



City of Costa Mesa

Agenda Report

77 Fair Drive
Costa Mesa, CA 92626

File #: 22-837

Meeting Date: 8/22/2022

TITLE:

PLANNING APPLICATION 21-18 FOR A RETAIL CANNABIS STOREFRONT BUSINESS WITH DELIVERY LOCATED AT 2710 HARBOR BOULEVARD (STIIIZY)

DEPARTMENT: **ECONOMIC AND DEVELOPMENT SERVICES DEPARTMENT/PLANNING DIVISION**

PRESENTED BY: NANCY HUYNH, SENIOR PLANNER

CONTACT INFORMATION: NANCY HUYNH, 714-754-5609; Nancy.Huynh@costamesaca.gov

RECOMMENDATION:

Staff recommends that the Planning Commission adopt a Resolution to:

1. Find that the project is categorically exempt from the provisions of the California Environmental Quality Act (CEQA) per CEQA Guidelines Section 15301 (Class 1), Existing Facilities; and
2. Approve Planning Application 21-18, subject to conditions of approval.

APPLICANT OR AUTHORIZED AGENT:

The applicant/authorized agent is Tak Sato of Shryne Harbor LLC, on behalf of the property owner, Gregory Johnson.

BACKGROUND:

The subject property is located at 2710 Harbor Boulevard, which is generally situated south of the intersection of Adams Avenue and Harbor Boulevard. The site is zoned C1 (Local Business District) and is surrounded by other commercially zoned properties (C1, C2 - General Business District, C1-S - Shopping Center District). The site has a General Plan Land Use Designation of General Commercial.

Existing development on the subject property consists of a one-story 11,274-square-foot commercial building with a shared surface parking lot located at the front of the building. The parking and existing driveways are shared among the commercially zoned properties at 2706, 2710 (subject site), 2730, 2750, and 2790 Harbor Boulevard. There are multiple driveways that provide access to these properties including two driveways along Harbor Boulevard, one along Adams Avenue, and three along Peterson Place (to the rear of the properties). Each of these properties are individually owned.

The previous use of the subject commercial building was a home-furnishing establishment ("Pier 1 Imports") which has been vacant since 2020. The proposed retail cannabis storefront use with delivery, "Stiiizy," would occupy the entire existing building.

The property is located on one of the City's primary commercial corridors and the surrounding uses predominantly include multi-tenant commercial centers. Existing businesses in these commercial centers consist of a variety of restaurants/bars, grocery stores, pharmacy, massage and beauty parlors, medical and general offices, and automotive dealerships. The property also abuts (across Peterson Place) an existing R3 zoned (Multiple-Family Residential District) apartment development ("Harbor at Mesa Verde"), which contains over 300 residential units.

There are no open Code Enforcement cases on this property.

The applicant has partnered with an existing cannabis manufacturing and distribution facility located in Costa Mesa, Nature's Market - which was approved in 2018 pursuant to Measure X and has been operating since 2020. There are no active Code Enforcement cases at the Measure X facility.

Non-Conforming Development

The existing development is legal-nonconforming in terms of the parking, setback, landscaping, and floor area ratio (FAR), and therefore is subject to the nonconforming provisions of the Costa Mesa Municipal Code (CMMC) Section 13-204. Pursuant to this Code Section, a conforming use may be located on a nonconforming property so long as the new site modifications do not result in greater site nonconformities, and such improvements bring the site into greater conformance with Code requirements. In addition, if the site is legal non-conforming in regards to parking, a use may not be replaced with a conforming use that requires more parking, unless additional parking is provided pursuant to the CMMC.

The CMMC and General Plan establish maximum floor area ratios (FARs) for each non-residential land use designation based on trip generation characteristics. Pursuant to the General Plan, the maximum FAR for the proposed use is 0.20 and the existing FAR is 0.38. Improvements would be made to bring this structure into compliance with current building and safety codes; however, and as specifically allowed by the CMMC, the building size and placement on the site and associated nonconforming FAR, setbacks, and landscaping can remain, and is considered legal-nonconforming. Lastly, the parking required for the previous retail home-furnishing store is the same for the cannabis storefront and therefore, no additional parking is required.

City of Costa Mesa Medical Marijuana Measure (Measure X) and Costa Mesa Retail Cannabis Tax and Regulation Measure (Measure Q)

In November 2016, Costa Mesa voters approved Measure X, allowing medical cannabis manufacturing, packaging, distribution, research and development laboratories, and testing laboratories in “Industrial Park” (MP) and “Planned Development Industrial” (PDI) zoned properties north of South Coast Drive and west of Harbor Boulevard (“The Green Zone,” excluding the South Coast Collection property located at 3303 Hyland Avenue). Measure X is codified in Titles 9 and 13 of the CMMC.

In 2018, non-medical adult use cannabis became legal in California under the State’s Medicinal and Adult-Use Cannabis Regulation and Safety Act (Proposition 64). On April 3, 2018, the City Council adopted Ordinance No. 18-04 to allow non-medical use cannabis facilities in the same manner and within the same geographic area as were previously allowed pursuant to Measure X.

On November 3, 2020, Costa Mesa voters approved Measure Q, the Costa Mesa Retail Cannabis Tax and Regulation Measure. This measure allowed the City to adopt regulations permitting storefront retail (dispensaries) and non-storefront retail (delivery) within the City subject to certain requirements. On June 15, 2021, the City Council adopted Ordinances No. 21-08 and No. 21-09 to amend Titles 9 and 13 of the CMMC to establish regulations for legal cannabis storefront and non-storefront uses. A “non-storefront” retailer sells packaged cannabis goods to customers through direct delivery.

Cannabis Business Permit (CBP) Application Process

The process to establish a retail cannabis business is subject to an extensive submittal and application review procedure. Retail cannabis applicants must obtain the following City approvals and State approval before conducting business in Costa Mesa:

- Pre-Application Determination;
- CBP Notice to Proceed;
- Conditional Use Permit (CUP);
- Building Permit(s);
- Final City Inspections;
- CBP Issuance; and
- City Business License.

The “Pre-Application Determination” includes staff review of a detailed applicant letter that describes the proposed business, an existing site plan, statement attesting that there is/has been no unpermitted cannabis activity at the site within one year, and a detailed map demonstrating the proposed storefront’s distance from sensitive uses. Staff also visits the site at this time. Planning staff has completed the aforementioned pre-application review, visited the site, and issued a letter indicating that the application complies with the City’s required separation distances from sensitive uses and may

proceed to submittal of a CBP.

Following completion of the pre-application review, the applicant submitted a CBP application for the initial phase of the CBP review. Staff's initial CBP review includes:

- A background check of the business owner(s)/operator(s);
- An evaluation of the proposed business plan (including a capitalization analysis); and
- An evaluation of the proposed security plan by the City's cannabis security consultant, HdL Companies (HdL).

The applicant successfully passed these evaluations and staff issued a "CBP Notice to Proceed," which allows the applicant to submit a CUP application.

The CUP application and required supportive materials were submitted by the applicant and reviewed for conformance with City standards and regulations by the Planning Division, Building Division, Public Works Department (including Transportation and Engineering Divisions), Fire Department, and Police Department.

If the Planning Commission approves the CUP, the applicant may then begin the remaining steps of the CBP process, which include:

- Obtaining building permits;
- Completing tenant improvements; and
- Demonstrating through various City reviews/inspections that all conditions of approval have been satisfied, and that all other requirements of the CMMC have been met.

After passing the final City and HdL inspections, the CBP would be issued. CBP approval is valid for a two-year period and must be renewed (every two-years) prior to expiration. During the two-year CBP period, the Community Improvement Division (CID), along with other City staff, will conduct site inspections to verify that the business is operating in compliance with CUP and CBP requirements. Violations identified during site inspections may be grounds for revocation of issued permits or non-renewal of a CBP.

After obtaining the CBP, the applicant would apply for and obtain a City Business License through the Finance Department. Lastly, the applicant must obtain the appropriate license from the State Department of Cannabis Control (DCC) prior to operating.

Cannabis retail businesses are subject to a City established seven-percent gross receipts tax, which must be paid to the City of Costa Mesa's Finance Department. Records and revenues are audited annually by the Finance Department and HdL Companies.

DESCRIPTION:

Planning Application 21-18 is a request for a CUP to allow a retail cannabis use within an existing 11,274-square-foot commercial building located at 2710 Harbor Boulevard. The affiliated State license is Type 10 "storefront retailer" which also allows retail delivery. Upon approval of a CUP, CBP, City Business License, and State licenses, the business would sell pre-packaged cannabis and pre-packaged cannabis products directly to customers onsite, and via delivery to private addresses, subject to conditions of approval and other City and State requirements.

ANALYSIS:

Conditional Use Permit Required

Pursuant to CMMC Sections 13-28(B) and 13-200.93(c)(1), subject to the approval of the Planning Commission, a CUP is required for the establishment of cannabis retail storefronts and non-storefronts (delivery) in a commercial zone. The subject site is located within a commercial zone (C1 - Local Business District) where commercial development is specifically allowed to include retail storefronts. The property is located on one of the City's primary commercial corridors and generally surrounded by other commercial uses. Pursuant to the CMMC, cannabis retail storefronts are subject to extensive regulation (as specifically described in this report). These regulations are adopted to prevent land use inconsistencies with adjacent properties. Pursuant to the CMMC, the approval of a CUP requires that the Planning Commission make findings related to neighborhood compatibility, health and safety and land use compatibility. The analysis regarding CUP findings is provided further below in this report. Lastly, staff has drafted specific conditions of approval, included in the Resolution, to ensure site-specific land use compatibility.

Separation Requirements

CMMC Section 13-200.93(e) stipulates that no cannabis retail storefront use shall be located within 1,000 feet from a K-12 school, playground, licensed child daycare, or homeless shelter, or within 600 feet from a youth center as defined in CMMC Title 9, Chapter VI, Section 9-485, that is in operation at the time of submission of a completed cannabis business permit application. All separation distances are measured in a straight line from the “premises” where the cannabis retail use is to be located to the closest property line of the sensitive use(s). Premises is as defined in the State’s Business and Professions Code Section 26001(aq) as *the designated structure or structures and land specified in the application that is owned, leased, or otherwise held under the control of the applicant or licensee where the commercial cannabis activity will be or is conducted. The premises shall be a contiguous area and shall only be occupied by one licensee.* Therefore, the premises only includes the retail cannabis activity areas (including sales, storage, back-of-house and/or other ancillary areas) and excludes the parking lot and other areas that are not part of the area licensed by the State for commercial cannabis activity. The subject site complies with the required separation from sensitive uses.

Exterior Tenant Improvements

The existing building façade and exterior components are in good condition and thus the applicant is proposing only minor exterior upgrades that include painting grey accent trim at the façade and at the bottom of the building pilasters. The existing surface parking lot is also in good condition and in compliance with the City’s parking design standards. As such, the applicant is not proposing any changes to the parking lot. The applicant is proposing to update the landscaping at the front of the building with drought tolerant landscaping.

The applicant also proposes to update the site with security lighting, surveillance cameras, and new business signage (signs would be reviewed and permitted separately per the City’s sign code requirements).

Interior Tenant Improvements

The proposed interior improvements involve constructing new demising walls to create “back-of-house” areas including storage room, offices, employee break room, restrooms, and a delivery staging room. The proposed retail sales area is an open floor plan including a check-in/lobby area located at the front entrance. A new glass divider wall would separate the lobby from the retail sales area. Below is a floor area summary of each space within the 11,274-square-foot tenant space.

Table 1 - Floor Plan Summary

| Operational Area | Square Feet |
|------------------------------------|--------------------|
| Retail Sales Area w/ Check-in Area | 6,981 SF |
| Security Room | 121 SF |
| Storage Room | 1,242 SF |
| Offices | 265 SF |
| Delivery/Assembly Room | 1,397 SF |
| Employee Break Room | 322 SF |
| Bathrooms | 139 SF |
| Hallways | 686 SF |
| Miscellaneous Rooms | 121 SF |
| Total | 11,274 SF |

Customer and Employee Access

Customers would only be allowed in the check-in lobby and retail sales area. Customer access to the proposed establishment includes entering the licensed premise through the main entrance doors that lead directly in to the check-in lobby. A greeter employee would verify the customer’s identity and age before allowing the customer to enter the retail sales area. After a customer’s identity and age is verified and their transaction is completed, they must leave the premise. As further conditioned, a security guard would monitor the area at all times to ensure that customers are following regulations.

All other areas of the premises would be accessible only to employees with the proper security credentials. Employees would enter through either of the two access-controlled "employee-only entrance(s)" located at the rear of the building that leads into the back-of-house areas.

Delivery Operations and Vendor Access

During business hours, delivery and vendor vehicles would use the loading/unloading area proposed at the rear of the existing building that is directly adjacent to the rear access-controlled door. There are two existing driveways at the rear of the building along Peterson Place, which provide access to the designated loading/unloading area. There are no existing parking spaces located in this rear area and this area of the site was also previously used by the home-furnishing store for loading/unloading. As proposed, the rear area would be used for retail product delivery and vendor vehicle loading/unloading only.

The distance from the rear access-controlled door to the loading/unloading area is less than 25 feet. The applicant is proposing a maximum of six-delivery vehicles with no more than two vehicles in the loading/unloading area at a given time. When loading/unloading vehicles, delivery employees would enter/exit through the access-controlled door, and vendors would only be allowed to enter the premise while accompanied by an employee. All delivery loading and unloading will occur in the aforementioned loading/unloading area, would be under camera surveillance and be monitored by the required site security personnel. All orders received for home delivery will be "tracked and traced," including vehicles used for such deliveries. All delivery activities would be in compliance with State and City requirements per the required conditions of approval. As conditioned, the access-controlled doors, path of travel, and vehicle loading/unloading area would be under camera surveillance at all times.

Storefront/Delivery Operations

The proposed business is required to comply with retail storefront and operational conditions/requirements as follows:

- Display State license, CBP, and City business license in a conspicuous building location;
- Hours of operations are limited to 7:00 AM to 10:00 PM daily;
- Shipments of cannabis goods may only be accepted during regular business hours;
- Cannabis inventory shall be secured using a lockable storage system during non-business hours;
- At least one licensed security guard shall be on premises 24-hours a day;
- The premises and the vicinity must be monitored by security and/or other staff to ensure that patrons immediately leave and do not consume cannabis onsite or within close proximity. The CMMC prohibits the consumption of cannabis or cannabis products in public areas; cannabis consumption is limited to non-public areas, such as within a private residence. State law further prohibits cannabis consumption and open container possession within 1,000 feet of sensitive uses and while riding in or driving a vehicle;
- There must be continuous video monitoring and recording of the interior and exterior of the premises;
- Adequate security lighting shall be provided and shall be designed to prevent offsite light spill;
- Onsite sales of alcohol or tobacco products and on-site consumption of alcohol, cannabis, and tobacco products is prohibited;

- No one under the age of 21 is allowed to enter the premises. If the business holds a retail medical cannabis license (M-license) issued by the State, persons over the age of 18 may be allowed with the proper medical approvals i.e. physician's recommendation or medical card pursuant to CMMC Section 9-495(h)(6);
- Prior to employment, all prospective employees must successfully pass a background check conducted by the City, and the employee must obtain a City issued identification badge;
- Customers are only granted access to the retail area after their age and identity has been confirmed by an employee;
- Each transaction involving the exchange of cannabis goods between the business and consumer shall include the following information:
 - Date and time of transaction;
 - Name and employee number/identification of the employee who processed the sale;
 - List of all cannabis goods purchased including quantity; and
 - Total transaction amount paid.
- There must be video surveillance of the point-of-sale area and where cannabis goods are displayed and/or stored;
- Cannabis products shall not be visible from the exterior of the building;
- Free samples of cannabis goods are prohibited;
- When receiving new inventory from licensed distributors, employees will verify the distributor's identity and license prior to allowing them to enter the facility through an access-controlled door. After distributor's credentials have been confirmed, an employee will escort the distributor to the shipping and receiving area and remain with them throughout the process.
- Cannabis goods to be sold at this establishment (either storefront or delivery) must be obtained by a licensed cannabis distributor and have passed laboratory testing;
- Cannabis product packaging must be labeled with required test results and batch number;
- Packaging containing cannabis goods shall be tamper and child-resistant; if packaging contains multiple servings, the package must also be re-sealable;
- When processing orders for cannabis delivery, employees will collect the pre-packaged materials, load products into a secured container and transport the containers to delivery vehicles outside the building. Video surveillance cameras will be installed with direct views of the path of travel and loading and unloading area. All loading and unloading of delivery vehicles will be monitored by the required security guard;
- Cannabis deliveries must be made in-person by an employee of the licensed retailer. An independent contractor, third-party courier service, or an individual employed through a staffing agency would not be considered employed by the licensed retailer;
- The applicant shall maintain proof of vehicle insurance for any and all vehicles being used to deliver cannabis goods;
- During delivery, the employee shall maintain a physical or electronic copy of the delivery request and shall make it available upon request by the licensing authority and law enforcement officers;
- A delivery employee shall not leave the State of California while possessing cannabis products and while performing their duties for the cannabis retailer;
- The business shall maintain a list of all deliveries, including the address delivered to, the amount and type of product delivered, and any other information required by the State;
- Any delivery method shall be made in compliance with State law, as amended, including use

of a vehicle that has a dedicated global positioning system (GPS) device for identifying the location of the vehicle (cell phones and tablets are insufficient);

- Signs, decals or any other form of advertisement on the delivery vehicles are prohibited;
- Deliveries must be made to a physical address that is not on publicly owned land and cannot be a school, a day care, homeless shelter, or a youth center; and
- A cannabis delivery employee shall not carry cannabis goods valued in excess of \$5,000 at any time, with no more than \$3,000 of cannabis goods that are not already part of a customer order that was processed prior to leaving the premises.

Business Plan

The applicant has submitted a detailed business plan that was evaluated by the City's cannabis consultant (HdL). The business plan described the owners' experience, proof of capitalization, pro forma, target customers, key software, and daily operations. The business plan contains proprietary details and is therefore not included as an attachment to this staff report. The City's cannabis consultant determined that the applicant's business plan was appropriate for continued entitlement processing.

Security Plan

The applicant has submitted a professionally prepared security plan for the proposed retail cannabis establishment. The City's cannabis consultant reviewed the security plan and determined that appropriate security measures were included to address the City's security requirements pursuant to CMMC Title 9, Chapter VI, and State law.

Since the security plan contains sensitive operational details that require limited public exposure to remain effective, the plan is not included as an attachment. However, the following is a list of general security measures that are required for the proposed cannabis retail establishment:

- At least one security guard will be on-site 24-hours a day;
- All employees, including drivers, must pass a "Live Scan" background check;
- City-issued identification badges are required for employees;
- An inventory control system shall be maintained;
- Exterior and interior surveillance cameras shall be monitored and professionally installed;
- An alarm system shall be professionally installed, maintained, and monitored;
- Surveillance footage must be maintained for a minimum of 90 days;
- Cash, cannabis, and cannabis products shall be kept in secured storage areas;
- Sensors shall be installed that detect entry and exit from all secured areas;
- Security lighting (interior and exterior) shall be installed;
- Emergency power supply shall be installed;
- Employees shall be trained for use with any/all emergency equipment;
- Delivery drivers shall be trained on delivery safety protocols;
- Employees and vendors will be trained regarding cash and product transportation protocol;
- Visitor/customer specific security measures shall be required;
- All facility entry and exit points and locations where cash or cannabis products are handled or stored shall be under camera surveillance;
- The applicant shall submit a list of all vehicles to be used for retail delivery purposes to the

Costa Mesa Police Department. The list shall identify the make, model, color, license plate number, and registered owner of each vehicle. The applicant shall submit an updated vehicle list each quarter with the required quarterly update to the employee roster pursuant to the CBP.

- Delivery vehicle drivers shall be at least age 21, have a current driver's license, successfully complete a live scan, and have a City-issued badge; and
- The business operator shall ensure that all delivery vehicles are properly maintained, all delivery drivers have a good driving record, and each driver conducts a visual inspection of the vehicle at the beginning of a shift.

Parking and Circulation

Retail cannabis uses are subject to the same parking ratio requirement as other retail establishments in the City (four spaces per 1,000 square feet of gross floor area). Based on this ratio, the total parking required for the 11,274-square-foot building is 45 parking spaces. The subject property identified below in Image 1, and bounded by a yellow dashed rectangle, has 33 parking spaces that are included with the existing 278 total parking spaces shared with the adjacent properties (properties included in the shared parking agreement are identified in Image 1 with a red dashed boundary) to the north and south. The aforementioned properties have maintained a recorded reciprocal agreement since 1968 to share parking and ingress/egress.

The parking for the subject use and the adjacent uses that are part of the reciprocal parking agreement is considered legal conforming because the shared site does not provide the 387 parking spaces required for the collective uses. However, and as mentioned above in the “*Nonconforming-Development*” Section of this report, the CMMC allows a new use to replace an existing use without compliance with parking requirements at a nonconforming site, as long as the parking demand from the proposed use does not exceed the parking demand of the previous use. Thus, the parking for the proposed cannabis retail establishment is in conformance with the CMMC in that the same parking demand for a home-furnishing retail establishment (previous use) is required for the proposed cannabis retail establishment.

Image 1 - Aerial View of Shared Parking/Driveways



Table 2 below shows a summary of the Zoning Code parking requirements for the uses located on the properties that are included in the reciprocal parking arrangement. The CMMC requires 387 parking spaces for the properties. As such, the parking is considered legal non-conforming in that the existing parking lot is only developed with 278 parking spaces.

Table 2 - Parking Summary

| Required Parking | | |
|---|-------------------|--|
| Land Use Category | Total SF | Zoning Code Requirement |
| Office (General) | 18,470 SF | 4/1,000 SF = 74 spaces |
| Medical, Spa/Massage | 8,210 SF | 6/1,000 SF = 49 spaces |
| Retail | 37,296 SF | 4/1,000 SF = 149 spaces |
| Food & Beverage Establishment (Under 300 Sq. Ft.) | 4,197 SF | 4/1,000 SF = 17 spaces |
| Food & Beverage Establishment (Over 300 Sq. Ft.) | 6,000 SF | 10/1,000 < 3,000 SF = 30 spaces 12/1,000 > 3,000 SF = 36 spaces |
| Studio | 3,236 SF | 10/1,000 = 32 spaces |
| Total Parking Required Per Zoning Code | 387 spaces | |
| Parking Demand | | |
| Weekday Demand | 301 spaces | |
| Weekend Demand | 219 paces | |
| Existing Parking | | |
| Shared Parking Available | 274 spaces | |

Staff visited the site on numerous occasions throughout the week during the different peak weekday hours to observe the parking condition and observed that, on average, there were 135 parking spaces available (refer to Table 3).

Table 3 - Parking Availability Survey

| Day of the Week | Time Observed | Parking Available |
|----------------------------------|---------------|-------------------|
| Monday | 1:00PM | 156 spaces |
| Tuesday | 4:00PM | 120 spaces |
| Wednesday | 3:00PM | 138 spaces |
| Thursday | 2:00PM | 141 spaces |
| Friday | 1:00PM | 120 spaces |
| Average Parking Available | | 135 spaces |

Access to the site is provided by multiple existing shared driveways along Adams Avenue, Harbor Boulevard, and Peterson Place. There is an existing public sidewalk at the front of the property along Harbor Boulevard and at the rear of the building along Peterson Place, which provides access to the site for pedestrians and bicyclists. The property also includes two existing driveways at the rear along Peterson Place, which would only be used for access to the delivery and vendor vehicle loading/unloading area.

As with many new uses and based on many factors that are difficult to quantify, it is difficult to anticipate exact demand for a new use; however, if parking shortages or other parking-related problems occur, the business owner or operator will be required to monitor the parking lot and institute appropriate operational measures necessary to minimize or eliminate the problem in a manner deemed appropriate by the Director of Economic and Development Services (see “Operational Conditions” of Approval No. 7 in the attached Resolution). Examples of parking demand management techniques include, but are not limited to, offsite parking for employees, reducing operating hours of the business, hiring an employee to monitor parking lot use and assist with customer parking lot circulation, encouraging customers to take advantage of delivery service instead of store visits, and incentivizing employee carpooling/cycling/walking. Lastly, staff has added a condition of approval (COA No. 25) in an effort to reduce parking demand by customers and employees, and also encourage active transportation. Condition of Approval No. 25 requires that the applicant install, within the building and prior to operating, an employee bicycle storage and locker area to encourage employee cycling to/from work, and a customer bike rack to be installed at the front of the building.

Traffic

The CMMC Section 13-275(e) indicates that any increase in traffic generation by a change of use that is required to obtain a discretionary permit, shall be subject to review by the appropriate reviewing authority, which may impose fees to address increased trip generation. If required, the fee collected is used to fund the City’s comprehensive transportation system improvement program. The purpose of the program is to ensure that the City’s transportation system has the capacity to accommodate additional trips. The Transportation Services Division determined that the appropriate average daily trips (ADT) for a cannabis retail establishment is approximately 108 trips per 1,000 square feet based on the Institute of Transportation Engineers (ITE) 11th Edition Trip Generation Manual for a “pharmacy/drug store with drive-through.” The City’s traffic review focuses on net trip increase and therefore the ADT for the previous/existing use(s) is credited (subtracted) from the proposed use ADT to estimate potential changes in trip generation. Staff analyzed the ADT of the previous retail home goods store and compared that with the proposed retail cannabis use ADT. CMMC Section 13-275(a), specifies that “a traffic impact study shall be required for all development projects estimated by the Public Works Department to generate one hundred (100) or more vehicle trip ends during a peak hour.” Staff determined that the proposed use does not meet the threshold for requiring a traffic study. However, the proposed use would be subject to a traffic impact fee. The estimated traffic impact fee is approximately \$135,000. The fee calculation would be finalized during the building permit plan check process and must be paid prior to building permit issuance.

Odor Attenuation

Cannabis products would arrive in State compliant packaging that is sealed and odor-resistant, and remain unopened while on the premises. However, a minimal amount of cannabis product would be removed from packaging for display purposes and would be placed in display containers. The proposed HVAC system would utilize “Activated Carbon Filtration” systems to completely filter the air within the building. As conditioned, the operator must replace the air filters at regular intervals, as directed in the manufacturer specifications. Further, as conditioned, if cannabis odor is detected outside of the building or off-site, the business owner/operator will be required to institute further operational measures necessary to eliminate off-site odors in a manner deemed appropriate by the Director of Economic and Development Services. Lastly, cannabis products are not allowed to be disposed of in the exterior trash area.

Proximity to Residential

The subject property is located in proximity to an existing apartment community (the “Harbor at Mesa Verde” apartments located on the east side of Peterson Place). The proposed use, similar to the previous home-furnishing store, utilizes the rear site area that fronts Peterson Place as an employee and vendor entrance/operation area. There is no parking at the rear as it is a designated loading area, and would only be used by delivery employees and licensed vendors during normal business hours.

To ensure neighborhood compatibility, proposed project conditions and requirements include the following:

- Business hours are limited from 7AM to 10PM (“Pier One” operating hours were previously 10AM to 9PM);
- Shield security lighting down and away from the residential areas to prevent light spillover. As conditioned, a photometric study would be required to be submitted during plan check to demonstrate that light levels at the residential property are minimal; and
- Limit the hours that the business can dispose of waste at the trash enclosure to avoid noise impacts during sensitive hours i.e. dispose of trash between 8AM and 8PM.

GENERAL PLAN CONFORMANCE:

The Costa Mesa General Plan establishes the long range planning and policy direction that guides change and preserves the qualities that define the community. The 2015-2035 General Plan sets forth the vision for Costa Mesa for the next two decades. This vision focuses on protecting and enhancing Costa Mesa’s diverse residential neighborhoods, accommodating an array of businesses that both serve local needs and attract regional and international spending, and providing cultural, educational, social, and recreational amenities that contribute to the quality of life in the community. Over the long term, General Plan implementation will ensure that development decisions and improvements to public and private infrastructure are consistent with the goals, objectives, and policies contained in this Plan.

The following analysis evaluates the proposed project’s consistency with applicable policies and objectives of the 2015-2035 General Plan.

1. Policy LU-1.1: *Provide for the development of a mix and balance of housing opportunities,*

commercial goods and services and employment opportunities in consideration of the need of the business and residential segments of the community.

Consistency: The proposed use would provide a new entrepreneurial business in Costa Mesa located within a commercial area as allowed under Measure Q, and provides new goods and services and new employment opportunities in the community.

2. **Objective LU-6B:** *Encourage and facilitate activities that expand the City's revenue base.*

Consistency: Retail cannabis uses are expected to generate increased tax revenues in that cannabis sales are subject to a seven-percent local tax on gross receipts. Approval of the proposed cannabis retail storefront with delivery would allow business operations that would expand the City's revenue base. This revenue can then be used for community services and infrastructure improvements that serve the community.

3. **Policy LU-6.15:** *Promote unique and specialized commercial and industrial districts within the City which allow for incubation of new or growing businesses and industries.*

Consistency: The proposed use is part of the specialized and growing cannabis industry that is limited in the surrounding region. Approval of this CUP would facilitate a new local business opportunity in a specialized and expanding industry. The proposed retail cannabis business would replace an existing retail establishment within a commercial district.

REQUIRED FINDINGS:

Pursuant to Title 13, Section 13-29(g), Findings, of the Costa Mesa Municipal Code, in order to approve the project, the Planning Commission must find that the evidence presented in the administrative record substantially meets specified findings as follows:

- *The proposed development or use is substantially compatible with developments in the same general area and would not be materially detrimental to other properties within the area.*

The subject site is located within a commercial zone (C1, Local Business District) where commercial development is specifically allowed to include retail storefronts. In addition, the property is located on one of the City's primary commercial corridors which is predominantly intended for commercial uses. Pursuant to the CMMC, cannabis retail storefronts and non-storefronts (delivery) are permitted uses in the City's commercial zones and are subject to extensive regulation (as specifically described in this report). These regulations are adopted to prevent land use inconsistencies with adjacent properties. Additionally, the proposed cannabis retail storefront use is not located within 1,000 feet of a K-12 school, playground, licensed child daycare, or homeless shelter, or within 600 feet of a youth center. All retail sales would take place underroof, no outdoor storage or sales are proposed nor would be allowed and delivery operations would be conditioned to be compliant with applicable local and State laws and to minimize potential impacts to surrounding properties. Staff does not anticipate that the proposed retail cannabis use would be materially detrimental to the adjacent uses that include several multi-tenant commercial centers with a variety of commercial businesses (offices, medical uses, restaurants, beauty parlors, grocery store, automotive dealerships, and other retail and service amenities). In addition, staff does not anticipate that the use would be

materially detrimental to the existing businesses onsite since based on staff's site observations; there is adequate parking available for all of the businesses in the shopping center. In addition, the proposed retail use replaces a previous retail use with similar hours of operation. Therefore, the retail cannabis use would be compatible with other properties within the area, and in compliance with local and State requirements.

- Granting the conditional use permit will not be materially detrimental to the health, safety and general welfare of the public or otherwise injurious to property or improvements within the immediate neighborhood.

The proposed cannabis retail storefront with delivery use would follow safety measures detailed in a professionally-prepared security plan. The security plan was evaluated for compliance by the City's cannabis consultant, HdL. Measures designed to maintain safety at the site include, but are not limited to, at least one security guard would be onsite at all times and security devices shall be installed before operation. Examples of security devices include window and door alarms, motion-detectors, limited access areas, and a monitored video surveillance system covering all exterior entrances, exits, exterior path of travel/loading and unloading areas, and all interior limited access spaces. In addition, the business employees, including delivery drivers and part-time staff, must pass a live scan background check and obtain an identification badge from the City. The conditions of approval include, but are not limited to, the aforementioned security measures to ensure that the use would not be materially detrimental to the health, safety and general welfare of the public or be otherwise injurious to property or improvements within the immediate neighborhood.

- Granting the conditional use permit will not allow a use, density or intensity which is not in accordance with the General Plan designation and any applicable specific plan for the property.

The proposed retail use is located within an existing commercial building on a property that has a General Plan land use classification of "General Commercial." No additional square footage is proposed and the proposed retail cannabis establishment would replace a previous retail establishment; therefore, approving the CUP would not increase site intensity. As stated in the General Plan Land Use Element, the City's commercial designations "accommodate the full range of commercial activity present and desired in Costa Mesa." The use is consistent with General Plan policies related to providing a mixture of commercial goods, services, and employment opportunities; expanding the City's tax base; and promoting the incubation of unique and specialized businesses.

ENVIRONMENTAL DETERMINATION:

The project is categorically exempt from the provisions of California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines Section 15301 for the permitting and/or minor alteration of Existing Facilities, involving negligible or no expansion of the existing or prior use. This project site contains an existing commercial building that has been used for commercial activities and the application does not propose an increase in commercial floor area or otherwise expand the prior commercial use. The project is consistent with the applicable General Plan land use designation and policies as well as with the applicable zoning designation and regulations.

ALTERNATIVES:

The Planning Commission has the following alternatives:

1. *Approve the project.* The Planning Commission may approve the project as proposed, subject to the conditions outlined in the attached Resolution.
2. *Approve the project with modifications.* The Planning Commission may suggest specific changes that are necessary to alleviate concerns. If any of the additional requested changes are substantial, the hearing should be continued to a future meeting to allow a redesign or additional analysis. In the event of significant modifications to the proposal, staff will return with a revised Resolution incorporating new findings and/or conditions.
3. *Deny the project.* If the Planning Commission believes that there are insufficient facts to support the findings for approval, the Planning Commission must deny the application, provide facts in support of denial, and direct staff to incorporate the findings into a Resolution for denial. If the project is denied, the applicant could not submit substantially the same type of application for six months.

LEGAL REVIEW:

The draft Resolution and this report have been approved as to form by the City Attorney's Office.

PUBLIC NOTICE:

Pursuant to Title 13, Section 13-29(d) of the Costa Mesa Municipal Code, three types of public notification have been completed no less than 10 days prior to the date of the public hearing:

1. **Mailed notice.** A public notice was mailed to all property owners and occupants within a 500-foot radius of the project site. The required notice radius is measured from the external boundaries of the property.
2. **On-site posting.** A public notice was posted on each street frontage of the project site.
3. **Newspaper publication.** A public notice was published once in the Daily Pilot newspaper.

As of the date this report was circulated, no written public comments have been received. Any public comments received prior to the August 22, 2022 Planning Commission meeting will be provided separately.

CONCLUSION:

The proposed project is a retail cannabis storefront business with delivery at an existing developed commercial property that is located on one of the City's commercial corridors and meets separation requirements established in CMMC 13-200.93(e). Staff and the City's cannabis consultant completed the Pre-Application Determination, Business Plan and Security Plan evaluations, owner background checks, and thoroughly reviewed the CUP materials. If approved, the operation would be required to comply with all conditions of approval and extensive City and State regulations.

If the Planning Commission approves the project, the applicant would next obtain building permits, complete tenant improvements, and pass City inspections prior to obtaining a CBP and City Business License. The CBP is valid for two years and must be continuously renewed, including inspections, prior to expiration. During each two-year CBP period, the Community Improvement Division, along with other City staff, will conduct site inspections to verify that the operation complies with CUP and CBP requirements. Violations identified during site inspections may be grounds for revocation of

issued permits or non-renewal of a CBP.

As proposed and conditioned, the use would be consistent with other commercial uses in the C1 zone (including the previously existing retail use), the Zoning Code, and the City's General Plan. The required findings for the CUP can be made, as described above, and therefore, staff recommends approval of Planning Application 21-18 subject to conditions of approval.