCC Section 7.31.030 (prohibition on cultivation of genetically engineered crops).
- (7) Employees at cultivation sites must be at least 18 years of age. Employees under the age of 21 must receive specialized training and education to be specified by the Licensing Official.
- (8) Licensees must comply with all requirements of the MAUCRSA relating to cultivation.
- (9) Licensees are prohibited from manufacturing cannabis products at a cultivation site (edibles, tinctures, rosin, salves, etc.) unless the licensee also has a local manufacturing license for that specific site.
- (10) Cannabis shall not be cultivated indoors unless all land use and building code requirements are met. Moreover, the applicant shall provide written certification from a licensed electrician that any electrical improvements associated with cultivation will comply with the California Building Codes to ensure that the growing operations can be carried out safely.
- (11) Cannabis shall not be cultivated indoors where plants or lights used for growing purposes are visible from a public right-of-way, an adjacent private right-of-way with public access, or a habitable structure.

7.128.130 Cannabis manufacturing licenses.

(A) License Categories.

The following categories of local cannabis manufacturing licenses are created under this Section.

- (1) Class 1: Manufacture of infused products, without engaging in any extraction activities.
- (2) Class 2: Manufacture of cannabis products involving extraction using nonvolatile solvents or no solvents. This license category may also include infusion.
- (3) Class 3: Manufacture of cannabis products with extraction using volatile solvents. This license category may also include infusion, and extraction using nonvolatile solvents or no solvents.

(B) Restrictions Related To Cannabis Manufacturing Operations.

(1) Cannabis manufacturing licenses may only be issued for activities undertaken in the following zone districts, consistent with the additional limitations and approvals required by this Chapter and SCCC Chapter 13.10, as applicable: CA (Commercial Agriculture), A (Agriculture), RA (Residential Agricultural), TP (Timber Production), C-2 (Community Commercial), C-4 (Commercial Services), M-1 (Light Industrial), M-2 (Heavy Industrial), M-3 (Mineral Extraction Industrial), and SU (Special Use), including parcels with a General Plan “Q” (Quarry) overlay designation.

(2) Licenses for manufacturing activities may only be issued where the manufacturing activities are ancillary to licensed commercial cultivation on the parcel, except for in the CA, C-4, and M zone districts, and on parcels with a General Plan “Q” (Quarry) overlay designation.

(3) Multiple licensees may be Co-Located (e.g., commercial kitchen facilities, or cannabis extraction facilities) in accordance with the limits established in SCCC Chapters 7.128 and 13.10, contingent upon all licensees receiving and maintaining valid and active licenses (both local and State) for all operations, as well as any other required discretionary development permits, building permits, and other required permits.

(4) Import of cannabis material from a licensed California cultivator, manufacturer, or distributor, used to support manufacturing activity, is permitted in all zones in which manufacturing is an allowed or permitted use, subject to the limitations set forth in SCCC Chapter 13.10.

(5) No cannabis used in manufacture may be sourced from an unlicensed cultivator, manufacturer, or distributor. Licensed manufacturers may only sell their product within the State of California to other licensed cannabis businesses and may not sell product directly to consumers.

(6) The licensee must maintain at the facility complete and accurate records of all raw and/or cannabis extract source material used in manufacture processing with all source identification information, to include origin, operator/supplier name, location, address, state and local license information, and quantity of product in manufacture.

(7) The production of edible products must take place within a permitted commercial grade kitchen facility. Non-cannabis products may not be produced at the same kitchen facilities where cannabis products are produced.

(8) All cannabis products, food products, food storage facilities, food-related utensils, and equipment and materials used in the manufacture process shall be approved, used, managed, and handled in accordance with California Department of Public Health requirements. All food products and cannabis products shall be protected from contamination at all times. All food handlers must be clean, in good health, free from communicable diseases, and must obtain any food handling certification required by the State of California before handling food products.

(9) County of Santa Cruz Environmental Health officials may impose any additional restrictions or requirements as required to ensure public health, and may inspect any portion of the commercial cannabis manufacture facility at any time during normal business hours to ensure compliance with this Section.

(10) All items to be sold or distributed retail shall be packaged as required by the California Department of Public Health.

(11) All solvent-based extraction of cannabis oils, resins, or other compounds from cannabis plants, manufacture of cannabis products, and packaging of manufactured cannabis products for sale to or use by the public, shall be carried out in accordance with the provisions of the MAUCRSA, any requirements set by the California Department of Public Health, Office of Manufactured Cannabis Safety (OMCS), all requirements of this Chapter, all requirements of other applicable local and State laws, and all administrative rules and regulations promulgated by the Licensing Official. This includes, but is not limited to, compliance with all laws and regulations related to zoning and land use, environmental resources, natural resource protection, water quality, water supply, hazardous materials, pesticide use, wastewater discharge requirements, and any permit or right necessary to divert water.

(12) Class 2 and 3 licensees may only carry out chemical extractions (e.g., using CO₂ or volatile solvents) using a professional closed loop extraction system.

(a) The closed-loop system shall be commercially manufactured and bear a permanently affixed and visible serial number. The system shall be certified by a qualified California-licensed engineer (e.g., mechanical engineer, electrical engineer, etc.) that the system was commercially manufactured, safe for its intended use, and built to codes of recognized and generally accepted good engineering practices, such as:

- (i) The American Society of Mechanical Engineers (ASME);
- (ii) American National Standards Institute (ANSI);
- (iii) Underwriters Laboratories (UL); or
- (iv) The American Society for Testing and Materials (ASTM).

Professional closed loop systems, other equipment used, the extraction operation, and facilities must be approved for use by the local fire code and building officials and shall comply with any required fire, safety, and building code requirements related to the processing, handling and storage of the applicable solvent or gas. The certification document required shall contain the signature and stamp of the certifying engineer and the serial number of the extraction unit being certified. As part of the certification process, documents pertaining to specific material specifications, pressure, temperature thresholds, specific operating procedures, details on maintenance schedule requirements for equipment, and other related details shall be provided in a report signed and stamped by the engineer of record.

(b) All equipment associated with closed-loop systems must be properly maintained and in working order at all times. Maintenance records which reflect the certifying engineer's recommended maintenance schedule for all equipment used must be kept up to date detailing last date of inspection and upgrades carried out, and must be furnished for inspection by County officials at any time.

(c) Any employees operating closed-loop systems shall be trained on the proper use of the equipment directly by the equipment manufacturer or an authorized trainer to ensure proper use of the equipment and proper hazard response protocols in the event of equipment failure. Only trained personnel may enter an extraction room where closed-loop systems are in use.

(d) If any closed-loop system is being used to extract compounds from cannabis, clear instructions must be posted in a prominent and visible location within the facility to ensure first responders can determine the materials being used in the facility and how to disable the equipment if facility operators are impaired or unavailable to do so.

(e) The Licensing Official, Building Official, or Fire Marshal are authorized to either accept or reject the qualification of an engineer for purposes of this section.

(13) A hazard response plan shall be in place for all facilities and all employees shall be trained on emergency response protocols.

(14) Class 2 and 3 licensees shall, on an annual basis, provide the Environmental Health Department, the County Fire Marshal, and any other fire code official with locational jurisdiction, a list of hazardous material types and quantities used. This list must be kept onsite at the facility as well as be available during County inspections of the facility.

(15) No alcohol, narcotics, or cannabis may be consumed at the facility.

(a) Exception: To allow for cannabis product quality control, sampling of cannabis product made exclusively at the facility is authorized only by those who are not operating extraction, distillation, or related equipment within a 24 hour time period after sampling.

(16) No person under the age of 21 may be present on the premises of a cannabis manufacture facility.

(17) Cannabis manufacture facilities shall be inaccessible by the general public and should be fully enclosed if feasible.

(18) Class 3 extraction of cannabis and any form of Class 2 extraction methods involving CO₂ are strictly prohibited in the RA zone district. An exception exists in the RA zone district for Class 2 extraction, where CO₂ extraction may occur if all manufacturing activity occurs in a legal accessory structure.

(19) All cannabis that is being used for commercial manufacturing of cannabis products must be locked and secured at all times to prevent access by those under the age of 21, unauthorized visitors, or animals.

7.128.150 Cannabis distribution licenses.

(A) License Categories.

The following categories of local cannabis distribution licenses are created under this Section.

(1) Class 1: A Class 1 distribution license is for a licensee that also holds a local cannabis cultivation or manufacture license. A Class 1 license is for a licensee who transports their own cannabis and cannabis products from their licensed cultivation site or manufacture facility to another licensed facility, stores cannabis for State testing and transport, and carries out packaging requirements as needed. A Class 1 distribution licensee does not maintain a distribution facility separate and apart from the cultivation site or manufacturing facility and does not transport other licensees' cannabis plants or products.

(2) Class 2: A Class 2 distribution license is for a licensee who transports cannabis and cannabis products for their own or other licensed cannabis businesses, stores cannabis for State testing and transport, and carries out packaging requirements as needed. A Class 2 distribution license may only be issued to a licensee with suitable storage premises.

(B) Restrictions Related To All Cannabis Distribution Operations.

(1) Cannabis distribution licenses may only be issued by the Licensing Official for distribution activities undertaken in the following zone districts, consistent with the additional limitations and approvals required by this Chapter and SCCC Chapter 13.10, as applicable: CA (Commercial Agriculture), A (Agriculture), RA (Residential Agricultural), TP (Timber Production), C-4 (Commercial Services), M-1 (Light Industrial), M-2 (Heavy Industrial), M-3 (Mineral Extraction Industrial), and SU (Special Use), as well as parcels with a General Plan "Q" (Quarry) overlay designation.

(2) No licensee may distribute cannabis from an unlicensed cannabis cultivator or cannabis manufacturer. Licensed distributors may only distribute products between other licensed businesses within the State of California. Distributors may not sell product directly to consumers. The only exception to this is for distributors that also have a local dispensary license.

(3) The licensee must comply with all provisions of the MAUCRSA related to distribution licenses, including but not limited to all provisions of Business and Professions Code sections 26070 *et seq.*, as may be amended.

(4) Cannabis distribution facilities shall be inaccessible by the general public and shall be fully enclosed.

(5) No alcohol, narcotics, or cannabis may be consumed at the distribution facility.

(6) No person under the age of 21 may be present at a cannabis distribution facility.

7.128.170 General requirements applicable to all non-retail commercial cannabis license types.

(1) Cannabis may not be cultivated or manufactured within a residence, and may not be stored for distribution within a residence; use of legal accessory structures for cultivation or manufacture may be permitted in accordance with this Chapter and Chapter 13.10.

(2) Cannabis business activities require written consent from the owner of the parcel where the cannabis business activity will take place, if the applicant is not the owner of the parcel.

(3) Cannabis plants and products shall not be visible from the exterior of the parcel. In the case of cannabis manufacture and distribution, no activities within a structure should be visible from the exterior of the structure.

(4) No non-retail cannabis products may be sold directly to consumers. If a separate licensed dispensary is located on the same parcel, the manufacturing facility must maintain a separate operating area from the dispensary, as defined by the Building Official and Fire Marshal. No members of the public are allowed within the manufacturing operating area.

(5) All materials and equipment associated with a license must be stored exclusively on the parcel where the licensed activity takes place. Off-site storage facilities are prohibited.

(6) Outside of an emergency, generators may not be used as a power source.

(7) Outside of an emergency or initial filling of water storage tanks for fire-fighting purposes, water hauling is prohibited. Water hauling during an emergency or for initial filling may only be done by a State licensed water purveyor.

(8) The licensee shall not print, publish, advertise, or disseminate in any way or by any means of communication, or cause to be printed, published, advertised, or disseminated in any way or by any means of communication, any notice or advertisement that includes the following information: pricing of products, details regarding specific cannabis products, or cannabis photography or graphics related to the cannabis plant or cannabis products.

(a) Notwithstanding the limitations imposed by this subsection, a licensee may provide the following: an entry in the telephone directory with the name, location, and

phone number of the facility; or signage as permitted by this section. Such directory entry or signage may identify the business as a (e.g., “cannabis product manufacturing facility”) but shall not include pricing of cannabis, details regarding specific cannabis products, or cannabis photography or graphics related to the cannabis plant or cannabis products.

(9) The licensee shall not post at the facility any signage other than one identification sign stating the facility name, address, and hours of operation. Any sign posted under this section shall not exceed six square feet in area, shall not be directly illuminated, shall not contain graphics identifying cannabis, and must comply with all existing County regulations and restrictions regarding signs. Signage is not permitted in the RA zone district.

(10) Licensees must utilize energy efficient cultivation methods.

(11) Licensees shall implement the following transportation demand management measures to the maximum extent feasible: provide carpool, shuttle, mini bus, or van service for employees, especially during harvest periods; provide bicycle storage and parking facilities; provide incentives for employees to rideshare or take public transportation; and implement compressed or flexible work schedules to reduce the number of days per week that employees are traveling to the site.

(12) Licensees must comply with all applicable requirements of County, State, and federal regulations pertaining to worker safety and to storage and use of hazardous materials. Licensees storing or handling hazardous materials, as defined by SCCC Section 7.100.020, or of any amount of an acutely hazardous substance, as defined by State or federal law, shall obtain all required permits from the County Environmental Health Department.

(13) Cannabis-related solid waste must be composted, processed, or disposed of at solid waste facilities permitted to receive that type of solid waste, subject to County, State and federal regulations. Disposal of hazardous and chemical waste must be conducted in a manner consistent with County, State, and federal laws pertaining to the proper disposal of related materials.

(14) Licensees must comply with all applicable requirements of County, State, and federal laws and regulations, including environmental and water regulations related to storm water management and fertilizer, pesticide, herbicide, and rodenticide storage and use.

(15) Subject to review and approval of the Licensing Official, licensees are required to develop and maintain an adequate security plan, which is intended to prevent unauthorized diversion of cannabis material and to protect the health, safety, and welfare of workers and the general public. This includes security measures sufficient to restrict access to only those intended and to deter trespass and theft of cannabis or cannabis products.

(a) Security requirements must comply with applicable Non-retail Commercial Cannabis Business Best Management and Operational Practices requirements.

(i) No razor wire fencing is permitted.

(ii) All manufacture and distribution facility windows shall have security bars installed to the extent allowed under the Building Code, and unless existing exterior security bars are in place, a facility shall only affix bars to the inside of a facility for the purpose of reducing visual impacts.

(iii) All loading and unloading of cannabis products or value added products shall occur behind locked gates, and/or inside a secured facility, and/or in the presence of trained security personnel.

(iv) The facility shall provide adequate security precautions at all times, including locking and securing the facility to prevent theft or access to minors. The facility must be closed to the general public and only authorized personnel may be present onsite.

(v) Doors and windows of facilities shall remain closed, except for the minimum length of time needed to allow people to ingress or egress the building.

(16) All activities that generate emissions from extraction processes must obtain permits from the Monterey Bay Unified Air Pollution Control District, as applicable.

(17) Aside from outdoor cultivation sites, all facilities where cannabis product is located must use a commercial air scrubbing or filtration system sufficient to prevent the odors associated with business operations from escaping the facility where cannabis products are grown, processed, or stored. In order to mitigate odors, all facilities shall be equipped with a mechanical source capture system. Source capture systems shall comply with all local laws. In-line exhaust filtration may include a carbon filtration capture system or other equivalent filtration apparatus approved by the Building Official. Source capture system apparatus shall be maintained in proper working order.

(18) No portion of the facility shall be illuminated between the hours of 10:00 p.m. and 8:00 a.m. by lighting that is visible from the exterior of the facility, except such lighting as is reasonably utilized for the security of the facility. All exterior lighting should be downward directional and hooded so as not to cast light off the property onto neighboring properties or skyward.

(19) The facility must provide litter and graffiti removal services for the business premises on a daily basis.

(20) All noise from business activity shall conform to applicable General Plan Noise Element policies and standards and is also subject to SCCC Chapter 8.30, Noise Regulations.

7.128.170 Denial or revocation of license; remedies.

(A) The Licensing Official may deny an application for an original or renewal license, or revoke an original or renewal license, for any of the following reasons:

(1) Discovery of untrue statements submitted on a license application.

- (2) Revocation or suspension of any State license required to engage in commercial cannabis business activities.
- (3) Previous violation by the applicant, or violation by the licensee, of any provision of the Santa Cruz County Code or State law related to the cultivation of cannabis, the manufacture of cannabis products, or the distribution of cannabis or cannabis products, including any land use permit conditions associated with the licensee's business operations.
- (4) Failure of the background check conducted by the Licensing Official, including the applicant's most recent Live Scan report. A failed Live Scan is a Live Scan report that includes any felony conviction within the past 10 years and/or reflects that the applicant is currently on parole or probation related to a felony conviction. Felony convictions for cannabis-related offenses prior to June 1, 2013 will not result in a failed Live Scan, unless the offense involved sales to a minor.
- (5) Failure to meet any of the general eligibility requirements to obtain a license as set forth in this Chapter.
- (6) Violation of, or the failure or inability to comply with, any of the restrictions or requirements for the issuance of a license or conducting business operations as set forth in this Chapter, including any administrative rules or regulations promulgated by the Licensing Official or any conditions associated with the issuance of the license or any associated land use permit or other permit.
- (7) Violation of, or failure to comply with, any land use or other permit requirements associated with the licensee's commercial cannabis business activities, including but not limited to zoning, building, and agricultural permits as may be required for the activity and the operations site.
- (8) Violation of, or failure to comply with, any State or local law in conducting business operations, including any laws associated with the MAUCRSA.
- (9) Allowance of any person younger than 18 years of age to enter a cultivation, manufacturing, or distribution facility without a parent or legal guardian.
- (10) Failure to contain all irrigation run-off, fertilizer, pesticides, and contaminants on-site.
- (11) Failure to allow unannounced inspections of the premises and business operations by the Licensing Official, Building Official, Fire Marshal, or law enforcement at any time, without notice.
- (12) Failure to timely pay any local, State, or federal tax associated with or required by the licensee's cannabis business activities, including any taxes required to be paid under Santa Cruz County Code section 4.06 (Cannabis Business Tax).
- (13) Three or more citations for violation of SCCC Chapter 8.30 (Noise) within a single year.

(14) Possession, storage, or use of any firearm on a parcel where commercial cannabis business activities take place.

(15) Creation or maintenance of a public nuisance.

(16) Conviction of a criminal offense that would justify denial of a license.

(17) Failure to post and maintain at the cultivation site, manufacture facility, or distribution facility in a prominent location a copy of the local license(s) issued pursuant to this section and a copy of any State license(s) required for the activity.

(18) Failure to fully cooperate with a financial audit by the County of Santa Cruz of any and all aspects of the licensee's business, including but not limited to on-site inspection and review of financial transactions, sales records, payroll and employee records, purchase orders, overhead expense records, shipping logs, receiving logs, waste disposal logs, bank statements, credit card processing statements, inventory records, tax records, lease agreements, supplier lists, supplier agreements, policies and procedures, and examination of all financial books and records held by the licensee in the normal course of business.

(B) The Licensing Official's denial of any type of license application (original, renewal, or amendment) or revocation of a license is a final action that is not subject to any further administrative remedy. The only legal remedy available to appeal the Licensing Official's action is to file a petition for writ of mandate in the superior court under California Code of Civil Procedure section 1085. If an application for an original or renewal license is denied, or if a license is revoked, all commercial cannabis cultivation on the parcel shall cease immediately, subject to the Licensing Official's discretion to allow operations to continue for a brief period of time to complete miscellaneous wind-down operations.

(C) Under no circumstances shall a cause of action for monetary damages be allowed against the County of Santa Cruz, the Licensing Official, or any County official or employee as a result of a denial or a revocation of a license. By applying for a license, the applicant and owners associated with a non-retail commercial cannabis business waive any and all claims for monetary damages against the County, the Licensing Official, and all other officials and employees of the County of Santa Cruz that may be associated with the denial or revocation of a license.

7.128.190 Enforcement.

(A) In addition to the authority of the Licensing Official to revoke any license pursuant to this Chapter, the Licensing Official may also elect to pursue one or more of those alternatives set forth in section 19.01.030(A) of this Code. It shall be a separate offense for each and every day during any portion of which any violation of, or failure to comply with, any provision of this Chapter is committed, continued or permitted.

(B) Notwithstanding the limitations on civil penalties set forth in SCCC Section 1.12.070(A)(2), civil penalties for violation of Chapter 7.128 shall be assessed as follows:

(1) A fine not exceeding \$2,500 for a first violation.

(2) A fine not exceeding \$5,000 for a second violation of the same County Code provision within one year.

(3) A fine not exceeding \$7,500 for each additional violation of the same County Code provision within one year.

(C) Whenever a Notice of Violation is issued by the Licensing Official under section 1.12.070 for violation of a provision of this Chapter, the violator shall be provided with seven (7) calendar days from notice of the violation to correct the violation before the imposition of civil penalties are assessed under section 1.12.070(D)(2)(a) of this Code.

(D) The unlicensed cultivation, manufacture, or distribution of cannabis constitutes a public nuisance which poses an immediate threat to public health and safety. Where feasible and consistent with the press of business and available resources, the Licensing Official shall use the summary abatement procedures set forth in SCCC Section 1.14.025 to abate nuisances related to the unlicensed cultivation, manufacture, or distribution of cannabis. If the person responsible for the unlicensed cannabis business activity or occupying the premises refuses to accept service of any notice related to the summary abatement procedure, or if the premises is unoccupied at the time service is attempted, notice is deemed appropriately given when it is posted in a conspicuous place on the real property containing the nuisance. Anyone filing an administrative appeal of a summary abatement order shall pay a fee as set forth in the Unified Fee Schedule.

7.128.210 No duty to enforce.

Nothing in this chapter shall be construed as imposing on the Licensing Official or the County of Santa Cruz any duty to issue a Notice of Violation, nor to abate any unlawful cannabis business activity, nor to take any other action with regard to any unlawful cannabis business activity, and neither the enforcing officer nor the County shall be held liable for failure to issue an order to abate any unlawful cannabis business activity, nor for failure to abate any unlawful cannabis business activity, nor for failure to take any other action with regard to any unlawful cannabis business activity.

SECTION III

This ordinance is not subject to the California Environmental Quality Act (CEQA) pursuant to Business and Professions Code Section 26055(h). That section states that Division 13 of the Public Resources Code does not apply to the adoption of an ordinance that requires discretionary review and approval of permits, licenses, or other authorizations to engage in commercial cannabis activity if such discretionary review will include any applicable environmental review required under Division 13.

SECTION IV

Should any section, clause, or provision of this Ordinance be declared by the courts to be invalid, the same shall not affect the validity of the Ordinance as a whole, or parts thereof, other than the part so declared to be invalid.

SECTION V

This ordinance shall take effect on the 31st day after the date of final passage.

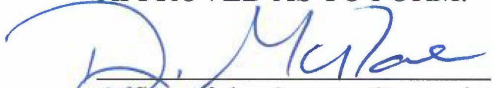
PASSED AND ADOPTED this ___ day of _____ 2018, by the Board of Supervisors of the County of Santa Cruz by the following vote:

AYES: SUPERVISORS
NOES: SUPERVISORS
ABSENT: SUPERVISORS
ABSTAIN: SUPERVISORS

Chairperson of the
Board of Supervisors

Attest: _____
Clerk of the Board

APPROVED AS TO FORM:



Office of the County Counsel

cc: County Administrative Office
Planning Director
Sheriff's Office