



# City of Fort Bragg

416 N Franklin Street  
Fort Bragg, CA 95437  
Phone: (707) 961-2823  
Fax: (707) 961-2802

## Meeting Agenda Public Safety Committee

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Wednesday, April 13, 2016

3:00 PM

Police Department Conference Room  
250 Cypress Street

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### MEETING CALLED TO ORDER

### ROLL CALL

### APPROVAL OF MINUTES

Approve Minutes of Special Meeting of February 17, 2016

Attachments: [PSCM 2016-02-17](#)

### PUBLIC COMMENTS ON NON-AGENDA ITEMS

### CONDUCT OF BUSINESS

1. Receive Report and Make Recommendations to City Council Regarding Medical Marijuana Regulations

Attachments: [PSCA2016-04-13 Medical Marijuana Regulations.pdf](#)  
[PSCA2016-04-13 MMRSA Staff Report of 12-9-15.pdf](#)  
[PSCA2016-04-13 FBMC Chapter 9.30 - Medical Marijuana Dispensaries.pdf](#)  
[PSCA2016-04-13 FBMC Chapter 9.32 - Medical Marijuana Cultivation.pdf](#)  
[PSCA2016-04-13 RootOne Botanical.pdf](#)

### MATTERS FROM COMMITTEE / STAFF

### ADJOURNMENT

STATE OF CALIFORNIA     )  
  )ss.

COUNTY OF MENDOCINO    )

I declare, under penalty of perjury, that I am employed by the City of Fort Bragg and that I caused this agenda to be posted in the City Hall notice case on April 10, 2016.

  
\_\_\_\_\_  
Debbie Desmond, Administrative Coordinator

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## Meeting Minutes Public Safety Committee

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Wednesday, February 17, 2016

3:00 PM

Mendocino Coast Hospitality Center  
101 North Franklin Street

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### SPECIAL MEETING

Please note special location for meeting

### MEETING CALLED TO ORDER

Committee Member Peters called the meeting to order at 3:00p.m. He announced that the Committee would be reversing the order of the items on the agenda and discussing item 2 first and then taking the tour of the facility.

### ROLL CALL

**Present:** 6 - Scott Deitz, Lindy Peters, Linda Ruffing, Fabian Lizarraga, Steve Orsi and Tom Varga

### APPROVAL OF MINUTES

Minutes of December 9, 2015 Meeting

A motion was made by Committee Member Deitz and seconded by Committee Member Peters, that the Committee Minutes of December 9, 2015 be approved. The motion carried by a unanimous vote.

### PUBLIC COMMENTS ON NON-AGENDA ITEMS

- Committee Member Peters announced that normally the Council Committees do not place a time limit on public comments on non-agenda items, but due to the number of people attending the meeting he would be giving each member of the public who wished to make comments, 3 minutes to speak. He mentioned that the item on today's agenda is an important public issue that many people feel very passionately about. He asked that people please try to remain civil and not have interruptions so that everyone can be heard.
- It was mentioned that the Director at the last meeting of the Hospitality Center had said that there were 140 people helped at the Extreme Weather Shelter a couple of years ago and that this year 800 people were helped. If that is factual information, it is very important. Lynelle Johnson, who is on the board of the Hospitality Center, explained that there are two very different types of counts, "bed nights" and "people". For example, if a person is staying at the Extreme Weather Shelter for 5 nights, that counts as 5 bed nights, but only 1 person. It was confirmed that there were approximately 134 people helped at the shelter this year compared to 85 the year before.
- A local resident Fort Bragg has become a dangerous place to live since the Ortnor Company has come to Fort Bragg. An Ortnor employee named Todd Arthur Harris, who is a doctor and a therapist is licensed to carry a hand gun and he owns three of them. He is able to carry his gun while on the job as his work is dangerous and the Hospitality Center is

his work place. It was asked if the insurance company is aware that this employee carries a gun. It was advised that an attorney be hired at the Hospitality Center's expense to provide advice on legal matters such as these.

- A local resident felt that cannabis should not be a schedule one drug and referred to himself as green and sober. Cannabis helps people end their dependence on alcohol, drugs and prescription medication. He has found that all of his formal complaints keep getting buried and that it is very difficult to navigate the system. He is going to keep fighting for patients' rights and disability rights. He asks people who would like to, to please help by becoming involved with Green and Sober, Inc., which helps people develop sober living environment using perma-culture, arts & crafts, peer group support and cannabis. Their web site is [www.greenandsober.org](http://www.greenandsober.org).

## CONDUCT OF BUSINESS

2. Receive Oral Report and Discuss Extreme Weather Shelter and Other Opportunities to Assist Local Homeless Population and Homeless Service Providers

Public comment on this item was received from: Lynelle Johnson, Susan Holli, Paul Davis, Richard Mack, Lobo, Jay Rosenquist, Judy Valadao, Jim Britt, Mary Flannery, Douglas Chouteau, Rosalie Zaleski Taylor, Gary Johnson and Jerry Thompson.

The following was noted during discussion of this item:

- Peters mentioned that the intention of this meeting is education and to clear up misconceptions about who is really responsible for our Extreme Weather Shelter. The City does not have Social Services, and the County is responsible for Social Services in the City of Fort Bragg. This meeting was delayed so that the City Manager could be there to explain how this works, who is responsible, what buildings can and can't be used and what our role is as a City to provide emergency shelter for our needy, homeless and those who are out on the street at night.
- City Manager Ruffing recently had a conversation with Peters about homelessness and how our community addresses it. Homelessness is a very big issue that is a problem everywhere, with no easy solution. The homeless situations have been created by lack of affordable housing and jobs. Many of the homeless are veterans and for some, homeless it is a live style choice.
- Cities such as Eureka, Arcata, Ukiah, Santa Rosa, Counties and the State are always looking for solutions to this problem. There is no one way to address homelessness. Law enforcement has its role, but you can't arrest your way out of this problem. They help maintain our quality of life and enforce the laws, such as aggressive panhandling and illegal camping. Everyone agrees that law enforcement officers aren't the right people to be providing mental health services to our community.
- Affordable Housing and Jobs are definitely part of the solution and that is where the City has a role, responsibility and the opportunity to help. But the safety net, the social services that help homeless people, is not the City's responsibility. Fort Bragg is a small City, and is considered a non-entitlement jurisdiction, which means we do not receive funding directly from the Federal government through Housing and Urban Development to provide social services to help with homeless and mental health issues.
- The State and Federal government are responsible for providing the safety net for the homeless. Those funds go to the County through Health and Human Services. These funds get funneled out through contracts to various agencies and organizations such as, Ortnor,

the Mendocino Coast Hospitality Center, Coast Clinics and Coast District Hospital.

- The City's role in supporting the provision of homeless services has been through our Community Development Block Grant (CDBG) program. These funds go to the State and the City applies for grants through a competitive process. Those grants are restricted to projects that benefit low income people. Over the past 15 years that the City has had a Community Development Block Grant program, it has brought in tens of millions of dollars to support organizations in our community.
- It is the community organizations that have to fill in the gaps in the safety net. The City has used this grant to purchase the Project Sanctuary facility on Franklin Street, for the Food Bank additions to their facility and equipment, the kitchen at the Senior Center has been rebuilt and remodeling has been done, Parents & Friends has been helped in a number of ways, Coast Clinics new clinic was built with the help of block grant funds and Mendocino Coast Hospitality Center (MCHC) has been the recipient of numerous block grants over the years. The City has also provided funds for the purchase and rehab of the Harrison Street House, which provides transitional housing and is operated by the Hospitality Center. The City recently developed a pilot project called the Homeless Mental Health Intervention Project, working with the Hospitality Center, Coast Clinics and the Hospital. This project was funded for three years to provide intensive case management and counseling services for homeless, mentally ill individuals in our community. Most recently the Old Coast Hotel property was purchased with CDBG funds in order for the Mendocino Coast Hospitality Center to consolidate their homeless services and provide additional transitional housing in the community.
- Ruffing acknowledged the work of Jennifer Owen, Special Projects Manager for the City, because she is the person who has single handedly brought in tens of millions of dollars of CDBG funds to assist local organizations, which has been a huge help to the community. Ruffing acknowledged that the Old Coast Hotel purchase was tremendously controversial and there is still community opposition to it, but putting that aside and looking at the ways in which the City has been able to help the various non-profit service organizations in the community help those in need, the City can be very proud of what we have accomplished.
- Ruffing was not able to attend the February 8th City Council meeting, but she watched the video. She was impressed with the comprehensive and informative presentation and felt the questions and answers were interesting. She was disappointed and concerned at the tenor of the public comment that was received. The Hospitality Center has grown from a fragile, struggling organization to one that has taken on an important role in our community in helping to address the homeless issues. There are chronic funding shortages and low pay for incredibly challenging work. As a community non-profit, they are not obligated to provide these services and we are fortunate to have these services in our community. In Ukiah there are currently no homeless services. Ruffing asked our community to be kind to the Hospitality Center and help them provide assistance to those who need it. It is ok to be critical and to ask questions but she hopes that the community can help strengthen them and through various dialogues everyone can provide support and continue to provide good homeless services in our community.
- Peters had asked Ruffing about looking at the law that allows the City to declare a shelter crisis, which started the conversation on the subject. An extreme weather shelter is a great thing to have that is very necessary, but it is not mandated or funded. At the beginning of this season the Hospitality Center started out with \$10,000 from the county to provide these services and with the help of Supervisor Gjerde, they were able to receive another \$20,000. The Hospitality Center just included a solicitation for funds in the utility bills for City residents and hopefully additional funds will come in.
- The current model, which the Hospitality Center has been using for the last eight years, is

an incredibly cost effective way to provide an extreme weather shelter for those who need it.

- The faith based community plays a big role in this model. Local churches sign up for a week block that they agree to provide shelter services. The services rotate from church to church. The Intake is done at the Hospitality House on McPherson Street. The homeless are offered a shower, dry clothes and a meal. Then they are transported to the church that is offering shelter services for that week. They are supervised, spend the night on cots and in the morning are transported back to the Hospitality House. There have been no complaints received from any citizens about this operation of the extreme weather shelter. The City has not required a use permit.
- There are thresholds for when they are open and when they are not. Because the weather is unpredictable, there may be a night when it rains and the shelter is not open.
- It has been suggested that the Hospitality Center facility be used as an extreme weather shelter, which Ruffing thinks is a very bad idea. Not only is it not compliant with the zoning and would create many other issues, it is not really necessary. The model that is currently being used for the extreme weather shelter may be under funded, but it is not broken.
- Lynelle Johnson wanted to thank Susan Holli of Love in Action for all of her behind the scene work with the extreme weather shelter for years. The extreme weather shelter requires a huge amount of work and Lynelle invited anyone who wants to, to come down and see what is done on a daily basis to keep the shelter up and running every day starting at 6:00-7:00 a.m. when phone calls are made to determine what the weather will be like that day. If any other organization would like to take on the responsibility of the shelter, the Hospitality Center would be happy to pass the baton. It is a tough job to keep the shelter going and Lynelle wanted to commend the helpful, caring staff that does that job every day.
- MCHC works with twenty-two local churches to provide the shelter services to the community. Amazingly, every week is taken care of up until April 15th when the shelter closes, except for three weeks. The three weeks that still need a shelter location are March 7-13, 14-20 and 28-April 9. They are grateful to the faith based community who is also struggling with funding and would like to use their facilities for other things, but they have made a commitment to help with the homeless.
- This year, just in December and January, the extreme weather shelter has been open every night except three. That means the MCHC has more salaries to pay, transportation to take care of and food to provide. Up until this year, the only funding received was from the community through donations, church donations and the City's mayor's fund. In past years the shelter averaged 4-5 people in the shelter per night. This year the average was 12-14 people per night, which is a huge difference. They are hoping to be able to stretch the \$30,000 they received this year to cover the shelter until April when it closes. Lynelle thanked the staff and the community for the success of the shelter.
- Peters suggested that the Committee be allowed to ask questions of the City Manager and Lynelle before turning it over to the public for questions.
- It was reported to Peters that there seems to be a lack of notice as to when the shelter will be open and when it will not. Lynelle answered that there is a dedicated phone line just for the extreme weather shelter (356-8163) that anyone can call to hear the current message concerning the shelter as of 9:00a.m. each day. The message does not say where the shelter will be that night because it is important for the management of the program that the person checks in at the Hospitality House prior to being transported to the church that will be providing shelter for that night.
- The Police Department puts a sign on their front door and City Hall puts a notice in the glass case outside letting the public know if the shelter will be open or not that evening. There are about thirty locations in the area that post an informational notice about the

shelter every day.

- Committee Member Deitz thanked Lynelle for all the work she does. If reference to the increase in usage of the shelter over previous years, Deitz asked if that was indicative of the homeless population and if the numbers are in from the homeless count for last year and this year. Also, he asked if Lynelle believes that the coast is dealing with more homeless people due to the closure of so many services that had been offered in Ukiah. Lynelle mentioned that the increase in rain is definitely a factor for this year and that whatever happens in Ukiah always affects the services on the coast.
- Peters asked about alcohol use at the shelter. Use of the shelter is behavior based and alcohol use or intoxication is not allowed and is managed by the staff. Many people who use the shelter are trying to improve themselves and the rules and regulations for its use assist them in doing that.
- Dogs are welcome at the shelter and crates are provided.
- Peters asked if there was anyone in attendance who has stayed at the extreme weather shelter that would like to share their experience.
- A citizen who said he ran the shelter from 2013-2014 said it ran well while he was there but he believes the statistics for the number of people using the shelter are incorrect.
- A local homeless man, "Lobo", stated that the shelter was warm, comfortable, humane and helpful. He mentioned that the others at the shelter all had similar stories to his and that the shelter gives people the opportunity to bond with others who are in the same situation they are. It was mentioned that his comments were testimony what the shelter is doing works.
- Some homeless people do not have phones and can't call the shelter number every day to see if it will be open. It was also mentioned that some locations that display the shelter signs are not receiving calls informing them if it is open or closed each day. It was suggested that perhaps this information could be posted on Facebook. Because of the number of people that have to be notified each day, MCHC decided that calling was not the best process for notification. Now notification is done by e-mail and the business or individual is always encouraged to call if they have not received notification. It was suggested that perhaps someone could volunteer to make those calls.
- It was asked what the weather criteria is for opening the shelter for the evening. The criteria used to be 30 degrees or lower with a 50% chance of rain, but the board (with input from the community) changed it to 40 degrees or lower with a 20% chance of rain. Paul Davis makes a weather determination by 9:00a.m. each day so the open or closed information can be put on the phone message.
- Chief Lizarraga mentioned that if Police Officers come in contact with someone on the streets that needs shelter but it is after hours, they are allowed to deliver them to the extreme weather shelter and they will be accepted. This was worked out with Anna Shaw and has been working well.
- Some citizens believe there has been a substantial increase in crime as the increase in homeless people in our City grows. They feel the City should not encourage the homeless to come to Fort Bragg by offering many benefits. They suggested helping those who are here now and possibly starting a work program where the homeless can provide labor for the services they receive. Peters mentioned that there are Cities that have their Public Works Department provide work for the homeless.
- Lynelle mentioned that MCHC clients are required to give back to the community by doing work such as community clean up and serving breakfast at St. Anthony's.
- A citizen mentioned that she thought the discussion by the Committee today was going to be about what to do when there is a shelter crisis declared as per Health and Safety Code 8698. She mentioned that the community's faith based organizations are wonderful, but she questioned the zoning for the churches as far as providing overnight shelter for citizens.

She questioned the fact that one person (Paul Davis) makes the decision if Lobo or other homeless people get to sleep indoors or not, by deciding if the shelter will be open or closed. What might be considered extreme weather by that person may not be considered extreme to Lobo or other elderly homeless people. She also suggested that the statistics concerning people vs bed nights is very confusing.

- Ruffing stated that legislation is not necessary to run a shelter successfully and that the faith based community is doing an excellent job of providing shelter. Everyone who shows up at the shelter is served and transportation is provided.
- A citizen suggested that the community focus on helping the children in the community so they don't grow up to be homeless. Life skills, such as banking, should be taught to our children.
- It was suggested that any complaints or concerns about the extreme weather shelter be brought to the MCHC Board and not directly to the staff.
- A citizen asked if the web site for the MCHC could be updated with current information so that they could be better supported by the community.
- It was asked how the \$30,000 received by the MCHC this year is being spent. Jerry Thompson, the treasurer for MCHC, provided a handout concerning their budget and reviewed it with the Committee. The costs included transportation to the shelter, labor to help clean up the shelter and salary for an attendant that remains at the shelter to supervise from 4:00p.m. to 8:00a.m., which involves regular and overtime pay. If there are over 12 men in the shelter, a second attendant is required. Women are housed at the Hospitality House and if they are full, they are housed at a hotel. Two meals are provided for each person, which are not included on the budget document. Health Insurance for the employees, which they receive after three months of employment, is also not included on the budget document.
- Susan Holli mentioned that the shelter is provided to anyone who needs it and input from everyone in the community is encouraged. The current program works very well. MCHC hires people instead of working with volunteers. The employees are responsible and dependable and can be held accountable. Everyone shows respect for one another. There will be a meeting on February 25th at the library to discuss housing resources in the City.

**Peters stated that there had been a great deal of information provided at today's meeting and invited the community to attend the Mendocino Coast Hospitality Center board meetings to make their comments heard. He asked citizens to e-mail him at [Lpeters2@fortbragg.com](mailto:Lpeters2@fortbragg.com) <<mailto:Lpeters2@fortbragg.com>> for more information. This was an informational meeting only and no action will be taken by the Committee.**

1. Receive Tour of Mendocino Coast Hospitality Center's 101 North Franklin Street Facility

After the discussion of Item 2, those who wished to participate were taken on a tour of the facility.

## **MATTERS FROM COMMITTEE / STAFF**

None Received

## **ADJOURNMENT**

The meeting was adjourned at 4:30p.m. by Committee Member Peters and those who wished to, participated in the tour of the Mendocino Coast Hospitality Center facility.



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**COUNCIL COMMITTEE ITEM SUMMARY REPORT**

**MEETING DATE:** April 13, 2016  
**TO:** Public Safety Committee  
**FROM:** Linda Ruffing, City Manager  
**AGENDA ITEM TITLE:** **Receive Report and Make Recommendation to City Council Regarding Medical Marijuana Regulations**

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**ISSUE:**

At the December 9, 2015 Public Safety Committee meeting, the Committee received a detailed report (Attachment 1) on the State's new regulatory and licensing system known as the Medical Marijuana Regulation and Safety Act (MMRSA) which is comprised of State legislative bills known as AB 243, AB 266 and SB 643. MMRSA was signed by Governor Brown last October. The report identified specific policy questions for the Committee to consider. The matter is coming back to the Committee in order for the Committee to make a recommendation to the City Council regarding whether or not to modify the City's medical marijuana regulations at this time.

**SUMMARY:**

MMRSA became effective January 1, 2016 and creates a broad regulatory and licensing system governing the cultivation, testing, and distribution of medical marijuana. The new legislation preserves local control over marijuana facilities and land uses, however cities that wish to ban cultivation facilities and mobile marijuana deliveries will need to enact express bans in order to avoid preemption by the State.

As explained in the December 9<sup>th</sup> report, MMRSA requires state licenses for all facets of the medical marijuana industry. It establishes a dual-licensing requirement whereby compliance with all local regulations is required prior to issuance of a State license. In the absence of local ordinances, the State will become the only authorized licensor regulating various medical marijuana enterprises. The State is expected to begin issuing licenses for cultivation, dispensaries, deliveries, transport, manufacturing and testing in January of 2018.

The question at hand is whether or not the City of Fort Bragg should update its existing ordinances relating to medical marijuana (see Attachment 2: Fort Bragg Municipal Code Chapter 9.30- Medical Marijuana Dispensaries, and Attachment 3: Chapter 9.32- Medical Marijuana Cultivation) and/or establish new regulations for other sectors of the industry (deliveries, transport, manufacturing, testing).

## **Medical Marijuana Cultivation**

The Fort Bragg Municipal Code establishes regulations for medical marijuana cultivation. FBMC Chapter 9.32 allows indoor cultivation of medical marijuana by qualified patients or primary caregivers in conformance with specific standards and limitations. A cultivation area of up to 50 square feet may be established without a permit; and an area of up to 100 square feet may be established with a minor use permit. To date, two minor use permits have been granted for medical marijuana cultivation in Fort Bragg.

Under MMRSA, a qualified patient who cultivates marijuana for his/her personal medical use is not required to obtain a cultivation license from the State if the area used for cultivation is 100 square feet or less. Given that the City does not allow commercial cultivation of medical marijuana and the cultivation area is capped at 100 square feet, it appears there will be no need for the State to issue cultivation licenses in Fort Bragg.

**Staff recommendation:** Staff believes that the City's existing regulatory framework for medical marijuana cultivation is appropriate and recommends no further changes. If, however, the Committee feels that commercial cultivation of marijuana should be allowed, FBMC Chapter 9.32 should be amended to regulate the activity and the Land Use & Development Codes should be amended to identify allowable zoning districts for the activity.

## **Medical Marijuana Dispensaries and Delivery Services**

The Fort Bragg Municipal Code (FBMC) currently regulates the establishment of medical marijuana dispensaries (Attachment 2). FBMC Chapter 9.30 requires dispensaries to submit an application to obtain a "Medical Marijuana Dispensary Permit." The application must first be accepted or rejected by the Police Chief. Chapter 9.30 specifies the necessary background check and investigation of the application as well as the grounds for the Police Chief to reject an application. If an application is accepted, then the application is forwarded to the Community Development Department for processing using the same permit process and requirements as established for a use permit as defined in FBMC Title 17 (Coastal Land Use and Development Code) and Title 18 (Inland Land Use and Development Code). Title 17 and Title 18 allow medical marijuana dispensaries in the Light Industrial and Heavy Industrial districts. Chapter 9.30 is cross-referenced, and the requirement for a use permit is specified.

There are currently no medical marijuana dispensaries operating within the city limits. Two dispensaries are located within one mile of the city limits in the unincorporated jurisdiction of Mendocino County.

When the State begins issuing licenses under MMRSA, a local Medical Marijuana Dispensary Permit and a State license will be required before a dispensary can begin operation within the Fort Bragg city limits.

MMRSA also addresses delivery services for medical marijuana. If a city does not expressly prohibit delivery of medical marijuana within its jurisdiction, delivery will be allowed (with a State dispensary license). At this time, the City does not have an express ban on delivery services. However, since medical marijuana delivery services are not listed as a use type in the City's Land Use & Development Code and there are no similar uses, under the tenets of permissive zoning, medical marijuana delivery services are not permitted in Fort Bragg. That said, if the City wishes to ban delivery services, it would be prudent to enact an ordinance that expressly prohibits the activity prior to the State beginning to issue licenses. Alternatively, if the City wishes to allow delivery services, there may be modifications to the City's medical marijuana dispensary ordinance that would help ensure that the delivery services are conducted in a manner that protects the public health, safety and welfare of the community.

**Staff recommendation:** Staff believes that the City's existing framework for permitting and regulating medical marijuana dispensaries is sufficient. The Committee should

consider whether or not medical marijuana delivery services should be allowed in Fort Bragg and make a recommendation to the Council. If the Council is supportive of delivery services, it could either defer to the State licensing process for dispensaries or establish local regulations as part of FBMC Chapter 9.30. Alternatively, if the Council wants to prohibit delivery services, it should enact an ordinance to expressly prohibit delivery services before the State begins issuing licenses. The State licensing process for dispensaries is expected to begin in January 2018, so ordinance amendments could be prepared any time within the next year and a half.

### **Medical Marijuana Transporters**

The State has not yet determined the amount that local medical marijuana delivery services (by a State-licensed dispensary) will be allowed to transport. Large amounts will be considered “transport” and will require heightened security requirements.

**Staff recommendation:** Staff recommends that the Committee take a “wait and see” approach to medical marijuana transporters at this time. Once the State releases its draft regulatory framework for medical marijuana transporters, then the Committee and/or Council should consider whether the City should enact parallel or stricter regulations, or no regulations at all.

### **Medical Marijuana Manufacturing**

At this time, medical marijuana manufacturing activities (i.e., processing of marijuana, production of edibles, oils, tinctures, lotions and other products, and warehousing of marijuana products) are not permitted in Fort Bragg. The City has received a request from a prospective manufacturer, RootOne Botanicals, to establish a medical marijuana concentrate manufacturing operation in Fort Bragg. The City has determined that the use is not permitted under existing zoning regulations and amendments would be necessary in order to allow medical marijuana manufacturing. There are several communities (e.g., Oakland, Arcata, San Leandro) that currently allow and regulate medical marijuana manufacturing activities. Arcata’s regulations were recently established in preparation for the anticipated rapid expansion of the marijuana industry if California voters approve an initiative authorizing recreational marijuana in November of 2016.

Under MMRSA, a State license will be required from the Department of Public Health to manufacture edibles or to test medical marijuana in any of its forms. Again, these licenses are not expected to be issued until January 2018.

**Staff recommendation:** If the Committee is supportive of zoning regulations to allow medical marijuana manufacturing activities within the City of Fort Bragg, staff recommends that additional community input be sought and that the matter be brought to the full Council for direction prior to the investment of significant staff and attorney resources in the preparation of an ordinance. Preparing an ordinance regulating medical marijuana manufacturing will require analysis of various policy options. This work would be undertaken by the Community Development Department in coordination with our City Attorney’s office.

### **ATTACHMENTS:**

1. December 9, 2015 Public Safety Committee staff report on MMRSA
2. FBMC Chapter 9.30 - Medical Marijuana Dispensaries
3. FBMC Chapter 9.32 - Medical Marijuana Cultivation



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**COUNCIL COMMITTEE ITEM SUMMARY REPORT**

**MEETING DATE:** December 9, 2015  
**TO:** Public Safety Committee  
**FROM:** Marie Jones, Community Development  
**AGENDA ITEM TITLE:** **Receive Report Regarding New Legislation Regulating Medical marijuana**

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**ISSUE:**

The California Legislature recently passed three bills that will create a broad state regulatory and licensing system governing the cultivation, testing, and distribution of medical marijuana, as well as physician recommendations for medical marijuana. Known collectively as the Medical Marijuana Regulation and Safety Act (MMRSA), these bills were signed by Governor Brown. The MMRSA includes three interrelated laws, which affect the regulation and licensing of a variety of medical marijuana businesses, products and practices, as follows:

**AB 266** establishes a dual licensing structure requiring both a State license and a local license or permit. A new Bureau of Medical Marijuana Regulation within the Department of Consumer Affairs (DCA) will issue state licenses for medical marijuana dispensaries and establish licensing requirements for activities related to dispensaries, such as distribution and transportation of marijuana. This law:

1. Limits vertical integration by requiring third party distribution, transportation and testing;
2. Establishes uniform security requirements at dispensaries as well as for transporters;
3. Requires establishment of uniform State minimum health and safety standards, testing standards, and security requirements at dispensaries and during transport of the product;
4. Makes product-testing mandatory;
5. Specifies a standard for certification of testing labs, and specified minimum testing requirements. Prohibits testing lab operators from being licensees in any other category, and from holding a financial or ownership interest in any other category of licensed business;
6. Establishes a licensing procedure for deliveries. "Delivery" means the commercial transfer (via vehicle, mail or the internet) of medical cannabis or medical cannabis

products from a dispensary, up to an amount determined by the bureau to a primary caregiver or qualified patient;

7. Phases out the existing model of marijuana cooperatives and collectives one year after the DCA announces that State licensing has begun; and
8. Specifies that patients and primary caregivers are exempt from the State licensing requirement, and that their information is confidential under the California Public Records Act.

**AB 243** (Wood) establishes a regulatory and licensing structure for medical marijuana cultivation under the Department of Food and Agriculture (DFA). AB 243 also requires:

1. The DFA to work with other state agencies to develop environmental protection standards;
2. The Department of Pesticide Regulation to establish medical marijuana pesticide standards; and
3. The Department of Public Health to create standards for labeling of marijuana edibles.

**SB 643** (McGuire) establishes standards for licensing of medical marijuana businesses, regulates physicians, and recognizes local authority to levy taxes and fees. This law:

1. Establishes a track and trace program for all marijuana;
2. Directs the California Medical Board to prioritize investigation of excessive recommendations by physicians;
3. Imposes fines on physicians for having a financial interest in a marijuana business;
4. Defines a physician making a recommendation for cannabis, without a prior examination, as unprofessional conduct;
5. Imposes restrictions on advertising for physician recommendations;
6. Codifies dual licensing (State license and local license or permit), and itemizes disqualifying felonies for State licensure;
7. Places DPR in charge of pesticide regulation and DPH in charge of production and labeling of edibles; and
8. Authorizes counties to tax through a declaratory of existing law.

### **SUMMARY:**

The MMRSA does not address recreational use of marijuana. It adds a licensing structure for businesses that wish to serve those qualified patients and primary caregivers who use medical marijuana for their personal use. The new law creates five State licensing categories:

1. Dispensary
2. Distributor
3. Transport
4. Cultivation
5. Manufacturing

The law limits cross-licensing. Operators may hold one State license in up to two separate license categories. The law prohibits medical marijuana licensees from also holding licenses to sell alcohol.

**Primacy of Local Regulations.** MMRSA prohibits a person from engaging in commercial cannabis activity without possessing both a State license and a local permit, license or other authorization. Additionally, a State licensee may not commence activity under the authority of a State license until the applicant has complied with all requirements of the applicable local ordinance (Business & Professions Code Section 19320). However, in the absence of a local ordinance, the State will become the only authorized licensor. The State is expected to begin issuing licenses on January 1, 2018.

This legislation protects local control in the following ways:

1. Dual licensing. All all marijuana businesses must have both a State license, and a local license or permit, to operate legally in California. Jurisdictions that regulate or ban medical marijuana will be able to retain their regulations or ban. Jurisdictions without regulations will be regulated through the State legislation only. The law expressly protects local licensing practices, zoning ordinances, and local actions taken under the constitutional police power.
2. Local Revocation. The revocation of a local license or permit terminates the ability of a marijuana business to operate in that jurisdiction under its State license.
3. Enforcement. Local governments may enforce State law in addition to local ordinances, if they request that authority and if it is granted by the relevant State agency. State law provides for civil penalties for unlicensed activity, and applicable criminal penalties under existing law will continue to apply. Thus, if a local jurisdiction seeks to recover civil penalties for a violation of State law, those penalties would accrue to the local jurisdiction.
4. Fees & Taxes. Local jurisdictions retain the power to assess fees and taxes, as applicable on facilities licensed by the city.

However, in order to retain local authority, a city must legislate regulations regarding cultivation, dispensing, manufacturing and transport of medical marijuana as follows:

**Cultivation.** Under the MMRSA, cities must enact regulations for medical marijuana cultivation prior to March 1, 2016, otherwise the State will be the sole licensing authority. Fort Bragg's has medical marijuana cultivation regulations in the Municipal Code (see Attachment 1). The City's ordinance allows cultivation with a Minor Use Permit under specific conditions. Under the MMRSA, a person who cultivates marijuana for his or her personal medical use is not required to get a cultivation license from the State, if the area used for cultivation does not exceed 100 square feet (SF). The City's ordinance limits cultivation to 100 SF.

**Policy Questions:** The City Attorney will need to advise as to whether it is necessary to incorporate the City's medical marijuana cultivation regulations into the Land Use & Development Code (i.e., zoning ordinance). If the City Council is interested in modifying the City's medical marijuana cultivation regulations, it should do so prior to March 1, 2016.

**Delivery.** Under the MMRSA, delivery will be permitted with a State license unless a city adopts an express prohibition on delivery (AB 266). The State will establish a Statewide limit on the amount that local delivery services will be authorized to carry, based on security considerations, cash value, and other factors. The threshold amount will be authorized only for delivery to patients, primary caregivers, and testing labs. Larger amounts will not be considered "delivery"

but rather “transport” triggering heightened security requirements while the product is being moved. Counties can charge a transaction tax for delivery. Cities can charge a licensing fee.

If Fort Bragg wants to prevent deliveries within its jurisdiction, it must adopt an ordinance expressly prohibiting them by the end of 2017. State delivery licenses are expected to be issued starting January 1, 2018.

**Policy Questions:** The City Council should determine whether the City should have a local ordinance prohibiting deliveries. If the City chooses to allow deliveries, it may establish regulations for delivery services and charge a licensing fee.

**Dispensary.** The new law requires a local permit and a State license before a dispensary can begin operations within a specific jurisdiction. Cities will retain the discretion to regulate and/or deny permits or licenses to marijuana dispensaries. The City of Fort Bragg currently regulates dispensaries through its Municipal Code (see Attachment 2),

**Policy Questions:** The City Attorney will need to advise as to whether it is necessary to incorporate the City’s medical marijuana dispensary regulations into the Land Use & Development Code (i.e., zoning ordinance). The City Council should also determine whether it is interested in modifying the City’s medical marijuana dispensary regulations to make them more or less restrictive, or to prohibit dispensaries altogether. In order to serve local caregivers and patients, the City could continue to allow dispensaries and prohibit delivery services or vice-versa.

**Manufacture & Testing.** Under the MMRSA, a State license is required from DPH to “manufacture” edibles or to test medical marijuana in any of its forms. The City currently allows light manufacturing in both the Heavy and Light zoning districts without a Use Permit. The manufacture of “edible” medical marijuana could be considered “food and beverage manufacturing” under Light Manufacturing or it could be separately regulated. Likewise medical marijuana testing could be considered “Laboratory – Medical, Analytical, Research and Development” under Light Manufacturing or it could be separately regulated. The MMRSA is silent on a local jurisdiction’s ability to regulate the manufacture or testing of medical marijuana through zoning limitations.

**Policy Questions:** Consider how and if the City should regulate the location and operations of medical marijuana manufacturing and testing facilities. Regulations could include: requiring a Use Permit for the manufacture of edibles and testing of medical marijuana and specific regulations regarding smell, security, etc. that are relevant to such businesses.

The new legislation also directs DPH to develop standards for the production and labeling of all edible medical cannabis products (Business & Professions Code Section 19332(c)). The DPH standards are “minimum standards.” A city may adopt additional stricter standards, requirements and regulations regarding “edibles” (Business & Professions Code section 19316(a)).

**Expedited Permitting.** The State licensing authority is required to prioritize the license for any facility or entity that can demonstrate that it was in operation and in good standing with a local

jurisdiction by January 1, 2016. This provision is intended as an incentive for business operators to be in compliance with local ordinances, to ease any difficulties local governments may have in launching their local regulatory structures, and to help expedite the initial phase of issuing State licenses. Some businesses have been seeking approval for medical marijuana operations within Fort Bragg's city limits in order to gain the prioritization. It is unlikely that these potential businesses will become operational by January 1, 2016.

**Policy Questions:** Should the City establish a new medical marijuana licensing structure for any or all of the various business types (AB 226, Section 1932(b)). The rough timeline for State licensing to begin is January 2018.

**RECOMMENDATION:**

Provide direction to staff regarding considerations as this item is brought forward to the full Council for policy direction.

**ATTACHMENTS:**

- 1) FBMC Section 9.3 Medical Marijuana Cultivation
- 2) FBMC Section 9.3 Medical Marijuana Dispensaries

## CHAPTER 9.30: MEDICAL MARIJUANA DISPENSARIES

### Section

9.30.010	Purpose and intent
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9.30.240	Civil injunction
9.30.250	Administrative remedies
9.30.270	Severability

### § 9.30.010 PURPOSE AND INTENT.

It is the purpose and intent of this ordinance to regulate Medical Marijuana Dispensaries in order to promote the health, safety, morals, and general welfare of the residents and businesses within the City. It is not the intent nor effect of this ordinance to condone or legitimize the use of marijuana. (Ord. 850, passed - -2005)

### § 9.30.020 DEFINITIONS.

For the purpose of this chapter, the following definitions shall apply unless the context clearly indicates or requires a different meaning.

**APPLICANT.** A person who is required to file an application for a permit under this chapter, including an individual owner, managing partner, officer of a corporation, or any other operator, manager, employee, or agent of a medical marijuana dispensary.

**CHIEF OF POLICE.** The Chief of Police of the City of Fort Bragg or the authorized representatives thereof.

**CHURCH.** A structure or leased portion of a structure which is used primarily for religious worship and related religious activities.

**CONTROLLED SUBSTANCES.** A drug, substance, or immediate precursor which is listed in any schedule in Cal. Health and Safety Code §§ 11054, 11055, 11056, 11057, or 11058.

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**DRUG PARAPHERNALIA.** Shall have the same definition as Cal. Health and Safety Code § 11364.5, and as may be amended.

**IDENTIFICATION CARD.** Shall have the same definition as Cal. Health and Safety Code §§ 11362.5 *et seq.*, and as may be amended.

**MEDICAL MARIJUANA DISPENSARY** or **DISPENSARY.** Any facility or location where medical marijuana is made available to and/or distributed by or to two (2) or more of the following: a primary caregiver, a qualified patient, or a person with an identification card, in strict accordance with Cal. Health and Safety Code §§ 11362.5 *et seq.* A **MEDICAL MARIJUANA DISPENSARY** shall not include the following uses, as long as the location of the uses are otherwise regulated by this code or applicable law: a clinic licensed pursuant to Cal. Health and Safety Code Chapter 1 of Division 2, a health care facility licensed pursuant to Cal. Health and Safety Code Chapter 2 of Division 2, a residential care facility for persons with chronic life-threatening illness licensed pursuant to Cal. Health and Safety Code Chapter 3.01 of Division 2, a residential care facility for the elderly licensed pursuant to Cal. Health and Safety Code Chapter 3.2 of Division 2, a residential hospice, or a home health agency licensed pursuant to Cal. Health and Safety Code Chapter 8 of Division 2, as long as any such use complies strictly with applicable law, including, but not limited to, Cal. Health and Safety Code §§ 11362.5 *et seq.*

**PERMITTEE.** The person to whom a medical marijuana dispensary permit is issued.

**PERSON WITH AN IDENTIFICATION CARD.** Shall have the same definition as Cal. Health and Safety Code §§ 11362.5 *et seq.*, and as may be amended.

**PRIMARY CAREGIVER.** Shall have the same definition as Cal. Health and Safety Code §§ 11362.5 *et seq.*, and as may be amended.

**QUALIFIED PATIENT.** Shall have the same definition as Cal. Health and Safety Code §§ 11362.5 *et seq.*, and as may be amended.

**SCHOOL.** An institution of learning for minors, whether public or private, offering a regular course of instruction required by the California Education Code, or any child or day care facility. This definition includes a nursery school, kindergarten, elementary school, middle or junior high school, senior high school, or any special institution of education, but it does not include a vocational or professional institution of higher education, including a community or junior college, college, or university.

(Ord. 850, passed - -2005; Am. Ord. 870, § 14, passed 8-25-2008)

### § 9.30.030 PERMIT REQUIRED.

It shall be unlawful for any person to engage in, conduct or carry on, or to permit to be engaged in, conducted or carried on, in or upon any premises in the City the operation of a medical marijuana

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dispensary unless the person first obtains and continues to maintain in full force and effect a medical marijuana dispensary permit from the City as herein required.

(Ord. 850, passed - -2005)

### § 9.30.040 APPLICATIONS.

A. All applications for medical marijuana dispensary permits shall be filed with the Chief of Police. The application shall be made under penalty of perjury.

B. Any application for a medical marijuana dispensary permit shall include the following information:

1. The full name, present address, and telephone number of the applicant;
2. The address to which notice of action on the application and all other notices are to be mailed;
3. Previous addresses for the past five (5) years immediately prior to the present address of the applicant;
4. Written proof that the applicant is over the age of 18 years of age;
5. Photographs for identification purposes (photographs shall be taken by the Police Department);
6. The medical marijuana dispensary business history of the applicant, including whether the person, in previously operating in this or another City, county, or state under permit has had the permit revoked or suspended, the reason therefore;
7. The name or names of the person or persons having the management or supervision of applicant's business;
8. Whether the person or persons having the management or supervision of applicant's business have been convicted of a crime(s), the nature of the offense(s), and the sentence(s) received therefore;
9. The names of all employees, independent contractors, and other persons who will work at the medical marijuana dispensary;
10. The proposed security arrangements for insuring the safety of persons and to protect the premises from criminal activity;
11. A sketch or diagram showing the interior configuration of the premises, including a statement of the total floor area occupied by the medical marijuana dispensary;
12. An accurate straight-line drawing prepared within 30 days prior to application depicting the building and the portion thereof to be occupied by the medical marijuana dispensary:
  - a. The property line of any other medical marijuana dispensary within 500 feet of the primary entrance of the medical marijuana dispensary for which a permit is requested; and
  - b. The property lines of any church, school, park, or residential zone or use within 500 feet of the primary entrance of the medical marijuana dispensary.
13. Authorization for the City, its agents and employees to seek verification of the information contained within the application; and
14. A statement in writing by the applicant that he or she certifies under penalty of perjury that all the information contained in the application is true and correct.

C. If the applicant has completed the application improperly, or if the application is incomplete, the Chief of Police shall, within ten (10) days of receipt of the original application, notify the applicant

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of the fact and, on request of the applicant, grant the applicant an extension of time of ten (10) days or more to submit a complete application.

D. The fact that an applicant possesses other types of state or City permits or licenses does not exempt the applicant from the requirement of obtaining a medical marijuana dispensary permit.

(Ord. 850, passed - -2005)

### **§ 9.30.050 TIME LIMIT FOR FILING APPLICATION FOR PERMIT.**

All persons who possess an outstanding business license heretofore issued for the operation of a medical marijuana dispensary, must apply for and obtain a medical marijuana dispensary permit within 90 days of the effective date of this ordinance. Continued operation of a medical marijuana dispensary without a permit more than 90 days after the effective date of this ordinance shall constitute a violation of this chapter.

(Ord. 850, passed - -2005)

### **§ 9.30.060 TERM OF PERMITS AND RENEWALS.**

Medical marijuana dispensary permits issued under this chapter shall expire one (1) year following their issuance. Medical marijuana dispensary permits shall be renewed by the Chief of Police for additional one (1)-year periods upon application by the permittee, unless the permit is suspended or revoked subject to § 9.30.180. Applications for renewal shall be made at least 45 days before the expiration date of the permit and shall be accompanied by the nonrefundable fee referenced in § 9.30.070. When made less than 45 days before the expiration date, the expiration of the permit will not be stayed. Applications for renewal shall be acted on as provided herein for action upon applications for permits.

(Ord. 850, passed - -2005)

### **§ 9.30.070 FEES.**

Every application for a medical marijuana dispensary use permit or renewal shall be accompanied by a nonrefundable fee, as established by resolution adopted by the City Council from time to time. This application or renewal fee is in addition to fingerprinting, photographing, and background check costs and shall be in addition to any other permit fee imposed by this code or other governmental agencies. Fingerprinting, photographing, and background check fees will be as established by resolution adopted by the City Council from time to time.

(Ord. 850, passed - -2005)

### **§ 9.30.080 INVESTIGATION AND ACTION ON APPLICATION.**

After the making and filing of the application for the medical marijuana dispensary use permit and the payment of the fees, the Chief of Police shall conduct a background check of the applicant and all employees and conduct an investigation of the application. After the background checks and investigation are complete, and in no case later than 45 days after receipt of a completed application, the Chief of Police shall either formally accept or reject the application in accordance with the provisions of this chapter.

(Ord. 850, passed - -2005)

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### **§ 9.30.090 GROUNDS FOR REJECTION OF MEDICAL MARIJUANA DISPENSARY PERMIT APPLICATION.**

The grounds for rejection of a medical marijuana permit application shall be one (1) or more of the following:

A. The business or conduct of the business at a particular location is prohibited by any local or state law, statute, rule, or regulation;

B. The applicant has violated any local or state law, statute, rule, or regulation respecting the medical marijuana business;

C. The applicant has knowingly made a false statement of material fact or has knowingly omitted to state a material fact in the application for a permit;

D. The applicant, his or her agent or employees, or any person who is exercising managerial authority on behalf of the applicant has been convicted of a felony, or of a misdemeanor involving moral turpitude, or the illegal use, possession, transportation, distribution, or similar activities related to controlled substances, with the exception of marijuana related offenses for which the conviction occurred prior to passage of Proposition 215. A conviction within the meaning of this section means a plea or verdict of guilty or a conviction following a plea of nolo contendere;

E. The applicant has engaged in unlawful, fraudulent, unfair, or deceptive business acts or practices;

F. An applicant is under 18 years of age;

G. The medical marijuana dispensary does not comply with the Title 18 (Land Use and Development Code); and/or

H. The required application or renewal fees have not been paid.

(Ord. 850, passed - -2005)

### **§ 9.30.100 APPEAL FROM CHIEF OF POLICE DECISION TO REJECT APPLICATION.**

The Chief of Police shall cause a written notice of his or her decision to reject a medical marijuana dispensary permit application to be mailed to the applicant by certified U.S. mail, postage prepaid, return receipt requested, to the address provided by the applicant for sending of notices. An applicant aggrieved by the Chief of Police's decision to reject an application may appeal the decision in accordance with the procedures described in Chapter 1.08. If an appeal is not taken within such time, the Chief of Police's decision shall be final.

(Ord. 900, § 11, passed 12-12-2011)

### **§ 9.30.110 PROCESSING OF MEDICAL MARIJUANA DISPENSARY PERMIT.**

If an application is not rejected by the Chief of Police, it shall be forwarded to the Community Development Department for processing using the same permit process and requirements for a use permit as defined in Title 17 (Coastal Land Use and Development Code) and Title 18 (Land Use and Development Code).

(Ord. 850, passed - -2005; Am. Ord. 900, § 12, passed 12-12-2011)

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### § 9.30.120 OPERATING REQUIREMENTS.

A medical marijuana dispensary shall meet the following operating requirements for the duration of the use.

A. A medical marijuana dispensary shall be open for business only between the hours of 8:00 a.m. and 6:00 p.m. on any particular day.

B. A medical marijuana dispensary shall maintain a current register of the names of all employees currently employed by the dispensary.

C. A medical marijuana dispensary shall maintain records of all patients and primary caregivers using only the identification card number issued by the county, or its agent, pursuant to Cal. Health and Safety Code §§ 11362.71 *et seq.*, as a protection of the confidentiality of the cardholders, or a copy of the written recommendation from a physician stating the need for medical marijuana.

D. The building entrance to a medical marijuana dispensary shall be clearly and legibly posted with a notice indicating that persons under the age of 18 are precluded from entering the premises unless they are a qualified patient or a primary caregiver and they are in the presence of their parent or legal guardian.

E. A medical marijuana dispensary may possess no more than eight (8) ounces of dried marijuana per qualified patient or primary caregiver. However, if a qualified patient or primary caregiver has a doctor's recommendation that this quantity does not meet the qualified patient's medical needs, the dispensary may possess an amount of marijuana consistent with the patient's needs as prescribed by the recommending doctor.

F. No marijuana shall be smoked, ingested, or otherwise consumed on the premises of the dispensary. The term "premises" includes the actual building, as well as any accessory structures, parking areas, or other immediate surroundings. The building entrance to a medical marijuana dispensary shall be clearly and legibly posted with a notice indicating that smoking, ingesting or consuming marijuana on the premises or in the vicinity of the dispensary is prohibited.

G. No marijuana shall be grown or cultivated on the premises of the dispensary.

H. No medical marijuana dispensary shall hold or maintain a license from the State Department of Alcohol Beverage Control to sell alcoholic beverages, or operate a business that sells alcoholic beverages. In addition, alcohol shall not be provided, stored, kept, located, sold, dispensed, or used on the premises of the dispensary.

I. No medical marijuana dispensary shall conduct or engage in the commercial sale of any product, good or service. The term "commercial sale" does not include the provision of medical marijuana on terms and conditions consistent with this chapter and applicable law.

J. No accessory uses shall be permitted in conjunction with a medical marijuana dispensary.

K. No medical marijuana dispensary shall sell or display any drug paraphernalia or any implement that may be used to administer medical marijuana.

L. A medical marijuana dispensary shall provide adequate security on the premises, including lighting and alarms, to insure the safety of persons and to protect the premises from criminal activity.

M. A medical marijuana dispensary shall provide the Chief of Police with the name, phone number, and facsimile number of an on-site community relations staff person to whom one can provide notice if there are operating problems associated with the dispensary. The dispensary shall make every good faith effort to encourage residents to call this person to try to solve operating problems, if any, before any calls or complaints are made to the police or planning departments.

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N. A medical marijuana dispensary shall meet all the operating criteria for the dispensing of medical marijuana as is required pursuant to Cal. Health and Safety Code §§ 11362.5 *et seq.*

O. Signage will be limited to one (1) sign on premises not to exceed four (4) square feet.  
(Ord. 850, passed - -2005)

### § 9.30.130 MINORS.

A. It shall be unlawful for any permittee, operator, or other person in charge of any medical marijuana dispensary to employ any person who is not at least 18 years of age.

B. Persons under the age of 18 shall not be allowed on the premises of a medical marijuana dispensary unless they are a qualified patient or a primary caregiver and they are in the presence of their parent or legal guardian.

(Ord. 850, passed - -2005)

### § 9.30.140 DISPLAY OF PERMIT.

Every medical marijuana dispensary shall display at all times during business hours the permit issued pursuant to the provisions of this chapter for the medical marijuana dispensary in a conspicuous place so that the same may be readily seen by all persons entering the medical marijuana dispensary.

(Ord. 850, passed - -2005)

### § 9.30.150 REGISTRATION OF NEW EMPLOYEES.

A. As a further condition of approval of every medical marijuana dispensary permit issued pursuant to this chapter, every owner or operator shall register every employee with the Police Department within five (5) business days of the commencement of the employee's period of employment at the medical marijuana dispensary, in order to provide necessary information to conduct background checks.

B. Each employee shall be required to provide two (2) recent color passport-quality photographs and, at the discretion of the Chief of Police, shall allow himself or herself to be fingerprinted by the Police Department for purposes of identification.

C. Failure to register each new employee within five (5) days of the commencement of employment, or to maintain a current register of the names of all employees shall be deemed a violation of the conditions of the permit and may be considered grounds for suspension or revocation of the permit.

(Ord. 850, passed - -2005)

### § 9.30.160 TRANSFER OF PERMITS.

A. A permittee shall not operate a medical marijuana dispensary under the authority of a medical marijuana dispensary permit at any place other than the address of the medical marijuana dispensary stated in the application for the permit.

B. A permittee shall not transfer ownership or control of a medical marijuana dispensary or transfer a medical marijuana dispensary permit to another person unless and until the transferee obtains an amendment to the permit from the Chief of Police stating that the transferee is now the permittee. The amendment may be obtained only if the transferee files an application with the Chief of Police in

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accordance with § 9.30.040, accompanies the application with a transfer fee in an amount set by resolution of the City Council, and the Chief of Police determines in accordance with § 9.30.090 that the transferee would be entitled to the issuance of an original permit.

C. No permit may be transferred when the Chief of Police has notified the permittee that the permit has been or may be suspended or revoked.

D. Any attempt to transfer a permit either directly or indirectly in violation of this section is hereby declared void, and the permit shall be deemed revoked.

(Ord. 850, passed - -2005)

### **§ 9.30.170 SUSPENSION AND REVOCATION — NOTICE.**

A. Any permit issued under the terms of this chapter may be suspended or revoked by the Chief of Police when it shall appear to him or her that the permittee has committed any one (1) or more of the acts or omissions constituting the grounds for suspension or revocation under this chapter.

B. No permit shall be revoked or suspended by virtue of this section until a hearing shall have been held by the Chief of Police. Written notice of the time and place of the hearing shall be served upon the person to whom the permit was granted at least five (5) days prior to the date set for the hearing. The notice shall contain a brief statement of the grounds to be relied upon for revoking or suspending the permit. Notice may be given either by personal delivery to the permittee, or by depositing it in the U.S. mail in a sealed envelope, postage prepaid, addressed to the permittee at the address provided by the permittee for sending of notices.

(Ord. 850, passed - -2005)

### **§ 9.30.180 SUSPENSION AND REVOCATION — GROUNDS.**

It shall be a ground for suspension or revocation of a permit if any permittee or person, his or her agent, or employee:

A. Does any act which violates any of the grounds set forth in § 9.30.090 which sets forth the grounds for rejection of an application for a permit for the medical marijuana dispensary;

B. Violates any other provision of this chapter or any local or state law, statute, rule, or regulation relating to his or her permitted activity;

C. Conducts the permitted business in a manner contrary to the peace, health, or safety of the public;

D. Fails to take reasonable measures to control the establishment's patrons' conduct resulting in disturbances, vandalism, or crowd control problems occurring inside of or outside the premises, traffic-control problems, or creation of a public or private nuisance, or obstruction of the business operation of another business; or

E. Violates or fails to comply with the terms and conditions of the permit.

(Ord. 850, passed - -2005)

### **§ 9.30.190 SUSPENSION AND REVOCATION — APPEALS.**

Any permittee aggrieved by the decision of the Chief of Police in suspending or revoking a permit may, within ten (10) calendar days, appeal the decision in accordance with the procedures described in Chapter 1.08. If a decision of the Chief of Police to suspend or revoke a permit is not appealed within ten (10) calendar days, the decision shall be final.

(Ord. 900, § 13, passed 12-12-2011)

### **§ 9.30.200 SUSPENSION OR REVOCATION WITHOUT HEARING.**

If any person holding a permit or acting under the authority of the permit under this article is

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convicted of a misdemeanor in any court for the violation of any law which relates to his or her permit, the Chief of Police shall revoke the permit forthwith without any further action thereof, other than giving notice of revocation to the permittee. If a permit is summarily revoked pursuant to the provisions of this section, a permittee may, within ten (10) calendar days, appeal the revocation in accordance with the procedures described in Chapter 1.08. During the pendency of the appeal, the permit shall be deemed suspended. If the appeal is not taken within ten (10) days, the decision of the Chief of Police shall be final.

(Ord. 900, § 14, passed 12-12-2011)

### **§ 9.30.210 SEPARATE OFFENSE FOR EACH DAY.**

Any person that violates any provision of this chapter shall be guilty of a separate offense for each and every day during any portion of which any such person commits, continues, permits, or causes a violation thereof, and shall be penalized accordingly.

(Ord. 850, passed - -2005)

### **§ 9.30.220 PUBLIC NUISANCE.**

Any use or condition caused or permitted to exist in violation of any of the provisions of this chapter shall be and is hereby declared a public nuisance and may be abated by the City pursuant to Chapter 6.12 of the Fort Bragg Municipal Code.

(Ord. 850, passed - -2005)

### **§ 9.30.230 CRIMINAL PENALTIES.**

Any person who violates, causes, or permits another person to violate any provision of this chapter commits a misdemeanor.

(Ord. 850, passed - -2005)

### **§ 9.30.240 CIVIL INJUNCTION.**

The violation of any provision of this chapter shall be and is hereby declared to be a public nuisance and contrary to the public interest and shall, at the discretion of City, create a cause of action for injunctive relief.

(Ord. 850, passed - -2005)

### **§ 9.30.250 ADMINISTRATIVE REMEDIES.**

In addition to the civil remedies and criminal penalties set forth above, any person that violates the provisions of this chapter may be subject to administrative remedies, as set forth by City ordinance.

(Ord. 850, passed - -2005)

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### **§ 9.30.270 SEVERABILITY.**

If any section, subsection, sentence, clause, or phrase of this ordinance is for any reason held by a court of competent jurisdiction to be invalid or unconstitutional, the decision shall not affect the validity of the remaining portions of the ordinance. The City Council of the City hereby declares that it would have passed this ordinance and each section, subsection, sentence, clause, and phrase thereof irrespective of the fact that one (1) or more sections, subsections, sentences, clauses, or phrases may be held invalid or unconstitutional.

(Ord. 850, passed - -2005)

## Fort Bragg - Public Peace, Safety, and Morals

### CHAPTER 9.32: MEDICAL MARIJUANA CULTIVATION

9.32.010	Purpose
9.32.015	Definitions
9.32.020	Cultivation of Medical Marijuana
9.32.030	Enforcement
9.32.040	Penalty for Violation

#### § 9.32.010 PURPOSE.

The purpose and intent of this Ordinance is to regulate the cultivation of medical marijuana in order to promote the health, safety, morals, and general welfare of the residents and businesses within the City. It is not the intent of this ordinance to condone or legitimize the use of marijuana for non-medical purposes, or to create conflict or inconsistency between this Ordinance and (1) the Federal Controlled Substances Act; (2) the Compassionate Use Act; (3) the Constitutions of the United States or the State of California. (Ord. 880, § 2, passed 01-26-2009)

#### § 9.32.015 DEFINITIONS.

For purposes of this chapter, the following words shall have the following meaning, unless the context clearly indicates otherwise.

**ABATEMENT.** The removal of marijuana plants and improvements that support marijuana cultivation which occupy an area or cubic feet in excess of the area and cubic feet that is allowed under this ordinance.

**CULTIVATION.** The planting, growing, harvesting, drying, or processing of marijuana plants, or any part thereof.

**FULLY ENCLOSED AND SECURE STRUCTURE.** A space within a building, greenhouse or other structure which has a complete roof enclosure supported by connecting walls extending from the ground to the roof, which is secure against unauthorized entry, provides complete visual screening, and which is accessible only through one or more lockable doors.

**INDOORS.** Within a fully enclosed and secure structure.

**OUTDOOR.** Any location within the City of Fort Bragg that is not within a fully enclosed and secure structure.

**PARCEL.** Property assigned a separate parcel number by the Mendocino County Assessor.

**PRIMARY CAREGIVER.** The individual, designated by a qualified patient or by a person with an identification card, who has consistently assumed responsibility for the housing, health, or safety of that patient or person, as more particularly as set forth in California Health and Safety Code §11362.7(d), as may be amended.

**QUALIFIED PATIENT.** A person who is entitled to the protections of Section 11362.5 of the California Health and Safety Code and who meets the definition of “qualified patient” as defined in the Health and Safety Code section 11362.7(f).

## Fort Bragg - Public Peace, Safety, and Morals

**MEDICAL MARIJUANA.** Marijuana that is grown in accordance with state law.  
(Ord. 880, § 2, passed 01-26-2009)

### § 9.32.020 CULTIVATION OF MEDICAL MARIJUANA.

A. Outdoor cultivation: It is hereby declared to be unlawful and a public nuisance for any person owning, leasing, occupying, or having charge or possession of any parcel within any zoning district in the City of Fort Bragg to cause or allow such parcel to be used for the outdoor cultivation of marijuana plants.

B. Indoor cultivation of marijuana restricted to Qualified Patients and Primary Caregivers: It is hereby declared to be unlawful and a public nuisance for any person owning, leasing, occupying, or having charge or possession of any parcel in the City of Fort Bragg to cause or allow such parcel to be used for the cultivation of marijuana plants within a fully enclosed and secure structure on the parcel, except as outlined below in Sections 9.32.020(C) and 9.32.020(D).

C. Medical Marijuana for Personal Use. Medical marijuana for personal use shall be cultivated within the City of Fort Bragg in conformance with the following standards:

1. An individual qualified patient shall be allowed to cultivate medical marijuana indoors on the parcel where the qualified patient resides.

2. A primary caregiver shall only cultivate medical marijuana for a qualified patient for whom he/she is the primary caregiver.

3. Medical marijuana cultivation is permitted only on parcels with residential units. Medical marijuana cultivation is permitted only within a residential unit, a garage, or a self-contained outside accessory building that is secured, locked, and fully enclosed. The Cultivation of Medical Marijuana within a residential unit in a multifamily structure shall require administrative review (through a Minor Use Permit process without implementation of public notice procedures) and shall meet specific criteria, as set forth in a) through c) below:

a. Inspection of the cultivation area by a building inspector to confirm that no health or safety concerns are present; and

b. Written permission from the property owner; and

c. The Building Official may require additional specific standards to meet the California Building Code and Fire Code, including but not limited to installation of fire suppression sprinklers.

4. Medical marijuana cultivation is prohibited on parcels adjacent to any school or public park.

5. The medical marijuana cultivation area shall not exceed 50 square feet per residence.

6. Medical marijuana cultivation shall occur only in a fully enclosed and secure structure.

7. Medical marijuana cultivation lighting shall not exceed 1200 watts.

8. The use of gas products (CO<sub>2</sub>, butane, etc.) for medical marijuana cultivation or processing is prohibited.

9. Medical marijuana cultivation for sale is prohibited.

10. From a public right of way, there shall be no exterior evidence of medical marijuana cultivation.

11. The qualified patient shall not participate in medical marijuana cultivation in any other location within the City of Fort Bragg.

12. The residence shall maintain kitchen, bathrooms, and primary bedrooms for their intended use and these rooms shall not be used for medical marijuana cultivation.

## Fort Bragg - Public Peace, Safety, and Morals

13. Any medical marijuana cultivation area located within a residence shall not create a humidity or mold problem.

14. The qualified patient shall obtain the written permission of the property owner for the cultivation of medical marijuana.

15. The medical marijuana cultivation area shall not adversely affect the health or safety of the nearby residents by creating dust, glare, heat, noise, noxious gasses, odor, smoke, traffic, vibration, or other impacts, and shall not be hazardous due to use or storage of materials, processes, products or wastes.

D. Medical Marijuana Cultivation In Excess of 50 Square Feet. Any proposed medical marijuana cultivation by an individual qualified patient or primary caregiver that does not meet the cultivation area standard maximum of 50 square feet per residence shall require administrative review (through a Minor Use Permit, without implementation of public notice procedures) and shall meet specific criteria, as set forth in a) through d) below:

- a) Documentation of medical need, such as a physician's recommendation or verification of more than one qualified patient living in the residence; and
- b) Inspection of the cultivation area by a building inspector to confirm that no health or safety concerns are present; and
- c) Written permission from the property owner; and
- d) The Building Official may require additional specific standards to meet the California Building Code and Fire Code, including but not limited to installation of fire suppression sprinklers.

In addition to the standards 1 through 15 listed in subsection C above, approved medical marijuana cultivation uses that exceed 50 square feet shall conform to the following standards:

1. The cultivation area shall not exceed an additional 50 square feet, for a total of 100 square feet; and
2. At a minimum, the medical marijuana cultivation area shall be constructed with a 1-hour firewall assembly of green board.

E. Public nuisance. It is hereby declared to be unlawful for any person owning, leasing, occupying, or having charge or possession of any parcel within the City of Fort Bragg to create a public nuisance in the course of cultivating marijuana plants or any part thereof in any location. A public nuisance may be deemed to exist, if such activity produces:

1. Odors which are disturbing to people of normal sensitivity residing or present on adjacent or nearby property or areas open to the public;
2. Repeated responses (more than three times in a one year time period) to the parcel from law enforcement officers;
3. Repeated disruption (more than three times in a one year time period) to the free passage of persons or vehicles in the neighborhood;
4. Excessive noise which is disturbing to people of normal sensitivity on adjacent or nearby property or areas open to the public; or
5. Any other impacts on the neighborhood which are disruptive of normal activity in the area.

(Ord. 880, § 2, passed 01-26-2009)

### § 9.32.030 ENFORCEMENT.

- A. The violation of this ordinance is hereby declared to be a public nuisance. Any person

## **Fort Bragg - Public Peace, Safety, and Morals**

violating any provision of this Chapter shall be deemed guilty of a misdemeanor and upon conviction shall be punished by a fine not to exceed \$1,000.00, by imprisonment in the County jail not to exceed six months, or by both a fine and imprisonment.

B. A violation of the ordinance may be abated by the City Attorney by the prosecution of a civil action for injunctive relief and by the abatement procedure set forth in Chapter 6.12 of the Municipal Code.

## **Fort Bragg - Public Peace, Safety, and Morals**

C. Abatement procedure. The Code Enforcement Officer and/or the Chief of Police, or his or her designee (hereafter, the “Enforcement Official”), are hereby authorized to order the abatement of any violation of this Chapter by following the abatement procedure as defined in the Municipal Code chapter 6.12. In addition, the Code Enforcement Officer may require the property owner or tenant to personally abate/remove all medical marijuana plants and improvements to the property that exceed the limits set by this ordinance. (Ord. 880, § 2, passed 01-26-2009)

### **§ 9.32.040 PENALTY FOR VIOLATION.**

Cultivation of marijuana on parcels within the City that does not comply with this Chapter is subject to the penalties and enforcement as provided in Chapter 1.12, Chapter 6.12, and Chapter 9.32.

The remedies and penalties provided herein are cumulative, alternative and non-exclusive. The use of one does not prevent the use of any others and none of these penalties and remedies prevent the City from using any other remedy at law or in equity which may be available to enforce this section or to abate a public nuisance. (Ord. 880, § 2, passed 01-26-2009)



*Responsible Production of Medical Cannabis Concentrates*

# **Business Plan**

April 2016

**Jon McColley, President and CEO**

RootOne Botanicals, Inc.

16451 Pine Dr.

Fort Bragg, CA 95437

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# 1. Executive Summary

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## Overview

RootOne Botanicals is a California cannabis concentrate manufacturing company that serves the California medical cannabis industry. We manufacture a variety of concentrate products for use by other medical cannabis product manufacturers as well as for dispensary patients. Our focus is on quality and consistency. Our goal is to create a model medical cannabis processing facility that recognizes and respects the need for community safety, integrity, and transparency while providing the market with safe and high quality products.

## Market Opportunity

The market has failed to provide infused product manufacturers with concentrate ingredients of consistent quality. This problem is aggravated by a rapidly growing demand for an increasing variety of concentrate ingredients. For example, edibles companies make several different types of products that require both extracted oil and sifted powdered cannabis. Achieving dependable quality and potency in the final edible product requires an extract that is made to the highest quality and consistency standards.

## Products

Our primary product offerings will be powdered cannabis concentrates and cannabis oils. Cannabis is a uniquely varied plant in its aroma and potency profiles. We will work closely with customers to tailor production of cannabis concentrates to meet the specifications and requirements of their consumables and other products. We will also prepare concentrate products for use by dispensary patients.

The facility will produce medical cannabis concentrates using CO<sub>2</sub> extraction, H<sub>2</sub>O extraction, and alcohol distillation processes. We will apply rigorous quality control methods throughout the production process and maintain testing results for both regulators and customers who wish to contract for specific quality, potency and aromatic profiles.

## Company

RootOne Botanicals, Inc. was incorporated as a California nonprofit mutual benefit corporation in October 2015. We are headquartered in Fort Bragg, CA.

## Contact

Jon McColley, CEO, 707.357.1034 or [jonm@rootonebotanicals.com](mailto:jonm@rootonebotanicals.com).



## 2. Market Opportunity

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### 2.1 Overview

The California medical cannabis market, the largest legal cannabis market in the world, has outgrown its supply base. A patchwork of many hundreds of small producers provides inconsistent concentrates that causes persistent purchasing problems for product manufacturers and dispensaries.

RootOne Botanicals was formed in October 2015 to address the opportunity presented by this supply problem. RootOne's management team has the requisite experience and expertise to establish an environmentally friendly production facility for the manufacture of medical cannabis concentrates. The company will supply California edibles manufacturers and dispensaries with consistently high quality concentrate products at an attractive price point. Using the latest production technologies, RootOne Botanicals will produce quality concentrates for infused product manufacturers and dispensary patients.

### 2.2 Problems with Concentrates

The market has failed to provide infused product manufacturers with concentrate ingredients of consistent quality. This problem is aggravated by a rapidly growing demand for an increasing variety of concentrate ingredients. For example, edibles companies make several different types of products that require both extracted oil and sifted powdered cannabis. Achieving dependable quality and potency in the final edible product requires an extract that is made to the highest quality and consistency standards. There are currently no reliable sources for cannabis extracts that meet this need in bulk volumes at competitive pricing.

Infused product manufacturers need a consistent, reliable, pure, safe, and quality concentrate that the market currently does not provide in sufficient volumes. Medical cannabis concentrates are currently produced with a wide variation in quality and strength. In addition, for reasons of cost and ease of manufacturing, many concentrate producers are using hydrocarbon-based extraction chemicals – such as hexane, propane and, most commonly, butane or BHO – which can be dangerous to handle.

There is currently no source for cannabis extracts that meet this need in bulk volumes and at competitive pricing. Buyers of cannabis extract continue to face supply issues and



are unable to attain higher levels of quality and consistency due to the lack of high quality concentrate ingredients.

## **2.3 Market**

California accounts for 49 percent of the national legal market. In 2015, the market size exceeded \$2.7 billion, roughly one quarter of which represents the wholesale market. The medical cannabis market has a consumer base with high, but unmet, expectations for quality.

California's medical cannabis market has operated for nearly twenty years with very limited government regulation. In September 2015, the California legislature passed a series of bills that together establish the first statewide licensing system for medical cannabis businesses. These bills were signed into law in October 2015. Primary authority is given to the Department of Consumer Affairs, where a new Bureau of Medical Marijuana Regulation will oversee the program and share licensing authority for various types of businesses with the Department of Public Health and the Department of Food and Agriculture.

The adopted framework will provide California with one of the most comprehensive licensing systems for medical cannabis in the country, with over seventeen different types of licenses offered. Medical cannabis will be subject to new stringent requirements that include potency and contaminants testing.

## **2.4 Trends & Observations**

Edible manufacturers seek consistent extracts in order to obtain specific dosage and terpene profiles across batches to satisfy demand for dosing and flavor accuracy. With the growing popularity of edible products and the huge growth in the electronic cigarette market, we see the potential for extracts making up an increasing share of the market and far outstripping supply.

Edible manufactures need concentrates with a consistent profile and limited flavor to ensure their products fit the needs of their customers. They seek consistency in extract ingredients in order to obtain specific dosages and common flavor profiles across batches. The edible product maker wants a high quality ingredient at an affordable price. Topical manufactures require concentrate ingredients with aromas and potencies tailored to their specific products. For both the edible and topical manufacturer, there is an acute shortage of reliable sources for these ingredients.



Historically, cannabis concentrates have not been produced in large-scale, environmentally friendly facilities. With eco-friendly, large-scale, regulated production as the way of the future, companies such as RootOne Botanicals with the ability to both execute production and satisfy regulators are in short supply. With access to high quality raw material and manufacturing expertise, RootOne Botanicals is well situated to serve this growing market.



## 3. Company Overview

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RootOne Botanicals was formed with the purpose of bringing solid and transparent business practices to the cannabis industry. We are local residents and community stakeholders along with California business leaders. Our purpose is to create a model for community safety, integrity, transparency and access to high quality, safe products.

We will operate a medical cannabis concentrates processing facility dedicated to wholesale manufacturing and distribution. The facility will be hydrocarbon free with no butane, hexane or propane used in production. Oils and other concentrates will be produced using supercritical CO<sub>2</sub> extraction technology as well as other environmentally friendly processes.

RootOne Botanicals will work exclusively with licensed and regulated farmers and manufacturers.

As stakeholders in our community, safety is the top priority. The measures we employ will include:

- 24 hour security monitoring from a professional security contractor;
- Monitoring on all interior and exterior entry and exit points;
- Highly controlled access to processed and unprocessed material with multiple layers of locked isolated storage.

RootOne Botanicals is recruiting city and community stakeholders to sit on a community safety advisory board, to review our operations and to help implement appropriate measures for safety and security.

We will design and employ safe processes using proven manufacturing techniques similar to those currently used in the food and beverage industries.

We will also rely on scrutinized testing of materials before, during, and after production to ensure safety to our customers. Routine testing for pesticides and other contaminants will be performed using established third party testing labs.



## 4. Products

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### 4.1 Introduction

RootOne Botanicals will manufacture a variety of medical cannabis concentrates for use by other medical cannabis product manufacturers as well as for dispensary patients in the growing market for edibles, medicinal CBD, tinctures, and skin, hair, and body care products. Our mission is to provide safe, reliable, high quality products at an attractive price point so that our customers can eliminate guesswork and supply issues from their business models. We will employ proven, scalable manufacturing techniques to make extracts at a volume and grade unachievable by small, one-off batch processors. We will provide our customers with responsibly manufactured ingredients and end products, and work directly with medical cannabis edibles makers to create concentrate supplies that specifically meet their quality and potency needs. We will also have our own branded connoisseur grades of concentrates that will be boutique in nature and supply high end retail shops.

### 4.2 Product Lines

Our primary product offerings will be powdered cannabis concentrate and cannabis oils. Cannabis is a uniquely varied plant in its aroma and potency profiles. We will work closely with customers to tailor production of cannabis concentrates to meet the specifications and requirements of their consumables and other products. We will also prepare concentrate products for use by dispensary patients.

The facility will produce medical cannabis concentrates using CO<sub>2</sub> extraction, H<sub>2</sub>O extraction, and alcohol distillation processes. We will apply rigorous quality control methods throughout the production process and maintain testing results for both regulators and customers who wish to contract for specific quality, potency and aromatic profiles.

CO<sub>2</sub> oil is a healthier alternative to BHO, but can be produced using only expensive extraction equipment found in professional facilities such as the one RootOne Botanicals proposes to build. CO<sub>2</sub> oil creation involves the use of carbon dioxide and very high pressure, a process called supercritical fluid extraction, or SFE. Supercritical fluids are unique because they exhibit properties of both a gas and a liquid. CO<sub>2</sub> diffuses through solids (like a gas) but also dissolves compounds (like a liquid). This means that it easily



permeates the cuticle, or “skin,” of trichomes, allowing it to very thoroughly extract all resin.

CO<sub>2</sub> oil is readily added to butter or other oils for recipes that have fats as ingredients. CO<sub>2</sub> oil is also well suited for use in vape pens and other applications. It also contains a larger number of terpenes (aromatic compounds) than BHO. For example, BHO typically features 0.5-3.5 percent terpenes (by mass). CO<sub>2</sub> oil, on the contrary, contains 8-10 percent terpenes.

**Powdered cannabis extract** is produced via H<sub>2</sub>O extraction, also known as ice-water separation, an extraction technique for separating the cannabinoid-laden trichomes from within cannabis in order to extract resin. It is based on the principle that the resin glands of the cannabis plant are denser than water. The dried powdered extract is used in food making for its ease of mixing and even distribution into a batter or sugar.

**Alcohol distilled oil**, sometimes known as "Simpson Oil" or RSO, is typically unrefined oil that starts as raw cannabis and is soaked in alcohol to extract all cannabinoids and chlorophylls. The liquid can be used as is as a tincture or evaporated to create a “whole plant” oil that is dark and sticky for use in lotions and topical ointments. This oil can also be used as a cooking ingredient where less refinement is needed. Alcohol distilled oil can also be filtered and clarified to nearly the same quality as CO<sub>2</sub> oil. Tinctures made from this process offer ease of consumption that does not involve heat, can be flavored, and can be administered for medicinal purposes.

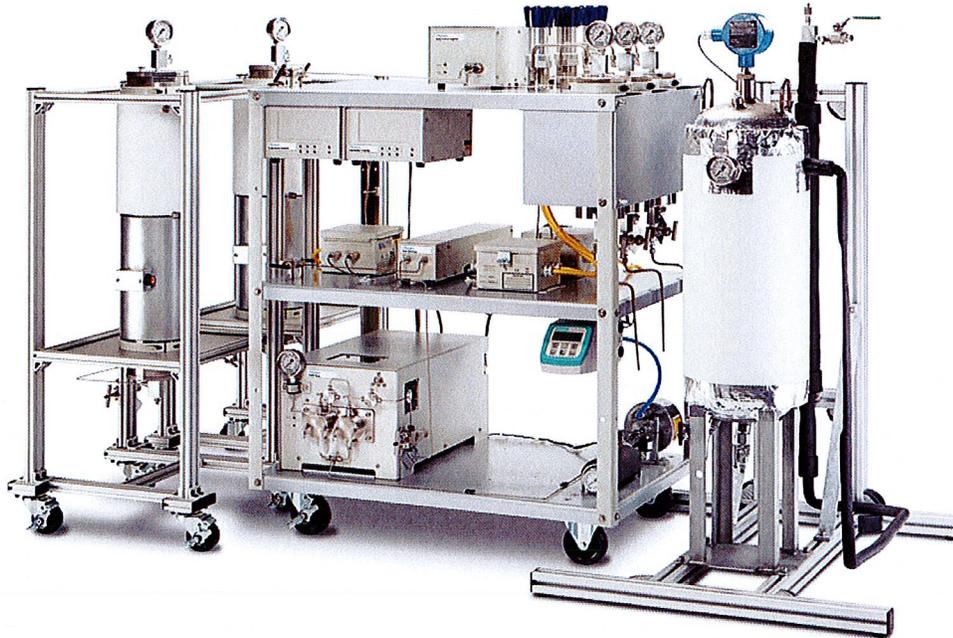
### 4.3 Concentrate production process

Concentrate production begins with sourcing the best materials. RootOne Botanicals will have ready access to high quality material from California’s “Emerald Triangle” – the premiere cannabis growing region in the world. Once materials are sourced, they are dried and loosely ground. Next, the material will be processed in one, or in a combination, of the following three ways:

- **Supercritical CO<sub>2</sub> extraction.** Supercritical CO<sub>2</sub> extraction produces organic essential cannabis oils for cannabis infused products. This method is the “gold standard” for extracting beneficial essences from plant matter. It is used to create pure essential oils and to strip out or separate different elements of botanicals. Popular products manufactured using this method are herbal essential oils, hops for beer, high value pharmaceutical precursors and decaffeinated coffee.



Supercritical CO<sub>2</sub>'s high diffusion rates allow it to penetrate solids faster than a liquid solvent. Carbon dioxide leaves behind no residues and thus enables a purity that cannot be achieved with other solvents.



Supercritical CO<sub>2</sub> extraction machine

Plant material and/or dry powdered concentrate will be filled into the machine and oil will be extracted from the source material. Spent plant material is discarded and the refined oil may be further processed through the use of alcohol distillation.

- **H<sub>2</sub>O extraction.** Dry powdered concentrate is produced by this method. Water, cannabis, and ice are mixed together and agitated. The water is run through different gauge micron screens. The spent plant material is discarded and the material from the micron screens is collected and stored. There are up to four (4) grades of material that can be produced by H<sub>2</sub>O extraction.
- **Alcohol distillation.** Cannabis is soaked in pharmaceutical grade alcohol. The green plant material is removed, the alcohol is evaporated (and stored for re-use) and the oil is captured. The extract is run through a series of evaporators (rotary evaporators, spray evaporators, and/or film evaporators) then placed in low heat vacuum ovens to remove any remaining traces of alcohol.



## 5. Facility Operating Plan

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### 5.1 Size

The company will initially lease a suitably zoned warehouse or manufacturing space of up to 3,000 sq. ft.

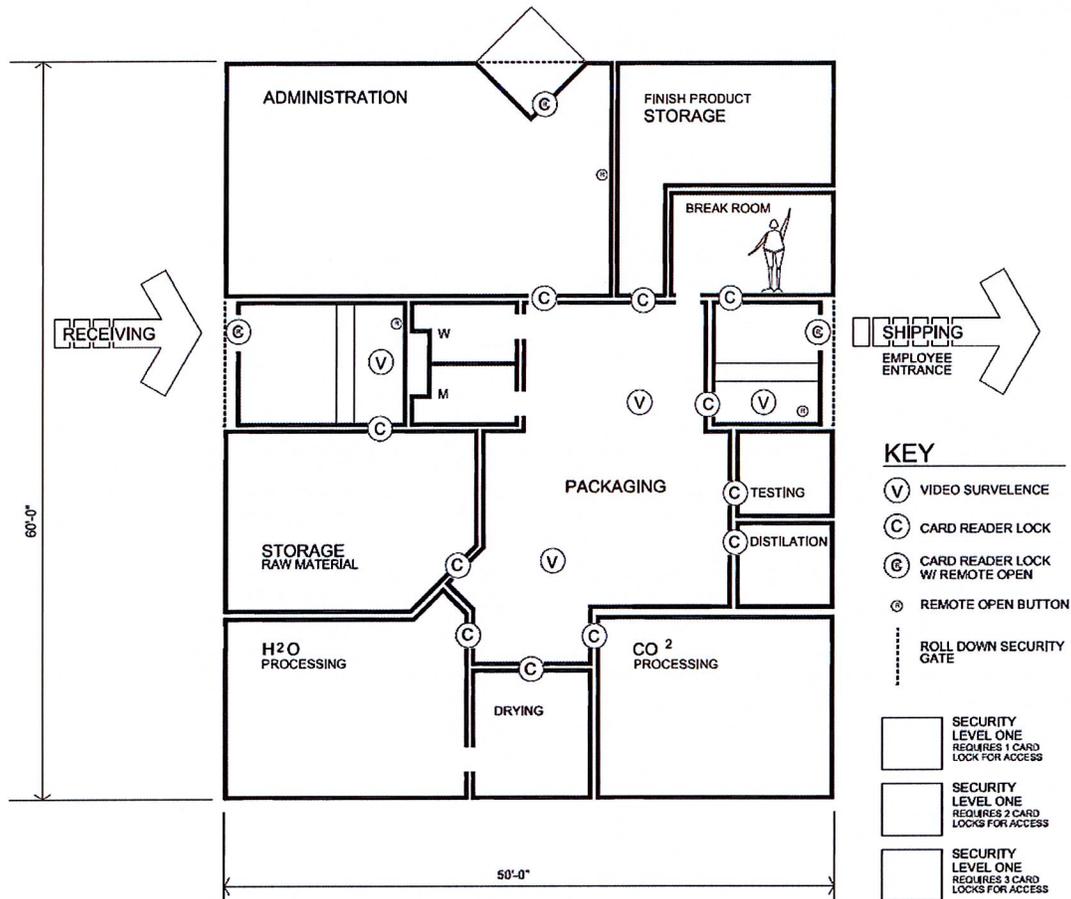
### 5.2 Buildout

We will make substantial tenant improvements to support production processes.

- Separate secure rooms for -
  - Dry storage of inventory
  - CO<sub>2</sub> extraction
  - H<sub>2</sub>O extraction
  - Drying/packaging of concentrate.
- Drying room with HEPA filtered fresh air and constant dehumidifying at regulated temperature.
- CO<sub>2</sub> production room with constant temperature stability.
- 220-240v AC power or greater.
- H<sub>2</sub>O extraction room with moppable floor, high flow cold water inlet valves, and large capacity sinks and waste drains.
- Clean packaging room with fresh filtered air and good lighting.
- Specialized rooms for receiving and shipping.

### 5.3 Layout

The facility will support CO<sub>2</sub> oil production, H<sub>2</sub>O oil production, alcohol distillation, a packaging room, and storage space. Additional space will be devoted to drying processes. See diagram below.



**FACILITY FUNCTION DIAGRAM**

## 5.4 Equipment

### CO<sub>2</sub> Room

CO<sub>2</sub> extraction is an environmentally friendly method of producing cannabis oil. A well ventilated room for CO<sub>2</sub> extraction will house a \$200,000 machine that performs the extraction. Raw material gets weighed for each batch of extract with a high quality scale and finished oil gets weighed after batching. The room will also contain a refrigerator, stainless steel work tables, and steel racks with glassware for storing finished oil extract. There will be CO<sub>2</sub> monitoring equipment and a safety fire rated exhaust hood for this room.



## **Alcohol Distillation Room**

Another extraction method is alcohol distillation or heated evaporation process. Cannabis material is soaked in alcohol and then the liquid is evaporated off, leaving the oil behind. The alcohol is recaptured in the distillation process for reuse. This process can also be used as a refinement after a CO<sub>2</sub> extraction. A hazardous exhaust hood will be placed over the extraction process to capture any vapors released. The room will also be equipped with a fireproof cabinet, OSHA manufacturing and cleaning solvents, rotary evaporators, spray evaporators, and vacuum oven and filtration equipment for degassing and purifying extracts.

## **H<sub>2</sub>O Extract Room**

The H<sub>2</sub>O processing room will contain water extraction equipment including ice and water agitating extractors. The room will also house:

- An industrial ice making machine
- Walk-in refrigerator with locked card lock access
- Large deep bowl sinks and separate cold water inlet suitable for 5/8-3/4" potable hoses
- Deep freezer for storage of extract before drying
- Stainless steel tables for processing wet and frozen extract
- Steel racks for trays, towels and tools
- High quality scale for weighing material in and extract out.

The process utilizes approximately 50 cubic feet water per day.

## **Drying Room**

The facility will contain a dedicated room for drying powdery H<sub>2</sub>O extract on racks. HEPA filtered recirculated air will eliminate dust and contamination. Steel racks will support multiple drying trays. The room will also be fitted with work tables for weighing and sifting powder.

## **Storage**

A secure cool dry storage room for storing of dried cannabis plant material will be the source room for all operations. The room will be fitted with air conditioning and dehumidifying equipment. The room will also contain large racks and shelves for bags or plastic totes filled with each variety of stock material. An industrial grade weighing scale will be housed in this room.



## Finished Product Packaging

The packaging room will conform to food safety and packaging requirements. It will contain an autoclave to sterilize packaging materials, automated packaging equipment, and supplies such as gloves, hairnets, bibs, and lab coats.

The receiving, packaging and shipping area of the facility will be under continuous video monitoring. Finished material will be stored a variety of ways, from bulk jars to individual serving size containers depending on customer needs.

Equipment will be washed mostly with light soap and water and some glass may be boiled. Some washing will require OSHA compliant solvents.

## 5.5 Disposal

The facility will generate expended cannabis material similar to spent grain from a brewery. Waste will be treated by means of off-site composting, incineration or disposal at a yard waste facility. Ethanol will be disposed of in accordance with all federal and state regulations on hazardous waste disposal.

## 5.6 Water and electricity consumption

Production operations will require 200 amp light industrial electric service. Approximately 50 cubic feet of water will be drawn, stored, filtered and reused each day.

## 5.7 Employees

The company anticipates hiring up more than twenty (20) employees at the facility once running at fully capacity:

- **CO<sub>2</sub> manufacturing.** One (1) employee to monitor the CO<sub>2</sub> process as well as maintain and clean equipment and dewax finished material.
- **H<sub>2</sub>O manufacturing.** Two (2) employees to work the raw and finished material through the processing machine. These employees will move finished material into dry rooms and cold storage. They will also be responsible cleaning the machinery and room. The room will be wet so operators will wear rubber boots.
- **Final production/evaporation distillation.** One (1) person to work with the evaporation equipment for post production through finished material. This room will have fire safety measures and workers will be equipped with personal protection equipment such as goggles, gloves, and lab coats. There will be access



inside the room to an eye wash station as well as fire suppression and a fire safe exhaust hood.

- **Post production packaging assembly.** Staffed by three to four (3-4) persons running automated and other post production equipment. Employees will be attired with food production equivalent lab coats, hair nets, etc.
- **Shipping and receiving.** One (1) employee will handle shipping and receiving, responsible for labelling batches of raw material and finished product as well as journaling materials in and out of the inventory system.
- **Drivers.** Two (2) drivers will handle material acquisition and deliveries.
- **Administration.** Two to three (2-3) employees will handle scheduling, order processing, phone reception, and AR/AP.
- **Sales.** Up to two (2) sales representatives will be responsible for business development and raw material sourcing.

## 5.8 Quality control

Raw material will be carefully scrutinized and qualified for processing. Work-in-progress and finished material will be tested multiple times throughout the production process for purity, potency, color, smell, and weight. All finished material will be batch sorted and lot referenced. Every step of the production process will be subject to duplicate testing - in-house as well as by a third party - to insure safety, purity, and quality.

## 5.9 Security

Each phase of material handling will have its own card accessed secured storage. Unprocessed cannabis will be held in a large walk-in refrigerator. Processed cannabis powder will be stored in locked freezers and dry rooms depending on the stage of production. Finished non-packaged oil and packaged material will be stored in locked safes inside locked refrigerators. The entire facility will be equipped with multiple security cameras and locked reported access only to card holders. We will have a professional security firm monitoring the interior and exterior of the facility 24/7.

## 5.10 Production volume

Initial production volumes will run 800-1500 lbs. of raw material a week to meet demand for up to eight (8) customers. Finished product is in the range of 2%-5% or 30-75 lbs. of finished material.



## 5.11 Vehicles

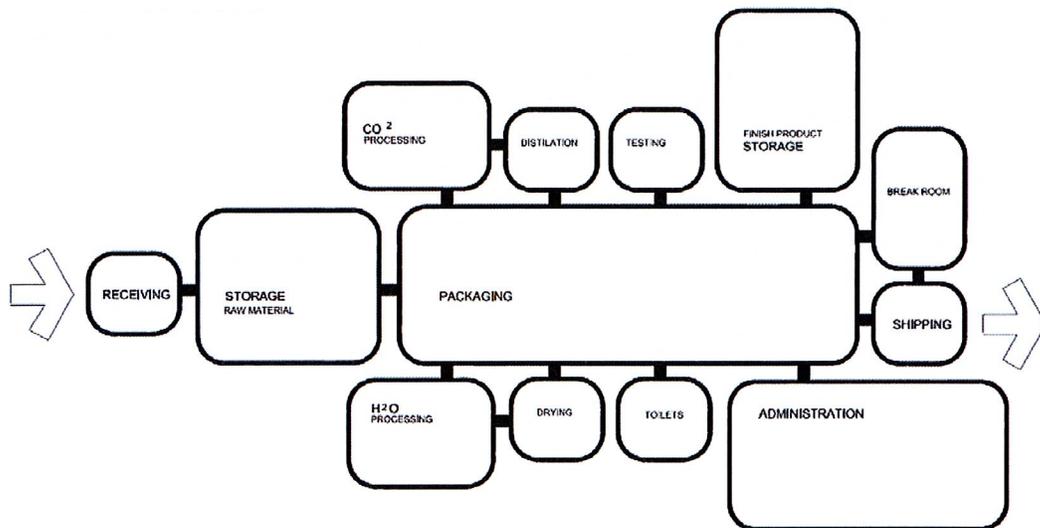
The company will lease and keep on site a cargo van for raw material pick up and finished good deliveries.

## 5.12 Traffic

We will receive materials two to three times a week depending on raw material inventory, finished material inventory, and volume of orders pending. There will be up to 2 shifts per day of employees to run the facility. Overall traffic to and from facility will be very light.

## 5.13 Environmental factors

The processes utilized by RootOne Botanicals are environmentally friendly. Any odors produced will be controlled by internal air scrubbing filters.



FACILITY FLOW DIAGRAM



## 6. Company & Management

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### 6.1 Company

RootOne Botanicals, Inc. was incorporated as a California nonprofit mutual benefit corporation in October 2015. We are headquartered in Fort Bragg, CA.

RootOne Botanicals is a founding member of the California Growers Association.

### 6.2 Management Team

RootOne Botanical's management team possesses a combined 25 years of relevant business experience. The team is knowledgeable and expert in concentrate manufacturing, marketing, and management.

#### **Jon McColley ▶ Co-founder & CEO**

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Mr. McColley is a local business owner, youth athletic coach, and community volunteer. He has resided on the coast for 13 years.

#### **David Ayster ▶ Co-founder, Operations and CFO**

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Mr. Ayster is a local tradesman, woodworker, and activist. He has lived on the coast for over 20 years.

#### **Attorneys**

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Corporate: Ruby Steinbrecher, Sebastopol, CA.

Cannabis concentrate consulting: Nicole Howell Neubert, Clark Neubert LLP, San Francisco, CA.

#### **Accounting**

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Jeremiah K Murphy, CPA, Fort Bragg, CA.

#### **Advisor**

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Hezekiah Allan, Executive Director, Emerald Growers Association.