



Meeting Date: 4/9/2025
Item Number: 5a
Time Estimate: 45 minutes

PLANNING COMMISSION AGENDA REPORT

SUBJECT: REVIEW OF TEXT AMENDMENTS TO SECTION 17.86.080 (“CANNABIS”) OF TITLE 17 (“ZONING REGULATIONS”) OF THE MUNICIPAL CODE TO CLARIFY SPECIFIC LAND USE AND OPERATIONAL REQUIREMENTS FOR COMMERCIAL CANNABIS ACTIVITY [CITYWIDE] (CODE-0051-2025)

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APPLICANT: City of San Luis Obispo

REPRESENTATIVE: Ivana Gomez

RECOMMENDATION

Adopt a Resolution recommending the City Council introduce and approve an Ordinance to amend Section 17.86.080 (“Cannabis”) of Title 17 (“Zoning Regulations”) of the Municipal Code to clarify specific land use and operational requirements for commercial cannabis activity.

1.0 COMMISSION'S PURVIEW

Pursuant to the City of San Luis Obispo Municipal Code (“SLOMC”) [Chapter 17.124](#) (Amendments – Zoning Regulations and Zoning Map) and California Government Code Section § [65854](#), the Planning Commission’s role is to review the proposed amendments to the City’s Zoning Regulations for consistency with the City’s General Plan and State Law and provide a recommendation to the City Council.

2.0 SUMMARY

On behalf of the City of San Luis Obispo, the Community Development Director has initiated a text amendment in accordance with SLOMC § [17.124.020\(B\)](#) (Authority to Initiate an Amendment to the Zoning Regulations) to Section 17.86.080 (“Cannabis”) of Title 17 (“Zoning Regulations”) of the City of San Luis Obispo Municipal Code. The proposed amendments clarify specific land use and operational requirements for commercial cannabis activities consistent with the legislative intent of the currently adopted Zoning Ordinance and State Law. Specifically, the proposed amendments will clarify buffer requirements for retail storefronts, clarify hours of operation for microbusinesses that conduct retail storefront activity as party of their operations, and remove repetitive verbiage.

3.0 BACKGROUND

3.1 City Council Action

Cannabis Regulations and Cannabis Zoning Regulations

On May 15, 2018, the City Council adopted [Ordinance No. 1647 \(2018 Series\)](#), amending the Municipal Code to establish regulations for commercial cannabis activity, including adoption of SLOMC Chapter [9.10](#) (Cannabis Regulations) and SLOMC § [17.86.080](#) (Cannabis Zoning Regulations), formerly Chapter 17.99. On March 21, 2023, the City Council adopted [Ordinance No. 1725 \(2023 Series\)](#) modifying specific rules for commercial cannabis retail storefront operations including expansion of hours of operation and allowing access to medicinal cannabis customers 18 to 20 years of age with a valid physician's recommendation.

Cannabis Business Overlay Zones and Zoning Map

On September 18, 2018, the City Council adopted [Ordinance No. 1653 \(2018 Series\)](#), amending the City's Zoning Regulations and Zoning Map to designate seven areas of the City as Cannabis Business Overlay Zones ("CBZ Overlay Zones") where cannabis businesses may be located. Then, on May 16, 2023, the City Council adopted [Ordinance No. 1727 \(2023 Series\)](#), amending the Zoning Map to expand the CBZ Overlay Zones to include recently annexed areas of the City, including the Fiero Lane-Clarion Court and East Airport Areas^{1,2}.

3.2 Cannabis Business (CBZ) Overlay Zones and Buffers

CBZ Overlay Zones are indicated on the City Zoning Map and establish locations in the City where cannabis businesses may operate. Allowed uses are further controlled by zoning and required buffers within those overlay zones. Table 2-1 (Uses Allowed by Zone) within SLOMC § [17.10.020](#) shows the permitting requirements per land use and zoning district. The CBZ overlay zones were carefully and deliberately proposed and adopted, taking into consideration state law buffer requirements, proximity to certain land uses such as schools and residentially zoned areas beyond and within the boundary lines, existing zoning, adjacency to arterial roads and other barriers within the built environment, and other land use suitability characteristics.

Retail storefronts must be located at least one thousand (1,000) feet from any preschools, elementary schools, junior high schools, high schools, and public parks or playgrounds, six hundred (600) feet from licensed daycare centers, whether these uses are located in the CBZ overlay or not. In addition, retail storefronts must be three hundred (300) feet from residentially zoned areas within CBZ Overlay Zones (SLOMC § 17.86.080; see further discussion in Section 4.1 below). Retail storefronts are also required to be located at least one thousand (1,000) feet from other cannabis retail storefronts.

4.0 PROJECT ANALYSIS

4.1 Land Use Requirements for Retail Storefronts

¹ [City of San Luis Obispo Zoning Map](#)

² The term "CBZ Overlay" is also referred to as "CAN Overlay" in SLOMC § 17.86.080(E)(5)(b). Both terms are interchangeable and refer to the same zoning designation.

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The first proposed text amendments are to SLOMC §§§ 17.86.080(E)(4)(e), 17.86.080(E)(10)(b)(iii), and 17.86.080(E)(12)(c)(v) within the Cannabis Zoning Regulations, which state the buffer requirements for retail storefronts from sensitive uses, including residentially zoned areas. Residential zones include the following zones: Low-Density Residential (R-1), Medium-Density Residential (R-2), Medium-High Density (R-3) and High-Density Residential (R-4). Areas with a Mixed-Use (MU) Overlay are not considered to be residentially zoned, as the MU designation is an overlay rather than a base zone that is attached to some commercial zoning districts.

The proposed text amendments clarify that the 300-foot buffer requirement for retail storefronts from residentially zoned areas applies only *within* CBZ Overlay Zones, consistent with the original legislative intent. The 05/01/2018 and 09/04/2018 Council Agenda Reports explicitly state that residential buffers were intended to apply only within CBZ Overlay Zones, which were established based on local conditions such as major roadways and railroads that serve as barriers from sensitive land uses.

The 05/01/2018 Council Agenda Report to establish the City's Cannabis Regulations, including the adoption of specific buffer requirements, clearly states that the buffer from residentially zoned areas was to apply within a CBZ Overlay Zone only. Page 3 of the report states the Planning Commission's recommendation that: "**Within overlay zones**, sensitive uses like schools and parks should provide 1,000-foot buffers, and residential zones should provide 300-foot buffers, to retail stores. No other cannabis business activity should be subject to buffers."

This is further confirmed in the 09/04/2018 Council Agenda Report to establish the CBZ Overlay Zones. Page 3 of the report states, "While there is no buffer from residential uses in state law, the City has established a 300-foot buffer between residentially zoned land and retail stores. **However, this buffer only applies from residential zoning that occurs within that same overlay zone.** There are two locations where this occurs, one is in the Broad Street Corridor CBZ, and the other is in the Airport Area CBZ."³

It is important to note that the May 1, 2018, report established the regulatory foundation for cannabis buffers, even though the CBZs were not yet formally designated. The buffers were a key policy decision that directly influenced the later creation of the overlay zones. When the CBZs were adopted in September 2018, their boundaries were drawn in a way that accounted for these pre-established buffers. This clearly demonstrates that the legislative intent was always for the 300-foot buffer from residential zones to apply **only within CBZ Overlay Zones**.

³ The area that was previously zoned residential in the Airport Area CBZ has since been rezoned such that it is now zoned Service Commercial (C-S). There is now only one location in the City where residential zoning occurs within a CBZ Overlay Zone – the South Broad CBZ Overlay.

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The City's official Zoning Map further reinforces the legislative intent by clearly indicating that the 300-foot buffer applies to residential zones **within** the South Broad CBZ (see **Figure 1**). As stated above, the staff report from 09/04/2018 to establish CBZ Overlay Zones notes only two locations in the City where residential zoning occurs within a CBZ.

The need for this clarifying amendment was brought to staff's attention by an appeal regarding the Planning Commission's approval of a Conditional Use Permit (CUP) for a cannabis retail storefront at 2400 Broad Street. The appeal questioned the project's consistency with zoning regulations, including buffer requirements from residentially zoned areas. The proposed text amendment is declaratory of existing City law in effect since 2018, ensuring clarity and regulatory consistency for both pending and future projects. This clarifying text is a statement of what the ordinance has always meant and is intended to reflect the City's application of the buffer requirements since their adoption.

Additionally, staff recommends adding specific language to Section 17.86.080(E)(10)(B)(iii) to clarify that land uses established after the approval of a Use Permit for a retail storefront do not impede the existing use as a cannabis retail storefront. In other words, a new adjacent sensitive use does not affect the continuation of an existing use that was issued a Use Permit under the standards of the Municipal Code. This approach aligns with the principle that legally established land uses, often referred to as "nonconforming uses," are permitted to continue despite subsequent zoning changes or the introduction of new adjacent uses. This principle ensures that property owners can maintain their lawful operations without disruption, even as neighboring properties undergo changes.

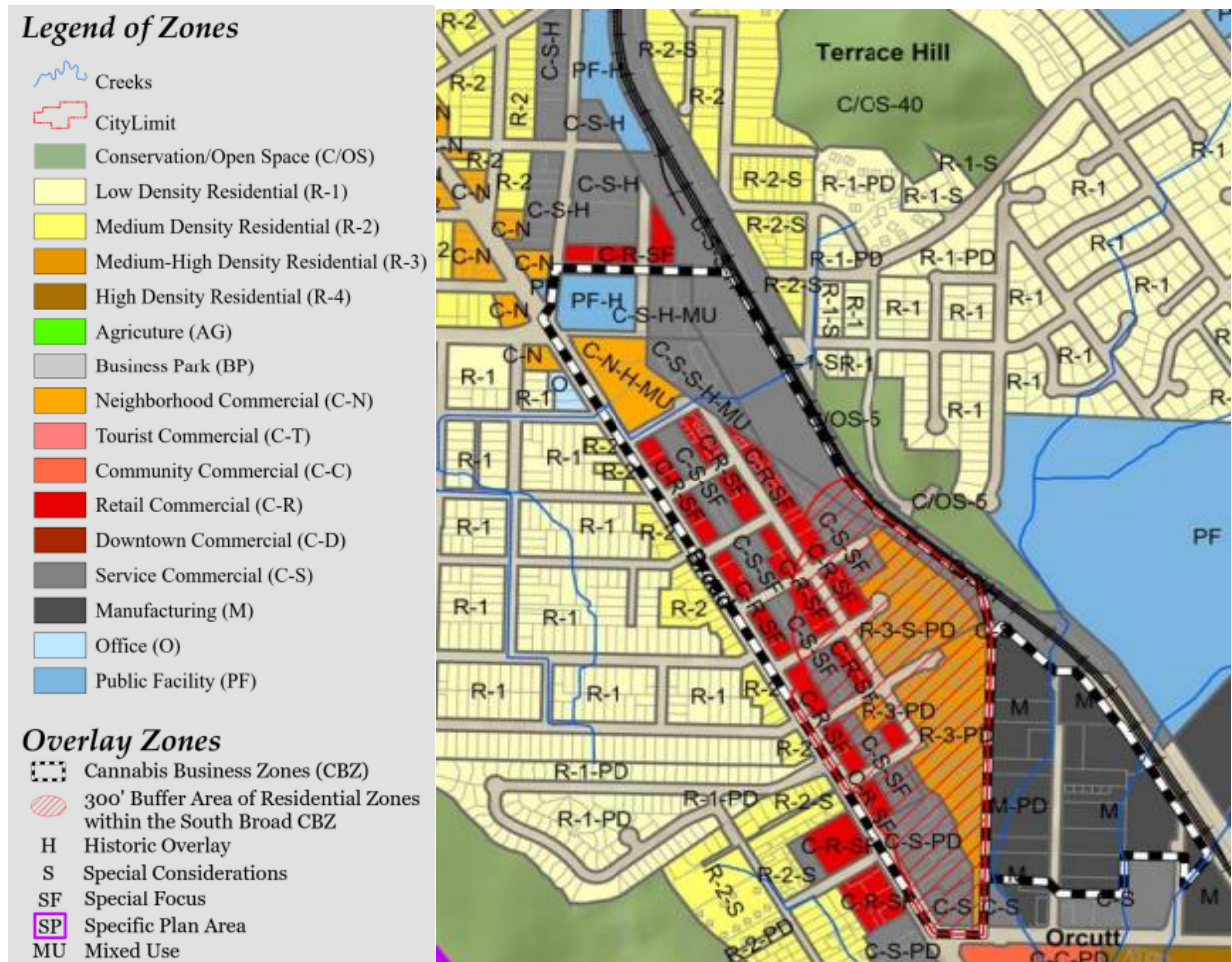


Figure 1: City of SLO Zoning Map and Legend – South Broad CBZ Overlay as Adopted by Ordinance No. 1727 (2023 Series)

4.2 Commercial Cannabis Development Standards

The term “CBZ Overlay” is referred to as “CAN Overlay” in SLOMC § 17.86.080(E)(5)(b). Both terms are interchangeable and refer to the same zoning designation. The proposed amendment to SLOMC § 17.86.080(E)(5)(b) is to replace the term “CAN Overlay” with “CBZ Overlay,” consistent with the City Zoning Map and Table 1-1 “Zones Established” within SLOMC § [17.06.020\(D\)](#).

4.3 Regulations for Retail Storefronts within a Microbusiness Operation

Hours of Operation for Retail Storefronts Within a Microbusiness Operation

On March 7th, 2023, the City Council adopted [Ordinance No. 1725 \(2023 Series\)](#) amending Chapter 9.10 (Cannabis Regulations) and Chapter 17.86.080 (Cannabis Zoning Regulations) of the Municipal Code, modifying specific rules for commercial cannabis retail storefront operations. The amendments expanded the allowable hours of operation from 9:00AM and 8:00PM daily to 7:00AM and 9:00PM daily. However, the Ordinance did not consider microbusiness operations, which are operations that engage in at least three (3) of the following commercial cannabis activities under one location:

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cultivation, manufacturing, distribution, and retail sale (SLOMC § [17.156.028](#); [Cal. Code Regs., Title 4, §15500](#).) As currently adopted, SLOMC § 17.86.080(E)(12)(c)(v)(ix) (Microbusiness Development Standards), states that the hours of retail sales shall be limited to between 9:00AM and 8:00PM. Under state regulations (Cal. Code Regs., Title 4, § 15500), microbusinesses authorized to engage in retail sale are required to comply with all rules and requirements applicable to a retailer license. Similarly, SLOMC § 17.86.080(E)(12)(c)(i) requires microbusinesses authorized to engage in retail sales to comply with the regulations established for retail commercial cannabis activity. Therefore, staff is recommending updating the hours of operation for retail storefronts within a microbusiness operation to be consistent with the hours of operation for a retail storefront only business: between 7:00AM and 9:00PM daily.

Required Signage for Retail Storefronts within a Microbusiness Operation

Ordinance No. 1725, referenced in the preceding section, also modified age restrictions for retail storefront operations. Specifically, the adopted ordinance allows individuals 18 to 20 years of age who have a valid physician’s recommendation for medicinal cannabis to enter and access retail storefronts that possess a valid state of California cannabis retailer license with M-designation (For Medical Use) (Cal. Code Regs., Title 4, § 15000.2). As with the amendment to the hours of operation for retail storefronts, the Ordinance did not include microbusiness operations that engage in retail storefront sales. Therefore, staff is recommending an amendment to SLOMC § 17.86.080(E)(12)(c)(v)(x), which states the entryway signage requirements for retail storefronts associated with a microbusiness.

4.4 Purpose Statement – Reference to Federal Law

As discussed in the [Annual Cannabis Business Program Update in 2024](#), at a federal level, there has been discussion of rescheduling cannabis from Schedule I to Schedule III under the Controlled Substances Act (CSA). However, there is no concrete timeline on when the U.S. Drug Enforcement Administration (DEA) will take action. Staff recommends removing the specific CSA classification of marijuana (cannabis) from the Cannabis Zoning Regulations “Purpose” statement found in SLOMC § 17.86.080(A). Instead, the proposed amendment will revise the purpose statement to state that the provisions of Section § 17.86.080 are not intended to affect or alter federal law, regardless of the classification. This avoids having to update this section whenever the federal government changes the classification of marijuana while still reinforcing that the provisions of the cannabis zoning regulations are not intended to affect or alter federal law.

5.0 ENVIRONMENTAL REVIEW

Adoption of the proposed amendments to Section § 17.86.080 of the Municipal Code have been reviewed in accordance with the California Environmental Quality Act (CEQA) Guidelines. It has been determined that the amendments are exempt from environmental review under CEQA Guidelines Section § 15301(b)(3) (General Rule Exemption), which applies to activities that can be clearly seen to have no potential for significant environmental impact. Project-specific environmental review will be required for any new commercial cannabis activity.

6.0 OTHER DEPARTMENT / DIVISION REVIEW

Some of the proposed amendments are declaratory of existing law, ensuring clarity and regulatory consistency for both pending and future projects, and others are intended to conform City regulations to allowances under state law. The Director of Community Development and the City Attorney's Office have reviewed the proposed amendments to the City's Cannabis Zoning Regulations and have found them to be consistent with State Law and the legislative intent of the adopted Ordinance.

7.0 ALTERNATIVES

1. **Recommend the City Council does not adopt the recommended changes to the Zoning Regulations.** The proposed changes to Sections 17.86.080(E)(4)(e), 17.86.080(E)(10)(b)(iii), and 17.86.080(E)(12)(c)(vii) are declaratory of existing law, and without adoption of the recommended changes, unintended ambiguity may persist regarding existing land use and operational requirements for commercial cannabis activity. The proposed changes to Section 17.86.080(E)(12)(c)(ix)-(x) are intended to reflect what is permitted under current state law, and without adoption of the recommended changes, the City's cannabis regulations will remain inconsistent therewith.
2. **Modify the recommendation.** The Planning Commission may modify the recommended action prior to adopting the proposed Resolution.

8.0 ATTACHMENTS

- A - **Draft PC Resolution** recommending the City Council introduce and approve an Ordinance to amend Section 17.86.080 ("Cannabis") of Title 17 of the Municipal Code to clarify specific land use and operational requirements for commercial cannabis activity (CODE-0051-2025).