
**Planning Commission
Recommendations Retail Cannabis
Code Amendments**

**March 19, 2024
City Council**



Background

- November 3, 2020: Costa Mesa voters approve Measure Q, The Costa Mesa Retail Cannabis Tax and Regulation Measure
- June 15, 2021: City adopts ordinances in Title 13 and Title 9 establishing minimum standards and permitting requirements
- Since June 2022, the City has approved 22 conditional use permits for cannabis retail storefronts

Background

- September 5, 2023: City Council directed the Planning Commission to explore potential changes to 8 topic areas of the retail cannabis provisions
- November 27, 2023: Planning Commission discussed potential modifications regarding separation requirements and establishing a “cap”
- December 11, 2023: Planning Commission discussed the remaining topics and directed staff to draft amendments pertaining to 6 of 8 topic areas
- January 22, 2024: Planning Commission voted 5-0 to recommend that the City Council give first reading to proposed amendments

Background - *Proposed Amendment Topic Areas*

- Increasing the “youth center” and cannabis storefront separation from 600 feet to 1,000 feet;
- Establishing a separation from properties zoned for residential use;
- Establishing a minimum separation between cannabis storefronts;
- Establishing a maximum number of retail cannabis storefronts;
- Allowing the word “cannabis” on cannabis storefront signage;
- Limiting advertising /marketing of cannabis retail products to youth;
- Strengthening labor peace agreement requirements for cannabis storefronts; and
- Providing notification and relocation assistance for businesses displaced by retail cannabis uses.





Planning Commission Recommendations



Recommended Amendment – *Youth Center Separation*

Increase minimum separation between cannabis storefronts and youth centers from 600 FT to 1,000 FT

- Planning Commission considered examples from no separation to 1,000 FT
- Proposed change is consistent with the City's adopted sensitive use separations for cannabis
- Proposed change would **not** impact any existing approved or proposed storefront applications

Recommended Amendment – Residential Zone Separation

Establish a minimum 100 FT separation between cannabis storefronts and properties zoned for residential use

- Planning Commission considered examples ranging from no separation to 400 FT
- Preliminary GIS exercise explored various separations from residential zones
- The following number of approved or proposed storefront locations are within 100 FT of a residential zone:

5 of 22 Approved
CUPs (23%)

2 of 9 pending
CUP applications
(22%)

1 of 4 CBP
applications
(25%)

6 of 17 Pre-
Application/Wait
List (35%)

Recommended Amendment – *Storefront Separation*

Establish a minimum 500 FT separation between cannabis storefronts

- Planning Commission considered examples ranging from no separation to 1,000 FT
- Most approved and proposed cannabis storefront sites are within 500 FT of another approved or proposed location

10 of 22 Approved CUPs (46%) are within 500 FT of another approved CUP site

6 of 9 pending CUP applications (67%) are within 500 FT of an approved or pending CUP site

4 of 4 CBP applications (100%) are within 500 FT of an approved or pending CUP site

13 of 17 Pre-Application/Wait List (77%) are within 500 FT of an approved, pending, or CBP site

Considerations for Recommended Separations

- Cannabis storefronts with a CUP would continue operating at locations that do not meet new separation requirements (legal nonconforming)
- At what point would the separation requirements apply to...
 - CUP applications in progress: **9**
 - CBP applications: **4**
 - Pre-Application and Wait List: **17**

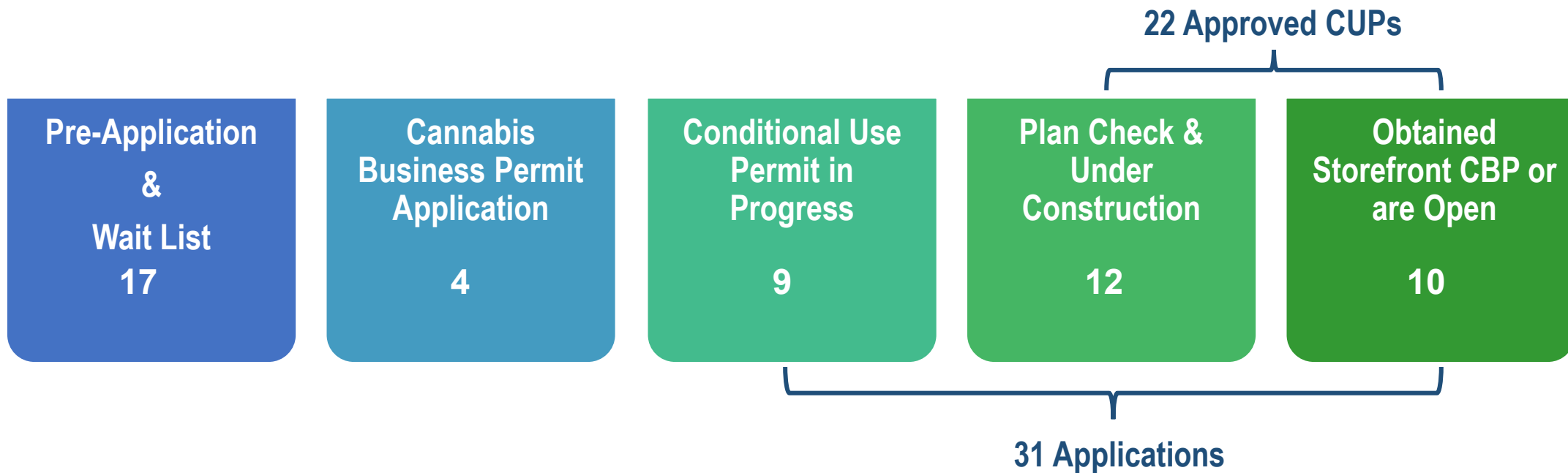
Recommended Amendment – *Limit Number of Storefronts*

Establish a maximum of 30 cannabis storefronts Section 13-200.93(e)

- After 30 approvals, discontinue processing applications until there are fewer than 15 storefront CUPs
- To date, 22 CUPs have been approved and 8 more (of 9 CUPs in progress) would be possible under the proposed amendments

Cannabis Storefront Application Status

- Approved CUPs: **22**
- CUP applications in progress: **9**
- CBP applications: **4**
- Pre-Applications & Wait List: **17**



Recommended Amendments – *Entrance Signage*

- Entrances shall have a notice up to 12 x 18 inches in size.
- The word “cannabis” is allowed up to two times on each notice.
- Letter height shall be limited to up to 1 inch in size.
- All notice lettering shall be the same font and color.



Recommended Amendments – *Advertising and Marketing*

- Cannabis advertising/marketing shall not encourage persons under 21 years of age to consume cannabis or cannabis products
- Shall not depict and/or suggest the consumption of cannabis or cannabis products.





Cost Recovery Summary Cannabis Employee Badge Fee



Cannabis Employee Badge Fee

- City hired a cost recovery and fee development expert;
- On May 13, 2021, the Cannabis Ad Hoc Committee recommended full cost recovery;
- On June 1, 2021, a detailed presentation was made to the City Council and fees were adopted;
- Fees were based on 2019 labor costs;
- Methodology is dictated by the Federal Office of Management and Budget A-87 Circular Letter; and
- Federal OMB Letter defines the methodology for legal cost recovery (cannot make a profit).



Next Steps



Summary

- City Council directed the Planning Commission to consider recommending amendments in 8 key areas
- Planning Commission recommended amendments to 6 of those areas
- Cannabis industry has requested more certainty regarding the status and future processing of all phases of retail storefront applications
- At this time, 22 CUPs have been approved (10 allowed to operate)
- 30 applications remain in the process (9 CUP, 4 CBP, and 17 Pre-Application/Wait List)



Action Items

City Council direction is requested regarding the following:

- Separation from youth centers, residential zones, and other cannabis storefronts
 - When separations would apply (effective immediately, effective at a future date, etc.)
- Limiting the number of cannabis storefronts
- Cannabis signage/entrance notice
- Advertising/marketing to youth
- Labor peace agreements
- Relocation noticing and assistance

Or continue to operate under the City's existing retail cannabis program

Recommendation

Staff recommends the City Council:

1. Find that the project is exempt from the provisions of the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines Section 15061(b)(3); and
2. Introduce for first reading, by title only, Ordinance No. 2024-XX amending Title 13 and Ordinance No. 2024-XX amending Title 9, of the Costa Mesa Municipal Code regarding cannabis.

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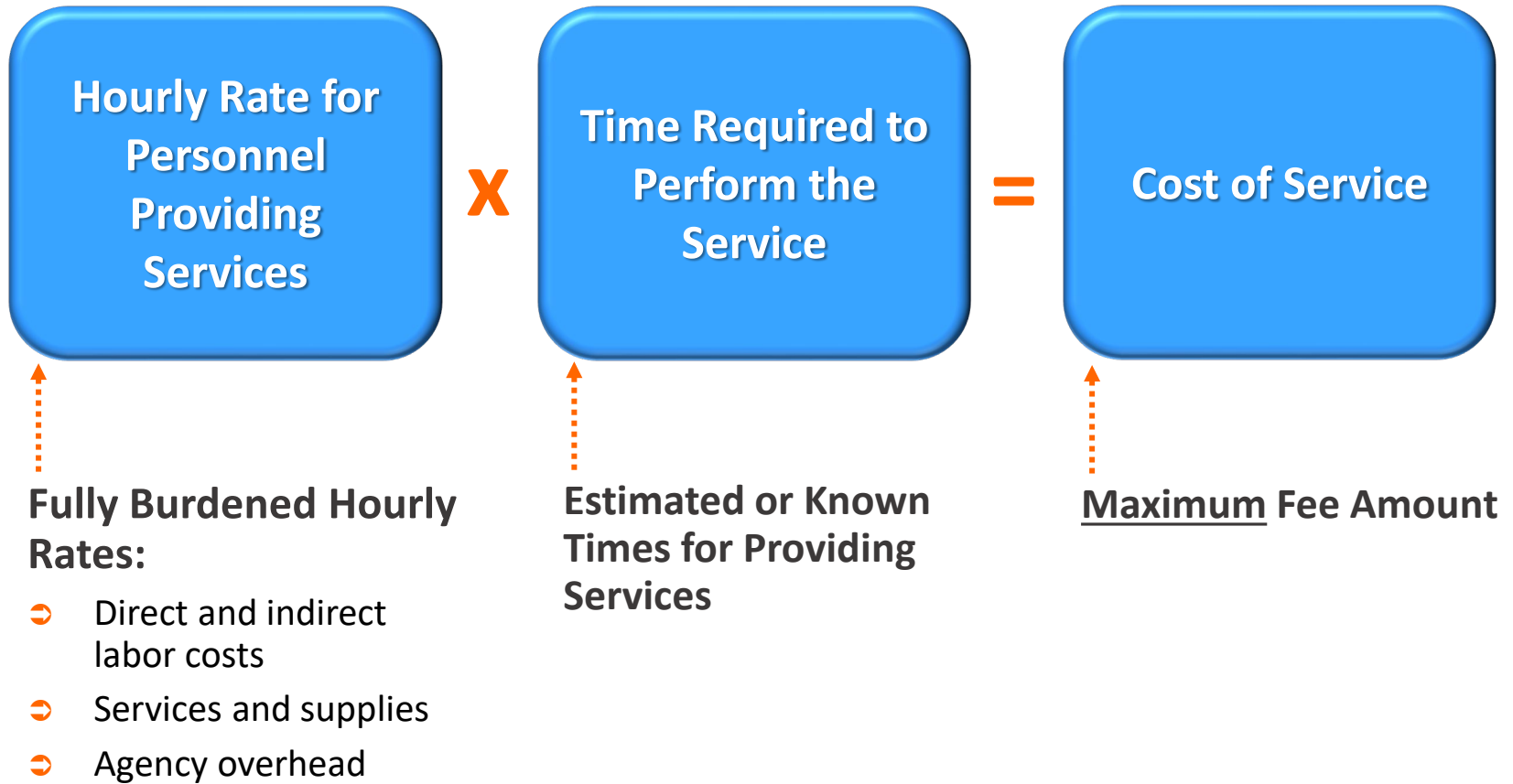


CITY OF COSTA MESA

CANNABIS FEE ANALYSIS
MARCH 19, 2024 CITY COUNCIL

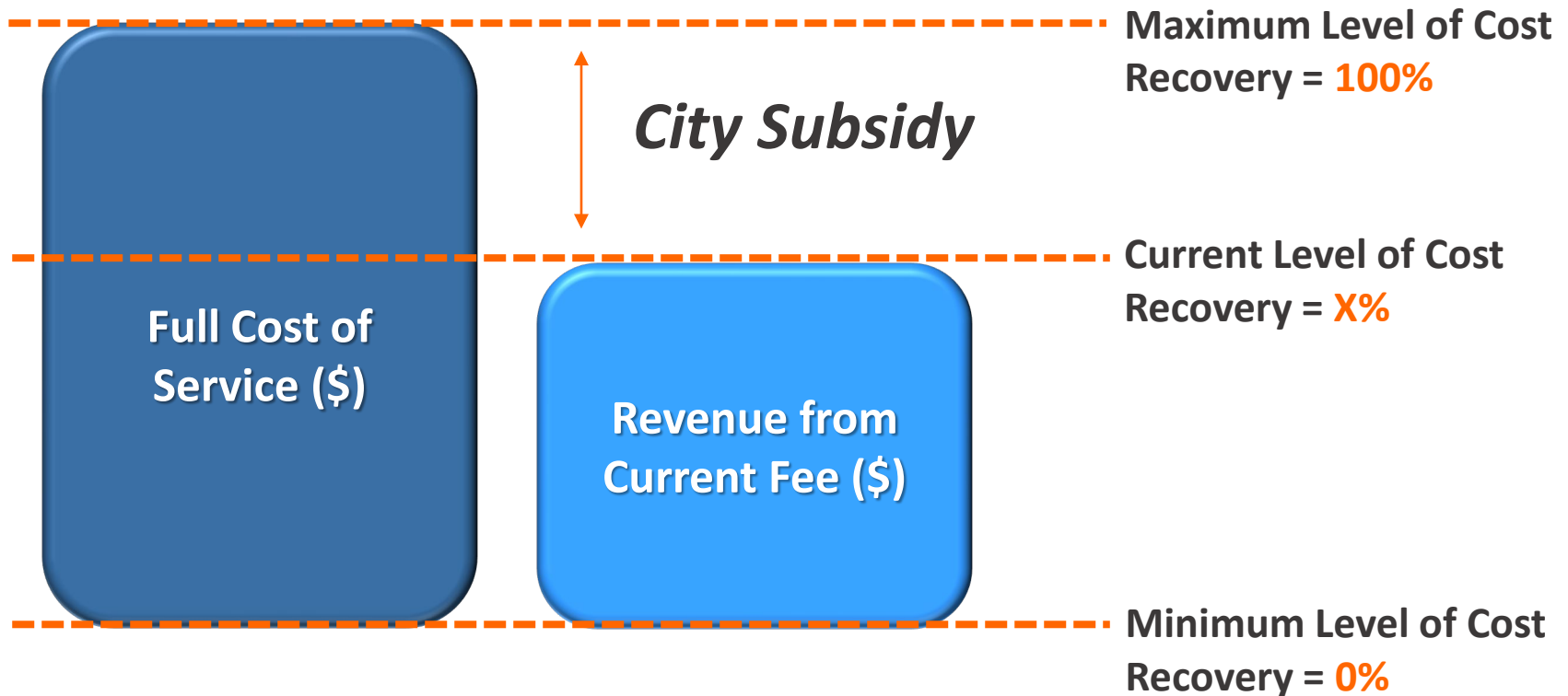
DERIVING THE COST OF SERVICE

Apply fully burdened hourly labor rates to time required to perform



EVALUATING COST RECOVERY

Compare full cost of service to revenues available to fund activities
Set policy for targeted recovery within the spectrum



COST OF SERVICE ANALYSIS

COST RECOVERY ANALYSIS

➔ Employee Badge Issuance

- **Employee Badge Issuance:** Fee collected per employee.

Description	Current Fees	Cost of Service	Proposed Fee	Fee Change	Proposed Recovery
<u>Marijuana Business Permit - Employee Badge</u>					
Measure X Facility	\$341	\$631	\$631	\$290	100%
Measure Q Facility	n/a	\$631	\$631	n/a - new	100%

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DISCUSSION & QUESTIONS

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