



# *Applicant's Guide to* **Marijuana Testing Lab Permits**

## **PURPOSE:**

The purpose of the Marijuana Testing Lab Permit is to regulate the testing of medical and commercial marijuana and marijuana products in a manner which is responsible, which protects the health, safety, and welfare of the residents of Lake Forest, and to enforce rules and regulations consistent with State law. The provisions of this chapter are in addition to any other permits, licenses, and approvals which may be required to conduct business in the City, and are in addition to any permits, licenses and approvals required under State law. Decisions on Marijuana Testing Lab Permits are rendered by the Director of Community Development.

## **STEP 1: FIND A LOCATION AND VERIFY ZONING**

When looking for a location for a potential Marijuana Testing Lab, check to make sure that all portions of the building are located at least 600 feet away from any building or outdoor play area related to a school or a day care center. Generally, Marijuana Testing Labs must be located in the City's Industrial Zoning Districts. Once you have a potential location for a Marijuana Testing Lab, please contact the Planning Division at (949) 461-3535 or by email at [planning@lakeforestca.gov](mailto:planning@lakeforestca.gov). A planner will determine if the zoning for the proposed Marijuana Testing Lab meets the City's zoning requirements.

## **STEP 2: PREPARE APPLICATION**

The following is a list of the application submittal requirements:

1. Completed Marijuana Testing Lab Application (including property owner authorization signature).
2. Application Processing Deposit: **\$5,000**; Check Payable to: **City of Lake Forest**. The City processes Marijuana Testing Lab Permits on a deposit basis. Deposit funds are provided to cover the actual costs associated with staff time and resources utilized in processing an application. If, at any time, the cost to process the application exceeds the deposit on file, additional

funds will be requested by the City. Any portion of the deposit that is not used, will be refunded to the applicant.

3. A Map showing that any portion of the building that includes the proposed marijuana testing lab is located at least 600 feet away from any building or outdoor play area related to a school or a day care center, as defined in Health and Safety Code section 1596.76, that is in existence at the time of date of the application.
4. A site plan of the building and parking area for the Marijuana Testing Lab Permit. Include the total number of parking stalls on the site. Include a table on the site plan with the proposed square footage of areas used for the testing, areas used as offices, and the total square footage of the building. If the building shares a parking area with other tenants, please provide the square footage and use (office, manufacturing, warehouse etc.) for the other tenants.
5. A detailed security plan, including a floor plan and written narrative describing measures and methods that will be implemented to deter and prevent the unauthorized entrance into areas containing marijuana or marijuana products and to deter and prevent the theft of marijuana or marijuana products at the marijuana testing lab, including during any power outage. It is recommended that the security plan be developed by a professional security consultant. The security plan should include, but not be limited to, the following:
  - A floor plan of the Marijuana Testing Lab;
  - Procedures for allowing individuals to access the premises;
  - Description of the video surveillance system (camera placement on floor plan and maintenance of equipment);
  - Description of how all access points will be secured (security personnel, alarm system etc.); and
  - Description of inventory procedures (Eg. how marijuana shipments are received, where and how marijuana is stored, description of inventory reconciliation, procedure to ensure inventory records are accurate, and maintained.

Additionally, the security plan shall include a narrative regarding how the applicant will meet the operational requirements in Section 5.42.180(B), which include the following:

- a. Establishing limited access areas accessible only to authorized marijuana testing lab personnel;

- b. All marijuana and marijuana products shall be stored in a secured and locked room, safe, or vault, and shall be kept in a manner as to prevent diversion, theft, and loss;
  - c. Sensors shall be installed to detect entry and exit from all secure areas;
  - d. Having a professionally installed, maintained, and monitored alarm system;
  - e. Any bars installed on the windows or the doors of the marijuana testing lab shall be installed only on the interior of the building;
  - f. Security personnel if utilized must be licensed by the State of California Bureau of Security and Investigative Services Personnel;
  - g. Each marijuana testing lab shall have the capability to remain secure during a power outage and shall ensure that all access doors are not solely controlled by an electronic access panel to ensure that locks are not released during a power outage;
  - h. Each marijuana testing lab shall identify a designated security representative/liaison to the City, who shall be reasonably available to meet with the City Manager regarding any security related measures and/or operational issues;
  - i. Loitering. The owner and/or operator of a marijuana testing lab shall prohibit loitering by persons immediately outside of the marijuana testing lab.
  - j. A marijuana testing lab shall notify the City Manager or her or his designee and the Orange County Sheriff's Department within twenty-four (24) hours after discovering any of the following:
    - i. Significant discrepancies identified during inventory, as set forth in the City's administrative regulations; or
    - ii. Diversion, theft, loss, or any criminal activity involving the marijuana testing lab or any agent or employee of the marijuana testing lab.
6. A written marijuana waste and discharge plan that ensures that marijuana sample remnants will be disposed of in a manner that is consistent with State law. The plan should include procedures for handling cannabis waste and details on whether they will be using a local agency, a waste hauler, or self-hauling the cannabis waste to a solid waste facility. The plan should also include the process for composting waste on the premises (if applicable) and how they will ensure restricted access to cannabis waste.
7. A detailed written ventilation plan describing the air treatment system, or other measures and methods that will be implemented to prevent offensive

odors generated from the testing and/or storage of marijuana from being detected outside the buildings on the site.

### **STEP 3: SUBMIT APPLICATION**

A Marijuana Testing Lab Permit must be submitted in person to the Community Development Department on or after 8:00 a.m. on July 1, 2020. Applications may not be submitted in the mail. The Community Development front counter is open Monday through Thursday between the hours of 8:00 a.m. and 6:00 p.m., or Friday between the hours of 8:00 a.m. and 5:00 p.m. The Community Development counter is closed for lunch between 11:45 a.m. and 1:00 p.m.

An application will be not be accepted by the City, unless all application submittal requirements (as listed in this document) are included with the application. The first two applications physically placed on the Community Development counter, that include all the application submittal requirements, will be accepted by the City. The City will only process the first two applications submitted. Any additional applications submitted and accepted by the City will be placed on a Waitlist.

### **STEP 4: BACKGROUND CHECK**

If an application is accepted by the City, then City staff will provide the applicant with information on the background check process. Each applicant and owner of the Marijuana Testing Lab is required to submit for the background check process within 30 days of the submittal of the application to the City. The background check process will cost \$300 per person and the payment is provided directly to the City's consultant conducting the background check.

### **STEP 5: CITY REVIEW OF APPLICATION**

The City will review the submitted application. If during the City's review of the application, it is determined that part of the application, including but not limited to, information on the application, security plan, marijuana discharge plan, or ventilation plan, is not complete, or does not adequately address the regulations in City's ordinance, then the City shall provide an incomplete letter, specifying which information or material was not complete.

If an application is deemed incomplete, the applicant has 60 days from the date on the letter to resubmit the application. If the applicant does not resubmit the application within 60 days, the applicant forfeits his/her application. In the case that the waitlist is empty, the applicant may request an extension of the time in writing, subject to approval of the Director of Community Development.

## **STEP 6: APPROVAL OR DENIAL OF APPLICATION**

When the City has determined that the application is complete, the City will approve the application if all the criteria in Lake Forest Municipal Code Section 5.42.110 has been met. Otherwise, the application will be denied. The City will provide a letter of either approval or denial for the application. If the application is approved, the applicant will also be provided with a City of Lake Forest Marijuana Testing Lab Permit license.

## **STEP 7: OBTAIN ALL APPLICABLE CITY BUILDING PERMITS AND STATE LICENSES**

After City approval of a Marijuana Testing Lab Permit, the business may apply for all applicable building permits. In addition to the City's Marijuana Testing Lab permit, the business must also obtain all applicable state licenses, including but not limited to, a Testing Laboratory license from the California State Bureau of Cannabis Control. More information on the State's license can be found on their website: <https://bcc.ca.gov/>.

## **STEP 8: FINAL INSPECTION AND DEPOSIT REFUND (IF APPLICABLE)**

An inspection by the City's consultant shall be conducted in conjunction with the building permit final inspection. The inspector shall ensure that the Marijuana Testing Lab is in compliance with the approved security plan, the approved waste discharge plan, and all applicable requirements in Chapter 5.42 of the LFMC.

After the final inspection, a final accounting for the project will be prepared. If the cost to process the application exceeds the deposit on file, additional funds will be requested from the applicant. If the cost to process the application is less than the original deposit, then the City will issue a refund.

## **STEP 9: OPERATION OF MARIJUANA TESTING LAB**

All Marijuana Testing Labs shall maintain a Marijuana Testing Lab permit and all applicable licenses from the California State Bureau of Cannabis Control. The City's Marijuana Testing Lab permit shall be renewed annually. Furthermore, the Marijuana Testing Lab shall maintain compliance with the operational requirements in Lake Forest Municipal Code Section 5.42.180 and 5.42.190.

In order to comply with Chapter 5.42.190, all Marijuana Testing Lab owners shall conduct a criminal background check on all employees and volunteers. The background checks shall be solely facilitated by the applicant or owner and all costs

shall solely be borne by the applicant or owner. No marijuana testing lab or owner thereof may employ any person who has been convicted of a felony within the past seven (7) years to work or volunteer at the marijuana testing lab, unless that felony has been dismissed, withdrawn, expunged or set aside pursuant to Penal Code section 1203.4, 1000 or 1385, or who is currently on probation or parole for the sale, distribution, possession or manufacture of a controlled substance. For reference, Chapter 5.42 is included with this Guide.

For additional information on filing a Marijuana Testing Lab Permit, please contact the Community Development Department at (949) 461-3474 or by email at [AMelchor@lakeforestca.gov](mailto:AMelchor@lakeforestca.gov).

**LAKE FOREST MUNICIPAL CODE  
CHAPTER 5.42 MARIJUANA TESTING LABS**

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- 5.42.010 Purpose and intent.**

It is the purpose and intent of this chapter to regulate the testing of medical and commercial marijuana and marijuana products in a manner which is responsible, which protects the health, safety, and welfare of the residents of Lake Forest, and to enforce rules and regulations consistent with State law. To meet these objectives, a permit shall be required in order to own and/or to operate a marijuana testing lab within the City. Nothing in this chapter is intended to authorize the possession, use, or provision of marijuana for purposes which violate State or federal law. The provisions of this chapter are in addition to any other permits, licenses, and approvals which may be required to conduct business in the City, and are in addition to any permits, licenses and approvals required under State law.

#### **5.42.020 Legal authority.**

Pursuant to Sections 5 and 7 of Article XI of the California Constitution and the provisions of Division 10 of the Business and Professions Code, the City is authorized to adopt ordinances that establish standards, requirements and regulations for local licenses and permits for marijuana testing labs.

#### **5.42.030 Marijuana uses and activities prohibited unless specifically authorized.**

Except as specifically authorized in this chapter and chapter 9.10 of this Code, the manufacture, processing, storing, lab testing, labeling, transporting, dispensing, furnishing, distribution, delivery, or sale of marijuana or a marijuana product is expressly prohibited in the City.

#### **5.42.040 Compliance with laws.**

A. Prior to the establishment of any marijuana testing lab or the operation of any such business, the person intending to establish a marijuana testing lab must first obtain all applicable planning, zoning, building, and other applicable permits and approvals from the relevant State and local agencies that may be applicable to the use and activity.

B. It is the responsibility of the permittee, owners and operators of the marijuana testing lab business to ensure that it is at all times operating in a manner compliant with all applicable State and local laws, and any regulations promulgated thereunder.

#### **5.42.050 Definitions.**

Unless otherwise defined in this chapter or in chapter 9.10 of this Code, the words used in this chapter shall have the same definitions ascribed to them in Division 10 of the Business and Professions Code. Any reference to California or federal statutes includes any regulations promulgated thereunder and is deemed to include any successor or amended version of the referenced statute or regulatory provision.

“City Manager” shall mean the City Manager of the City or her or his designee.

“Marijuana” means all parts of the plant *Marijuana sativa* L., whether growing or not; the seeds thereof; the resin extracted from any part of the plant; and every compound, manufacture, salt, derivative, mixture, or preparation of the plant, its seeds or resin. It does not include:

1. Industrial hemp, as defined in Section 11018.5 of the California Health and Safety Code;
2. Hemp, as defined in 7 U.S.C.A. Section 1639o, which provides that “hemp” means the plant *Cannabis sativa* L. and any part of that plant, including the seeds thereof and all derivatives, extracts, cannabinoids, isomers, acids, salts, and salts of isomers, whether growing or not, with a delta-9 tetrahydrocannabinol concentration of not more than 0.3 percent on a dry weight basis; or
3. The weight of any other ingredient combined with marijuana to prepare topical or oral administrations, food, drink, or other product.

“Marijuana testing lab” means a laboratory, facility, or entity that offers or performs tests of marijuana or marijuana products and that is both of the following:

- (1) Accredited by an accrediting body that is independent from all other persons involved in commercial marijuana activity in the State; and
- (2) Licensed by the State.

“Marijuana testing lab permit” means a regulatory permit issued by the City pursuant to this chapter to a marijuana testing lab, and is required before marijuana testing activity may be conducted in the City.

“School” means any public, private, or charter school providing instruction in pre-school, transitional kindergarten, kindergarten, or grades one through 12, inclusive, but does not include any private school in which education is primarily conducted in private homes.

“State” means the State of California, including any of its departments, divisions, and/or bureaus.

**5.42.060 Marijuana testing labs permitted.**

A. Marijuana testing labs may be permitted to operate within the City subject to this chapter, the City’s Zoning Code, and any applicable State law or regulation.

B. Businesses permitted pursuant to this chapter shall not engage in the retail sale or distribution of marijuana, marijuana product, or any other related item.

**5.42.070 Permit required.**

No person may engage in a marijuana testing lab business within the City unless the person: (1) has a valid marijuana testing lab permit from the City; and (2) is currently in compliance with all applicable State and local laws and regulations pertaining to the marijuana testing lab business activity, including, but not limited to, having currently all required and valid license(s) or permit(s) therefore issued by the State.

**5.42.080 Limit on businesses within the City.**

There shall only be a total of two (2) legally established marijuana testing lab businesses operating in the City at any given time. The City shall make decisions on marijuana testing permit applications in the order that they are received, on a first-come, first-served basis. Initially, the City shall only process the first two applications that are received by the City, and any additional application(s) received by the City shall be placed on a waitlist. Each application placed on the waitlist shall only be processed, in the order that they were received, when there are less than two (2) legally established marijuana testing lab businesses operating in the City. Additional application processing procedures may be established by the City Manager in additional administrative rules, regulations and standards that are promulgated to carry out this chapter.

**5.42.090 Marijuana testing lab permit application requirements.**

A. An application for a marijuana testing lab permit shall be made to the City Manager on a form provided for by the City Manager. Failure to disclose information fully and accurately could lead to the denial of a permit. To be deemed complete and submitted for City Manager review, an application must contain at least the following information:

1. Evidence that the marijuana testing lab is authorized by the property owner to operate in the proposed location.

2. Map showing that any portion of the building that includes the proposed marijuana testing lab is located at least 600 feet away from any building or outdoor play area related to a school or a day care center, as defined in Health and Safety Code section 1596.76, that is in existence at the time of date of the application.

3. For the applicant and all owners: name and title, percent ownership in the proposed business, mailing address, phone number, email address, copy of government-issued identification.

4. For the applicant and all owners, provide receipt of a completed live scan report from the Orange County Sheriff's Department, which costs shall solely be borne by the applicant.

5. Whether the applicant and/or any owner has been denied a license or permit related to a marijuana use or has had a license or permit related to a marijuana use suspended or revoked by the State or any other local jurisdiction in the past two years. In the event a license or permit has been denied, suspended or revoked, the applicant shall provide details relating to the type of license or permit applied for, the name of the licensing or permitting authority that made the determination, and the date of denial, suspension, or revocation.

6. A detailed security plan, including a floor plan and written narrative describing measures and methods that will be implemented to deter and prevent the unauthorized entrance into areas containing marijuana or marijuana products, and to deter and prevent the theft of marijuana or marijuana products at the marijuana testing lab, including during any power outage. The security plan shall include narrative regarding how the applicant will meet all operational requirements in Section 5.42.180.

7. A marijuana waste and discharge plan that ensures that marijuana sample remnants will be disposed of in a manner that is consistent with State law.
  
8. The name, address, email address, and phone number of a designated security representative/liaison to the City, who would be reasonably available to meet with the City Manager regarding any security related measures and/or operational issues.
  
9. A detailed ventilation plan describing the air treatment system, or other measures and methods that will be implemented to prevent offensive odors generated from the testing and/or storage of marijuana from being detected outside the buildings on the site.
  
10. For the applicant and each owner: An attestation to the following: "Under penalty of perjury, I hereby do declare that the information contained within the application is complete, true, and accurate. I understand that any misrepresentation on this application is cause for its rejection, denial of a license, or revocation of a permit."
  
11. For the applicant and each owner: An attestation that each and every person or entity agrees to indemnify, defend (at his/her/its sole cost and expense), and hold the City of Lake Forest, and its officers, officials, employees, representatives, and agents, harmless, from any and all claims, losses, damages, injuries, liabilities or losses which arise out of, or which are in any way related to, the City's issuance or failure to issue a marijuana testing lab permit, the City's decision to approve or its refusal to approve the operation of the marijuana testing lab, the process used by the City in making its decision, or the alleged violation of any federal, State or local laws by the marijuana testing lab or any of its officers, employees or agents.
  
12. Any other additional information requested by the City Manager.

**5.42.100 Marijuana testing lab permit renewal requirements.**

- A. An application for a marijuana testing lab renewal permit shall be made to the City Manager on a form provided for by the City Manager. An application for renewal of a marijuana testing lab permit shall be filed at least 60 calendar days prior to the expiration date of the current permit. Failure to

disclose information fully and accurately could lead to the denial of a renewal permit. For a renewal application to be deemed complete for the City Manager's review, an application shall contain at least the following information:

1. Evidence that the marijuana testing lab is authorized by the property owner to operate in the proposed location.
2. For the applicant and all owners: name and title, percent ownership in the proposed business, mailing address, phone number, email address, copy of government-issued identification.
3. For the applicant and all owners, provide receipt of a completed live scan report from the Orange County Sheriff's Department, which costs shall solely be borne by the applicant.
4. Whether the applicant and/or any owner has been denied a license or permit related to a marijuana use or have had a license or permit related to a marijuana use suspended or revoked by the State or any other local jurisdiction in the past year. In the event a license or permit has been denied, suspended or revoked, the applicant shall provide details relating to the type of license or permit applied for, the name of the licensing or permitting authority that made the determination, and the date of denial, suspension, or revocation.
5. For the applicant and each owner: An attestation to the following: "Under penalty of perjury, I hereby do declare that the information contained within the application is complete, true, and accurate. I understand that any misrepresentation on this application is cause for its rejection, denial of a license, or revocation of a permit."
6. For the applicant and each owner: An attestation that each and every person or entity agrees to indemnify, defend (at his/her/its sole cost and expense), and hold the City of Lake Forest, and its officers, officials, employees, representatives, and agents, harmless, from any and all claims, losses, damages, injuries, liabilities or losses which arise out of, or which are in any way related to, the City's issuance or failure to issue a marijuana testing lab permit, the City's decision to approve or its refusal to approve the operation of the marijuana testing lab, the process used by the City in making

its decision, or the alleged violation of any federal, State or local laws by the marijuana testing lab or any of its officers, employees or agents.

7. Written confirmation that there are no changes to the approved security plan, marijuana waste and discharge plan, or ventilation plan.
8. Any other additional information requested by the City Manager.

**5.42.110 City Manager decision on application and renewal applications.**

A. The City Manager shall either deny or approve an application or any renewal application within ninety (90) days of the application or renewal application being deemed complete. The City Manager shall provide the applicant with written notice of her or his decision.

1. The City Manager shall retain full authority to approve or deny an application for a permit or renewal. The City Manager shall approve the application unless she or he finds any of the following:

- a. The applicant or the application has falsified or misrepresented any part of the application or omitted a material fact;
- b. The applicant is less than twenty-one (21) years of age;
- c. Any portion of a marijuana testing lab building is located less than 600 feet away from any building or outdoor play area related to a school or a day care center, as defined in Health and Safety Code section 1596.76, that is in existence at the time of date of the initial application;
- d. The operation of the marijuana testing lab fails, or in the case of a renewal, has failed to comply with any of the requirements in this chapter, the City's Zoning Code, State law, or any other regulation including, without limitation, the applicant's security plan, discharge plan, and/or ventilation plan are found to be inadequate by the Police and/or Building Department or for new applications, there are already two (2) lawfully permitted marijuana testing labs that have been legally established in the City;

e. Within two (2) years of the date of the application, the applicant and/or any owner has been denied a license or permit related to a marijuana use or has had a license or permit related to a marijuana use suspended or revoked by the State or any other local jurisdiction in the past two (2) years;

f. The applicant and/or any owner has been convicted of a felony within the past seven (7) years, unless that felony has been dismissed, withdrawn, expunged or set aside pursuant to Penal Code section 1203.4, 1000 or 1385;

g. The applicant and/or any owner is currently on probation or parole for the sale, distribution, possession, or manufacture of a controlled substance.

2. If criminal charges are pending against an applicant or owner within a court or public agency, the conviction of which would result in the denial of the application, the City Manager shall suspend review of the application pending the final disposition of the criminal charges. The City Manager shall send written notice to the applicant notifying her or him that the review of her or his application is suspended pending the final disposition of the current criminal charges. The applicant shall then have the obligation of notifying the City Manager when a final decision is reached, and the outcome of the criminal matter is decided (i.e., conviction, dismissal, etc.). During the period of suspension the application shall be treated as if it were never submitted, and the sixty (60) day review period shall not commence or run during the period of suspension. Once the City Manager receives notice from the applicant of the final disposition of a criminal matter the City Manager shall resume his or her review of the application. The sixty (60) day review period shall commence on the date that the City Manager receives notice of the final disposition of the criminal charges from the applicant. If an applicant fails to notify the City Manager of the final disposition of the criminal charges within one hundred eighty (180) calendar days of the disposition, the application shall be deemed expired, and the applicant will be required to submit a new application

3. A marijuana testing lab permit shall not run with the land and shall not create any rights to continue with the use of the property as a marijuana testing lab, except as specifically set forth herein.

**5.42.120 Appeals.**

Any appeal from a decision on a marijuana testing lab permit application or renewal thereof shall follow the procedures of Chapter 1.12 of this Code.

**5.42.130 Term of permit—fees.**

A. A marijuana testing lab permit shall be valid for one (1) year from the date of issue, unless otherwise suspended or revoked, and shall be renewed every year thereafter, provided the permittee is in compliance with the provisions of this chapter.

B. Marijuana testing lab permit applicants and permittees shall provide a deposit to the City, in an amount determined by the City Manager, to cover the cost of processing the permit and to make required inspections. During the permit processing, the applicant or permittee, as applicable, shall be required to replenish the deposit amount when required by the City Manager. The City may suspend permit processing if the required deposit amount is not provided. The City shall reimburse the applicant or permittee for any unused deposit amount.

**5.42.140 Effect of State license suspension, revocation, or termination.**

Suspension of a license issued by the State of California, or by any of its departments or divisions, shall immediately suspend the ability of a marijuana testing lab business to operate within the City, until the State of California, or its respective departments or divisions, reinstates or reissues the State license. Should the State of California, or any of its departments or divisions, revoke or terminate the license of a marijuana testing lab business, such revocation or termination shall also revoke or terminate the ability of a business permitted pursuant to this chapter to operate within the City.

**5.42.150 Suspension or revocation.**

A. A marijuana testing lab permit may be suspended or revoked upon a hearing due to:

1. The permittee's failure to comply with the terms of the permit, the applicable provisions of this chapter, this Code, State law or regulation and/or

any condition of any other permit issued pursuant to this Code, including, without limitation, the permittee's failure to follow a City-approved security plan, discharge plan, and/or ventilation plan;

2. The permittee falsified or misrepresented any part of its application to the City or omitted a material fact;

3. The permittee has engaged in fraud, misrepresentation, or false statement in conducting the marijuana testing lab;

4. The permit is being used to conduct an activity different from that for which it was issued;

5. The permit has been unlawfully transferred, as described in Section 5.42.170; or

6. The use for which the permit was granted has ceased to exist for a period of six (6) months.

B. At such time as the City has reason to believe that grounds exist to suspend or revoke a permit issued under this chapter, the City Manager shall cause an investigation of the permittee and/or marijuana testing lab establishment to be undertaken. If, based on the result of the investigation, the City Manager determines that grounds to suspend or revoke the permit are present, then the City Manager shall commence proceedings to suspend or revoke the permit license by providing notice of the City's intent to suspend or revoke the license, and by scheduling a date for a hearing with a Hearing Officer, which date shall not be less than thirty (30) calendar days from and after the date the notice of intent to suspend or revoke the permit is mailed.

C. At a minimum, the notice shall provide:

1. That the City intends to suspend or revoke the permit;

2. The grounds for the proposed suspension or revocation;

3. The date, time, and place of the suspension or revocation hearing;

4. That the permittee may appear, be heard, examine witnesses, and present evidence in the permittee's favor; and

5. That the permittee's failure to appear, be heard, and present evidence in the licensee's favor may result in the suspension or revocation of the permit.

D. The hearing to consider the suspension or revocation shall be conducted by a hearing officer as assigned pursuant to Section 1.12.030 of this Code, and the hearing shall be in accordance with subsections (D) through (G) of section 1.12.060.

E. The decision of the hearing officer shall be the final City decision, and no action by the City Council shall be required.

**5.42.160 Application waiting period.**

If a marijuana testing lab permit application or renewal application is denied or if a permit has been revoked, the City shall not accept an application for a marijuana testing lab permit at the subject location for a period of two (2) years from the date of final action on the application or permit.

**5.42.170 Prohibition on transfer of marijuana testing lab permits.**

A. In the event a permittee sells or transfers the business to a new owner, the new owner must obtain a new marijuana testing lab permit prior to commencing or continuing operations. A marijuana testing lab business shall be deemed to have transferred to a new owner within the meaning of this section if person(s) or entities with controlling interest at the time the permit was first issued cease to possess controlling ownership interest or an ownership interest of less than fifty-one (51) percent.

B. A sold or transferred marijuana testing lab business shall maintain its status as a legally established marijuana testing lab operating pursuant to Section 5.42.080 of this Code if the new owner obtains a new marijuana testing lab permit to operate the business.

C. Any attempt to transfer a marijuana testing lab permit or change the ownership of the permittee's business structure either directly or indirectly in violation of this section is hereby declared void, and such a purported transfer shall be deemed a ground for revocation of the permit.

**5.42.180 Operating requirements for marijuana testing lab businesses permitted under this chapter.**

A. Records and recordkeeping.

1. Each owner and operator of a marijuana testing lab shall maintain accurate books and records, detailing all of the revenues and expenses of the business, and all of its assets and liabilities. On no less than an annual basis (at or before the time of the renewal of a marijuana testing lab permit issued pursuant to this title), or at any time upon reasonable request of the City, each marijuana testing lab shall file a sworn Statement detailing the number of transactions by the marijuana testing lab during the previous twelve (12) month period (or shorter period based upon the timing of the request), provided on a per-month basis. The Statement shall also include gross revenues for each month, and all applicable taxes paid or due to be paid.

2. Each owner and operator of a marijuana testing lab shall maintain a current register of the names and the contact information (including the name, address, and telephone number) of anyone owning or holding an interest in the marijuana testing lab, and separately of all the officers, managers, employees, agents and volunteers currently employed or otherwise engaged by the marijuana testing lab. The register required by this paragraph shall be provided to the City Manager upon a reasonable request.

3. All marijuana testing labs shall maintain an inventory control and reporting system that accurately documents the present location, amounts, and descriptions of all marijuana and marijuana products for all stages of the lab testing process.

4. Subject to any restrictions under State or federal law, each marijuana testing lab shall allow City officials to have access to the business's books, records, accounts, together with any other data or documents relevant to its permitted marijuana activities, for the purpose of conducting an audit or

examination. Books, records, accounts, and any and all relevant data or documents will be produced no later than twenty-four (24) hours after receipt of the City's request, unless otherwise stipulated by the City.

**B. Security measures.**

1. A permitted marijuana testing lab shall implement sufficient security measures to deter and prevent the unauthorized entrance into areas containing marijuana or marijuana products, and to deter and prevent the theft of marijuana or marijuana products at the marijuana testing lab. These security measures shall include:

a. Establishing limited access areas accessible only to authorized marijuana testing lab personnel;

b. All marijuana and marijuana products shall be stored in a secured and locked room, safe, or vault, and shall be kept in a manner as to prevent diversion, theft, and loss;

c. Sensors shall be installed to detect entry and exit from all secure areas;

d. Having a professionally installed, maintained, and monitored alarm system;

e. Any bars installed on the windows or the doors of the marijuana testing lab shall be installed only on the interior of the building;

f. Security personnel if utilized must be licensed by the State of California Bureau of Security and Investigative Services Personnel;

g. Each marijuana testing lab shall have the capability to remain secure during a power outage and shall ensure that all access doors are not solely controlled by an electronic access panel to ensure that locks are not released during a power outage;

h. Each marijuana testing lab shall identify a designated security representative/liaison to the City, who shall be reasonably available to meet with the City Manager regarding any security related measures and/or operational issues;

i. Loitering. The owner and/or operator of a marijuana testing lab shall prohibit loitering by persons immediately outside of the marijuana testing lab.

j. A marijuana testing lab shall notify the City Manager or her or his designee and the Orange County Sheriff's Department within twenty-four (24) hours after discovering any of the following:

i. Significant discrepancies identified during inventory, as set forth in the City's administrative regulations; or

ii. Diversion, theft, loss, or any criminal activity involving the marijuana testing lab or any agent or employee of the marijuana testing lab.

C. Compliance with laws. It is the responsibility of the owners and operators of the marijuana testing lab to ensure that it is at all times operating in a manner compliant with all applicable State and local laws, and any regulations promulgated thereunder. Nothing in this chapter shall be construed as authorizing any actions which violate State law or local law with respect to the operation of a marijuana testing lab or any site-specific, additional operating procedures or requirements which may be imposed as conditions of approval of the location of the marijuana testing lab.

D. Taxes. All marijuana testing labs authorized to operate under this chapter shall pay all sales, use, business and other applicable taxes, and all license, registration, and other fees required under federal, State and local law. Each marijuana testing lab shall cooperate with the City with respect to any reasonable request to audit the marijuana testing lab's books and records for the purpose of verifying compliance with this section, including, but not limited to, a verification of the amount of taxes required to be paid during any period.

E. Insurance. Permittee shall obtain and maintain at all times during the term of the permit comprehensive general liability insurance and comprehensive automotive liability insurance protecting the permittee in an

amount of not less than one million dollars (\$1,000,000.00) per occurrence, combined single limit, including bodily injury and property damage and not less than one million dollars (\$1,000,000.00) aggregate for each personal injury liability, products-completed operations and each accident, issued by an insurance provider rated at least A-:VIII in A.M. Best and Company's Insurance Guide and either admitted and authorized to do business in California or is listed on the California Department of Insurance's List of Approved Surplus Line Insurers.

F. Miscellaneous operating requirements.

1. Restriction on consumption. Marijuana shall not be consumed on the premises of any marijuana testing labs.
2. No outdoor storage of marijuana or marijuana products is permitted at any time.
3. Reporting and tracking of product and of gross revenues. Each marijuana testing lab shall have in place a point-of-transaction tracking system to track and report on all aspects of the marijuana testing lab including, but not limited to, such matters as marijuana tracking and inventory data. The system must have the capability to produce historical transactional data for review by the City Manager.
4. Each marijuana testing lab shall only test marijuana and marijuana products that have been cultivated, manufactured, and transported by licensed facilities that maintain operations in full conformance with applicable State and local regulations.
5. Odor control. Odor control devices and techniques shall be incorporated in all marijuana testing labs to ensure that odors from marijuana are not detectable off-site.
6. Display of permit. The original copy of the marijuana testing lab permit issued by the City pursuant to this chapter shall be posted inside the marijuana testing lab in a conspicuous location.

G. Signage and notices.

1. Signage for a marijuana testing lab shall conform to the City's sign requirements.
2. Each entrance to a marijuana testing lab shall be visibly posted with a clear and legible notice indicating that smoking, ingesting, or otherwise consuming marijuana on the premises or in the areas adjacent to the marijuana testing lab is prohibited.

H. Minors.

1. Persons under the age of twenty-one (21) years shall not be allowed on the premises of a marijuana testing lab. It is unlawful and a violation of this chapter for any person to employ any person at or for a marijuana testing lab who is not at least twenty-one (21) years of age.
2. The entrance to the marijuana testing lab shall be clearly and legibly posted with a notice that no person under the age of twenty-one (21) years of age is permitted to enter upon the premises of the marijuana testing lab.

**5.42.190 Marijuana testing lab employees.**

- A. Any person who is an employee or who otherwise works or volunteers within a marijuana testing lab must be legally authorized to do so under applicable State law.
- B. No marijuana testing lab or owner thereof may employ any person who has been convicted of a felony within the past seven (7) years to work or volunteer at the marijuana testing lab, unless that felony has been dismissed, withdrawn, expunged or set aside pursuant to Penal Code section 1203.4, 1000 or 1385, or who is currently on probation or parole for the sale, distribution, possession or manufacture of a controlled substance.
- C. All employees must wear an identification badge while on the premises of the business, in a format proscribed by the City Manager.

**5.42.200 Promulgation of administrative regulations.**

A. The City Manager is authorized to establish any additional administrative rules, regulations and standards governing the issuance, denial or renewal of marijuana testing lab permits, or concerning any other subject necessary to carry out the purposes of this chapter.

B. Regulations promulgated by the City Manager shall become effective upon the date of publication. Marijuana testing labs shall be required to comply with all State and local laws and regulations, including, but not limited to, any rules, regulations or standards adopted by the City Manager.

#### **5.42.210 Inspection and enforcement.**

A. The City Manager is charged with enforcing the provisions of the Lake Forest Municipal Code, or any provision thereof, and may enter all portions of a marijuana testing lab at any time during the hours of operation without notice, and inspect all portions of a marijuana testing lab as well as any recordings and records required to be maintained pursuant to this title or under applicable provisions of State law.

B. It is unlawful for any person having responsibility for the operation of a marijuana testing lab, to impede, obstruct, interfere with, or otherwise not to allow, the City to conduct an inspection, review or copy records, recordings or other documents required to be maintained by a marijuana testing lab under this chapter or under State or local law. It is also unlawful for a person to conceal, destroy, deface, damage, or falsify any records, recordings or other documents required to be maintained by a marijuana testing lab under this chapter or under State or local law.

#### **5.42.220 Violations.**

A. Violations declared a public nuisance. Each and every violation of the provisions of this chapter is hereby deemed unlawful and a public nuisance.

B. Each violation a separate offense. Each and every violation of this chapter shall constitute a separate violation and shall be subject to all remedies and enforcement measures authorized by the Lake Forest Municipal Code. Additionally, as a nuisance per se, any violation of this chapter shall be subject to injunctive relief, any permit issued pursuant to this chapter being deemed null and void, disgorgement and payment to the City

of any monies unlawfully obtained, costs of abatement, costs of investigation, attorney fees, and any other relief or remedy available at law or in equity. The City may also pursue any and all remedies and actions available and applicable under State and local laws for any violations committed by the marijuana testing lab or persons related to, or associated with, the marijuana activity. Additionally, when there is determined to be an imminent threat to public health, safety or welfare, the City Manager, or the chief of police, may take immediate action to temporarily suspend a marijuana testing lab permit issued by the City, pending a hearing before the City council.

C. Criminal penalties. Each and every violation of the provisions of this chapter may be prosecuted as a misdemeanor and upon conviction be subject to a fine not to exceed one thousand dollars (\$1,000.00) or imprisonment in the County Jail for a period of not more than twelve (12) months, or by both such fine and imprisonment. Each day a violation is committed or permitted to continue shall constitute a separate offense.

D. The permittee, as well as each and every owner and operator of a marijuana testing lab shall be responsible for all violations of the laws of the State of California or of the regulations and/or the ordinances of the City of Lake Forest, whether committed by the permittee or any employee or agent of the permittee, which violations occur in or about the premises of the marijuana testing lab whether or not said violations occur within the permit holder's presence. Employees of a marijuana testing lab shall be responsible for all violations of the laws of the State of California or of the regulations and/or the ordinances of the City of Lake Forest committed by such employee that occur in or about the premises of the marijuana testing lab whether or not said violations occur within the permit holder's presence.

E. Remedies cumulative and not exclusive. The remedies provided herein are not to be construed as exclusive remedies. The City is authorized to pursue any proceedings or remedies provided by law.”