



# City of Costa Mesa

## Agenda Report

77 Fair Drive  
Costa Mesa, CA 92626

**Item #: 23-1328**

**Meeting Date: 9/05/2023**

**TITLE:**

**REQUEST FOR CITY COUNCIL DIRECTION REGARDING THE RESEARCH FOR AND POTENTIAL DEVELOPMENT OF AMENDMENTS TO THE CITY'S CANNABIS ORDINANCES**

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

**PRESENTED BY: JENNIFER LE, DIRECTOR OF ECONOMIC AND DEVELOPMENT SERVICES**

**CONTACT INFORMATION: JENNIFER LE, DIRECTOR OF ECONOMIC AND DEVELOPMENT SERVICES, (714) 754-5270**

**RECOMMENDATION:**

Staff recommends the City Council provide direction regarding researching and exploring with the Planning Commission options and amendments to the City's cannabis regulations to overconcentration of retail cannabis businesses.

**BACKGROUND:**

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 cannabis 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 (delivery) businesses. The Ordinances are linked below:

- [Ordinance No. 2021-08](#) (Title 9, Business Licenses);
- [Ordinance No. 2021-09](#) (Title 13, Zoning).

The Ordinances establish minimum standards and permitting requirements for cannabis retail businesses. Applicants must obtain the following City approvals and State approval before conducting business in Costa Mesa:

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

- CBP Issuance; and
- City Business License.

Once issued, a Cannabis Business Permit must be renewed every two-years. During the two-year period, City staff conducts site inspections to verify that the business is operating in compliance with requirements. Cannabis retail businesses are also subject to a City-established seven-percent gross receipts tax. Records and revenues are required to be audited annually.

Separation requirements from sensitive uses were also established. No cannabis retail storefront use can 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 the Municipal Code.

Since adoption, the City has approved 21 Conditional Use Permits for cannabis retail storefronts, three Conditional Use Permits for standalone cannabis delivery businesses, and eight Minor Conditional Use Permits to add delivery to an existing cannabis manufacturing or distribution facility located in the City's Measure X "green zone". Seven cannabis storefronts, one standalone delivery business, and six delivery businesses that are part of an existing manufacturing or distribution cannabis business in the "green zone" are currently operating.

At the July 18, 2023 City Council meeting, Councilmember Marr requested that an item be agendized for the next City Council meeting to discuss the possibility of exploring amendments to the City's ordinances to address concerns regarding potential business displacement and overconcentration. An item was agendized for the August 1, 2023 City Council meeting and was continued to the regular meeting of September 5, 2023 without discussion.

### **ANALYSIS:**

In accordance with City Council Policy 300-6, proposals that are likely to involve a substantial commitment of staff time and research must be brought forward to the City Council for authorization. If the majority of the Council supports this request, staff would work with the City's Planning Commission to explore the extent to which business displacement and overconcentration of cannabis retail businesses is occurring. Depending on those exploratory findings, staff would work with the Planning Commission to develop options, recommendations and/or an ordinance amendment to address those topics.

The Planning Commission would make a recommendation to the City Council. The City Council is the final decision-making body.

### **ALTERNATIVES:**

The City Council can decide not to direct staff to explore possible options, recommendations and/or amendments to the City's cannabis regulations.

### **FISCAL REVIEW:**

There is no fiscal impact associated with conducting the analysis, though staff time will be spent on exploring and identifying options and recommendations for consideration.

**LEGAL REVIEW:**

The City Attorney's Office has reviewed and approved this report as to form.

**CITY COUNCIL GOALS AND PRIORITIES:**

This item is administrative in nature.

**CONCLUSION:**

Staff recommends the City Council provide direction regarding researching and exploring with the Planning Commission options and amendments to the City's cannabis regulations to address concerns regarding potential unanticipated business displacement and overconcentration of retail cannabis businesses.