



City of Costa Mesa

Agenda Report

77 Fair Drive
Costa Mesa, CA 92626

File #: 22-772

Meeting Date: 6/27/2022

TITLE:

PLANNING APPLICATION 21-20 FOR A RETAIL CANNABIS STOREFRONT BUSINESS WITH DELIVERY LOCATED AT 124 EAST 17TH STREET

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 21-20, subject to conditions of approval.

APPLICANT OR AUTHORIZED AGENT:

The applicant/authorized agent is Peter Ishak of The Distillate Co., on behalf of the property owner, 124 17th St LLC.

BACKGROUND:

The subject property is located at 124 East 17th Street. The property is located on the north side of East 17th Street and is bounded by Cabrillo Street to the north, Fullerton Avenue to the southeast, and Newport Boulevard to the west. The site is zoned C2 (General Business District) and is surrounded by other commercial zoned properties (C2, C1 - Local Business District, CL - Commercial Limited District). The site has a General Plan Land Use Designation of General Commercial.

Existing development on the site consists of a one-story 2,340-square-foot commercial building with two tenant spaces and 14 parking spaces in the existing surface parking lot. The existing building is vacant but previous uses were a cell phone repair store (uBreakiFix) and barbershop (Floyd's 99 Barbershop). The proposed retail cannabis storefront use with delivery (the business name has yet to be determined) would occupy the entire building.

The surrounding uses include a variety of retail/commercial businesses. Adjacent uses to the west are furniture/mattress stores (The Find Consignments, Sit 'n Sleep, Ortho Mattress) and to the east are multi-tenant centers with an existing Irish restaurant/bar (The Harp Inn), hair and beauty salons, gym (The 12 Costa Mesa), and apparel store (T-Shirts Warehouse). Directly across East 17th Street is a multi-tenant center with existing uses such as Starbucks Coffee, optometry (Pearle Vision), juice bar (JuJuBar) as well as a medical urgent care center (Xpress Urgent Care). Also abutting the subject property is an existing automotive repair shop (Grand Prix Performance). The nearest residential zoned properties are located approximately 400 feet away from the subject property, on Cabrillo Street. The existing residences and the subject property are separated by other commercial zoned properties including a one-acre multi-tenant center to the east with a large surface parking lot.

There are no open Code Enforcement cases on this property.

The applicant currently owns and operates a cannabis manufacturing and distribution facility, The Distillate Co., in Costa Mesa - which was approved in 2018 under Measure X. More recently on December 9, 2021, the Zoning Administrator approved a minor CUP to add non-storefront retail (delivery) to their existing Measure X business - which is allowed

pursuant to Measure Q. The Distillate Co. has been operating in the City since 2021. There are no active Code Enforcement cases at the Measure X facility.

Non-Conforming Development

The existing development is legal-nonconforming in terms of landscaping and floor area ratio (FAR), and therefore is subject to the nonconforming provisions of the Costa Mesa Municipal Code (CMMC) Section 13-204. (The existing building setbacks and parking are in conformance with the current commercial development standards.) 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.

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 slightly higher at 0.23.

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, placement, floor area ratio, and associated nonconforming landscaping can remain and is considered legal-nonconforming. The applicant is proposing to bring the property into closer conformance by providing additional site landscaping.

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 Costa Mesa Municipal Code (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 only.

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 before obtaining State approval and 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 Services 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 21-20 is a request for a CUP to allow retail cannabis uses within an existing 2,340-square-foot commercial building located at 124 East 17th Street. The affiliated State license is a 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 Costa Mesa Municipal Code (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 (C2, General 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 is generally surrounded by commercial uses. Pursuant to the CMMC, cannabis retail storefronts are conditionally 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.

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 relatively good condition and do not require significant upgrades. The applicant proposes to maintain the existing façades but would update them with new paint and a new mural on the west-facing wall (mural to be reviewed separately). The existing accessible ramp at the front of the building would also be modified in order to accommodate a Building Code compliant van accessible parking space.

The property currently does not include site landscaping and pursuant to the CMMC, and as discussed in this report under "Non-Conforming Development", is not required to comply with the City's Landscaping requirements. However, the applicant is proposing to provide new landscaping at the front of the property, in a narrow strip along the driveway and install new trees within the rear parking lot. The applicant has provided a conceptual landscaping plan as part of their CUP plan submittal and final landscaping details (generally consistent with the conceptual plans) would be reviewed further during the plan check permitting process.

Other proposed exterior improvements include:

- Reconfiguring the existing parking spaces so that all parking (except for the van accessible space) is provided at the rear of the building including relocating the parallel parking spaces out of the existing driveway to provide a wider driveway width for improved circulation and removing the parking spaces at the front of the building which are

encroaching onto the City's public right-of-way;

- Constructing a new public sidewalk at the front of the property per City standards to "complete the street." The property currently does not have a sidewalk which results in a gap in the City sidewalk network along East 17th Street;
- Constructing new driveway access per City standards, with a reduced driveway width;
- Adding a bicycle rack to encourage multi-modal transportation;
- Restriping the parking lot to comply with the City's parking design standards; and
- Constructing a new trash enclosure.

The new public sidewalk and driveway are not required offsite improvements per the Municipal Code; however, the applicant is proposing to improve the property beyond the City's requirements in an effort to improve multi-modal circulation and active transportation options along East 17th Street.

The applicant also proposes to update the exterior site with security lighting, surveillance cameras and new business signage (signs to be reviewed and permitted under a separate submittal per the City's sign code). Security lighting would be shielded and pointed downward. The applicant has provided a preliminary lighting and photometric plan as part of their CUP plans. As conditioned, the lighting and photometric plan would be further reviewed and required during the plan check process to demonstrate that lighting onsite would be adequate for security purposes.

Interior Tenant Improvements

The proposed interior improvements would combine the two existing separate tenant spaces into a single storefront business. The majority of the interior improvements would involve the installation of new demising walls to create new rooms including an open retail sales floor area, an integrated check-in area at the front entrance and "back-of-house" areas. Back-of-house areas include storage rooms, offices, employee break room, and restrooms. Below is a square footage breakdown summary of each space within the approximately 2,300-square-foot building.

Table 1 - Floor Plan Summary

Operational Area	Square Feet
Retail Sales Area (including Check-in Area)	1,169
Storage Rooms	478
Offices	163
Employee Break Room	202
Bathrooms	144
Hallways	184
Total	2,340

Customer and Employee Access

Customers would only be allowed in the retail sales area including the check-in area. All other areas of the premises would be accessible only to employees with the proper security credentials. Customer access to the proposed establishment includes entering the licensed premise through the front entrance doors that lead directly to the check-in area. A greeter employee would then 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 checked 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.

Employees would enter through an access-controlled "employee-only" entrance that is located at the rear of the building. When loading and unloading delivery vehicles and vendor vehicles, employees would enter through the access-controlled door located at the rear of the building that leads into the limited access corridor with a door connecting to the storage room. Vendors would only be allowed to enter the premise while accompanied by an employee. The distance from the loading area to the access door is less than 20 feet. The access doors, path of travel and vehicle loading areas would be under camera surveillance.

Storefront/Delivery Operations

Provided below is a summary of the proposed retail (storefront and delivery) operational conditions/requirements:

- 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 in a vehicle;
- There must be continuous video monitoring and recording of the interior and exterior of the premises;
- Adequate security lighting shall be provided;
- 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 also 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 would 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-evident 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 loading and unloading area. All transfers of product/cash to/from delivery vehicles will be monitored by Security Guards;
 - 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 provided a detailed business plan that was evaluated by the City's cannabis consultant (HdL). The business plan described the owners' experience, proof of capitalization, start-up budget, a three-year 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 provided 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 onsite during business hours;
- 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.

- Type 9 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 proposed 2,340-square-foot facility would be required to provide nine onsite parking spaces. The subject property includes an existing surface parking lot with 14 parking spaces, which exceeds the City's parking requirement by five spaces. The site has one existing ingress/egress access driveway from East 17th Street.

After reconfiguring the parking lot as well as restriping to meet the City's parking design standards, the parking lot would provide 11 parking spaces (nine standard spaces, one accessible space and a credit for one bicycle rack) - which exceeds the minimum requirement by two spaces. There is also public street parking along East 17th Street. Although the public street parking spaces are not counted toward the project's provided parking, these public spaces exist, are located in close proximity and are likely to be used by customers. Since the proposed use would occupy the entire building, all parking spaces would serve the proposed cannabis business.

During business hours, delivery vehicles and vendor vehicles would not use required parking spaces; rather, such vehicles will utilize a separate designated loading/unloading zone adjacent to the employee-only entrance at the rear of the building. In addition, employee parking would be provided off-site at the applicant's Measure X facility located at 3520 Cadillac Avenue and employees would be shuttled to the storefront. Since employees would park off-site, the onsite parking spaces would remain exclusively for customers. Given that employees would park offsite, there is a designated loading/unloading zone, and the provided parking exceeds the minimum Code requirements, proposed parking is adequate.

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, reducing operating hours of the business, hiring an employee to monitor parking lot use and assist with customer parking lot circulation, and encouraging customers to take advantage of delivery service instead of store visits.

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. 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 cell phone repair and barber shop uses, 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 Services 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 \$23,400. 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, tamper-evident, and odor-resistant and remain unopened until consumption. However, a minimal amount of cannabis product would be removed from packaging for display purposes only and would be placed in transparent display containers. The proposed HVAC (heating, ventilation, air conditioning) system would utilize activated carbon filters to completely filter the air. 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 specifically, the business owner/operator would 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 areas and must be disposed of in accordance with applicable State and City regulations.

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.

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 (C2, General 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 and surrounded by 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 and no outdoor storage or sales are proposed nor would be allowed. Staff does not anticipate that the proposed retail cannabis use would be materially detrimental to the adjacent uses that include a variety of retail/commercial businesses such as furniture/mattress stores, a bar (The Harp Inn), hair and beauty salons, gym (The 12 Costa Mesa), optometry (Pearle Vision), medical urgent care center (Xpress Urgent Care), and automotive repair shop (Grand Prix Performance). The nearest residentially-zoned properties are located over 400 feet to the north from the subject property along Cabrillo Street. The

existing residences and the subject property are separated by other commercially-zoned properties including a one-acre multi-tenant center to the east that has a large surface parking lot. As proposed and conditioned, 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, multiple security guards would be on site during business hours, 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, 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; 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 the California Environmental Quality Act pursuant to CEQA Guidelines Section 15301 for the permitting and/or minor alteration of Existing Facilities, involving negligible or no expansion of the existing 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 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 has 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 June 27, 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 primary commercial corridors and meets separation requirements established in CMMC 13-200.93(e). Staff and the City's cannabis consultant completed the 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, 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 C2 zone, the Zoning Code, and the City's General Plan. In addition, the required findings for the CUP can

be made, as described above. Therefore, staff recommends approval of Planning Application 21-20 subject to conditions of approval.