



CITY COUNCIL
May 16, 2023
Council Chambers • 411 SW 9th Street

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MAY 16, 2023

WORKSHOP AGENDA

6:00 PM

I. CALL TO ORDER

II. PRESENTATIONS

A. Marijuana Dispensary Worksession and Public Comment

III. ADJOURN

Regular Council meetings are broadcast live on COTV11 – BendBroadband Channel 11 beginning at 6:00 p.m. on the 2nd and 4th Tuesdays of each month. Rebroadcasts are scheduled for the non-meeting Tuesdays at 6:00 p.m.

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STAFF REPORT

DATE: May 16, 2023
TO: City Council
THROUGH:
FROM: Keith Witcosky, City Manager
Keith Leitz, City Attorney
SUBJECT: Marijuana Dispensary Worksession and Public Comment

Report in Brief:

On May 16, Redmond City Council will begin a public discussion about whether the City should allow marijuana dispensaries within the city limits. No action will be taken on this item.

Background:

In July 2016, through the previous passage of Measure 91, recreational cannabis use and possession by people 21 and older was legalized in Oregon.

However, the growth, sales and consumption of the product remain federal offenses.

While Oregon legalized the recreational use of marijuana, Redmond did not opt into the statewide program. The Redmond opt-out was done by using the existing City Code, which states land use permits and business license uses must comply with local, state and *federal* law. Since marijuana is illegal at the federal level, this stance was enough for the Council to request that the Oregon Liquor Control Commission (OLCC) not process requests for marijuana licensures in the Redmond city limits.

If the Council decides to take steps to allow dispensaries, a number of questions would need to be resolved, including: the creation of Time, Place, and Manner (TPM) regulations and discussing the local taxation level.

TPM Regulations:

Oregon Revised Statutes (ORS) 475B.486 and 475B.928 provide that local governments may impose reasonable regulations on the TPM of operation of recreational and medical marijuana facilities, respectively. The League of Oregon Cities believes that, under the home rule provisions of the Oregon Constitution, local governments do not need legislative authorization to impose TPM restrictions, and that the Legislature's decision to expressly confirm local authority to impose certain restrictions does not preclude cities from imposing other restrictions not described in state law.

State law expressly provides that cities may impose reasonable regulations that include, but are not limited to, the following:

- Limit the hours of operation of retail licensees and medical marijuana grow sites, processing sites and dispensaries.
- Limit the location of recreational licensees, as well as medical marijuana grow sites, processing sites and dispensaries, except that a city may not impose more than a 1,000-foot buffer between retail licensees.
- Impose reasonable conditions on the manner in which marijuana is processed or sold to the public.
- Limit the public's access to the premises of recreational licenses, as well as medical marijuana grow sites, processing sites and dispensaries.

Taxation:

Cities which allow marijuana are eligible to receive 10% of the total statewide marijuana tax revenue. The statewide revenue is distributed based on the following formulas:

- 75% of the city's population (as compared to the populations of all other cities that receive marijuana tax revenue).
- 25% on licensure numbers in the city (as compared to total number of licensures statewide).

The remaining tax revenues are distributed as follows: 10% to counties; 40% to the Common School Fund; 20% to the Mental Health Alcoholism and Drug Services Account; and 15% to the State Police Account.

The state tax revenue is limited to \$11.25 million per quarter; revenue exceeding \$11.25 million per quarter is diverted to Measure 110.

Note:

* Cities may impose their own 3% tax. However, any local tax must be approved by voters at a General Election during an even-numbered year.

* Redmond adopted a local 15% tax in 2014 (prior to the State 3% local tax limit). The City's local tax may be grandfathered, but this is an open question.

More details about marijuana policy in Oregon is attached as Exhibit A to this staff report "LOC Handbook on Marijuana Policy: 2021".

Discussion:

On May 16, in addition to receiving testimony from the public, the Council's intent is to learn from invited guests, representing law enforcement and criminal justice partners in Bend and Deschutes County, about what they have experienced since dispensaries opened a few years ago, as well as the revenues associated with dispensaries.

Panelists:

- Law Enforcement: Bend Police Chief Mike Krantz
- Criminal Justice: Deschutes County District Attorney Steve Gunnells
- Juvenile Justice: Deevy Holcomb
- Revenue Impact: Sharon Wojda, Bend CFO
- Regulatory: Lori Sharp, OLCC Manager for Bend office

Fiscal Impact:

No action is being considered at this meeting.

Alternative Courses of Action:

No action being considered at this meeting.

Recommendation / Suggested Motion:

No action being considered at this meeting.

Oregon Municipal Handbook

CHAPTER 27: MARIJUANA LAW



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Chapter 27: Marijuana Law

This chapter begins with the history of marijuana as a controlled substance under federal law and the recent changes to how this criminal drug law is enforced. In Part II, the chapter turns to Oregon’s marijuana laws, which include the Oregon Medical Marijuana Act and the Adult and Medical Use of Cannabis Act. This part addresses how the state regulates marijuana-related activities and how these activities are taxed under state law. In Part III, this chapter addresses the role of local governments under these laws and the degree of autonomy that cities possess under their home rule authority to tax or regulate marijuana. Finally, this chapter offers four appendices with sample ordinances that address “opting out” of local marijuana establishments, as well as a sample tax measure and a sample ordinance that imposes time, place, and manner restrictions on marijuana businesses. For more information on Oregon’s marijuana laws, visit the LOC’s website for its Topics A-Z webpage on marijuana.¹

¹ *Marijuana Overview*, League of Or Cities, <https://www.orcities.org/resources/reference/topics-z/details/marijuana> (last accessed April 7, 2021).

I. FEDERAL LAW

The history of marijuana as a prohibited substance under federal law dates back as early as 1937 with the enactment of the Marijuana Tax Act, a law that effectively criminalized the possession of marijuana for most purposes.² In the 1950s, the U.S. enacted stricter sentencing laws that imposed mandatory minimum sentences for drug-related offenses; these laws criminalized “narcotics” and defined this term to include marijuana.³ After a 1969 Supreme Court ruling declared certain aspects of those laws unconstitutional, the U.S. enacted the Controlled Substance Act of 1970 (CSA), which continued to criminalize unauthorized possession of marijuana, as well as other drugs like heroin and morphine.⁴

Today, marijuana remains a Schedule I controlled substance under the CSA.⁵ Schedule I substances are those for which the federal government has found there is **(1)** a high potential for abuse; **(2)** no currently accepted medical use in treatment in the United States; and **(3)** a lack of accepted safety for use of the drug or other substance under medical supervision.⁶ Despite this, Oregon and more than a dozen other states have taken steps in recent years to legalize marijuana for adult recreational use.⁷ Some states also permit the use of marijuana for medical purposes, including Oregon.⁸

In December 2014, Congress passed a law directing the Department of Justice (DOJ) to refrain from using funding to prevent states, including Oregon, from implementing state medical marijuana laws.⁹ In August 2016, the Ninth Circuit Court of Appeals upheld this law in *U.S. v. McIntosh* and found that the DOJ could not use any funds to prosecute individuals who engage in conduct associated with the use, distribution, possession and cultivation of medical marijuana, provided the individuals’ conduct was specifically permitted by a state statute and the individual fully complied with the terms of said state statute.¹⁰ That decision was only applicable to medical marijuana, and the Ninth Circuit’s decision cautioned that the manufacture, distribution, and possession of marijuana is still a federal crime. The court found that while the DOJ is not presently able to prosecute individuals for these crimes, that

² Richard J. Bonnie, *The Surprising Collapse of Marijuana Prohibition: What Now?*, 50 UCCLR 573, 577 (2016).

³ *Id.*

⁴ *Id.*; see also *Leary v. U.S.*, 395 U.S. 6, 12 (1969).

⁵ See 21 USCA § 812.

⁶ See 21 USCA § 812(b)(1).

⁷ *Cannabis Overview*, NATIONAL CONFERENCE OF STATE LEGISLATURES, <https://www.ncsl.org/research/civil-and-criminal-justice/marijuana-overview.aspx> (last accessed March 25, 2021).

⁸ *Id.*

⁹ See *U.S. v. McIntosh*, 833 F.3d 1163, 1178-80 (9th Cir. 2016).

¹⁰ *Id.*

limitation could expire if not renewed.¹¹ Since 2014, Congress has included this spending limitation in every one of its appropriations acts.¹²

The federal government has been less welcoming of recreational marijuana, but recent administrations have nevertheless shown they are reluctant to prosecute individuals for marijuana-related offenses if the activities are legal under state law. The Obama Administration, for example, took the position that prosecutorial resources were not to be used to enforce marijuana offenses as long as the processing, sale, and possession of marijuana complied with state law.¹³ The Trump Administration, meanwhile, denounced recreational marijuana publicly yet left enforcement of the CSA in states like Oregon in the discretion of local U.S. attorneys.¹⁴ In Oregon, this meant that federal prosecutors focused on overproduction, interstate trafficking, and marijuana activities that are carried out on federal land or by criminal organizations.¹⁵

As this brief history demonstrates, federal prosecution of marijuana-related activities has yet to impact marijuana establishments that comply with state law. That said, Oregon's laws on medical and recreational marijuana ultimately do not, and cannot, provide immunity from federal prosecution. Consequently, if the federal government does choose to act under the CSA against establishments that are legal under state law, the operators could be subject to prosecution.

II. STATE LAW

Two separate regulatory structures govern the marijuana industry in Oregon. The first is the Oregon Medical Marijuana Act (OMMA), which was enacted following the approval of Measure 67 by Oregon voters in 1998.¹⁶ This act regulates medical marijuana facilities and the use of medical marijuana by registered cardholders.¹⁷ The second is the Adult and Medical Use of Cannabis Act, which was enacted in 2015 following the approval of Measure 91 by Oregon

¹¹ *Id.*

¹² See Robert Becher & William Weinreb, *Ninth Circuit Clarifies Restrictions on Prosecutions Related to Medical Marijuana*, JD SUPRA, July 17, 2020, <https://www.jdsupra.com/legalnews/ninth-circuit-clarifies-restrictions-on-87879/> (last accessed March 26, 2021).

¹³ See Memo from James M. Cole to All United States Attorneys, Guidance Regarding Marijuana Enforcement (Aug 29, 2013), available at <https://www.justice.gov/iso/opa/resources/3052013829132756857467.pdf> (last accessed March 10, 2021).

¹⁴ Memorandum from U.S. Attorney for the District of Oregon Billy Williams (May 18, 2018), [https://media.oregonlive.com/marijuana/other/2018/05/18/USAOR-Marijuana%20Enforcement%20Priorities-Final%20\(1\).pdf](https://media.oregonlive.com/marijuana/other/2018/05/18/USAOR-Marijuana%20Enforcement%20Priorities-Final%20(1).pdf) (last accessed March 26, 2021).

¹⁵ *Id.*

¹⁶ See Michael Rosenblum & Barry Weisz, *Cannabis State-By-State Regulations*, JD SUPRA, Oct. 5, 2018, <https://www.jdsupra.com/legalnews/cannabis-state-by-state-regulations-46200/> (last accessed March 26, 2021).

¹⁷ *Id.*

voters in the 2014 general election.¹⁸ This act mostly regulates recreational marijuana facilities, which produce marijuana to sell to any individuals who are 21 and over.¹⁹

A. Medical Marijuana

Oregon’s medical marijuana program is codified at ORS 475B.785 to ORS 475B.949.²⁰ Since the enactment of the program in 1998, the Legislature has amended the OMMA on several occasions and the Oregon Health Authority (OHA) — the state agency tasked with administering the program — has promulgated rules that provide further specificity about the program.²¹

Generally, under the OMMA, a person suffering from a qualifying debilitating health condition must show written documentation from a physician that the medical use of marijuana may mitigate the symptoms or effects of that condition.²² Cardholders also must reapply annually with updated written documentation.²³ The patient may designate a caregiver and a grower if the patient decides not to grow his or her own marijuana.²⁴ Patients, caregivers, and growers who comply with the OMMA are exempt from state criminal prosecution for any criminal offense in which possession, delivery or manufacture of marijuana is an element.²⁵ Patients without medical marijuana cards may still claim immunity from state criminal prosecution if they comply with the OMMA and, within 12 months prior to the arrest at issue, had received a diagnosis of a debilitating medical condition for which a physician had advised medical marijuana could mitigate the symptoms or effects.²⁶ The OMMA also provides protection from state criminal prosecution for medical marijuana processors and medical marijuana dispensaries acting in compliance with the law.²⁷

The OMMA originally was envisioned as a system in which patients would grow for themselves the marijuana that they needed, or designate a small-scale grower, and, as a result, the regulation was relatively minimal. The OMMA did not originally envision large-scale grow sites, processing sites or dispensaries. However, as time went on, the Legislature saw a need to impose more restrictions on medical marijuana grows, create a system for registering processors, and create a system for state-registered facilities to lawfully transfer medical marijuana between growers and patients or caregivers.

¹⁸ *Id.*

¹⁹ *Id.*

²⁰ See ORS 475B.785 to ORS 475B.949.

²¹ See OAR 333-080-0010 to OAR 333-008-9905.

²² ORS 475B.797(2).

²³ ORS 475B.797(6)(b).

²⁴ See ORS 475B.804; see also ORS 475B.810.

²⁵ ORS 475B.907.

²⁶ ORS 475B.913.

²⁷ ORS 475B.907.

Legislation in 2015, 2016, 2017, and 2018 addressed some of the local government concerns about the lack of regulation that had not been addressed in the original legislation. For example, a medical marijuana grow site now can have only a limited number of mature marijuana plants and a limited amount of usable marijuana harvested from those plants.²⁸ In addition, medical marijuana is now classified as a farm crop, but the Legislature was careful to carve out local regulatory authority not available for other farm crops.²⁹ The Legislature also added a new registration category for medical marijuana processors and imposed greater restrictions on those facilities.³⁰ Along similar lines, the Legislature also added further restrictions on where certain medical marijuana facilities can locate, and imposed new testing, labeling, inspection and reporting requirements.³¹

With the Legislature's more robust statutory scheme came more extensive medical marijuana administrative rules from the OHA.³² These rules cover many of the gaps left by the Legislature, including setting out a detailed registration system and requirements for testing, reporting, background checks, security and advertising, among other things.³³

B. Recreational Marijuana

In November 2014, Oregon voters approved Ballot Measure 91, which decriminalized the production and recreational use of certain amounts of marijuana by persons 21 years of age or older.³⁴ The Oregon Liquor Control Commission (OLCC) is charged with licensing and regulating the growing, processing, and sale of marijuana in the recreational market.³⁵ In particular, the Legislature tasked the OLCC with administering a license program for producers, processors, wholesalers, and retailers; under that program, a person may hold more than one type of license.³⁶

In the years since the approval of Measure 91, the Legislature has made notable changes to its laws governing recreational marijuana. For example, the Legislature added a provision in 2017 that prohibits marijuana establishments from being sited within 1,000 feet of

²⁸ ORS 475B.831.

²⁹ *See, e.g.*, ORS 475B.928.

³⁰ ORS 475B.840.

³¹ *See, e.g.*, ORS 475B.870; *see also* ORS 475B.600 to ORS 475B.655.

³² *See* OAR 333-008-0010 to OAR 333-008-9905.

³³ *See, e.g.*, OAR 333-008-2070.

³⁴ *See* Michael Rosenblum & Barry Weisz, *Cannabis State-By-State Regulations*, JD SUPRA, Oct. 5, 2018, <https://www.jdsupra.com/legalnews/cannabis-state-by-state-regulations-46200/> (last accessed March 26, 2021).

³⁵ *See* OAR 845-025-1000 to OAR 845-025-8750.

³⁶ *Id.*

a school, with limited exceptions.³⁷ The Legislature also expanded the OLCC’s rulemaking authority, tasking the agency with, among other things, developing and maintaining a seed-to-sale tracking system and adopting restrictions on the size of recreational marijuana grows.³⁸ Finally, the Legislature enacted a provision that requires the OLCC to create a system for transitioning medical marijuana registrants to OLCC recreational licensing, with the possibility for recreational licensees to register to engage in medical marijuana activities.³⁹

C. Industrial Hemp

The OLCC is tasked with developing rules to govern the transfer of industrial hemp products into the retail marijuana market.⁴⁰ The Oregon Department of Agriculture also licenses hemp growers, processors, and seed providers.⁴¹ To sell hemp products at an OLCC-licensed marijuana retailer, a hemp processor must apply for and obtain an “industrial hemp grower certificate” from the OLCC.⁴² OLCC-licensed processors, in turn, must receive a “hemp endorsement” from the OLCC to receive raw hemp material and process that material into concentrates or extracts.⁴³ Once processed, hemp material may be transferred to retailers.⁴⁴

D. State Taxation of Recreational Marijuana and State Shared Revenue

The sale of recreational marijuana items by OLCC-licensed retailers is subject to a 17 % state sales tax, to be collected by those retailers.⁴⁵ Medical marijuana cardholders and caregivers do not have to pay the retail tax.⁴⁶

State tax revenue is distributed across the state government and local governments through quarterly payments.⁴⁷ As an initial matter, not all local governments are entitled to the revenue; only cities and counties that **(1)** have not banned marijuana premises in their jurisdiction and **(2)** have provided a timely OLCC certification are eligible to receive state shared revenue payments for state marijuana taxes collected.⁴⁸ Electronic certifications to the OLCC, confirming whether a city has banned marijuana facilities in its jurisdiction, are

³⁷ RANEE NIEDERMEYER, OR. LIQUOR CONTROL COMM., 2017 LEGISLATIVE SESSION SUMMARY 13 (2017), https://www.oregon.gov/olcc/docs/Legislative_docs/2017_Session_Bill_Summary.pdf (last accessed April 2, 2021).

³⁸ See generally OAR 845-025-1000 to OAR 845-025-08750.

³⁹ ORS 475B.167.

⁴⁰ ORS 571.336.

⁴¹ ORS 571.272.

⁴² OAR 845-025-2700.

⁴³ OAR 845-025-3210.

⁴⁴ OAR 845-025-2750.

⁴⁵ See ORS 475B.705.

⁴⁶ ORS 475B.707.

⁴⁷ ORS 475B.759(3)(a).

⁴⁸ See ORS 475B.759(4)(A), ORS 475B.759(6)(b).

required annually.⁴⁹ A city's failure to timely certify will result in a forfeiture of its share of the state revenue, with that city's share going to the cities that filed the required certifications.⁵⁰

Eligible cities receive 10% of the total marijuana tax revenue.⁵¹ The revenue is distributed among cities based 75 % on the city's population and 25 % on licensure numbers in the city, as compared to the populations and total licenses of all cities that opt to receive marijuana tax revenue.⁵² In part, this means that a city without any retailers or medical marijuana shops is still eligible to receive its share of the population-based revenue, provided that it meets the state's requirements for receiving marijuana revenue. The remaining tax revenues are distributed as follows: 10 % to counties; 40 % to the Common School Fund; 20 % to the Mental Health Alcoholism and Drug Services Account; and 15 % to the State Police Account.⁵³

State shared marijuana tax payments will be bundled with any local tax payments for those cities that have an intergovernmental agreement with the Oregon Department of Revenue (DOR) for the collection of their local tax. This sample agreement is available on the Marijuana topics page of the LOC website.⁵⁴ To receive an accompanying report to the tax payment distributed, cities must provide a secrecy laws certificate to the DOR.

OLCC certification questions can be directed to marijuana@oregon.gov or (503) 872-6366. DOR tax questions can be directed to marijuanatax.dor@oregon.gov or (503) 947-2597.

E. Registration and License Types

In the context of medical and recreational marijuana, there is a total of 10 activities that require registration or a license from the state. The table on the next page provides a summary of each type of activity and its registration/licensing requirements along with a citation to the laws that govern those activities.

⁴⁹ *Id.*

⁵⁰ *Id.*

⁵¹ ORS 475B.759(3)(b)(A).

⁵² *Id.*

⁵³ *See generally* ORS 475B.759.

⁵⁴ *Marijuana Overview*, LEAGUE OF OREGON CITIES, <https://www.orcities.org/resources/reference/topics-z/details/marijuana> (last accessed April 6, 2021).

Oregon’s Ten Regulated Marijuana Activities

	Grow	Make Products	Wholesale	Transfer to User	Research & Testing*
Medical Regulated Activities	<p>Marijuana Grow Site:</p> <p>Location for planting, cultivating, growing, trimming, or harvesting marijuana or drying marijuana leaves or flowers</p> <p><i>Register with OHA</i></p> <p>ORS 475B.810; OAR 333-008-010 to 333-008-0750</p>	<p>Marijuana Processing Site:</p> <p>Location for compounding or converting marijuana into medical products, concentrates or extracts</p> <p><i>Register with OHA</i></p> <p>ORS 475B.840; OAR 333-008-1600 to 333-008-2200</p>	<p>Wholesaler:**</p> <p>Purchase marijuana items for resale to a person other than a consumer.</p> <p><i>License with OLCC</i></p> <p>ORS 475B.129; OAR 845-025-3600</p>	<p>Dispensary:</p> <p>Transfer usable marijuana, immature marijuana plants, seed, and medical products, concentrates and extracts to patients and caregivers.</p> <p><i>Register with OHA</i></p> <p>ORS 475B.858; OAR 333-008-1000 to OAR 333-008-1248</p>	<p>Laboratories:</p> <p>Conducts testing of recreational and medical marijuana items.</p> <p><i>Obtain license under ORS 475B.560 and OAR 845-025-5000 to 845-025-5075.</i></p> <p><i>Obtain OHA accreditation</i></p> <p>ORS 475B.565</p>
Recreational Regulated Activities***	<p>Producers:</p> <p>Manufacture, plant, cultivate, grow, harvest</p> <p><i>Obtain license from OLCC</i></p> <p>ORS 475B.070; OAR 845-025-2000 to OAR 845-025-2080</p>	<p>Processors:</p> <p>Process, compound or convert marijuana into products, concentrates or extracts, but does not include packaging or labeling</p> <p><i>Obtain license from OLCC</i></p> <p>ORS 475B.090; OAR 845-025-3200 to OAR 845-025-3290</p>	<p>Wholesalers:</p> <p>Purchase marijuana items for resale to a person other than a consumer</p> <p><i>Obtain license from OLCC</i></p> <p>ORS 475B.100; OAR 845-025-3500</p>	<p>Retailers:</p> <p>Sell marijuana items to a consumer</p> <p><i>Obtain license from OLCC</i></p> <p>ORS 475B.105; OAR 845-025-2800 to OAR 845-025-2890</p>	<p>Researchers:</p> <p>Public or private research of medical and recreational marijuana, including medical and agricultural research</p> <p><i>Certification from OLCC</i></p> <p>ORS 475B.286 and OAR 845-025-5300 to 845-025-5350</p>

*These activities support both the recreational and medical marijuana systems.

**There is no means for obtaining a medical wholesale license from OHA. Legislation in 2016 allows an OLCC licensed recreational wholesaler to obtain authority from OLCC to also wholesale medical marijuana.

***In addition to the ten types of regulated activities, certain employees must also obtain an OLCC handlers permit. ORS 475B.261; OAR 845-025-5500 to OAR 845-025-5590.

F. Is a Consolidated System on the Horizon?

During the 2016 legislative session, the Legislature amended the state’s recreational marijuana laws to begin shifting towards a consolidated system. As noted above, the Legislature imposed a requirement on the OLCC to adopt rules governing the process of transitioning from medical registration with the OHA to medical and recreational licensing with the OLCC.⁵⁵ In particular, state law required the OLCC to establish a program that allows medical registrants to convert to a retail license.⁵⁶ Recreational marijuana licensees also are allowed to register with the OLCC to distribute medical marijuana.⁵⁷ These laws and regulations essentially allow any one establishment to engage in both retail and medical marijuana activities.

Although oversight of marijuana activities is somewhat consolidated under the OLCC, cities should note that the recreational and medical programs continue to retain separate characteristics and, as such, marijuana businesses are still subject to different rules. For example, in 2016, the Legislature added a separate description of what constitutes medical marijuana, with a definition that suggests that medical products may carry a different potency than recreational marijuana.⁵⁸ Additionally, as discussed below, the spacing requirements remain different; while medical marijuana dispensaries are prohibited from being within 1,000 feet of each other under state law, there is no such requirement for recreational retailers unless a city adopts it as a local time, place, and manner regulation.⁵⁹

G. Liens

Properties can be subject to liens under ORS Chapter 475B. Liens may be placed if the owner of a building or premises knowingly has used (or allowed another to use) the building or premises for the production, processing, sale or use of marijuana items contrary to the provisions of any state law or local ordinance regulating the production, processing, sale or use of marijuana items.⁶⁰ If state or local law is violated, the building or premises is subject to a lien and may be sold to pay all fines and costs assessed against the occupants of the building or premises.⁶¹

⁵⁵ ORS 475B.167.

⁵⁶ *Id.*; *see also* OAR 845-025-2910.

⁵⁷ *See, e.g.*, ORS 475B.105(3)(e).

⁵⁸ ORS 475B.015(27).

⁵⁹ ORS 475B.858(3)(d); *see also* ORS 475B.486(2)(a).

⁶⁰ ORS 475B.424.

⁶¹ *Id.*

H. Illegal Marijuana Market Enforcement Grant Program

In 2018, the Legislature created the Illegal Marijuana Market Enforcement Grant Program (the “Program”) through Senate Bill 1544.⁶² The purpose of this program is to help cities and counties defray the costs incurred by local law enforcement agencies in addressing unlawful marijuana cultivation and distribution.⁶³ The Oregon Criminal Justice Commission administers the program, in part by reviewing grant applications and publishing [annual reports](#) that measure the status and effectiveness of the program.⁶⁴ The program is funded with \$1.5 million per year, paid for out of the funds that go to the Oregon Liquor Control Commission for OLCC marijuana operations.⁶⁵ Cities in rural parts of the state — particularly southwest Oregon — with high marijuana production and inadequate law enforcement should seriously consider participation in the new program.⁶⁶ The grant program runs through Jan. 1, 2024, unless it is extended.⁶⁷

⁶² 2018 Or Laws Ch. 103, §§ 13-17, 26.

⁶³ *Id.*

⁶⁴ *Id.*

⁶⁵ *Id.*

⁶⁶ *Id.*

⁶⁷ *Id.*

III. LOCAL LAWS

As set out in ORS 475B.486, ORS 475B.928, and under their home rule authority, cities have several options for regulating marijuana activities. Whether to regulate is a local choice. What follows is an overview of the options available to cities. However, before embarking on any form of regulation, cities should begin by examining the 10 types of marijuana activities authorized by state statute and the restrictions that state law places on each type of activity to determine whether a gap exists between what state law allows and what the community desires to further restrict.

A. State Restrictions on the Location of Medical and Recreational Marijuana Activities

Before regulating or prohibiting state-registered or licensed marijuana activities, the LOC recommends that cities examine the existing restrictions under state law. First, it is important to know about any state restrictions that create a regulatory “floor.” In other words, although courts generally have upheld a city’s authority to impose more stringent restrictions than those described in state law, a city generally cannot impose restrictions that are more lenient than those described in state law.⁶⁸ Second, some cities may determine that the state’s limits on marijuana activities are sufficient, and that local regulation is therefore unnecessary.

i. Medical Grow Sites and Recreational Producers

ORS Chapter 475B does not restrict where medical marijuana grow sites or recreational marijuana producers can locate. In fact, in 2016, the Legislature clarified that both medical and recreational marijuana are farm crops, allowing marijuana to be grown on land zoned for exclusive farm use.⁶⁹ Nonetheless, such grows are still subject to local time, place, and manner restrictions.⁷⁰

⁶⁸ See, e.g., *City of La Grande v. Public Emp. Retirement Bd.*, 281 Or 137, 140 (1978) (noting that local laws are preempted by state law where they impose rules that are “incompatible” with state law). For more information on Oregon’s state preemption doctrine, refer to the chapter of this Handbook on home rule).

⁶⁹ ORS 475B.526.

⁷⁰ ORS 475B.928.

In addition, the OLCC has adopted some administrative restrictions on where recreational marijuana facilities can locate, particularly recreational marijuana producers.⁷¹ For example, all recreational marijuana facilities are prohibited from locating on federal property.⁷² Facilities also are prohibited from locating at the same physical location or address as a liquor licensee or at the same physical location or address as an OHA-licensed medical marijuana facility.⁷³ Recreational marijuana growers in particular are prohibited from locating on public land, the same tax lot or parcel as another licensed grower under common ownership, and several other areas.⁷⁴ Cities should review these limitations before adopting their own time, place, and manner ordinances.

In addition to location restrictions, state statutes and administrative rules place limitations on the number of plants that a medical marijuana grower can grow in residential zones, and on the size of recreational marijuana grow canopies.⁷⁵ Generally, a medical marijuana grow site may have up to 12 mature plants if it is in a residential zone, and up to 48 mature plants if it is located in any other zone.⁷⁶ However, there are exceptions for certain grow sites that were in existence and had registered with the state by January 1, 2015.⁷⁷ For those grow sites, the number of plants is limited to the number of plants that were at the grow site as of December 31, 2015, as long as that number does not exceed 24 mature plants per grow site in a residential zone and 96 mature plants per grow site in all other zones.⁷⁸ A grower loses the right to claim those exceptions, however, if the grower's registration is currently suspended or revoked.⁷⁹

ii. Medical Processing Sites and Recreational Processors

Processors that produce medical marijuana extracts cannot be located in an area zoned for residential use.⁸⁰ The OHA has defined “zoned for residential use” to mean “the only primary use allowed outright in the designated zone is residential.”⁸¹

⁷¹ See OAR 845-025-1230.

⁷² OAR 845-025-1230(1)(a).

⁷³ OAR 845-025-1230(1)(b)(B)-(D).

⁷⁴ OAR 845-025-1230(2).

⁷⁵ ORS 475B.085; ORS 475B.831.

⁷⁶ *Id.*

⁷⁷ *Id.*

⁷⁸ *Id.*

⁷⁹ ORS 475B.831(5)(a).

⁸⁰ ORS 475B.840(3)(a).

⁸¹ OAR 333-008-0010(77).

Processors that make recreational marijuana extracts cannot be located in an area zoned *exclusively* for residential use, and they are also subject to the general location restrictions in the OLCC rules outlined above.⁸²

iii. Medical Marijuana Dispensaries

Under state law, medical marijuana dispensaries cannot be located in residential zones, at the same address as a grow site, or within 1,000 feet of another dispensary.⁸³

In addition, dispensaries cannot locate within 1,000 feet of most public elementary or secondary schools, nor within 1,000 feet of a private or parochial elementary or secondary school.⁸⁴ However, if a school is established within 1,000 feet of an existing dispensary, the dispensary may remain where it is unless the OHA revokes its registration.⁸⁵ A dispensary can also be located as close as 500 feet to a school if the OHA finds there is a physical or geographic barrier between the school and establishment that prevents children from being capable of traversing there.⁸⁶

iv. Wholesalers and Recreational Retailers

Wholesale and retail licensees may not locate in an area that is zoned exclusively for residential use and are subject to many of the same restrictions on location.⁸⁷ The same requirements that apply to medical marijuana dispensaries regarding their proximity to schools apply to retail licensees.⁸⁸ If a school is established within 1,000 feet of an existing retail licensee, the licensee may remain where it is unless the OLCC revokes its license.⁸⁹ An establishment can be located as close as 500 feet to a school if the OLCC finds there is a physical or geographic barrier between the school and establishment that prevents children from being capable of traversing there.⁹⁰

State law does not impose a 1,000-foot buffer between retailers as it does for medical marijuana dispensaries. While cities can create this buffer under local law, state law prohibits cities from requiring a distance greater than 1,000 feet from another retailer.⁹¹ In other words, the maximum buffer that can exist between retailers is 1,000 feet.

⁸² OAR 845-025-1230(1)(b).

⁸³ ORS 475B.858(3).

⁸⁴ *Id.*

⁸⁵ ORS 475B.870.

⁸⁶ ORS 475B.864.

⁸⁷ *See, e.g.*, ORS 475B.105.

⁸⁸ *Id.*

⁸⁹ ORS 475B.115.

⁹⁰ ORS 475B.109.

⁹¹ ORS 475B.486.

v. Compatibility with Local Land Use Requirements

In addition to express restrictions on the location of certain marijuana facilities, state law also requires certain marijuana facilities to obtain a land use compatibility statement (LUCS) from a local government before the state will issue a license.⁹² In particular, recreational producers, processors, wholesalers, and retailers must request a LUCS from a local government before the OLCC issues a license.⁹³ A LUCS describes whether the proposed use is allowable in the zone requested, and must be issued within 21 days of (1) Receipt of the request if the land use is allowable as an outright permitted use; or (2) Final local permit approval, if the land use is allowable as a conditional use.⁹⁴ Certain small-scale medical marijuana growers outside of a city's limits do not have to request a LUCS when applying for a recreational marijuana license.⁹⁵

A local government that has a ballot measure proposing to ban marijuana activities does not have to act on the LUCS while the ballot measure is pending.⁹⁶

B. Local Government Means of Regulation

In recent years, the Legislature has enacted several pieces of legislation that have encroached on, but not entirely preempted, a city's home rule authority to regulate marijuana. What follows is a discussion of those various encroachments, and the options that remain available for cities that may wish to regulate marijuana activities.

i. Taxes

The OMMA was silent on local authority to tax. Local governments, therefore, retained their home rule authority to tax medical marijuana. Measure 91, on the other hand, attempted to preempt local government authority to tax recreational marijuana, though there were significant questions regarding the effect and scope of that purported preemption.

Under ORS 475B.491, adopted in 2015, the Legislature vested authority to “impose a tax or fee on the production, processing or sale of marijuana items” solely in the Legislature, thereby preempting local governments from imposing their own tax except as provided by the law.⁹⁷ The Legislature went on to provide that cities may adopt an ordinance imposing a tax or fee of up to 3 % on the sale of marijuana items by a retail licensee.⁹⁸ The ordinance must be

⁹² ORS 475B.063.

⁹³ *Id.*

⁹⁴ *Id.*

⁹⁵ ORS 475B.074(e).

⁹⁶ ORS 475B.063(3).

⁹⁷ ORS 475B.491.

⁹⁸ ORS 475B.491(4)(a).

referred to the voters in a statewide general election, meaning an election in November of an even-numbered year.⁹⁹ However, if a city has adopted an ordinance prohibiting the establishment of any other recreational or medical marijuana establishments in the city, the city may not impose a local tax under that provision.¹⁰⁰ In addition, in 2016, the Legislature adopted a restriction on local governments by providing that a local tax may not be imposed on a medical marijuana patient or caregiver.¹⁰¹

Cities that do impose a local tax may look to the state for help in administering that tax. Recognizing that cities, particularly smaller cities, may not have the resources to administer and enforce a local marijuana tax, the Legislature, in 2016, authorized the Oregon Department of Revenue (DOR) to collect, enforce, administer, and distribute locally-imposed marijuana taxes by intergovernmental agreement.¹⁰² The DOR has prepared a sample intergovernmental agreement that cities may use as a starting point in their negotiations with the DOR when seeking assistance in collecting the local tax. This sample agreement is available on the Marijuana topics page of the LOC website.¹⁰³ If the municipality has an agreement with the DOR for tax administration, the marijuana business would make local tax payments the same way it makes state tax payments. The business would also include the local tax information on the quarterly return filed with the DOR. For questions about, cities should contact the DOR at marijuanatax.dor@oregon.gov or at (503) 947-2597.

For those cities that enacted taxes on medical or recreational marijuana prior to the Legislature's adoption of ORS 475B.491, the status of those taxes remains an open question. Arguably, cities that had "adopt[ed] or enact[ed]" taxes prior to the effective date of ORS 475B.491 are grandfathered in under the law. However, the issue is not free from doubt, and cities that decide to collect on pre-ORS 475B.491 taxes should be prepared to defend their ability to do so against legal challenge. Consequently, cities that plan to continue to collect taxes imposed prior to the passage of ORS 475B.491 should work closely with their city attorney to discuss the implications and risks of that approach.

⁹⁹ If a city council amends an existing marijuana ordinance to prohibit or allow any of those listed below, the ordinance can be amended without referring the amendment to the electors of the city: a medical marijuana processing site; a medical marijuana dispensary; a marijuana producer that holds a license issued under ORS 475B.070 and that has been designated as an exclusively medical licensee; or, a marijuana retailer that holds a license issued under ORS 475B.110 and is designated as an exclusively medical licensee.

¹⁰⁰ ORS 475B.968(7).

¹⁰¹ ORS 475B.491(4).

¹⁰² ORS 305.620(1).

¹⁰³ *Marijuana Overview*, LEAGUE OF OREGON CITIES, <https://www.orcities.org/resources/reference/topics-z/details/marijuana> (last accessed April 6, 2021).

ii. Ban on State-Registered and Licensed Activities

Under ORS 475B.968, cities may prohibit within their jurisdiction the operation of recreational marijuana producers, processors, wholesalers, and retailers, as well as medical marijuana processors and medical marijuana dispensaries.¹⁰⁴ This law is silent on whether a city can ban medical marijuana growers, marijuana laboratories, and marijuana researchers from operating in the city.¹⁰⁵ However, ORS 475B.968 does not indicate that the bill's process for banning marijuana activities is the exclusive means of doing so. Cities considering banning medical marijuana grow sites, marijuana laboratories, or marijuana researchers should consult their city attorney about whether they can do so under either home rule, federal preemption or both legal theories. Please be advised that this approach may entail significant risk of litigation and potential financial implications.

Before December 24, 2015, cities located in counties that voted against Measure 91 by 55 % or more (Baker, Crook, Gilliam, Grant, Harney, Jefferson, Klamath, Lake, Malheur, Morrow, Sherman, Umatilla, Union, Wallowa, and Wheeler Counties) had the opportunity to enact a ban through council adoption of an ordinance prohibiting any of the six activities listed in ORS 475B.968. For cities that did not take that approach within the required timeline, and for cities not located in those counties, the city council may adopt an ordinance banning any of the six activities, but that ordinance must be referred to the voters at a statewide general election, meaning an election in November of an even-numbered year.¹⁰⁶ Medical marijuana dispensaries and medical marijuana processors that have registered with the state by the time their city adopts a prohibition ordinance are not subject to the ban if they have successfully completed a city or county land use application process.¹⁰⁷

Under either procedure, as soon as the city council adopts the ordinance, it must submit it to the OHA for medical bans and the OLCC for recreational bans, and those agencies will stop registering and licensing the banned facilities.¹⁰⁸ In other words, for cities using the referral process, the council's adoption of an ordinance acts as a moratorium on new facilities until the election occurs. Adoption of such an ordinance will also make a city ineligible for state shared revenues from the state marijuana tax distributions, as cities are required to certify annually to the OLCC that they do not have a ban to receive payment.¹⁰⁹

For cities using the referral process, it is also important to note that once the elections official files the referral with the county election office, the ballot measure is certified to the

¹⁰⁴ ORS 475B.968.

¹⁰⁵ *Id.*

¹⁰⁶ *Id.*

¹⁰⁷ ORS 475B.968(8)-(9).

¹⁰⁸ ORS 475B.968(3)-(4).

¹⁰⁹ ORS 475B.759(4)(a).

ballot. At that point, the restrictions on public employees engaging in political activity will apply. Consequently, cities should consult the secretary of state and their city attorney to ensure that public employees are complying with state elections law in their communications about the pending measure. For more information on these laws and process, consult the Handbook chapter on Oregon election law.

If voters reject a ballot measure proposing to ban marijuana activities, the OHA and the OLCC will not begin registering and licensing marijuana facilities until the first business day of the January following the statewide general election.¹¹⁰ This provision affords time to cities that want to regulate marijuana businesses, allowing them the opportunity to adopt time, place, and manner ordinances after the ban is rejected and before new registrations or licenses are issued by the state.

In determining whether to prohibit any of the marijuana activities registered or licensed by the state, cities may want to consider the tax implications. Cities that enact a prohibition on any marijuana activity will not be eligible to receive state marijuana tax revenues or impose a local tax, even if the city bans only certain activities and allows others.¹¹¹

If a city council amends an existing marijuana ordinance to prohibit or allow any of those listed below, the ordinance can be amended without referring the amendment to the electors of the city: a medical marijuana processing site; a medical marijuana dispensary; a marijuana producer that holds a license issued under ORS 475B.070 and that has been designated as an exclusively medical licensee; and, a marijuana retailer that holds a license issued under ORS 475B.110 and is designated as an exclusively medical licensee.¹¹²

Similarly, the governing body of a city may repeal an ordinance without referring the decision to voters.¹¹³ If an ordinance is repealed, the city must give notice of the change to the appropriate regulatory agency, either OHA or OLCC.¹¹⁴

It is also important to note that, in 2016, the Legislature preempted cities from imposing restrictions on certain aspects of the personal possession of recreational and medical marijuana.¹¹⁵ As a result, cities interested in enacting a ban on any aspect of personal use and growing of marijuana should consult with their city attorney to discuss the scope of the preemption, and whether the city can regulate or ban possession under either home rule, federal

¹¹⁰ ORS 475B.968(5).

¹¹¹ ORS 475B.968(7).

¹¹² ORS 475B.968(6).

¹¹³ ORS 475B.496.

¹¹⁴ ORS 475B.496(2).

¹¹⁵ ORS 475B.477.

preemption or both legal theories. Again, this option involves risks that could have legal and financial implications for a city.

iii. Time, Place, and Manner Regulations

Under Oregon law, cities are permitted to adopt “reasonable regulations” of commercial marijuana activities.¹¹⁶ This includes placing conditions on commercial marijuana activities through the issuance of local business licenses or through a separate licensing or registration system for marijuana establishments.

ORS 475B.486 and ORS 475B.928 provide that local governments may impose reasonable regulations on the time, place, and manner of operation of recreational and medical marijuana facilities, respectively.¹¹⁷ The LOC believes that, under the home rule provisions of the Oregon Constitution, local governments do not need legislative authorization to impose time, place, and manner restrictions, and that the Legislature’s decision to expressly confirm local authority to impose certain restrictions does not foreclose cities from imposing other restrictions not described in state law.

State law expressly provides that cities may impose reasonable regulations that include, but are not limited to, the following:

- Cities may limit the hours of operation of retail licensees and medical marijuana grow sites, processing sites and dispensaries;
- Cities may limit the location of all four types of recreational licensees, as well as medical marijuana grow sites, processing sites and dispensaries, except that a city may not impose more than a 1,000-foot buffer between retail licensees;
- Cities may impose reasonable conditions on the manner in which marijuana is processed or sold to the public; and
- Cities may limit the public’s access to the premises of all four types of recreational licenses, as well as medical marijuana grow sites, processing sites and dispensaries.¹¹⁸

Another common clause in local business license ordinances is that the licensee must comply with local, state, and federal law. Oregon’s appellate courts have yet to reach a holding on whether this type of local provision can be enforced against marijuana establishments.

¹¹⁶ ORS 475B.486; *see also* ORS 475B.928.

¹¹⁷ *Id.*

¹¹⁸ *Id.*

Arguably, requiring local marijuana businesses to comply with federal law is not a “reasonable” regulation because it precludes any of them from operating within the city. Moreover, charter amendments or ordinances that are inconsistent with the terms of ORS Chapter 475B are preempted under ORS 475B.454. That said, ORS Chapter 475B is itself inconsistent with federal law and could be subject to federal preemption. At any rate, cities that seek to impose this type of clause against marijuana businesses should consult legal counsel about the risk of litigation with this option and the potential financial implications for the city.

iv. Federal RICO Lawsuits

The federal Racketeer Influenced and Corrupt Organizations Act (RICO) was enacted in 1970 as Title IX of the Organized Crime Control Act of 1970.¹¹⁹ RICO is primarily known as a tool to help law enforcement prosecute organized criminal enterprises. RICO also contains a civil provision, however, that allows a person who suffers economic harm because of criminal activity to file a lawsuit for injunctive relief, treble damages, and attorney fees.¹²⁰ Because the possession and sale of marijuana remain illegal under federal law, marijuana retailers, wholesalers, and processors are potentially vulnerable to a civil RICO lawsuit.

In 2017, the Tenth Circuit Court of Appeals held that marijuana production can constitute a pattern of criminal activity that triggers the civil remedy provisions under RICO, even when that production is legal under state law.¹²¹ Since 2017, several RICO cases have been filed against business in states where recreational marijuana is legal, including Oregon.¹²² While this right to recover exists in theory, it is a difficult case to prove.¹²³ Courts tends to dismiss these claims against marijuana businesses on the grounds that there is not enough evidence of actual financial injury.¹²⁴

Despite this trend, civil RICO lawsuits have the potential to disrupt the marijuana economy in states where its production is legalized. The threat of a lawsuit remains for these businesses, particularly if a plaintiff can show concrete proof that a marijuana business is the direct cause of one’s loss in income or other financial injury. Theoretically, a civil RICO suit

¹¹⁹ 18 U.S.C. §§ 1961-1968.

¹²⁰ 18 U.S.C. § 1964.

¹²¹ *See Safe Streets Alliance v. Hickenlooper*, 859 F.3d 865, 884 (10th Cir. 2017) (holding that “[m]arijuana is a controlled substance under the CSA,” and “the manufacture, distribution, and sale of that substance is [therefore] racketeering activity under RICO.”).

¹²² *See, e.g., Ainsworth v. Owenby*, 326 F. Supp. 3d 1111 (D. Or. 2018) (dismissing a RICO claim because the plaintiff’s alleged need to purchase security cameras was not a sufficient injury caused by the neighboring marijuana business); *see also Shultz v. Derrick*, 369 F. Supp. 3d 1120 (D. Or. 2019) (dismissing a RICO claim because the plaintiff failed to show clear financial harm).

¹²³ *Id.*

¹²⁴ *Id.*; *but see Momtazi Family, LLC v. Wagner*, 2019 4059178 (D. Or. 2019) (denying the defendant’s motion to dismiss where the plaintiff alleged the defendant’s adjacent marijuana business had materially diminished the fair market value of plaintiff’s vineyard and rental income from the property.).

could even be filed by a city, though cities should note that the Ninth Circuit Court of Appeals has yet to interpret RICO and may reach a different conclusion than did the Tenth Circuit, which only hears cases arising in Colorado, Kansas, New Mexico, Oklahoma, Utah, and Wyoming.

Appendix A

Opt Out by Voter Referral

APPENDIX A

Opt Out by Voter Referral

Since December 24, 2015, all cities that desire to ban certain marijuana activities must do so by referral at a statewide general election, meaning an election in November of an even-numbered year. Cities should consult the secretary of state's referral manual and work with the city recorder or similar official to determine the procedures necessary to refer an ordinance to the voters.

Once a city council adopts an ordinance, its city must submit the ordinance to the Oregon Health Authority (if banning medical marijuana businesses) and/or the Oregon Liquor Control Commission (if banning recreational marijuana businesses). Those agencies will then stop registering and licensing the prohibited businesses until the next statewide general election, when the voters will decide whether to approve or reject the ordinance. In other words, the council's adoption of an ordinance acts as a moratorium on new facilities until the election. Each agency has a form for submitting the ordinances.

Medical marijuana dispensaries are grandfathered and can operate despite a ban if they: (1) applied to be registered by July 1, 2015, or were registered prior to the date on which the ordinance was adopted by the city council, and (2) successfully completed the land use application process (if applicable). Medical marijuana processors are grandfathered and are able to operate despite a ban if they: (1) were registered under ORS 475B.840 to ORS 475B.855 and were processing usable marijuana on or before July 1, 2015; or (2) are registered under ORS 475B.840 prior to the date on which the ordinance is adopted by the governing body; and (3) have successfully completed a local land use application process (if applicable).

Cities that adopt an ordinance prohibiting the establishment of medical or recreational marijuana businesses are not eligible to receive a distribution of state marijuana tax revenues or to impose a local tax under section ORS 475B.491.

In addition, it is important to note that once elections officials file the referral with the county election office, the ballot measure is certified to the ballot. At that point, the restrictions on public employees engaging in political activity will apply. Consequently, cities should consult the Secretary of State's manual *Restrictions on Political Campaigning by Public Employees* and their city attorney to ensure that public employees are complying with state elections law in their communications about the pending measure.

AN ORDINANCE OF THE CITY OF {NAME} DECLARING A BAN ON {MEDICAL MARIJUANA PROCESSING SITES, MEDICAL MARIJUANA DISPENSARIES, RECREATIONAL MARIJUANA PRODUCERS, RECREATIONAL MARIJUANA PROCESSORS, RECREATIONAL MARIJUANA WHOLESALERS, AND/OR RECREATIONAL MARIJUANA RETAILERS}; REFERRING ORDINANCE; AND DECLARING AN EMERGENCY

Whereas, ORS 475B.840 to 475B.876 directs the Oregon Health Authority will register medical marijuana processing sites and medical marijuana dispensaries;

Whereas, ORS 475B.010 to 475B.545 directs the Oregon Liquor Control Commission to license the production, processing, wholesale, and retail sale of recreational marijuana;

Whereas, ORS 475B.968 provides that a city council may adopt an ordinance to be referred to the electors of the city prohibiting the establishment of certain state-registered and state-licensed marijuana businesses in the area subject to the jurisdiction of the city;

Whereas, the city council wants to refer the question of whether to prohibit {recreational marijuana producers, processors, wholesalers, and/or retailers, as well as medical marijuana processors and/or medical marijuana dispensaries} to the voters of {City};

NOW THEREFORE, BASED ON THE FOREGOING, THE CITY OF {NAME} ORDAINS AS FOLLOWS:

DEFINITIONS.

Marijuana means the plant Cannabis family *Cannabaceae*, any part of the plant Cannabis family *Cannabaceae* and the seeds of the plant Cannabis family *Cannabaceae*.

Marijuana processing site means an entity registered with the Oregon Health Authority to process marijuana.

Marijuana processor means an entity licensed by the Oregon Liquor Control Commission to process marijuana.

Marijuana producer means an entity licensed by the Oregon Liquor Control Commission to manufacture, plant, cultivate, grow or harvest marijuana.

Marijuana retailer means an entity licensed by the Oregon Liquor Control Commission to sell marijuana items to a consumer in this state.

Marijuana wholesaler means an entity licensed by the Oregon Liquor Control Commission to purchase items in this state for resale to a person other than a consumer.

Medical marijuana dispensary means an entity registered with the Oregon Health Authority to transfer marijuana.

BAN DECLARED. As described in section ORS 475B.968, the City of {Name} hereby prohibits the establishment {and operation}¹ of the following in the area subject to the jurisdiction of the city {select desired options from the list below}:

- (a) Marijuana processing sites;
- (b) Medical marijuana dispensaries;
- (c) Marijuana producers;

¹ Include this wording if (1) there are existing recreational licensees operating within the city and (2) the city does not wish to grandfather in those activities.

- (d) Marijuana processors;
- (e) Marijuana wholesalers;
- (f) Marijuana retailers.

EXCEPTION. The prohibition set out in this ordinance does not apply to a marijuana processing site or medical marijuana dispensary that meets the conditions set out in ORS 475B.968(8)-(9).

REFERRAL. This ordinance shall be referred to the electors of the city of {name} at the next statewide general election on {date}.

EMERGENCY. This ordinance being necessary for the immediate preservation of the public peace, health and safety, an emergency is declared to exist, and this ordinance shall be in full force and effect on {date/passage}.

A RESOLUTION APPROVING REFERRAL TO THE ELECTORS OF THE CITY OF {NAME} THE QUESTION OF BANNING {MEDICAL MARIJUANA PROCESSING SITES, MEDICAL MARIJUANA DISPENSARIES, RECREATIONAL MARIJUANA PRODUCERS, RECREATIONAL MARIJUANA PROCESSORS, RECREATIONAL MARIJUANA WHOLESALERS, AND/OR RECREATIONAL MARIJUANA RETAILERS} WITHIN THE CITY²

Whereas, section ORS 475B.968 provides that a city council may adopt an ordinance to be referred to the electors of the city prohibiting the establishment of certain state-registered and state-licensed marijuana businesses in the area subject to the jurisdiction of the city;

Whereas, the CITY OF {NAME} city council adopted Ordinance {number}, which prohibits the establishment of {list of marijuana activities} in the area subject to the jurisdiction of the city;

NOW, THEREFORE, THE CITY OF {NAME} RESOLVES AS FOLLOWS:

MEASURE. A measure election is hereby called for submitting to the electors of the CITY OF {NAME} a measure prohibiting the establishment of certain marijuana activities in the area subject to the jurisdiction of the city, a copy of which is attached hereto as “Exhibit 1,” and incorporated herein by reference.³

ELECTION CONDUCTED BY MAIL. The measure election shall be held in the CITY OF {NAME} on {date}. As required by ORS 254.465, the measure election shall be conducted by mail by the County Clerk of {county name} County, according to the procedures adopted by the Oregon Secretary of State.

DELEGATION. The CITY OF {NAME} authorizes the {City Manager, City Administrator, City Recorder, or other appropriate city official} or the {City Manager, City Administrator, City Recorder, or other appropriate city official} designee, to act on behalf of the city and to take such

² Some cities approve the ballot title, question, summary, and explanatory statement by adopting an ordinance, rather than by adopting a separate resolution.

³ Exhibit 1 should include the question and summary.

further action as is necessary to carry out the intent and purposes set forth herein, in compliance with the applicable provisions of law.

PREPARATION OF BALLOT TITLE. The City Attorney is hereby directed to prepare the ballot title for the measure, and deposit the ballot title with the {city elections officer} within the times set forth by law.⁴

NOTICE OF BALLOT TITLE AND RIGHT TO APPEAL. Upon receiving the ballot title for this measure, the {city elections officer} shall publish in the next available edition of a newspaper of general circulation in the city a notice of receipt of the ballot title, including notice that an elector may file a petition for review of the ballot title.

EXPLANATORY STATEMENT. The explanatory statement for the measure, which is attached hereto as “Exhibit 2,” and incorporated herein by reference, is hereby approved.

FILING WITH COUNTY ELECTIONS OFFICE. The {city elections officer} shall deliver the Notice of Measure Election to the county clerk for {name of county} County for inclusion on the ballot for the {date} election.⁵

EFFECTIVE DATE. This resolution is effective upon adoption.

As noted, the ballot title, question, summary, and explanatory statement may be approved by the council through ordinance or resolution.

BALLOT TITLE

A caption which reasonably identifies the subject of the measure
10-word limit under ORS 250.035(1)(a)

Prohibits certain marijuana registrants {and/or} licensees in {city}

QUESTION

A question which plainly phrases the chief purpose of the measure so that an affirmative response to the question corresponds to an affirmative vote on the measure
20-word limit under ORS 250.035(1)(b)

Shall {city} prohibit {medical marijuana processors, medical marijuana dispensaries, recreational marijuana producers, processors, wholesalers, and retailers} in {city}?

SUMMARY

⁴ Alternatively, the council may prepare the ballot title and attach it to the resolution for approval. In that case, this section might say, “The ballot title for the measure set forth as Exhibit {number} to this resolution is hereby adopted.” A city’s local rules may dictate who will prepare the ballot title.

⁵ The Notice of Measure Election is a form provided by the Oregon Secretary of State where cities provide the ballot title, question, summary, and explanatory statement. The form can be found on the Secretary of State’s website at www.sos.oregon.gov.

A concise and impartial statement summarizing the measure and its major effect
17- word limit under ORS 250.035(1)(c)

**Note: This summary may need to be modified depending on which activities a city proposes to ban and whether it will grandfather in existing retail activities. By law, certain medical marijuana businesses can continue operating.*

State law allows operation of registered medical marijuana processors, medical marijuana dispensaries and licensed recreational marijuana producers, processors, wholesalers, and retailers. State law provides that a city council may adopt an ordinance to be referred to the voters to prohibit the establishment of any of those registered or licensed activities.

Approval of this measure would prohibit the establishment {and operation}⁶ of {medical marijuana processors, medical marijuana dispensaries, recreational marijuana producers, processors, wholesalers, and retailers} within the area subject to the jurisdiction of the city {provided that state law allows for continued operation of medical marijuana processors and medical marijuana dispensaries already registered—or in some cases, that have applied to be registered—and that have successfully completed a local land use application process}.

If this measure is approved, the city will be ineligible to receive distributions of state marijuana tax revenues and will be unable to impose a local tax or fee on the production, processing or sale of marijuana or any product into which marijuana has been incorporated.

EXPLANATORY STATEMENT

An impartial, simple and understandable statement explaining the measure and its effect for use in the county voters' pamphlet

500-word limit under ORS 251.345 and OAR 165-022-0040(3)

Approval of this measure would prohibit the establishment {and operation}⁷ of certain marijuana activities within the city.

ORS 475B.840 to 475B.876 directs the Oregon Health Authority will register medical marijuana processors and medical marijuana dispensaries. Medical marijuana processors compound or convert marijuana into concentrates, extracts, edible products, and other products intended for human consumption and use. Medical marijuana dispensaries facilitate the transfer of marijuana and marijuana products between patients, caregivers, processors, and growers. ORS 475B.010 to 475B.545 directs the Oregon Liquor Control Commission will license recreational marijuana producers (those who manufacture, plant, cultivate, grow or harvest marijuana), processors, wholesalers, and retailers.

⁶ Include this wording if (1) there are existing recreational licensees operating within the city and (2) the city does not wish to grandfather in those activities.

⁷ Include this wording if (1) there are existing recreational licensees operating within the city and (2) the city does not wish to grandfather in those activities.

A city council may adopt an ordinance prohibiting the establishment of any of those entities within the city, but the council must refer the ordinance to the voters at a statewide general election. The CITY OF {NAME} city council has adopted an ordinance prohibiting the establishment of {list of marijuana activities to be banned} within the city and, as a result, has referred this measure to the voters.

If approved, this measure would prohibit {medical marijuana processors, medical marijuana dispensaries, and/or recreational marijuana producers, processors, wholesalers, and/or retailers} within the city. Medical marijuana processors and medical marijuana dispensaries that were registered with the state before the city council adopted the ordinance, and medical marijuana dispensaries that had applied to be registered on or before July 1, 2015, can continue operating in the city even if this measure is approved, if those entities have successfully completed a local land use application process.

Approval of this measure has revenue impacts. Currently, 10% of state marijuana tax revenues will be distributed to cities under ORS 475B.759(3)(b)(A). If approved, this measure would make the city ineligible to receive distributions of state marijuana tax revenues.

Currently, under ORS 475B.491, a city may impose up to a 3% tax on the sale of marijuana items by a marijuana retailer in the city. However, a city that adopts an ordinance prohibiting the establishment of medical marijuana processors, medical marijuana dispensaries, or recreational marijuana producers, processors, wholesalers, or retailers may not impose a local tax or fee on the production, processing or sale of marijuana or any product into which marijuana has been incorporated. Approval of this measure would therefore prevent a city from imposing a local tax on those activities.

This document is not a substitute for legal advice. City councils considering prohibiting or taxing any marijuana facilities should not rely solely on this sample. Any city council considering any form of regulation of marijuana should consult with its city attorney regarding the advantages, disadvantages, risks and limitations of any given approach.

Legal counsel can also assist a city in preparing an ordinance that is consistent with local procedures, existing ordinances and a city's charter, and advise on what process is needed to adopt the ordinance. The sample provided is intended to be a starting point, not an ending point, for any jurisdiction considering prohibiting or taxing marijuana.

Appendix B

City Council Repeal of Ordinance that Prohibits Marijuana Businesses

APPENDIX B

City Council Repeal of Ordinance that Prohibits Marijuana Businesses

Under ORS 475B.496, cities may repeal an earlier ordinance prohibiting the establishment of marijuana businesses. A repeal under ORS 475B.496 does not need to be referred to the voters. Alternatively, a city can “opt-in” to allowing marijuana facilities by adopting an ordinance under ORS 475B.968 and referring that ordinance to the voters at the next statewide general election. Cities should consult the secretary of state’s referral manual and work with their city recorder or similar official to determine the procedures necessary to refer an ordinance to the voters. The process for referring an “opt-in” ordinance will be the same as the process for referring an “opt-out” ordinance, as set forth in Appendix A, with the appropriate changes in ballot title language.

If a city adopts a repeal ordinance under ORS 475B.496, the city must submit the ordinance to the Oregon Health Authority (if the ordinance being repealed relates to medical marijuana businesses) or the Oregon Liquor Control Commission (if the ordinance being repealed relates to recreational marijuana businesses). Each agency has a form for submitting the ordinances.

If a city adopts an “opt-in” ordinance under ORS 475B.968, the Oregon Liquor Control Commission or the Oregon Health Authority (depending upon whether a recreational marijuana or medical marijuana business is involved) will begin licensing businesses on January 1 following the November election. That delay should provide cities with an opportunity to update its ordinances and codes to add any needed time, manner, and place restrictions.

Any referral election to opt-in or opt-out under ORS 475B.968 must be held at the next statewide general election following the council’s adoption of the predicate ordinance.

In addition, it is important to note that once the elections official files the referral with the county election office, the ballot measure is certified to the ballot. At that point, the restrictions on public employees engaging in political activity will apply. Consequently, cities should consult the secretary of state’s manual *Restrictions on Political Campaigning by Public Employees* and their city attorney to ensure that public employees are complying with state elections law in their communications about the pending measure.

AN ORDINANCE OF THE CITY OF {NAME} REPEALING A BAN ON {MEDICAL MARIJUANA PROCESSING SITES, MEDICAL MARIJUANA DISPENSARIES, RECREATIONAL MARIJUANA PRODUCERS, RECREATIONAL MARIJUANA PROCESSORS, RECREATIONAL MARIJUANA WHOLESALERS, AND/OR RECREATIONAL MARIJUANA RETAILERS}; AND DECLARING AN EMERGENCY

Whereas, the city electors approved a ban on {medical marijuana processing sites, medical marijuana dispensaries, recreational marijuana producers, recreational marijuana processors, recreational marijuana wholesalers, and/or recreational marijuana retailers} on [_____];

Whereas, ORS 475B.496 provides that a city council may adopt an ordinance repealing ordinances that prohibit the establishment of marijuana related businesses in the area subject to the jurisdiction of the city;

Whereas, the city council wants to repeal the prohibition on {recreational marijuana producers, processors, wholesalers, and/or retailers, as well as medical marijuana processors and/or medical marijuana dispensaries};

NOW THEREFORE, BASED ON THE FOREGOING, THE CITY OF {NAME} ORDAINS AS FOLLOWS:

DEFINITIONS.

Marijuana means the plant Cannabis family *Cannabaceae*, any part of the plant Cannabis family *Cannabaceae* and the seeds of the plant Cannabis family *Cannabaceae*.

Marijuana processing site means an entity registered with the Oregon Health Authority to process marijuana.

Marijuana processor means an entity licensed by the Oregon Liquor Control Commission to process marijuana.

Marijuana producer means an entity licensed by the Oregon Liquor Control Commission to manufacture, plant, cultivate, grow or harvest marijuana.

Marijuana retailer means an entity licensed by the Oregon Liquor Control Commission to sell marijuana items to a consumer in this state.

Marijuana wholesaler means an entity licensed by the Oregon Liquor Control Commission to purchase items in this state for resale to a person other than a consumer.

Medical marijuana dispensary means an entity registered with the Oregon Health Authority to transfer marijuana.

BAN REPEALED. As described in ORS 475B.496, the City of {Name} hereby repeals its ordinance {s} {list ordinance by name/number/date} prohibiting the establishment {and operation of the following in the area subject to the jurisdiction of the city {select desired options from the list below}}:

- (a) Marijuana processing sites;
- (b) Medical marijuana dispensaries;
- (c) Marijuana producers;
- (d) Marijuana processors;
- (e) Marijuana wholesalers;
- (f) Marijuana retailers.

EMERGENCY. This ordinance being necessary for the immediate preservation of the public peace, health and safety, an emergency is declared to exist, and this ordinance shall be in full force and effect on {date/passage}.

This document is not a substitute for legal advice. City councils considering prohibiting or taxing any marijuana facilities should not rely solely on this sample. Any city council considering any form of regulation of marijuana should consult with its city attorney regarding the advantages, disadvantages, risks and limitations of any given approach.

Legal counsel can also assist a city in preparing an ordinance that is consistent with local procedures, existing ordinances and a city's charter, and advise on what process is needed to adopt the ordinance. The sample provided is intended to be a starting point, not an ending point, for any jurisdiction considering prohibiting or taxing marijuana.

Appendix C

Local Tax by Voter Referral

APPENDIX C

Local Tax by Voter Referral

ORS 475B.491 allows cities to impose a tax on sale of marijuana items made by those with recreational retail licenses. The local tax may not exceed 3 %. To adopt a local tax under ORS 475B.491, a city must refer an ordinance to the voters at a statewide general election, meaning an election in November of an even-numbered year.¹

Under ORS 475B.968, a city that adopts a prohibition under those sections may not impose a tax or fee on the production, processing or sale of marijuana or any product into which marijuana has been incorporated. Significantly, if a city proposes a prohibition measure and a tax measure to voters in the same general election, the tax measure will only become operative if the ballot measure prohibiting the establishment of certain marijuana registrants and licensees fails.

It is important to note that once the elections official files the referral with the county election office, the ballot measure is certified to the ballot. At that point, the restrictions on public employees engaging in political activity will apply. Consequently, cities should consult the secretary of state's manual *Restrictions on Political Campaigning by Public Employees* and their city attorney to ensure that public employees are complying with state elections law in their communications about the pending measure.

AN ORDINANCE OF THE CITY OF {NAME} IMPOSING A {UP TO THREE} % TAX {OR FEE} ON THE SALE OF MARIJUANA ITEMS BY A MARIJUANA RETAILER AND REFERRING ORDINANCE²

Whereas, ORS 475B.491 provides that a city council may adopt an ordinance to be referred to the voters that imposes up to a 3% tax {or fee} on the sale of marijuana items by a marijuana retailer in the area subject to the jurisdiction of the city;

Whereas, the city council wants to impose a tax {or fee} on the sale of marijuana items by a marijuana retailer in the area subject to the jurisdiction of the city;

NOW THEREFORE, BASED ON THE FOREGOING, THE CITY OF {NAME} ORDAINS AS FOLLOWS:

DEFINITIONS.

Marijuana item has the meaning given that term in ORS 475B.015(19).

¹ Cities that imposed marijuana taxes prior to 2015, the effective date of ORS 475B.491, should talk to their city attorney about the status of those taxes.

² No emergency clause is included in this ordinance because a city may not include an emergency clause in an ordinance regarding taxation. See *Advance Resorts v. City of Wheeler*, 141 Or App 166, 178, rev den, 324 Or 322 (1996) (holding that a city may not include an emergency clause in an ordinance regarding taxation).

Marijuana retailer means a person who sells marijuana items to a consumer in this state.

Retail sale price means the price paid for a marijuana item, excluding tax, to a marijuana retailer by or on behalf of a consumer of the marijuana item.

TAX IMPOSED. As described in ORS 475B.491, the City of {Name} hereby imposes a tax {or fee} of {up to three} % on the retail sale price of marijuana items by a marijuana retailer in the area subject to the jurisdiction of the city.

COLLECTION. The tax {or fee} shall be collected at the point of sale of a marijuana item by a marijuana retailer at the time at which the retail sale occurs and remitted by each marijuana retailer that engages in the retail sale of marijuana items.³

INTEREST AND PENALTY.

(A) Interest shall be added to the overall tax amount due at the same rate established under ORS 305.220 for each month, or fraction of a month, from the time the return to the Oregon Department of Revenue was originally required to be filed by the marijuana retailer to the time of payment.

(B) If a marijuana retailer fails to file a return with the Oregon Department of Revenue or pay the tax as required, a penalty shall be imposed upon the marijuana retailer in the same manner and amount provided under ORS 314.400.

(C) Every penalty imposed, and any interest that accrues, becomes a part of the financial obligation required to be paid by the marijuana retailer and remitted to the Oregon Department of Revenue.

(D) Taxes, interest, and penalties transferred to {Name of City} by the Oregon Department of Revenue will be distributed to the City's {Name of Designated Fund}.

(E) If at any time a marijuana retailer fails to remit any amount owed in taxes, interest or penalties, the Oregon Department of Revenue is authorized to enforce collection on behalf of the City of the owed amount in accordance with ORS 475B.700 to 475B.760, any agreement between the Oregon Department of Revenue and {Name} under ORS 305.620 and any applicable administrative rules adopted by the Oregon Department of Revenue.

REFERRAL. This ordinance shall be referred to the electors of {city} at the next statewide general election on {date}.

³ Cities may want to include information about where, how, and when the tax must be remitted.

A RESOLUTION APPROVING REFERRAL TO THE ELECTORS OF THE CITY OF {NAME} THE QUESTION OF IMPOSING A {UP TO THREE} % TAX {OR FEE} ON THE SALE OF MARIJUANA ITEMS BY A MARIJUANA RETAILER WITHIN THE CITY⁴

Whereas, ORS 475B.491 provides that a city council may adopt an ordinance to be referred to the voters that imposes up to a 3 % tax or fee on the sale of marijuana items by a marijuana retailer in the area subject to the jurisdiction of the city;

Whereas, the city of {name} city council adopted Ordinance {number}, which imposes a tax of {up to three} % on the sale of marijuana items by a marijuana retailer in the area subject to the jurisdiction of the city;

NOW, THEREFORE, THE CITY OF {NAME} RESOLVES AS FOLLOWS:

MEASURE. A measure election is hereby called to submit to the electors of the city of {name} a measure imposing a {up to three} % tax on the sale of marijuana items by a marijuana retailer in the area subject to the jurisdiction of the city, a copy of which is attached hereto as “Exhibit 1,” and incorporated herein by reference.⁵

ELECTION CONDUCTED BY MAIL. The measure election shall be held in the city of {name} on {date}. As required by ORS 254.465, the measure election shall be conducted by mail by the County Clerk of {county name} County, according to the procedures adopted by the Oregon Secretary of State.

DELEGATION. The city of {name} authorizes the City Manager, or the City Manager’s designee, to act on behalf of the city and to take such further action as is necessary to carry out the intent and purposes set forth herein, in compliance with the applicable provisions of law.

PREPARATION OF BALLOT TITLE. The City Attorney is hereby directed to prepare the ballot title for the measure, and deposit the ballot title with the {city elections officer} within the times set forth by law.⁶

NOTICE OF BALLOT TITLE AND RIGHT TO APPEAL. Upon receiving the ballot title for this measure, the {city elections officer} shall publish in the next available edition of a newspaper of general circulation in the city a notice of receipt of the ballot title, including notice that an elector may file a petition for review of the ballot title.

⁴ Some cities approve the ballot title, question, summary, and explanatory statement by adopting an ordinance, rather than by adopting a separate resolution.

⁵ Exhibit 1 should include the question and summary.

⁶ Alternatively, the council may prepare the ballot title and attach it to the resolution for approval. In that case, this section might say, “The ballot title for the measure set forth as Exhibit {number} to this resolution is hereby adopted.” A city’s local rules may dictate who will prepare the ballot title.

EXPLANATORY STATEMENT. The explanatory statement for the measure, which is attached hereto as “Exhibit 2,” and incorporated herein by reference, is hereby approved.

FILING WITH COUNTY ELECTIONS OFFICE. The {city elections officer} shall deliver the Notice of Measure Election to the county clerk for {name of county} County for inclusion on the ballot for the {date} election.⁷

EFFECTIVE DATE. This resolution is effective upon adoption.

BALLOT TITLE

A caption which reasonably identifies the subject of the measure
10-word limit under ORS 250.035(1)(a)

Imposes city tax on marijuana retailer’s sale of marijuana items

QUESTION

A question which plainly phrases the chief purpose of the measure so that an affirmative response to the question corresponds to an affirmative vote on the measure
20-word limit under ORS 250.035(1)(b)

Shall City of {name} impose a {up to 3% } tax on the sale in the City of {city} of marijuana items by a marijuana retailer?

SUMMARY

A concise and impartial statement summarizing the measure and its major effect
175-word limit under ORS 250.035(1)(c)

Under state law, a city council may adopt an ordinance to be referred to the voters of the city imposing up to a 3 % tax or fee on the sale of marijuana items in the city by a licensed marijuana retailer.

Approval of this measure would impose a {up to 3} % tax on the sale of marijuana items in the city by a licensed marijuana retailer. The tax would be collected at the point of sale and remitted by the marijuana retailer.

⁷ The Notice of Measure Election is a form provided by the Oregon Secretary of State where cities provide the ballot title, question, summary, and explanatory statement. The form can be found on the Secretary of State’s website at www.sos.oregon.gov.

EXPLANATORY STATEMENT

An impartial, simple and understandable statement explaining the measure and its effect for use in the county voters' pamphlet.

500-word limit under ORS 251.345 and OAR 165-022-0040(3)

Approval of this measure would impose a {up to 3} % tax on the sale of marijuana items by a marijuana retailer within the city. There are no restrictions on how the city may use the revenues generated by this tax.

Under Measure 91, adopted by Oregon voters in November 2014, codified in ORS chapter 475B and amended by the Legislature in 2016, 2017, and 2018, the Oregon Liquor Control Commission must license the retail sale of recreational marijuana. ORS 475B.491 provides that a city council may adopt an ordinance imposing up to a 3 % tax on the sale of marijuana items (which include marijuana concentrates, extracts, edibles, and other products intended for human consumption and use) by retail licensees in the city, but the council must refer that ordinance to the voters at a statewide general election. The City of {name} city council has adopted an ordinance imposing a {up to 3} % tax on the sale of marijuana items by a retail licensee in the city, and, as a result, has referred this measure to the voters.

This document is not a substitute for legal advice. City councils considering prohibiting or taxing any marijuana facilities should not rely solely on this sample. Any city council considering any form of regulation of marijuana should consult with its city attorney regarding the advantages, disadvantages, risks and limitations of any given approach.

Legal counsel can also assist a city in preparing an ordinance that is consistent with local procedures, existing ordinances and a city's charter, and advise on what process is needed to adopt the ordinance.

The sample provided is intended to be a starting point, not an ending point, for any jurisdiction considering prohibiting or taxing marijuana.

Appendix D

Sample Time, Place, and Manner Restrictions on Marijuana Businesses

APPENDIX D

Sample Time, Place, and Manner Restrictions on Marijuana Businesses

Scope

The sample wording below is designed to address both medical marijuana as well as recreational marijuana. It assumes that a city will treat both types of marijuana activities similarly. As Oregon moves towards a combined system, state law largely treats medical marijuana the same as recreational marijuana. The commentary below notes where there are differences (*i.e.*, buffer requirements) or where a city might desire to treat medical marijuana differently from recreational marijuana activities

How to Use this Model

This document is not a substitute for legal advice.

This document is not intended to be a complete or comprehensive code chapter on marijuana businesses. A city should not adopt the sample wording in its entirety. Rather, this document, much like a restaurant menu, covers various subjects, which a city may or may not want to include in a marijuana time, place, and manner ordinance, and provides different options under each of those subjects. Consequently, this document is organized by subject area and includes a discussion of the subject followed by sample text on the following:

- Findings
- Definitions
- Rulemaking
- Licenses / Registration
 - License/Registration Required
 - License/Registration Application
 - Issuance of License/Registration
 - Fees
 - Display of License/Proof of Registration
 - Term, Renewal and Surrender
 - Transferability
 - Indemnification

- Criminal Background Checks
- Standards of Operation
 - Registration and Compliance with Administrative Rules
 - Compliance with Other Laws
 - Hours of Operation
 - Public View
 - Odors
 - Lighting
 - Sales
 - On-Site Use
 - On-Site Manufacturing
 - Outdoor Storage
 - Secure Disposal
 - Home Occupation
 - Drive-Through, Walk-Up
 - Labeling
 - Accounting Systems
 - Accounting Records
- Location
- Signs
- Examination of Books, Records and Premises
- Civil Enforcement
- Public Nuisance
- Criminal Enforcement
- Confidentiality
- Emergency Clause

Findings

Discussion

Findings provide the background and purpose of the legislation. Cities should consider how the sample findings below need to be modified to reflect their unique circumstances.

In preparing the findings, as well as other provisions of the ordinance, cities should keep in mind that marijuana remains an illegal drug under the federal Controlled Substances Act. To avoid allegations that city officials are violating federal law by authorizing the commission of a federal offense, the sample findings make clear that the authorization to operate a marijuana business comes from state law, not local law. As such, the sample has been drafted in a manner to be restrictive rather than permissive. To illustrate that point, this sample includes wording for cities that desire to create a local licensing program as a way to implement their time, place and manner regulations. The sample's wording is drafted with care, however, to indicate that the source of authority to operate a marijuana business derives from state law and that the local license is a means to impose restrictions on the operator and is not intended to be a separate source of authority. Consequently, the wording of the following sample text carefully avoids terms that would affirmatively “allow” or “authorize” marijuana businesses.

ORS 475B now contains provisions relating to recreational marijuana businesses and medical marijuana dispensaries, processors, and growers. The model ordinance relates to recreational marijuana businesses, of which there are several categories: producer, processor, wholesaler, retailer, and laboratory. A city may choose to permit the operation of none, some, or all of these categories within the city. The ordinance should be crafted to reflect this choice.

Sample Text

1. State law authorizes the operation of medical and recreational marijuana businesses and provides those businesses with immunity from state criminal prosecution.
2. Although the State of Oregon has passed legislation authorizing marijuana businesses and providing criminal immunity under state law, the operation of those businesses remains illegal under federal law.
3. The city council has home rule authority to decide whether, and under what conditions, certain commercial conduct should be regulated within the city and subject to the general and police powers of the city, except when local action has been clearly and unambiguously preempted by state statute.
4. Whether a certain business should operate within a local jurisdiction is a local government decision, and local governments may enforce that decision through the general and police powers of that jurisdiction.
5. *[If using an existing or creating a new license/registration system for a marijuana business]* The city's licensing *[or registration]* and regulatory system should not be construed to constitute an authorization to engage in any activity prohibited by law nor a waiver of any

other license or regulatory requirement imposed by any other provisions of city ordinance or local, regional, state or federal law.

6. The city council wants to regulate the operation of marijuana businesses in the city in ways that protect and benefit the public health, safety and welfare of existing and future residents and businesses in the city.
7. The ordinance is intended to impose restrictions, not provide authorizations.
8. The ordinance is intended to apply only to recreational marijuana businesses, and not to medical marijuana businesses or to personal possession, growing or use of marijuana as authorized by the state in ORS 475B.797 to ORS 475B.807. *[Use this provision only if the city does not want to combine its medical marijuana ordinance with this ordinance or wants to address medical marijuana as part of a separate ordinance.]*
9. *[If the city intends to refer a local sales tax option to its citizens to approve a sales tax of up to 3 % pursuant to ORS 475B.491, the following finding could be added.]* Upon approval of city voters, the city shall impose a local sales tax of ___% *[up to 3 %]* on the sales of recreational marijuana by marijuana retailers in order to recover its costs incurred in connection with the city’s recreational marijuana licensing program.
10. The operation of a marijuana business without proper authority from either the Oregon Liquor Control Commission or the Oregon Liquor Control Commission (OREGON LIQUOR CONTROL COMMISSION) is prohibited within the city.

Definitions

Discussion

Definitions should be used to clarify intent and avoid ambiguity. The specific terms defined in a marijuana ordinance will depend on the provisions of that ordinance. The terms listed here are offered as examples and cover some of the most commonly-used terms in state law relating to marijuana businesses. Recreational marijuana businesses can include producers, processors, wholesalers and retailers. A city may or may not allow all of these separate categories of marijuana business to operate within the city. The definitions need to reflect only those types of marijuana businesses permitted in a city. In addition, depending on the needs of a particular city, it may be useful or necessary to include additional definitions not listed below.

It is important to note that when interpreting ordinances that contain specific references to state law, the courts will use the version of the state statute that was in effect at the time that the ordinance was adopted. Put differently, if the Legislature amends a state statute, a city ordinance that references that statute is not automatically updated to reflect the legislative change.

Consequently, if using statutory cites, the city will need to periodically review and update their ordinances if the city wants the benefit of the new statutory wording. As a result, the model ordinance does not refer to specific sections of the Oregon Revised Statutes.

Sample Text

1. Licensee means a person who holds a license issued by the city to engage in a marijuana business in accordance with this chapter.
2. Licensee representative means an owner, director, officer, manager, employee, agent or other representative of a licensee, to the extent that the person acts in a representative capacity.
3. Marijuana means all parts of the plant cannabis family *Cannabacea*, whether growing or not; the resin extracted from any part of the plant; and every compound, manufacture, salt, derivative, mixture or preparation of the plant or its resin. It does not include the mature stalks of the plant, fiber produced from the stalks, oil or cake made from the seeds of the plant, any other compound, manufacture, salt, derivative, mixture or preparation of the mature stalks (except the resin extracted therefrom), fiber, oil or cake, or the sterilized seed of the plant which is incapable of germination.
4. Marijuana business means (1) any business licensed by the Oregon Liquor Control Commission to engage in the business of producing, processing, wholesaling, or selling marijuana or marijuana items, or (2) any business registered with the Oregon Health Authority for the growing, processing, or dispensing of marijuana or marijuana items.

Alternative Approach: This model assumes similar treatment of both medical as well as recreational activities. If a city desires to set separate standards of operation either between medical and recreational businesses, or among license types within the medical or recreational system, then the city will need to separately define medical growers, medical processors, medical dispensaries, recreational producers, recreational processors, wholesalers, and recreational retailers. Both state law and the administrative rules provide a basis for creating such definitions

5. Marijuana items means marijuana, cannabinoid products, cannabinoid concentrates, and cannabinoid extracts.

Rulemaking

Discussion

Depending on the size and structure of the city, a city may want to provide the city manager/administrator or that person's designee, or another appointed city official such as the chief of police, with authority to adopt administrative rules to implement and enforce the city's medical marijuana ordinances.

Sample Text

1. Rulemaking. The city manager [*administrator*] or the city manager's [*administrator's*] designee [*or some other designated public official, such as "chief of police"*] has authority to adopt administrative rules and procedures necessary for the proper administration and

enforcement of this chapter [*or if not creating a new chapter, “ordinances relating to the operation of a marijuana business”*].

Licenses / Registration

License/Registration Required

Discussion

Cities that want to regulate marijuana businesses can do so in several ways. Many cities, particularly those with larger staffs, have decided to regulate marijuana businesses through a license or permit system. Even those cities that are using a licensing system are imposing differing levels of regulation, from basic registration and tracking to extensively restricting the activities of marijuana businesses. Because a licensing approach allows cities to both track and regulate marijuana businesses, with multiple enforcement mechanisms, the sample wording provides for a licensing system. Although this sample only requires a marijuana business license, a city could also require the employees of marijuana businesses to get licenses.

As explained above, to avoid conflicts with federal law, the sample text is drafted to make clear that the authority for marijuana businesses to operate comes from state, and not local, law. Although the sample text uses the word “license,” the text is intended to clarify that the license operates as a registration system, and not as a grant of authority to violate federal law. Cities that want to further emphasize that point may want to avoid the use of the word “license” and instead convert the sample text to “registration.”

Cities that adopt a licensing/registration system will have to determine where to incorporate that system into their code. For example, cities with police protection licenses may want to add marijuana businesses to those licensing provisions.

Sample Text

1. **Local License Required.** Marijuana businesses must possess a valid license issued under this chapter to operate within the city. The license required by this chapter facilitates the registration and the city’s oversight of a marijuana business. The license required by this chapter should not be construed to constitute an authorization to engage in any activity prohibited by law nor a waiver of any other regulatory or license requirement imposed by any other provision of city ordinance or local, regional, state or federal law.
2. **State Registration Required.** To be eligible to apply for a license under this chapter, marijuana businesses must be either registered with the Oregon Health Authority or licensed by the Oregon Liquor Control Commission and otherwise authorized by state law to operate a marijuana business.

License/Registration Application

Discussion

Cities using a licensing/registration system will have to decide what information to request in an application. The sample list of information provided below is a compilation of application requirements from different city ordinances. Cities may determine that they want to require less, more or different information from applicants.

In addition, although this sample requires the same information for both an initial and renewal application, cities may want to use a less intensive or otherwise different process for license renewals.

This sample also provides the city with the option to inspect the proposed licensed premises as part of the application process and thereafter. More information regarding inspections is found in the section “Civil Enforcement.”

Sample Text

1. Application/Renewals. Applications for new and renewed licenses must be submitted to _____ [*designated public official or city department*] on a form provided by the city. A separate application must be submitted for each proposed marijuana business. The initial or renewal application must include the following information:
 - a. Certification that the proposed marijuana business is licensed at that location as a marijuana business with the Oregon Health Authority or the Oregon Liquor Control Commission.
 - b. The applicant’s name, residence address, and date of birth. [*A city may want to require photo identification, such as a driver’s license or other government-issued identification.*]
 - c. The names and residence addresses of:
 - i. Any person or legal entity that has an ownership interest in the marijuana business, including all principals of the applicant;
 - ii. Any person or legal entity with a financial interest that has loaned or given money or real or personal property to the applicant, or principal of the applicant, for use by the proposed marijuana business within the preceding year;
 - iii. Any person or legal entity that has leased real property to the applicant for use by the marijuana business and any person who manages that property; and
 - iv. Any person who is anticipated at the time of the application to be an employee or volunteer at the proposed facility.
 - d. The business name.
 - e. The address and telephone number of the proposed marijuana business.

- f. The mailing address for correspondence about the license.
- g. A detailed description of the type, nature and extent of the business, including a description of the category of marijuana business to be operated.
- h. The proposed days and hours of operation.
- i. A detailed description of the proposed accounting and inventory system of the marijuana business.
- j. Certification that the licensed premises for the proposed marijuana business has met all applicable requirements of the city development and sign code.
- k. Certification that all applicable taxes and fees have been paid.
- l. A complete application for a criminal background check for the applicant, and all principals, persons with a financial interest, employees and volunteers of the proposed marijuana business.

Alternative Sample Text on Criminal Background: A statement whether the applicant, principals, persons with a financial interest, employees or volunteers have been convicted of a misdemeanor within the past ____ [*time period*] that relates to _____, [*relevant crimes, such as fraud, theft, manufacture or delivery of a Schedule I controlled substance*] or have ever been convicted of a felony. (See below for a fuller discussion on background checks.)

- m. The names of at least three natural persons who can give an informed account of the marijuana business and moral character of the applicant and principals.
 - n. The signature, under penalty of perjury, of the applicant, if a natural person, or otherwise the signature of an authorized agent of the applicant, if the applicant is other than a natural person.
 - o. Other information deemed necessary by _____ [*designated public official*] to complete review of the application or renewal.
 - p. The city may inspect the proposed licensed premises prior to issuing a license and at any time during normal business hours following the issuance of a license. If, during the inspection, the city determines that the applicant or the licensed premises are not in compliance with this chapter or any other chapter of the city’s building, development, zoning, nuisance or other city ordinance or code, the applicant will be provided with a notice of the failed inspection and that the requirements of this chapter have not been met. [*If the city chooses, a process for an additional inspection or hearing following a failed inspection could be added to this provision.*]
2. Continuing obligation to update information. All information provided in an initial or renewal application must be kept current at all times, including after a license is issued. Each licensee shall notify _____ [*designated public official or department*] in writing

within _____ [*time period, such as ten business days*] of any change in the information provided to obtain the license.

Issuance of License/Registration

Discussion

Each city that adopts a licensing/registration system will have to determine the process for issuing licenses, the criteria for issuing or denying a license, and who within the city will apply those criteria. Cities may want to look to how other local licenses, such as business licenses, are issued in crafting a process for issuing medical marijuana facility licenses.

If a city wants to cap the number of licenses that it will issue, the city could address that issue in this section. If a city takes that approach, it should consider what method it will use to determine which applicants will receive licenses when the number of applications exceeds the cap.

Sample Text

1. Determination. Within ____ [*time period*] after receiving a complete [*initial or renewal*] application and license fee for a medical marijuana business license, the _____ [*designated public official or department*] will issue the license if _____ [*designated public official or department*] finds that the facility is licensed as a marijuana business with the Oregon Health Authority or the Oregon Liquor Control Commission and that all other requirements under this chapter have been met. The city license will list the specific category of marijuana business license being issued.
2. Denial. In addition to denial for failure to meet the requirements of this chapter, the _____ [*designated public official or department*] may deny a license if:
 - a. The applicant made an untrue, misleading, or incomplete statement on, or in connection with, the application for the license or a previous application for a license;
 - b. Notwithstanding the federal Controlled Substances Act, the applicant fails to meet all requirements of local, state, and federal laws and regulations, including, but not limited to, other permitting or licensing requirements and land use regulations; or
 - c. The _____ [*applicant, principals, employees, volunteers, persons with a financial interest in the facility*] have been convicted of _____ [*specified crimes*].
3. Notice of denial. The city shall issue a notice of denial to an applicant in writing specifying the reasons for the denial. [*The city may add any appeal or hearing rights it wishes to provide to an applicant or cross reference to another portion of the city code that relates to appeals and hearings.*]

Fees

Discussion

Cities adopting a licensing system may want to charge a one-time initial license application fee, an annual license fee, or both. Cities may want to look at how their other licensing fees are structured when setting the marijuana business license fee. Some cities prorate the license fee for licenses that are issued after a certain point in the licensing year. For example, if all licenses expire on December 31 each year, a city might prorate the fees for licenses issued after June 30 of that year. Some cities also provide that license fees are not refundable.

Sample Text

1. Fee. An initial license application or renewal application must be accompanied by a license fee. The fee amount will be established by _____ [*method for setting fees, commonly through council resolution; alternatively, fee amount may be set by ordinance*].

Display of License/Proof of Registration

Sample Text

1. Display. When requested, the licensee shall show the license issued under this chapter to any person with whom the licensee is dealing as part of the licensed activity or to _____ [*designated public official*].

Alternative Sample Text: The license issued under this chapter must be prominently displayed at all times in an easily visible location inside the licensed premises.

Term, Renewal and Surrender

Discussion

Cities with licensing/registration systems will need to set a term and create a renewal process. The two options in the first subsection below provide different means of tracking expiration and renewal. The first option would put all renewals at one time of year and the second option would put renewals on a rolling basis. Cities may want to consider schedules for other local license and renewal processes to determine whether to align marijuana business licenses with those other processes. In addition, cities may want to provide a process for surrendering a license/registration.

Sample Text

1. Termination. A license terminates automatically _____ [*on month and day of each year/certain years or some time period from the date of issuance*], unless a license renewal application has been approved.
2. Renewal. A license may be renewed for additional _____ [*duration*] terms as provided by this chapter.
3. Renewal Application. Renewal applications shall be submitted, with the required license fee, to _____ [*designated public official or department*] not less than _____ [*days, months*] prior to the expiration date of the existing license.
4. Termination Due to Change in Law. A license terminates automatically if federal or state statutes, regulations or guidelines are modified, changed, or interpreted in such a way by state or federal law enforcement officials as to prohibit operation of the marijuana business under this ordinance.
5. Termination Due to Suspension, Revocation or Termination by State Authority. A license terminates automatically upon the suspension, revocation, surrender or termination of an Oregon Health Authority registry or an Oregon Liquor Control Commission issued marijuana business license for any reason.
6. Surrender. A licensee may surrender a marijuana business license by delivering written notice to the city that the licensee thereby surrenders the license. A licensee's surrender of a license under this section does not affect the licensee's civil or criminal liability for acts the licensee committed before surrendering the license.

Transferability

Discussion

Cities should consider whether they want to allow licensees to transfer their license, and, if so, the process for allowing such a transfer. For example, under certain circumstances, a city might allow the license to be transferred if the business is sold. The alternative sample text below provides for a license transfer. Cities that allow for transfer might consider creating a transfer application, which could require an accompanying fee, to ensure that the new licensee is eligible to hold the license.¹³⁹

Sample Text

¹³⁹ The Oregon Administrative Rules provide regulations regarding the transferability of state-issued licenses.

1. Transferability. Licenses issued under this chapter shall not be transferred to any other person by operation of law or otherwise.

Alternative Sample Text: Licenses issued under this chapter may be transferred to another person upon determination by _____ [*designated public official*] that the person receiving the license meets the requirements of this chapter for licensees.

Indemnification

Sample Text

1. Waiver. By accepting a marijuana business license issued under this chapter, the licensee waives and releases the city, its officers, elected officials, employees, volunteers and agents from any liability for injuries, damages or liabilities of any kind that result from any arrest or prosecution of a marijuana business owner or operator, principal, person or legal entity with a financial interest in the marijuana business, person or entity that has leased real property to the marijuana business, employee, volunteer, client or customer for a violation of federal, state or local laws and regulations.
2. Indemnification. By accepting a marijuana business or license issued under this chapter, the licensee(s), jointly and severally if there is more than one, agree to indemnify and hold harmless the city, its officers, elected officials, employees, volunteers, and agents, insurers, and self-insurance pool against all liability, claims, and demands on account of any injury, loss, or damage, including, without limitation, claims arising from bodily injury, personal injury, sickness, disease, death, property loss or damage, or any other loss of any kind whatsoever arising out of or in any manner connected with the operation of the marijuana business that is the subject of the license.

Criminal Background Checks

Discussion

Under ORS chapter 475B an individual may be required by the Oregon Health Authority and Oregon Liquor Control Commission to submit to a criminal background check. Generally speaking, persons convicted within the last two years of manufacture or delivery of a controlled substance, having more than one conviction of manufacture or delivery of a controlled substance, or (with respect to recreational licenses) any conviction or delivery of a control substance to a person under 21, are not eligible for state licensing or registration. Cities may want to require additional background checks for licensees, owners, employees, volunteers or other individuals associated with a marijuana business and may want to include additional disqualifying convictions. Alternatively, cities could require license applicants and others associated with

licensed facilities to self-report that information as part of the application process, as provided in the License Application alternative sample text above.

Alternatively, some cities may want to use their licenses solely for tracking purposes, without limiting who is eligible to receive a license or work at a licensed facility. In that case, a city may not want to require criminal background checks.

Sample Text

1. Background Check Required / Disqualification. All _____ [*applicants, principals, employees, volunteers, persons with a financial interest in the marijuana business*] must submit to a criminal background check performed by _____ [*designated public official*] before _____ [*a license will be issued; beginning employment at a facility; etc.*]. A person who has been convicted of _____ [*specified crimes*] may not be _____ [*a licensee, employee, volunteer, etc.*].

Standards of Operation

Discussion

The topics covered in this section are examples of some of the many issues that a city may want to address in regulating medical marijuana facilities, but the list is not exhaustive. In drafting provisions for a section covering standards of operation, there are at least four considerations to keep in mind.

First, state law provides that time, place and manner regulations need to be “reasonable,” however the statute does not define that term. Until the Legislature provides a definition or until state courts articulate a standard for “reasonable regulations,” there is a higher likelihood that regulations will face legal challenges. Cities will be better positioned against legal challenges if they make specific findings as to how and why their regulations relate to public health, welfare, and safety concerns.

Second, as a reminder, a city should consider drafting ordinances to restrict, rather than authorize, certain activities in an effort to avoid conflicts with federal law. For example, rather than providing that a medical marijuana facility *may* operate between the hours of 8 a.m. and 5 p.m., the ordinance should provide that a facility *may not* operate between the hours of 5 p.m. and 8 a.m. If the city does not want to restrict activity, it should simply remain silent on that issue, rather than affirmatively authorizing conduct that is illegal under federal law.

Third, when deciding what restrictions to impose, cities should become familiar with the conditions the state is placing on marijuana businesses by reviewing the most recent version of OAR 845-025-1000 to OAR 845-025-8080. After reviewing those conditions, cities should consider whether they want to impose additional requirements or whether they want to include similar requirements in their code so that they can independently enforce those provisions of state law through local enforcement mechanisms.

Fourth, when considering operational restrictions, cities might consider drafting an ordinance that segregates the restrictions by the category of marijuana business. For example, certain restrictions might apply to processors and not producers, wholesalers or retailers. *[Consider adding a prefatory phrase such as, “For marijuana processors,” followed by a list of operating restrictions that apply to processors.]*

Fifth, cities should consider what restrictions might already be in place based on existing zoning or other ordinances of general applicability. For example, because many cities have existing fencing, sign, and noise ordinances, those matters are not specifically addressed in this model. However, if a city wants to treat marijuana businesses differently than that of other businesses, it will need to specifically do so in this section. For example, “A marijuana business in a residential district shall not produce or emit a sound that is detectible at the property line. A marijuana business operating in any other zone shall comply with the city’s noise ordinance at _____.”

Finally, because this is an emerging industry with evolving technologies, cities are better served drafting ordinances to address the effects of the industry, rather than the means to achieve those effects. For example, rather than drafting an odor provision that requires a specific air cleaning technology, it is preferable to draft an ordinance that requires the business to have an air filtration system certified by an engineer to ensure marijuana odor cannot be detected outside of the property lines or enclosed structure.

Sample Text

1. **Registration and Compliance with State Law.** The marijuana business’s state license or authority must be in good standing with the Oregon Health Authority or Oregon Liquor Control Commission and the marijuana business must comply with all applicable laws and regulations administered by the respective state agency, including, without limitation those rules that relate to labeling, packaging, testing, security, waste management, food handling, and training.
2. **Compliance with Other Laws.** The facility must comply with all applicable laws and regulations, including, but not limited to, the development, land use, zoning, building and fire codes.
3. **Hours of Operation.** Operating hours for a marijuana business must be as follows: (i) for a business engaged in sales or transfer of marijuana or marijuana products to a consumer: no earlier than _____ and no later than _____ on the same day. *[consider using same time period as allowed under any applicable ordinance relating to liquor stores]*; for all other medical business activities: no earlier than _____ and no later than _____ on the same day: for processor: no earlier than _____ and no later than _____ on the same day. *[Note, existing land use ordinances may already prohibit activities at certain times using same time period as allowed under any applicable ordinance relating to liquor stores]*

4. Public View. All doorways, windows and other openings shall be located, covered or screened in such a manner to prevent a view into the interior from any exterior public or semipublic area.
5. Odors. The marijuana business must use an air filtration and ventilation system which is certified by an Oregon Licensed mechanical engineer to ensure, to the greatest extent feasible, that all objectionable odors associated with the marijuana are confined to the licensed premises. For the purposes of this provision, the standard for judging “objectionable odors” shall be that of an average, reasonable person with ordinary sensibilities after taking into consideration the character of the neighborhood in which the odor is made and the odor is detected.
6. Lighting. Facilities must maintain adequate outdoor lighting over each exterior exit.
7. Sales. Sales or any other transfers of marijuana must occur inside the licensed premises and must be conducted only between the marijuana business and individuals 21 years of age and older.
8. On-Site Use. Marijuana and tobacco products must not be smoked, ingested, consumed or otherwise used on the licensed premises.
9. On-Site Manufacturing. With the exception of marijuana processors, the manufacturing or processing of any extracts, oils, resins, or similar derivatives of marijuana is prohibited at any licensed premises. Marijuana processors may engage in processing in industrial zones only.
10. Outdoor Storage. Outdoor storage of merchandise, raw materials or other material associated with the marijuana business is prohibited.
11. Secure Disposal. The facility must provide for secure disposal of marijuana remnants or by-products; marijuana remnants or by-products shall not be placed within the marijuana business’s exterior refuse containers.
12. Home Occupation. A marijuana business may not be operated as a home occupation.
13. Drive-Through, Walk-Up. A marijuana business may not have a walk-up window or a drive-through.
14. Labeling. All products containing marijuana intended to be ingested (i.e. edibles) must be labeled with the product’s serving size and the amount of tetrahydrocannabinol in each serving in accordance with Oregon Health Authority and Oregon Liquor Control Commission rules.
15. Accounting Systems. The marijuana business must have an accounting system specifically designed for enterprises reliant on transactions conducted primarily in cash and sufficient to maintain detailed, auditable financial records. If the _____ [*designated public official*] finds the books and records of the facility are deficient in any way or if the marijuana business’s accounting system is not auditable, the marijuana business must modify

the accounting system to meet the requirements of the _____ *[designated public official]*.

16. Accounting Records. Every marijuana business must keep and preserve, in an accounting format established by _____ *[designated public official]*, records of all sales made by the marijuana business and such other books or accounts as may be required by the _____ *[designated public official]*. Each marijuana business must keep and preserve for a period of at least _____ *[time period]* records containing at least the following information:

- a. Daily wholesale purchases (including grow receipts) if licensed as a marijuana wholesaler and retail sales, if licensed as a retailer, including a cash receipts and expenses journal;
- b. State and federal income tax returns;
- c. State quarterly sales tax returns for retail sales;
- d. True names and any aliases of any owner, operator, employee or volunteer of the marijuana business;
- e. True names and addresses and any aliases of persons that have, or have had within the preceding year, a financial interest in the marijuana business; and
- f. _____ *[designated public official]* may require additional information as he or she deems necessary.

Location

Discussion

A city can regulate the location of a marijuana business either through amendments to its zoning code, made in accordance with local and statutory land use procedures, or by imposing conditions on the marijuana business license. Cities should consult their city attorney to discuss the benefits, risks and timelines associated with each approach.

Keeping in mind that state law allows for the licensing of marijuana retailers, wholesalers, processors, producers and laboratories, cities may want to impose restrictions on where marijuana businesses and facilities can locate in relation to other zones or specified locations and based upon the specific type of marijuana business. For example, a city could impose limits on the distance of marijuana businesses or facilities from:

- A residential zone or a multi-use zone which includes residences;
- Places where children congregate;

- A public elementary, private elementary, secondary, or career school attended primarily by individuals under the age of 21;
- A public library;
- A public park, public playground, recreation center, or facility;
- A licensed child care facility;
- A public transit center;
- Any game arcade where admission is not restricted to persons aged 21 or older;
- Another licensed medical marijuana facility licensed by the Oregon Health Authority or a recreational marijuana facility licensed by the OREGON LIQUOR CONTROL COMMISSION;
- Any public property, not including the right of way; or
- Any combination of the above.

Cities that impose those types of distance restrictions should consider how those provisions will operate if one of the protected properties, such as a school, locates within a restricted area of an existing marijuana business. An ordinance could provide that the marijuana business may remain in place, that the license will be revoked, or that the license will no longer be eligible for renewal. Cities should work closely with their city attorney to evaluate the risks and benefits of those options. In addition, cities may want to look to the state regulations for guidance.

In addition, cities should consult their city attorney if they are imposing restrictions that are more stringent than those imposed under state law, by, for example, requiring facilities to locate 2,000 feet from other medical marijuana businesses. Note, however, that state law does restrict cities from imposing a buffer requirement on recreational retailers. Specifically, cities cannot restrict retailers from locating more than 1,000 feet from another recreational retailer. See ORS 475B.486(2)(a). Consequently, a standard buffer of 1,000 feet will work for both medical as well as recreational facilities. However, anything greater than a 1,000 feet requirement can only apply to Medical dispensaries. Although the courts have generally upheld local authority to impose more stringent requirements than those imposed by state law, a city should consult its city attorney regarding the risks associated with taking a more restrictive approach. That is true particularly if the regulations have the effect of prohibiting marijuana businesses within the city. However, a city that takes that route should work closely with its legal counsel to follow current court cases in this area and be prepared to defend its regulations against a legal challenge.

Cities that adopt distance restrictions will also need to consider how the distance will be measured. For example, one city provided that the distance would be measured in a straight line from the closest edge of each property line, while another city provided that the distance would be measured from the property line of the affected property, such as a school, to the closest point of space occupied by the medical marijuana facility. Another city provided that the distance would be measured between the closest points of the respective lot lines.

In addition to distance restrictions, some cities have imposed restrictions on what types of businesses can be next to marijuana businesses. For example, some cities have prohibited tobacco smoking lounges, marijuana social clubs, and retail marijuana businesses from being in the same proximity. Some cities have also required marijuana businesses to be located at fixed, permanent locations. For example, an ordinance might provide, “A marijuana business or facility may not be located at a temporary or mobile site. No person shall locate, operate, own, allow to be operated or aid, abet or assist in the operation of any mobile marijuana business which transports or delivers, or arranges transportation or delivery, of marijuana to a person.”

As noted above, restrictions may need to be segregated by the category of marijuana business involved. For example, restrictions that relate to marijuana producers might not apply to marijuana retailers, processors or wholesalers.

Sample Text

1. Restrictions on Location: Marijuana Dispensary or Retailer. A marijuana retailer shall not locate:
 - a. Within a residence or mixed-use property that includes a residence.
 - b. Within _____ zone(s).
 - c. Within _____ [*distance*] of _____ [*certain zones, types of properties, schools, parks, licensed day care facilities, parks, public transit centers, game arcades no restricted to persons age 21 and older, any public property, any other recreational or medical marijuana facilities, etc.*]
 - d. On the same property or within the same building with _____ [*other types of facilities, such as marijuana social clubs*].

2. Restrictions on Location: Marijuana Wholesaler. A marijuana wholesaler shall not locate:
 - a. Within a residence or mixed-use property that includes a residence.
 - b. Within _____ zone(s).
 - c. Within _____ [*distance*] of _____ [*certain zones, types of properties, medical marijuana facilities, etc.*]
 - d. On the same property or within the same building with _____ [*other types of facilities,*].

3. Restrictions on Location: marijuana producer. A marijuana producer shall not locate:
 - a. Within a residence or mixed-use property that includes a residence.
 - b. Within _____ zone(s).
 - c. Within _____ [*distance*] of _____ [*certain zones, types of properties, medical marijuana facilities, etc.*]

- d. On the same property or within the same building with _____ [*other types of marijuana businesses*].
4. Restrictions on Location: marijuana processor. A marijuana processor shall not locate:
 - a. Within a residence or mixed-use property that includes a residence.
 - b. Within _____ zone(s).
 - c. Within _____ [*distance*] of _____ [*certain zones, types of properties, medical or recreational marijuana business, etc.*]
 - d. On the same property or within the same building with _____ [*other types of marijuana businesses*].
5. Distances. For purposes of this section, all distances shall be measured _____ [*method for measuring distance*].

Signs

Discussion

No sample text is provided because cities that want to regulate the signs on marijuana businesses or facilities should consider applying their existing sign code. If a city does not have a sign code or wishes to amend and update its sign code, that city should consult the LOC's Guide to Drafting a Sign Code, available at <https://www.orecities.org/application/files/6915/6321/5042/GuidetoDraftingSignCode03-09-18.pdf>. Cities that want to impose sign restrictions on medical marijuana facilities other than those already in the city sign code should consult their city attorney about possible free speech implications.

Examination of Books, Records, and Premises

Discussion

Cities regulating marijuana businesses and facilities should consider who will enforce those regulations and how. One aspect of that decision is whether a city will provide for inspections, and, if so, what those inspections will entail and who will conduct them. In addition, cities that provide for inspection of a licensed premises and its records may want to specify which records a marijuana business or facility must keep, and for how long. Sample text on records retention is provided in the Standards of Operation section above.

Sample Text

1. Examination of Books, Records and Premises. To determine compliance with the requirements of this chapter and other chapters of _____ [*city's code*], a licensee shall allow _____ [*designated public official*] to examine or cause to be examined by an

agent or representative designated by _____ [*designated public official*], at any reasonable time, the licensed premises, including wastewater from the facility, and any and all marijuana business financial, operational and licensed premises information, including books, papers, payroll reports, and state and federal income tax returns, and quarterly sales tax returns for marijuana retailers. Every licensee is directed and required to furnish to _____ [*designated public official*] the means, facilities and opportunity for making such examinations and investigations.

2. Compliance with Law Enforcement. As part of investigation of a crime or a violation of this chapter which law enforcement officials reasonably suspect has taken place on the facility’s premises or in connection with the operation of the marijuana business, the _____ [*designated public official*] shall be allowed to view surveillance videotapes or digital recordings at any reasonable time. Without reducing or waiving any provisions of this chapter, the _____ [*law enforcement department*] shall have the same access to the licensed premises, its records and its operations as allowed to state inspectors.

Alternative Sample Text: The marijuana business shall be open for inspection and examination by _____ [*public official charged with enforcement*] during all operating hours.

Civil Enforcement

Discussion

A licensing system allows a city multiple methods of enforcement. As included in the sample text below, the city can deny, suspend or revoke a license, but it may also impose penalties on a facility owner that does not comply with local ordinances.

If a city adopts a license suspension and revocation provision like the one listed below, a city may want to consider whether to address additional issues such as:

- Will the ordinance list all possible reasons for revocation, or will it include a more general revocation provision based on noncompliance with this chapter, as provided in the sample?
- Will the ordinance provide the form and timing of the suspension or revocation? For example, “Any denial, suspension or revocation under this section shall be in writing, including the reasons for the denial, suspension or revocation, and sent by first-class mail at least _____ [*time period*] prior to the effective date of the denial, suspension or revocation.” If the licensee is given advanced notice of the pending suspension or revocation, as is the case in this sample language, the city may want to give the licensee a period of time within which to correct the problem to avoid suspension or revocation.
- Will the ordinance allow for an appeal, and, if so, can that decision be appealed? For example, “A denial, suspension, or revocation under this section may be appealed to

_____ [designated public official]. The findings of _____ [designated public official] shall be final and conclusive.” In addition, if the ordinance allows for an appeal, the city may want to include in the ordinance whether the appeal stays the pending enforcement action.

- Will the ordinance put limitations on how soon after revocation a person or entity can apply for a new license? For example, “A person or entity who has had a license revoked may not apply for a new license until _____ [time period] from the date of the revocation.”

Cities may also want to review their existing city codes to see if there are other violation provisions that they want to incorporate by reference here.

Sample Text

1. Enforcement. _____ [designated public official] may deny, suspend or revoke a license issued under this chapter for failure to comply with this chapter [*and rules adopted under this chapter*], for submitting falsified information to the city or the OREGON LIQUOR CONTROL COMMISSION, or for noncompliance with any other city ordinances or state law.
2. Civil Penalty. In addition to the other remedies provided in this section, any person or entity, including any person who acts as the agent of, or otherwise assists, a person or entity who fails to comply with the requirements of this chapter or the terms of a license issued under this chapter, who undertakes an activity regulated by this chapter without first obtaining a license, who fails to comply with a cease and desist order issued pursuant to this chapter, or who fails to comply with state law shall be subject to a civil penalty not to exceed _____ [amount] per violation.
3. Other Remedies. In addition to the other remedies provided in this section, the city may institute any legal proceedings in circuit court necessary to enforce the provisions of this chapter. Proceedings may include, but are not limited to, injunctions to prohibit the continuance of a licensed activity, and any use or occupation of any building or structure used in violation of this chapter.
4. Remedies not Exclusive. The remedies provided in this section are not exclusive and shall not prevent the city from exercising any other remedy available under the law, nor shall the provisions of this chapter prohibit or restrict the city or other appropriate prosecutor from pursuing criminal charges under city ordinance or state law.

Public Nuisance

Discussion

Public nuisance ordinances provide a means for cities to take action to protect the public in general. Adding a public nuisance provision to a marijuana business or facility ordinance provides the city with another means of enforcing its local regulations. A city that has a municipal court might also consider working with its legal counsel to determine whether it can provide for private nuisance actions in municipal court.

Sample Text

1. **Public Nuisance.** Any premises, house, building, structure or place of any kind where marijuana is grown, processed, manufactured, sold, bartered, distributed or given away in violation of state law or this chapter, or any place where marijuana is kept or possessed for sale, barter, distribution or gift in violation of state law or this chapter, is a public nuisance.
2. **Action to Remedy Public Nuisance.** The city may institute an action in circuit court in the name of the city to abate, and to temporarily and permanently enjoin, such nuisance. The court has the right to make temporary and final orders as in other injunction proceedings. The city shall not be required to give bond in such an action.

Criminal Enforcement

Discussion

As noted, cities generally cannot criminalize what state law expressly allows. However, it is an open question whether a city can impose criminal penalties for violating a law of general applicability that reaches conduct expressly authorized under state law. For example, it is an open question whether a city can impose criminal penalties on a marijuana business that operates without a business license, in violation of local law, because state law does not expressly provide that a marijuana business is exempt from criminal prosecution for operating without a business license. Therefore, cities that want to impose criminal penalties should work closely with their city attorney to determine whether the city can impose criminal penalties for failure to comply with the city's licensing provisions or other provisions of general applicability.

Confidentiality

Sample Text

1. **Confidentiality.** Except as otherwise required by law, it shall be unlawful for the city, any officer, employee or agent to divulge, release or make known in any manner any financial or

employee information submitted or disclosed to the city under the terms of this chapter. Nothing in this section shall prohibit the following:

- a. The disclosure of names and facility addresses of any licensee under this chapter or of _____ [*other individuals associated with a marijuana business, such as other owners*];
- b. The disclosure of general statistics in a form which would prevent identification of financial information regarding a business [*or marijuana business operator*];
- c. The presentation of evidence to a court, or other tribunal having jurisdiction in the prosecution of any criminal or civil claim by the city under this chapter;
- d. The disclosure of information to and upon request of a local, state or federal law enforcement official or by order of any state or federal court; or
- e. The disclosure of information when such disclosure of conditionally exempt information is ordered under public records law procedures [*or when such disclosure is ordered under the Oregon Public Records Law*].

Emergency Clause

Discussion

The League’s model charter, available on the Library page under Publications on the LOC’s website (www.orcities.org), provides that ordinances normally take effect on the 30th day after adoption, or on a later day provided in the ordinance. The model charter provides an exception to that general rule and allows an ordinance to take effect as soon as adopted, or on another date less than 30 days after adoption, if it contains an emergency clause. Cities that want their ordinance to have immediate effect should review their charter and talk to their city attorney about whether an emergency clause is needed.

Sample Text

This act being necessary for the immediate preservation of the public peace, health and safety, an emergency is declared to exist, and this ordinance shall be in full force and effect on _____ [*date*].

**CITY OF REDMOND
ORDINANCE NO. 2014-19**

AN ORDINANCE AMENDING CHAPTER 7 OF THE REDMOND CITY CODE BY ADDING A MARIJUANA AND MARIJUANA-INFUSED PRODUCT TAX.

WHEREAS, the City of Redmond has all powers that the constitutions, statutes, and common law of the United States and Oregon expressly or impliedly grant to allow the City; and

WHEREAS, the City desires to adopt an ordinance to tax the sale and/or transfer of marijuana and marijuana-infused products within the City.

NOW, THEREFORE, THE CITY OF REDMOND ORDAINS AS FOLLOWS:

SECTION ONE: The City of Redmond hereby amends the Redmond City Code by adding Sections 7.180 through 7.193. The amendments and adopted text are attached hereto as "Exhibit A".

SECTION TWO: SEVERABILITY. The sections, subsections, paragraphs and clauses of this ordinance are severable. The invalidity of one section, subsection, paragraph, or clause shall not affect the validity of the remaining sections, subsections, paragraphs and clauses.

SECTION THREE: SAVINGS. Notwithstanding any amendment/repeal, the City ordinances in existence at the time any criminal or civil enforcement actions were commenced, shall remain valid and in full force and effect for purposes of all cases filed or commenced during the times said ordinance(s) or portions thereof were operative. This section simply clarifies the existing situation that nothing in this Ordinance affects the validity of prosecutions commenced and continued under the laws in effect at the time the matters were originally filed.

SECTION FOUR: CODIFICATION. Provisions of this Ordinance shall be incorporated in the City Code and the word "ordinance" may be changed to "code", "article", "section", "chapter" or another word, and the sections of this Ordinance may be renumbered, or re-lettered, provided however that any Whereas clauses and boilerplate provisions (i.e. Sections 2-4) need not be codified and the City Recorder is authorized to correct any cross-references and any typographical errors.

PASSED by the City Council and **APPROVED** by the Mayor this 28th day of October 2014.

/s/ George Endicott
George Endicott, Mayor

ATTEST:

/s/ Kelly Morse
Kelly Morse, City Recorder

**Exhibit A:
Chapter 7, Business – Code Amendments**

Proposed Code Amendment – Marijuana and Marijuana-Infused Product Tax

City of Redmond Code, Chapter 7, Business, Section 7.180 through 7.193 (new code highlighted in red text and removed text shown in strikethrough).

MARIJUANA AND MARIJUANA-INFUSED PRODUCT TAX

7.180 Purpose. For the purposes of Sections 7.180 through 7.193, every person who sells marijuana, medical marijuana or marijuana-infused products in the City of Redmond is exercising a taxable privilege. The purpose of this Chapter is to impose a tax upon the retail sale of marijuana, medical marijuana, and marijuana-infused products.

7.181 Definitions. When not clearly otherwise indicated by the context, the following words and phrases, as used in in Sections 7.180 through 7.193, shall have the following meanings:

1. “Manager” means the City Manager for the City of Redmond or his/her designee.
2. “Gross Taxable Sales” means the total amount received in money, credits, property or other consideration from sales of marijuana, medical marijuana and marijuana-infused products that is subject to the tax imposed by this chapter.
3. “Marijuana” means all parts of the plant of the Cannabis family Moraceae, whether growing or not; the resin extracted from any part of the plant; and every compound, manufacture, salt, derivative, mixture, or preparation of the plant or its resin, as may be defined by Oregon Revised Statutes as they currently exist or may from time to time be amended. It does not include the mature stalks of the plant, fiber produced from the stalks, oil or cake made from the seeds of the plant, any other compound, manufacture, salt, derivative, mixture, or preparation of the mature stalks (except the resin extracted there from), fiber, oil, or cake, or the sterilized seed of the plant which is incapable of germination.
4. “Oregon Medical Marijuana Program” means the office within the Oregon Health authority that administers the provisions of ORS 475.300 through 475.346, the Oregon Medical Marijuana Act, and all policies and procedures pertaining thereto.
5. “Person” means natural person, joint venture, joint stock company, partnership, association, club, company, corporation, business, trust, organization, or any group or combination acting as a unit, including the United States of America, the State of Oregon and any political subdivision thereof, or the manager, lessee, agent, servant, officer or employee of any of them.
6. “Purchase or Sale” means the acquisition or furnishing for consideration by any person of marijuana within the City.
7. “Purchaser” means any person who acquires marijuana from a seller for any valuable consideration.
8. “Registry identification cardholder” means a person who has been diagnosed by an attending physician with a debilitating medical condition and for whom the use of medical marijuana may mitigate the symptoms or effects of the person's debilitating medical condition, and who has been issued a registry identification card by the Oregon Health Authority.
9. “Retail sale” means the transfer of goods or services in exchange for any valuable consideration.

10. "Seller" means any person who is required to be licensed or has been licensed by the State of Oregon to provide marijuana or marijuana-infused products to purchasers for money, credit, property or other consideration.
11. "Tax" means either the tax payable by the seller or the aggregate amount of taxes due from a seller during the period for which the seller is required to report collections under this chapter.
12. "Taxpayer" means any person obligated to account to the Manager for taxes collected or to be collected, or from whom a tax is due, under the terms of this chapter.

7.182 Levy of Tax.

1. There is hereby levied and shall be paid a tax by every seller exercising the taxable privilege of selling marijuana and marijuana-infused products as defined in this chapter.
2. The amount of tax levied is as follows:
 - a. Five percent (5%) of the gross sale amount paid to the seller by a registry identification cardholder.
 - b. Fifteen percent (15%) of the gross sale amount paid to the seller of marijuana and marijuana-infused products by individuals who are not purchasing marijuana under the Oregon Medical Marijuana Program.
 - c. The purchaser shall pay the tax to the seller at the time of the purchase or sale of marijuana.

7.183 Deductions. The following deductions shall be allowed against sales received by the seller providing marijuana:

1. Refunds of sales actually returned to any purchaser;
2. Any adjustments in sales which amount to a refund to a purchaser, providing such adjustment pertains to the actual sale of marijuana or marijuana-infused products and does not include any adjustments for other services furnished by a seller.

7.184 Seller Responsible for Payment of Tax.

1. The taxes collected by the seller are due and payable to the Manager on a calendar basis on the 20th day of the month for the preceding month and are delinquent on the last day of the month in which they are due. The seller shall make a return to the Manager, on forms provided by the City, specifying the total sales subject to this chapter and the amount of tax collected under this chapter. The Manager may require further information in the return relevant to payment of the tax. A return shall not be considered filed until it is actually received by the Manager.
2. At the time the return is filed, the full amount of the tax collected shall be remitted to the Manager. Payments received by the Manager for application against existing liabilities will be credited toward the period designated by the taxpayer under conditions that are not prejudicial to the interest of the City. A condition considered prejudicial is the imminent expiration of the statute of limitations for a period or periods.
3. Non-designated payments shall be applied in the order of the oldest liability first, with the payment credited first toward any accrued penalty, then to interest, then to the underlying tax until the payment is exhausted. Crediting of a payment toward a specific reporting period will be first applied against any accrued penalty, then to interest, then to the underlying tax. If the Manager, in his or her sole discretion, determines that an alternative order of payment application would be in the best interest of the City in a particular tax or factual situation, the Manager may order such a change. The Manager also may require additional information in the return relevant to payment of the liability. All taxes collected by sellers pursuant to this chapter shall be held in trust for the account of the City until payment is made to the Manager. A separate trust bank account is not required in order to comply with this provision.

4. For good cause, the Manager may extend the time for filing a return or paying the tax for not more than one month. Further extension may be granted only by the City Council. A seller to whom an extension is granted shall pay interest at the rate of one percent (1%) per month on the amount of tax due, without proration for a fraction of a month. If a return is not filed and if the tax and interest due are not paid by the end of the extension granted, the interest shall become a part of the tax for computation of penalties prescribed in Section 7.185.
5. Every seller required to remit the tax imposed in this chapter shall be entitled to retain five percent (5%) of all taxes due to defray the costs of bookkeeping and remittance.
6. Every seller must keep and preserve in an accounting format established by the Manager records of all sales made by the dispensary and such other books or accounts as may be required by the Manager. Every seller must keep and preserve for a period of three (3) years and six (6) months all such books, invoices and other records. The Manager shall have the right to inspect all such records at all reasonable times.

7.185 Penalties and Interest.

1. Any seller who fails to remit any portion of any tax imposed by this chapter within the time required shall pay a penalty of ten percent (10%) of the amount of the tax.
2. Any seller who fails to remit any delinquent remittance on or before a period of 31 days following the date on which the remittance first became delinquent, shall pay a second delinquency penalty of fifteen percent (15%) of the amount of the tax in addition to the amount of the tax and the penalty first imposed.
3. If the Manager determines that the nonpayment of any remittance due under this chapter is due to fraud, a penalty of twenty-five percent (25%) of the amount of the tax shall be added thereto in addition to the penalties stated in subparagraphs A and B of this section.
4. In addition to the penalties imposed, any seller who fails to remit any tax imposed by this chapter shall pay interest at the rate of one percent (1%) per month or fraction thereof on the amount of the tax, exclusive of penalties, from the date on which the remittance first became delinquent until paid.
5. Every penalty imposed, and such interest as accrues under the provisions of this section, shall become a part of the tax required to be paid.
6. An operator who fails to remit the tax within the required time may petition the tax administrator for waiver and refund of the penalty or a portion of it. The administrator may, if good cause is shown, direct a refund of the penalty or a portion of it

7.186 Failure to Report and Remit Tax – Determination of Tax by Manager. If any seller should fail to make, within the time provided in this chapter, any report of the tax required by this chapter, the Manager shall proceed in such manner as deemed best to obtain facts and information on which to base the estimate of tax due. As soon as the Manager shall procure such facts and information as is able to be obtained, upon which to base the assessment of any tax imposed by this chapter and payable by any seller, the Manager shall proceed to determine and assess against such seller the tax, interest and penalties provided for by this chapter. In case such determination is made, the Manager shall give a notice of the amount so assessed by having it served personally or by depositing it in the United States mail, postage prepaid, addressed to the seller so assessed at the last known place of address. Such seller may appeal such determination as provided in section 7.187. If no appeal is filed, the Manager's determination is final and the amount thereby is immediately due and payable.

7.187 Appeal.

1. Any seller aggrieved by any decision of the Manager with respect to the amount of such tax, interest and penalties, if any, may appeal to the City Council by filing a notice of appeal with

the Manager within fifteen (15) days of mailing of the notice of a decision. The City Manager shall fix a time and place for hearing the appeal, as prescribed by the City Council, and shall give the appellant fifteen (15) days written notice of the time and place of the hearing before the City Council.

2. The appellant shall pay a nonrefundable appeal fee to facilitate the appeal. Appeal Fees shall be set at \$150 for each decision appealed, and may be adjusted by Resolution of the City Council.
3. The parties shall be entitled to appear personally and by counsel and to present such facts, evidence and arguments as may tend to support the respective positions on appeal.
4. The City Council shall afford the parties an opportunity to be heard at an appeal hearing after reasonable notice. The City Council shall take such action upon the appeal it sees fit. The City Council shall at a minimum:
 - a. At the commencement of the hearing, explain the relevant issues involved in the hearing, applicable procedures and the burden of proof.
 - b. At the commencement of the hearing place on the record the substance of any written or oral ex parte communications concerning any relevant and material fact in issue at the hearing which was made outside the official proceedings during the pendency of the proceeding. The parties shall be notified of the substance of the communication and the right to rebut the communication. Notwithstanding the above, the parties are prohibited from engaging in ex parte communications with the members of the city council.
 - c. Testimony shall be taken upon oath or affirmation of the witnesses.
 - d. The City Council shall ensure that the record developed at the hearing shows a full and fair inquiry into the relevant and material facts for consideration for the issues properly before the hearings officer.
 - e. Written testimony may be submitted under penalty of false swearing for entry into the record. All written evidence shall be filed with the City Recorder no less than five (5) working days before the date of the hearing.
 - f. The City Council shall hear and consider any records and evidence presented bearing upon the Manager's determination of amount due, and make findings affirming, reversing or modifying the determination.
 - g. Informal disposition may be made of any case by stipulation, agreed settlement, consent order or default.
5. The action of the Manager shall be stayed pending the outcome of an appeal properly filed pursuant to this section.
6. Failure to strictly comply with the applicable appeal requirements, including but not limited to the required elements for the written notice of appeal, time for filing of the notice of appeal, and payment of the applicable appeal fee, shall constitute jurisdictional defects resulting in the summary dismissal of the appeal.
7. The findings of the City Council shall be final and conclusive, and shall be served upon the appellant in the manner prescribed above for service of notice of hearing. Any amount found to be due shall be immediately due and payable upon the service of notice.

7.188 Refunds. Whenever the amount of any tax, interest or penalty has been overpaid or paid more than once, or has been erroneously collected or received by the City under this chapter, it may be refunded as provided in subparagraph B of this section, provided a claim in writing, stating under penalty of perjury the specific grounds upon which the claim is founded, is filed with the Manager within three (3) years of the date of payment. The claim shall be on forms furnished by the Manager.

1. Whenever the amount of any tax, penalty or interest has been paid more than once or has been erroneously or illegally collected or received by the tax administrator under this chapter, it may be refunded if a verified claim in writing, stating the specific reason for the claim, is filed

with the tax administrator within three years from the date of payment. The claim shall be made on forms provided by the tax administrator. If the claim is approved by the tax administrator, the excess amount may be refunded or may be credited on any amounts then due and payable by the operator, and the balance may be refunded to the operator, or the operator's administrators, executors or assigns.

2. No refund shall be paid under the provisions of this section unless the claimant established the right by written records showing entitlement to such refund and the Manager acknowledged the validity of the claim.

7.189 Actions to Collect. Any tax required to be paid by any seller under the provisions of this chapter shall be deemed a debt owed by the seller to the City. Any such tax collected by a seller which has not been paid to the City shall be deemed a debt owed by the seller to the City. Within three years after the tax becomes payable or within three years after a determination becomes final, the City may bring an action in the name of the City in the courts of this state, another state or the United States to collect the amount delinquent and penalties and interest. In lieu of filing an action for the recovery, the City, when taxes due are more than 30 days delinquent, can submit any outstanding tax to a collection agency. So long as the City has complied with the provisions set forth in ORS 697.105 (as hereafter amended), in the event the City turns over a delinquent tax account to a collection agency, it may add to the amount owing an amount equal to the collection agency fees, not to exceed the greater of fifty dollars (\$50.00) or fifty percent (50%) of the outstanding tax, penalties and interest owing.

7.190 Confidentiality. Except as otherwise required by law, it shall be unlawful for the City, any officer, employee or agent to divulge, release or make known in any manner any financial information submitted or disclosed to the City under the terms of this chapter. Nothing in this section shall prohibit:

1. The disclosure of the names and addresses of any person who is operating a licensed establishment from which marijuana is sold or provided; or
2. The disclosure of general statistics in a form which would not reveal an individual seller's financial information; or
3. Presentation of evidence to the court, or other tribunal having jurisdiction in the prosecution of any criminal or civil claim by the Manager or an appeal from the Manager for amount due the City under this chapter; or
4. The disclosure of information when such disclosure of conditionally exempt information is ordered under public records law procedures; or
5. The disclosure of records related to a business' failure to report and remit the tax when the report or tax is in arrears for over six months or the tax exceeds five thousand dollars (\$5,000). The City Council expressly finds and determines that the public interest in disclosure of such records clearly outweighs the interest in confidentiality under ORS 192.501(5).

7.191 Audit of Books, Records or Persons.

1. It shall be the duty of every seller liable for the collection and payment to the city of any tax imposed by this chapter to keep and preserve, for a period of three (3) years and six (6) months all records, books, reports, income tax reports and other matters required by this chapter as may be necessary to determine the amount of such tax as the seller may have been liable for the collection of and payment to the City, which records the Manager shall have the right to inspect at all reasonable times as set forth below. Every operator shall maintain records of marijuana purchase and sales, accounting books and records of income. Sellers must, at a minimum, include a cash receipt and deposit journal, and a cash disbursements journal/check register for all authorized deductions. These records and books

shall reconcile to the tax reports and be auditable. They shall also reconcile to the seller's income tax reports. If the Manager finds the books and records of the seller are deficient in that they do not provide adequate support for tax reports filed, or the seller's accounting system is not auditable, it shall be the responsibility of the seller to improve its accounting system to the satisfaction of the Manager.

2. The City, for the purpose of determining the correctness of any tax return, or for the purpose of an estimate of taxes due, may examine or may cause to be examined by an agent or representative designated by the City for that purpose, any books, papers, records, or memoranda, including copies of seller's state and federal income tax return, bearing upon the matter of the seller's tax return. All books, invoices, accounts and other records shall be made available within the City limits and be open at any time during regular business hours for examination by the Manager or an authorized agent of the Manager. If any taxpayer refuses to voluntarily furnish any of the foregoing information when requested, the Manager may immediately seek a subpoena to require that the taxpayer or a representative of the taxpayer attend a hearing or produce any such books, accounts and records for examination.

7.192 Penalties.

1. It is unlawful for any seller or any other person so required to fail or refuse to furnish any return required to be made, or fail or refuse to furnish the supplementary return or other data required by the Manager or to enter a false or fraudulent report, with intent to defeat or evade the determination of any amount due required by this chapter.
2. Violation of any provision of this chapter of this code shall be punishable by a Class A civil infraction and/or a Class A administrative infraction. Every day in which the violation is caused or permitted to exist constitutes a separate infraction, and the punishment therefore shall be in addition to any other penalty, interest, sum or charge imposed by this code or this chapter. Delinquent taxes and fees, penalty and interest imposed by this chapter and this code may be collected in a civil action.
3. The remedies provided by this section are not exclusive and shall not prevent the City from exercising any other remedy available under the law, nor shall the provisions of this ordinance prohibit or restrict the City or other appropriate prosecutor from pursuing criminal charges under state law or City ordinance.

7.193 Forms and Regulations. The Manager is hereby authorized to prescribe forms and promulgate rules and regulations to aid in the making of returns, the ascertainment, assessment and collection of said medical marijuana tax and in particular and without limiting the general language of this chapter, to provide for:

1. A form of report on sales and purchases to be supplied to all vendors;
2. The records which sellers providing marijuana and marijuana-infused products are to keep concerning the tax imposed by this chapter.



CITY OF BEND

Marijuana Revenue Update

Sharon Wojda

City of Bend Chief Financial & Administrative Officer / Assistant City Manager

May 16, 2023 Redmond City Council Meeting

City of Bend Marijuana Revenue Overview

- Currently have 27 business licenses issued to cannabis retailers
- Revenues received from:
 - 3% local tax approved by voters in November 2016
 - Allocation of state shared revenues
- Intergovernmental Agreement with Oregon Department of Revenue
 - Collects local taxes on our behalf
 - Retains portion for administrative fees
 - Revenues distributed quarterly

5 Year Revenue Trends

