



Department: Community Development
Cost Center: 4003
For Agenda of: 3/21/2023
Placement: Consent
Estimated Time: N/A

FROM: Michael Codron, Community Development Director
Prepared By: Alex Fuchs, Cannabis Business Coordinator

SUBJECT: SECOND READING OF ORDINANCE NO. 1725 (2023 SERIES)
AMENDING CHAPTER 17.86 AND CHAPTER 9.10 OF THE MUNICIPAL
CODE MODIFYING RETAIL STOREFRONT OPERATIONAL RULES

RECOMMENDATION

Adopt Ordinance No. 1725 (2023 Series) entitled, “An Ordinance of the City Council of the City of San Luis Obispo, California, amending Chapter 17.86 (Regulations for Specific Land Uses and Activities) and Chapter 9.10 (Cannabis Regulations) of the Municipal Code modifying specific rules for commercial cannabis business retail storefront operations.”

POLICY CONTEXT

At the Cannabis Business Program update in October 2022, Council directed staff to further evaluate and return with recommendations addressing requests to modify specific cannabis retail storefront operational rules. The requests included expanding retail storefront hours of operations, allowing retail storefronts to also engage in cannabis delivery, and allowing medical cannabis users aged 18-20 to access retail storefronts. Staff completed an evaluation and developed proposed amendments to Chapter 17.86 and Chapter 9.10 of the Municipal Code addressing Council’s direction as detailed in Ordinance No. 1725 (2023 Series) included with this report as Attachment A.

DISCUSSION

On March 7, 2023, City Council introduced Ordinance No. 1725 (2023 Series) amending Chapter 17.86 and Chapter 9.10 of the Municipal Code modifying specific rules for commercial cannabis retail storefront operations. The rule modifications include extending hours of operations and allowing retail storefronts to also engage in cannabis delivery services. The following is a summary of the amendments to Chapter 17.86 and Chapter 9.10 of the Municipal Code.

1. Commercial Cannabis Development Standards (17.86.080 (E)(5)(f))

Modify the conditions of approval for commercial cannabis use permits to allow persons aged 18-20 to access the premises if the person possess a valid physician’s recommendation for medical cannabis.

2. Retail—Storefront (17.86.080 (E)(10))

Allow retail storefronts to operate between the hours of 7:00 a.m. and 9:00 p.m. Allow retail storefronts that possess a state retailer license with an M-designation or both an A-designation and an M-designation to allow persons aged 18-20 to enter if the person possess a valid physician's recommendation for medical cannabis.

3. Minors (9.10.230)

Allow commercial cannabis businesses that possess a state retailer license with an M-designation or both an A-designation and an M-designation to allow persons aged 18-20 to enter if the person possess a valid physician's recommendation for medical cannabis. Require signage be posted at every entrance to a commercial cannabis business noticing of the requirement.

4. Security and Safety Measures (9.10.250 (C))

Allow retail storefronts to operate between the hours of 7:00 a.m. and 9:00 p.m.

Public Engagement

Staff conducted outreach to Cal Poly, Cal Poly's Associated Students, Inc. (ASI), Cuesta College, and existing cannabis operators in advance of the March 7, 2023, Council meeting to present the Cannabis Business Program update and introduce a draft of the Ordinance. Postcard notifications were sent out to all property owners and tenants within 300 feet of the existing retail storefront businesses in advance of the Planning Commission meeting on February 8, 2023, and in advance of the March 7, 2023, Council meeting in accordance with public noticing requirements. Both meetings provided an opportunity for public comment on the proposed amendments.

CONCURRENCE

The Cannabis Steering Committee comprised of representatives from the City Attorney's office, Police Department, Finance Department, Community Development Department, and City Administration met to review and deliberate the proposed changes. The Cannabis Steering Committee support the recommended changes to the Cannabis Business Program discussed in this report.

ENVIRONMENTAL REVIEW

The proposed amendments were reviewed in accordance with the California Environmental Quality Act (CEQA) Guidelines and are determined to be exempt from environmental review pursuant to the General Rule under CEQA Guidelines Section 15061(b)(3), which exempts activities that can be seen with certainty to have no possibility for causing a significant effect on the environment.

The proposed amendments to Chapter 17.86 and Chapter 9.10 of the Municipal Code constitute minor modifications to the rules governing commercial cannabis business retail storefront operations and do not have a significant effect on the environment. Project specific environmental review will be required for any new commercial cannabis operation. Any new or existing retailer applying for a delivery permit would be required to comply with all applicable state and local law, including a showing of CEQA compliance or exemption.

FISCAL IMPACT

Budgeted: Yes

Budget Year: On-going

Funding Identified: Yes

Fiscal Analysis:

| Funding Sources | Total Budget Available | Current Funding Request | Remaining Balance | Annual Ongoing Cost |
|-----------------|------------------------|-------------------------|-------------------|---------------------|
| General Fund | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| State | | | | |
| Federal | | | | |
| Fees | | | | |
| Other: | | | | |
| Total | \$ 0 | \$ 0 | \$ 0 | \$ 0 |

Staff is not recommending an adjustment to the cannabis tax revenue budget at this time because it is not known if or when the operators will request or be approved for the change in operational hours. Once the changes go into effect, staff will continue to monitor and evaluate and will recommend budget adjustments that may be warranted based on actual revenue received.

ALTERNATIVE

Council could decide not to adopt Ordinance No. 1725 (2023 Series) amending Chapter 17.86 and Chapter 9.10 of the Municipal Code. This action is not recommended because the amendments were presented at a duly noticed public meeting and a draft of the Ordinance was introduced by City Council on March 7, 2023.

ATTACHMENTS

A - Ordinance No. 1725 (2023 Series)