



CR & D Inc. Business Modification Request-Relocation

Sean M. Rando, Business Analyst
Community and Economic Development



Background

- CR & D Inc. (dba Modesto Cannabis Collective) is a commercial cannabis retail dispensary currently located at 439 Maze Boulevard.
 - On July 11, 2024, the City received an application from the operators requesting to relocate the current business to 1313 McHenry Avenue.
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New Location for CR & D Inc.



Current location
439 Maze Blvd



Proposed new location
1313 McHenry Ave.



Relocation Review Steps



The Business making the request provides

Narrative explanation of the reason for the relocation.

Updated security plans for the intended location, and proposed site and floor plans.

Site Control -Copy of a lease agreement (if applicable).

Payment of a commercial cannabis permit application fee which is currently \$6,380.

Cannabis Consultant (HDL)

Reviews Security and site plans for compliance.

Planning

Reviews zoning and proximity to areas of sensitive use.

Cannabis Admin Staff

Reviews the reason for the change.

Performs an initial site visit.

Reviews lease agreement to ensure property is secured through the two-year permit period.

Finance

Confirms whether all taxes and fees are current.

CPPRC Approval for Non-Dispensaries

Council Approval for Dispensaries



Application Review



- **Reason:** Safety and accessibility enhancements for their customers and community.
 - **Security Plan with Site and Floor Plans:** After a thorough review by Staff and HDL Companies (Cannabis Consultant) the plans were found to be compliant with the regulatory requirements of the California DCC and the City of Modesto.
 - High-intensity, motion-activated LED lighting covering the entire perimeter and parking lot.
 - Cement crash posts (bollards).
 - Continuous video surveillance 24 hours per day, footage is retained for 90 days at a minimum.
 - On-site security guards 24 hours per day.
 - **Site Visit:** Staff visited the site on March 10, 2025, and found no sign of unpermitted commercial cannabis activity, only preparation for tenant improvements.
 - **Site Control:** A lease agreement was received and reviewed which shows that the property will be secured through the two-year permit period.
 - **Finance Review:** The microbusiness is current on all City taxes and fees
-



Zoning and Proximity Requirements

- Zoning Requirements
 - The proposed site is located within a mixed-use pedestrian (MU-P) zone which allows for general commercial uses (C-2).
 - Commercial cannabis retail businesses are allowed in zones that permit general commercial uses.
 - Proximity Requirements
 - Cannabis businesses are required to be located a minimum distance away from certain land uses:
 - 200 feet from a park or library measured from the nearest property lines
 - 600 feet from a school, childcare center or youth center measured from the nearest property lines
 - 100 feet from any residence measured from any building or structure containing a commercial cannabis use to an existing residential structure used for residential purposes
-



Proximity Review Results

Land Use	Location Identified	Distance from proposed cannabis site
Residential	1312 Alma Ave	36 feet
School	Our Lady of Fatima School at 505 W Granger Ave	2,200 feet
Daycare or Youth center	Orangeburg Christian School 313 E Orangeburg Ave	1,500 feet
Park	Roosevelt Park at 801 W Orangeburg Avenue	2,550 feet
Library	Stanislaus County Library at 1500 I St	6,917 feet
Commercial Cannabis	Phenos Dispensary at 1234 McHenry Ave	534 feet



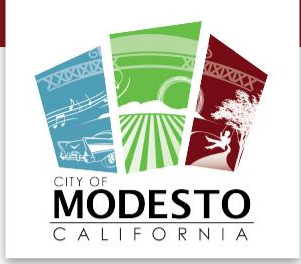
Proximity Review Results

- Pursuant to Modesto Municipal Code section 10-3.703(c) proximity requirements may be waived by the decision-maker when the applicant can show that an actual impassible physical separation exists between land uses or parcels.
 - The applicant submitted a letter of justification for the waiver of the residential proximity requirements due to
 - The subject location and residential property being separated by two (2) fences providing significant physical separation, including an impassible barrier in the form of the primary seven (7) foot wrought iron fence.
 - The properties are also noted to be separated by a twenty-five (25) foot wide alleyway, and the fence itself contains an emergency access gate that would remain closed during all hours except for emergency access.
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Staff Recommendation

- Motion recommending the approval of the relocation request of CR & D Inc. from 439 Maze Boulevard to 1313 McHenry Avenue with the granting of a residential proximity waiver and forwarding to Council for approval.
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Questions?





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McHenry Business Services (Herbology) Business Modification Request-Relocation

Sean M. Rando, Business Analyst
Community and Economic Development



Background

- McHenry Business Services LLC (dba Herbology, formerly Planet 8ths) is a commercial cannabis microbusiness with a retail dispensary component currently operating at 500 East Glenn Avenue.
 - On February 24, 2025, the City received an application from the operators requesting to relocate the current business to 1300 North Carpenter Road Suites E & F
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New Location for Herbology



**Current location
500 E. Glenn**



**Proposed new location
1300 N. Carpenter**



Relocation Review Steps



The Business making the request provides

Narrative explanation of the reason for the relocation.
Updated security plans for the intended location, and proposed site and floor plans.
Site Control -Copy of a lease agreement (if applicable).
Payment of a commercial cannabis permit application fee which is currently \$6,380.

Cannabis Consultant (HDL)

Reviews Security and site plans for compliance.

Planning

Reviews zoning and proximity to areas of sensitive use.

Cannabis Admin Staff

Reviews the reason for the change.
Performs an initial site visit.
Reviews lease agreement to ensure property is secured through the two-year permit period.

Finance

Confirms whether all taxes and fees are current.

CPPRC Approval for Non-Dispensaries
Council Approval for Dispensaries



Application Review



- **Reason:** Safety and accessibility enhancements for their customers and community.
 - **Security Plan with Site and Floor Plans:** After a thorough review by Staff and HDL Companies (Cannabis Consultant) the plans were found to be compliant with the regulatory requirements of the California DCC and the City of Modesto.
 - High-intensity, motion-activated LED lighting covering the entire perimeter and parking lot.
 - Cement crash posts (bollards).
 - Continuous video surveillance 24 hours per day, footage is retained for 90 days at a minimum.
 - On-site security guards 24 hours per day.
 - **Site Visit:** Staff visited the site on March 10, 2025, and found no sign of unpermitted commercial cannabis activity, only preparation for tenant improvements.
 - **Site Control:** A lease agreement was received and reviewed which shows that the property will be secured through the two-year permit period.
 - **Finance Review:** The microbusiness is current on all City taxes and fees
-



Zoning and Proximity Requirements

- Zoning Requirements
 - With a manufacturing and distribution component, the business would be required to be located within an M-1, and M-2 industrial zone.
 - The proposed site is in an M-1 Zone
 - Proximity Requirements
 - Cannabis businesses are required to be located a minimum distance away from certain land uses:
 - 200 feet from a park or library measured from the nearest property lines
 - 600 feet from a school, childcare center or youth center measured from the nearest property lines
 - 100 feet from any residence measured from any building or structure containing a commercial cannabis use to an existing residential structure used for residential purposes
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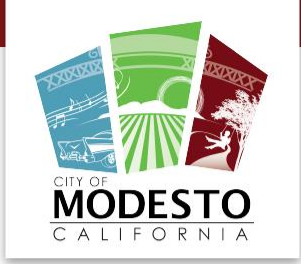
Proximity Review Results

Land Use	Location Identified	Distance from proposed cannabis site
Residential	1601 Woodland Ave	165 feet
School	Alberta Martone Elementary at 1413 Poust Rd	4,300 feet
Daycare or Youth center	Fairytale Daycare at 1701 Judy Ct	1,400 feet
Park	Charles M Sharp Park at 1900 Torrid Ave	2,000 feet
Library	Stanislaus County Library at 1500 I St	9,000 feet
Commercial Cannabis	Fiji Weed Company at 1420 Granite Lane	920 feet



Staff Recommendation

- Motion recommending the approval of the relocation request of McHenry Business Services LLC from 500 East Glenn Avenue to 1300 North Carpenter Road Suite E and F and forwarding to Council for approval.
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Questions?





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Commercial Cannabis Retail Permit Renewals


Jessica Hill, Director of Community and
Economic Development



Background

- In December 2017, the City Council adopted Ordinance 3684-C.S. legalizing certain commercial cannabis business operations in particular zoning districts.
- December 19, 2018, City Council issued eight (8) commercial cannabis retail (dispensaries) which are valid for two years and are subject to an annual permit fee due on August 1st.

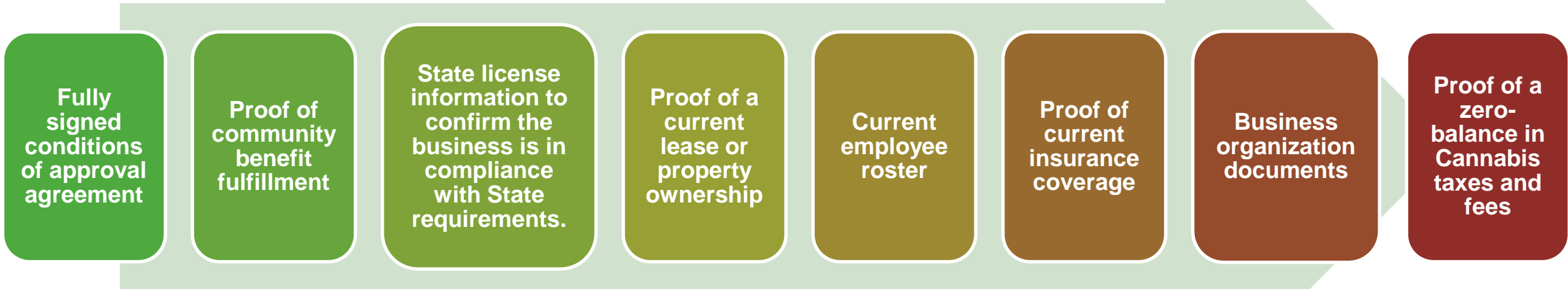
<u>Business Name</u>	<u>Permitted Address</u>
CR & D (Modesto Cannabis Collective)	439 Maze Blvd.
CV Wellness (Authentic 209)	426 McHenry Ave.
Jonesa LLC (Cookies)	1944 W. Orangeburg Ave.
McHenry Comic Management (McHenry Comic)	2308 McHenry Ave.
McHenry Business Services (McHenry Business)	500 E. Glenn Ave.
DC Modesto (Levels)	121 Phoenix Ave.
Phenos Collective (Phenos)	1234 McHenry Ave.
Paradise West (Club W)	408 Paradise Rd.



Set to expire
on
June 30, 2025



Renewal Application Review



Each business submitted all required documents and they are current on all City taxes and fees



Compliance Reviews

- Annual inspections were completed on July 10, 2024 and November 7, 2024.
 - All inspection findings were fully addressed with final inspection reports issued on March 26, 2025.
 - Annual financial audits demonstrated compliance with City excise tax requirements.
 - All 2024 audits except for McHenry Business Services and Paradise West (final audit as Medallion Wellness) have been successfully completed with no noted financial reporting discrepancies.
 - The audit for McHenry Business is pending finalization of the report by the Auditors and the City Finance Department.
 - The City is working with Paradise West to compile the documents required to complete the final audit during their time as Medallion Wellness.
 - Paradise West Inc which was formally known as Medallion Wellness, have now become current on taxes, the City and the business continue to negotiate outstanding penalties and interest.
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Community Benefits

- Dispensaries participated in various community benefit activities during the two-year permit period which included:
 - Providing paid volunteers to support Non-Profits.
 - Hiring new employees that reside in the City and those that reside nearest to the Business.
 - Hosting regular open house opportunities for residents, customers, elected officials, and business owners to learn about the Business.
 - Donating cannabis for the medicinal use of veterans in our community through Weed for Warriors programs.





Compliance Inspection Procedures

- Compliance inspection procedures cover both State and Local regulatory requirements including:
 - Retail operators confirming directly via their video recording system that they are retaining at least 90 days of footage.
 - Test counts of inventory through random sample selections to confirm that the business' accounting system is accurate.
 - Security guards are required to provide a copy of their guard card confirming they are current on all licensing requirements.
 - All exit/entry doors to limited access areas are inspected to confirm that they are secured with a self closing and self latching mechanism.
 - Inspectors also confirm that cannabis product is stored in secured rooms that are completely enclosed or in a safe bolted to the floor.
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Inventory Controls



- The State of California cannabis supply chain functions as a closely monitored closed system that complies with track and trace reporting requirements of State Law.
- All cannabis and cannabis products on the licensed premises are assigned a plant or package tag and recorded in the California track and trace system managed by a third-party software provider known as Metrc.
- Each of the following activities **must** be recorded in the Metrc system within 24 hours of occurrence:

Receipt or rejection of cannabis product

Manufacturing of cannabis product

Use of cannabis for internal quality control testing

Destruction or disposal of cannabis

Packaging or repackaging of cannabis

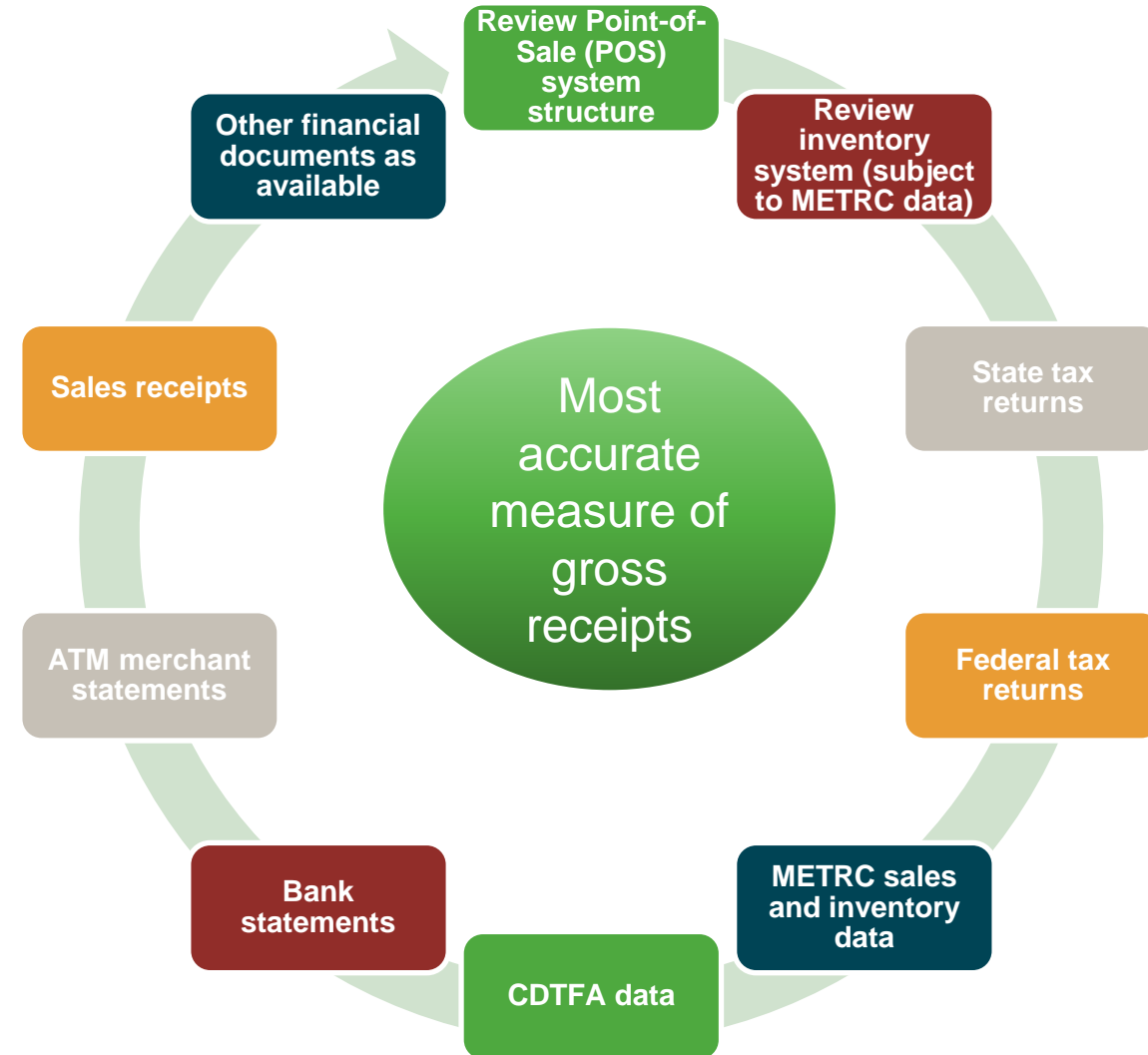
Laboratory testing

Sale or donation of cannabis or cannabis products



Cannabis Audit Procedures

- Cannabis industry auditors use cannabis analytical testing systems to cross-analyze multiple business records.
- The audit software identifies reporting variances, discrepancies and outliers that could affect the total amount of gross receipts reported to the City.



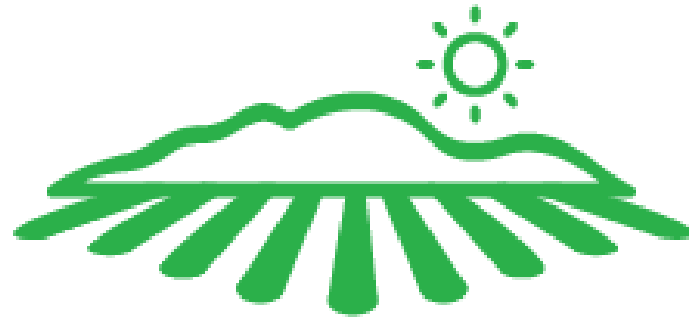


Staff Recommendation

- Staff recommends a motion recommending the renewal of the following commercial cannabis permits for a two-year period ending June 30, 2027, and forwarding to Council for approval:
 - CR & D Inc's commercial cannabis retail permit
 - CV Wellness LLC's commercial cannabis retail permit
 - Jonesa LLC's commercial cannabis retail permit
 - McHenry Comic Management LLC's commercial cannabis retail permit
 - McHenry Business Services LLC's commercial cannabis microbusiness permit
 - DC Modesto LLC's commercial cannabis retail permit
 - Phenos Collective Inc's commercial cannabis retail permit
 - Paradise West Inc's commercial cannabis retail permits
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CANNABIS EQUITY PROGRAM GRANT RECEIPT REPORT

Sean M. Rando, Business Analyst
Community and Economic Development

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— CANNABIS EQUITY PROGRAM —

PLEDGE





Program Adoption



- The City of Modesto completed a cannabis equity program assessment in October of 2022.
 - The assessment provided the support of a need in the community for a cannabis equity program to assist individuals that were affected by cannabis prohibition.
 - The report established three community defined barriers to entry into the legal cannabis industry:
 1. Education and Technical Training
 2. Community Reinvestment-Focus being on the previously mentioned zip codes
 3. Access to Capital-Grants/loans for start up expenses
 - On December 13, 2022, by resolution 2022-479, Council formally adopted a cannabis equity program based on the findings in the assessment report.
 - A grant of \$350,000 was awarded by GO-Biz on January 31, 2023 which the City used to provide direct technical assistance and grant opportunities to five eligible program participants.
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Program Eligibility

- Program participants were required to submit documents confirming equity status including proof of:
 - Residing for at least 5 years in zip code 95355, 95354, 95350, or 95351 prior to November 8, 2016 **and**
 - Residing in a household that was at or below 80% of Modesto's area median income (AMI) **and**
 - The applicant or an immediate family member having been arrested or convicted of a cannabis related crime prior to November 8, 2016
 - Applications to participate in the PLEDGE program were accepted and reviewed by staff in April of 2024.
 - Twelve (12) applications were received in total with five (5) being deemed eligible based on program criteria.
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Program Benefits

- The five verified PLEDGE participants completed a six-week educational workshop on August 10, 2024 which provided general business administration overviews and cannabis industry specific knowledge.
 - The PLEDGE participants formed four businesses following the completion of the workshops and submitted grant applications to the City requesting \$70,000 in assistance for start up costs.
 - Grant Agreements with the four businesses were approved by council on October 22, 2024.
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PLEDGE Grants

Owner:	Joshua Burrow	Jacob And Modesto Resendez	Eric Washington	LaPrice Reynolds
Business Name:	CLD, LLC	Modesto's Finest, LLC	Que Tees, LLC	Power High 99, Inc.
Business Type:	Distribution	Micro-Business (Cultivation, Manufacturing, Distribution)	Distribution	Cultivation
Address:	903 Kansas Avenue	1006 Lone Palm Ave	1127 Kansas Avenue Suite 47	1127 Kansas Avenue Suite 52
Zoning:	M-2 Heavy Industrial	M-1 Light Industrial	M-1 Light Industrial	M-1 Light Industrial
Grant Amount:	\$70,000	\$70,000	\$70,000	\$70,000



Grant Agreement Terms

- Each applicant was required to enter into a Grant Agreement with the City for the use of the \$70,000 in funding.
 - The agreement requires that funding be spent towards startup and regular business expenditures.
 - Within six (6) months following the receipt of funds, the grantees were required to submit a receipt reporting package to the City for ongoing monitoring.
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Report Review Results

- The expenses provided were dated from October 25, 2024 through February 25, 2025.
 - Based on a review of all receipts, invoices, and bank statements provided all reported expenses were confirmed to be compliant with grant requirements.
 - Recipients have used the funds to pay for the completion of their State License application, City fees, lease expense, as well as equipment and supplies.
 - Each business has submitted their State Cannabis License application and are currently working on building out their space to become operational.
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Grant Expenditures

Grantee	Amount Spent	Percentage Spent	Amount Available
CLD LLC	\$ 35,789	51%	\$ 34,211
Power High 99 LLC	\$ 55,598	79%	\$ 14,402
Que Tees LLC	\$ 26,767	38%	\$ 43,233
Modesto's Finest LLC	\$ 46,420	66%	\$ 23,580
Totals	\$164,574	59% (average)	\$115,426

- The PLEDGE businesses continue to meet with potential investors to supplement the grants, but have not been able to secure any additional financing.
 - The applicants have indicated that an estimated budget gap of \$500K (Modesto's Finest), \$200K (Power High 99), \$40K (Que Tees), \$40K (CLD), has been identified to complete their buildout.
-



Next Steps

- City Staff will continue to work with the PLEDGE participants with any questions as they work towards becoming operational.
 - Continued monitoring to ensure that any additional owners/investors comply with the City's commercial cannabis change in ownership policy.
 - A notice of funding availability through GO-Biz is anticipated for release in October 2025.
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QUESTIONS?





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Dispensary Permit Request for Proposal (RFP)

Jessica Hill, Director of Community and
Economic Development



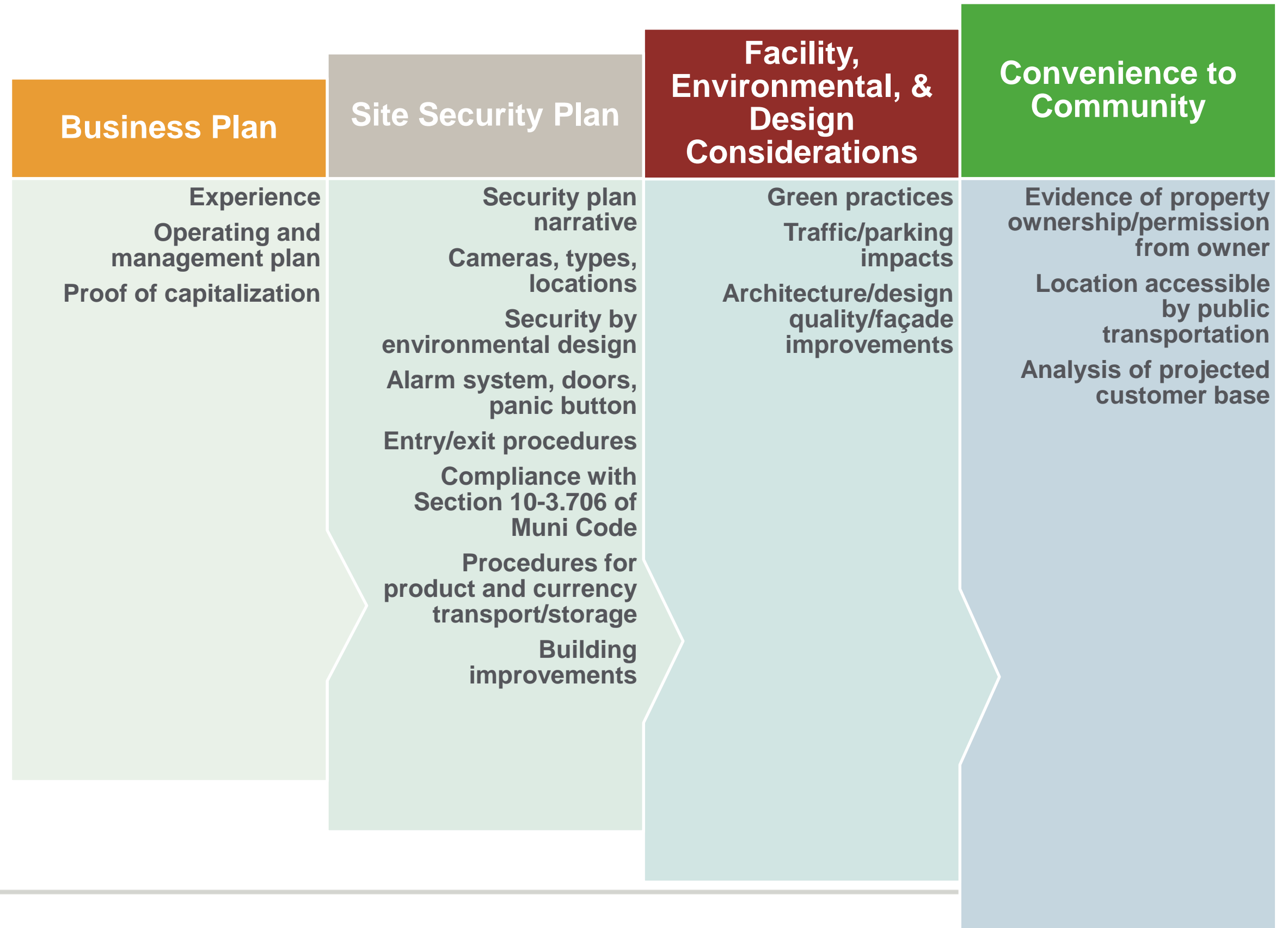
Dispensary Permits

- On December 12, 2017, by Resolution No. 2017-525, Council limited the total number of permits that may be issued for commercial cannabis retail dispensaries to an amount not to exceed ten (10) permits.
 - Council also directed Staff to prepare an RFP process to gather applications for dispensary permits under the authority of the same resolution.
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Dispensary Proposal Evaluations

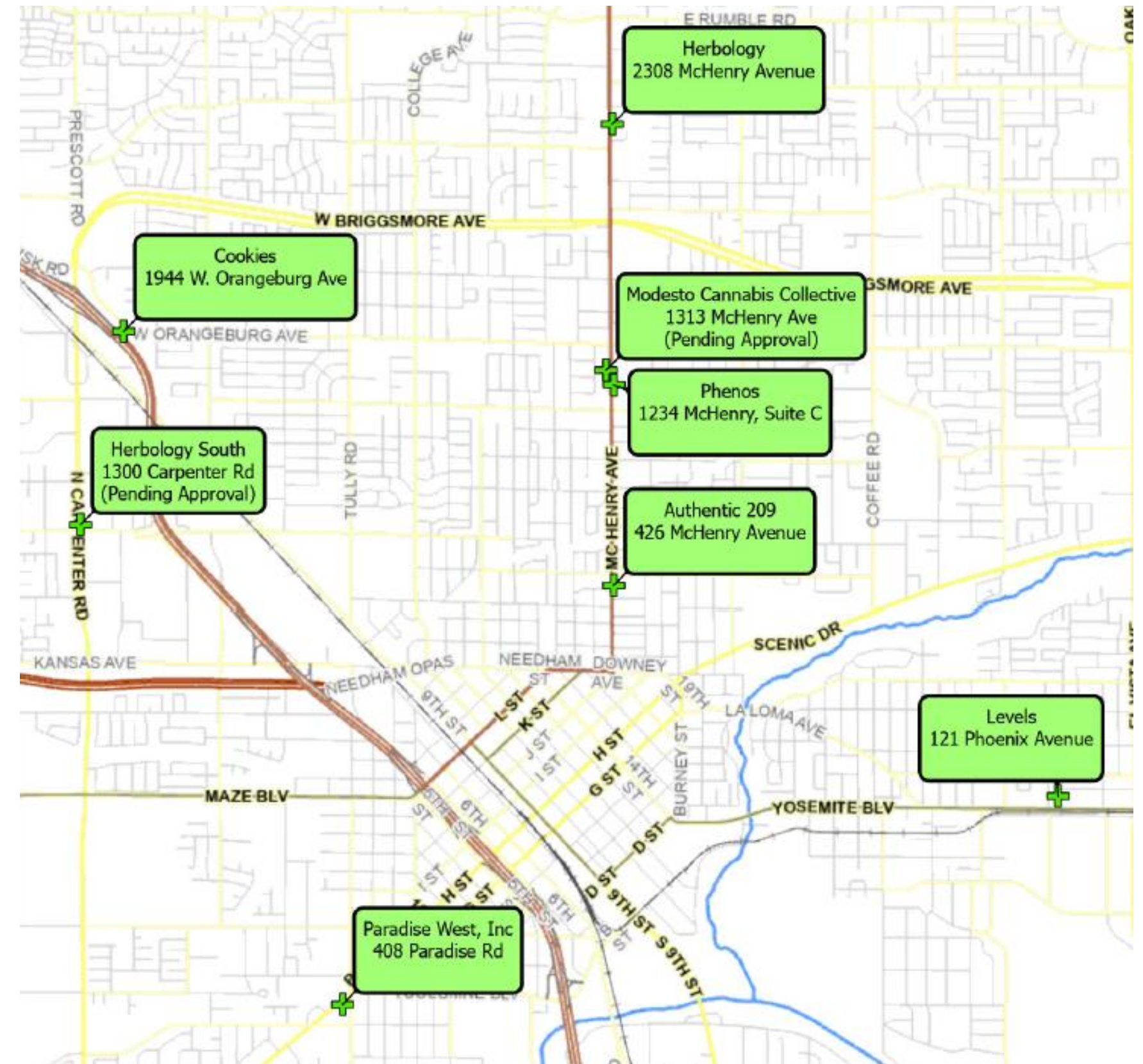
- The original proposals were evaluated initially by Staff and HDL based on a set of technical requirements under these categories





Modesto's Current Retail Market

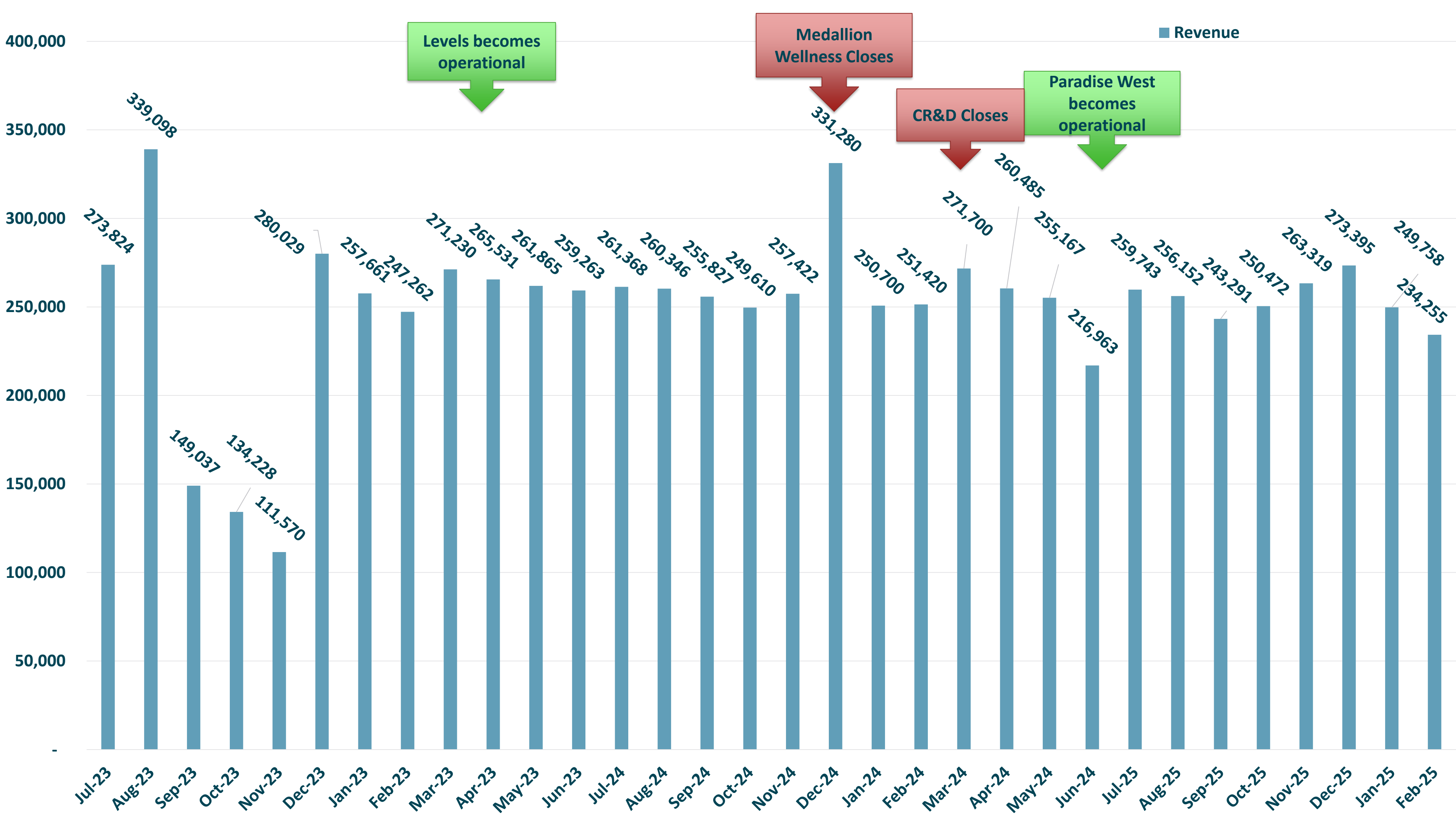
- Area map showing the eight licensed cannabis retail dispensaries within City limits





Cannabis Retail Excise Tax Revenue

- Revenue and sales peaked from January 2019 through May 2021.
 - Following this time sales have consistently declined from 1-7% monthly.
 - Excise tax revenue in fiscal year 2021 totaled \$5,538,536 compared to \$2,860,920 in fiscal year 2024 (48% decrease)
 - Average monthly cannabis retail excise tax revenue has been \$250,102 over the last three fiscal years through February of FY 2025
 - Even with the fluctuations in relocated dispensaries, revenue continues to be flat even when the relocations are complete indicative of a maturing cannabis market in Modesto.
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Cannabis Excise Tax Actuals

- Since program adoption in 2018 three cannabis dispensaries have entered temporary non-operational status as they relocated to new locations:
 - Levels (formally Doctor's Choice) closed in 2021 and reopened in early 2023
 - Paradise West (formally Medallion Wellness) closed mid 2024 and reopened in July of 2025
 - CR&D Inc. closed in 2024 and is pending the approval of their relocation request
- Key indicators noted include:

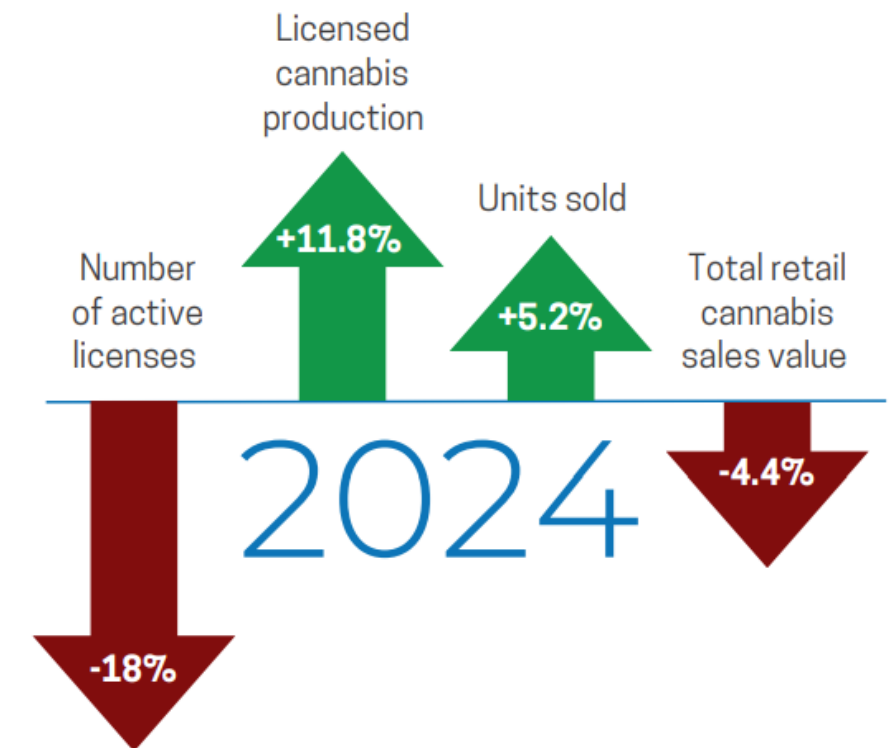
Period	Operating Dispensaries	Average Monthly Cannabis Tax Revenue
July 2022-March 2023	7	\$229,000
March 2024-June 2024	6	\$251,000
July 2024-February 2025	7	\$253,000



State Market Outlook

- In January 2025, the California Department of Cannabis Control completed a market analysis on the current state of the legal cannabis industry and noted several important trends from 2024:
- However, total retail sales revenue decreased by 4.4% from 2023-2024 even with
 - Licensed cannabis production increasing by 11.8%
 - And total units of cannabis product sold increasing by 5.2%
 - Q1 2025 retail sales revenues are down 8.7% from Q1 2024
- The State concluded that this was due to deflated sales prices per unit, not because fewer units of licensed cannabis products are being sold.
- Retail locations have kept sales prices low to generally compete with the illegal market.

Figure 9. Market Conditions 2024 YoY Change



New businesses will be entering a highly competitive and challenging market that is already facing consolidation with larger firms.



Retail Start Up Cost Burden

- Compared to cannabis wholesale businesses, retail dispensaries face a heavy start up/ongoing cost burden due to:



- According to industry estimates, the average cost of opening a dispensary can range from \$250,000 to \$2,000,000 depending on size with an overall average of \$700,000 for an 1,800 sqft dispensary.
 - To open a new dispensary a variety of funding sources are needed including grant funding and investor capital support to become operational.
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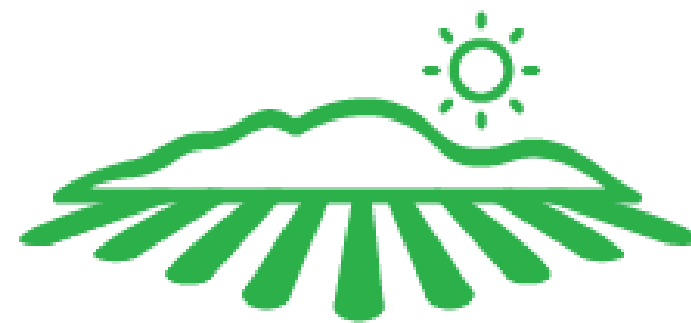


Consideration of the Two Remaining Permits

- Option 1: Continue to monitor sales, and the market and do not issue an RFP for the remaining permits at this time.
 - Option 2: Prepare and issue an RFP for 1 or 2 of the remaining retail permits to the general public.
 - Option 3: Prepare and issue an RFP for 1 or 2 of the remaining retail permits to a verified PLEDGE participant owned business.
 - Option 4: Allocate 1 retail permit to be issued to the general public and 1 to a PLEDGE participant owned business.
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Questions?





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