



City of Grover Beach

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Grover Beach Blazes Trail for Establishing Cannabis Lounges in SLO County

GROVER BEACH, CA — Grover Beach is poised to become the first city in San Luis Obispo County to allow [commercial cannabis retailers in the city to operate lounges](#) for onsite consumption of cannabis products pending adoption of an ordinance by the City Council. Since there are currently no cannabis lounges in the county, this is a unique economic opportunity for Grover Beach which is already an [internationally recognized leader](#) in the safe, responsible establishment of a thriving local commercial cannabis industry.

“The City of Grover Beach currently has three cannabis retailers operating in a safe and responsible way with a fourth under construction,” said Grover Beach Mayor Jeff Lee. “Allowing our retailers to expand their business operations will continue to help strengthen our local economy, further transform our commercial spaces, and create new jobs and tax revenue for the Grover Beach community.”

Under a proposal reviewed by the Council on January 10, the four permitted retailers in the city would be eligible to operate a cannabis lounge at their existing locations. All four retailers—805 Beach Breaks at 1053 Highland Way, Natural Healing Center at 998 Huston Street, Urbn Leaf at 239 South 3rd Street, and Jushi at 923 Huber Street—have expressed interest in adding a cannabis lounge to expand their customer base and provide additional sales opportunities. Increased sales would benefit the Grover Beach community through additional tax revenues which can be used to pursue various city initiatives and projects. Cannabis businesses in Grover Beach have already demonstrated their benefit to the local economy by adding over 200 jobs and generating over \$2 million in cannabis tax revenues in the last fiscal year.

During the January 10th meeting, the Council directed staff to bring back an ordinance this spring that would allow and regulate cannabis lounges under the following parameters:

- *Permitting Process:* If a retailer wished to add and operate a cannabis lounge adjacent to their retail facility, they could apply for an additional commercial cannabis permit which would be reviewed and issued by City staff to ensure compliance with City codes and established standards.
- *Indoor and/or Outdoor Lounge Operations:* While lounges would not be permitted to be visible from any public space, retailers will be allowed to operate both indoor and outdoor lounge spaces as long as ventilation systems are installed to prevent odors from being detected from adjacent properties and the public right-of-way.
- *On-Site Food:* Food and non-alcoholic beverages will be allowed in cannabis lounges to the extent permitted by the State. Cannabis lounges would also have the flexibility to allow food to be brought onto the premises or provided by delivery services. Pending recently introduced State legislation, this also means lounges may be able to serve food and non-alcoholic beverages in the future.



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- *Public Safety:* The Grover Beach Police Department will help ensure cannabis lounge operators and their employees are trained to recognize impairment in customers to help prevent the over-serving of cannabis to consumers. This work will also include discussions with retailers about ride sharing, designated driver, and shared shuttle bus programs for customers of both cannabis and alcohol establishments.
- Cannabis lounges would also be required to follow current operational standards already in place for retailers, including limiting hours of operation to 9 a.m. to 7 p.m. or 7 a.m. to 9 p.m. with enhanced security; setting up secured delivery areas for all cannabis products; and creating an operations and security plan to ensure best practices are in place at all times.

This ordinance will be brought to the Council in March with ample public notification of this proposed activity and potential locations of lounges and provide opportunities for public input. If adopted, the ordinance would go into effect later this spring allowing applicants to then apply for a permit to open a lounge facility.

Allowing cannabis lounges follows the Council's action in fall 2021 to modify the [cannabis industry tax rates](#) to help attract new cannabis businesses. While retail rates remain at 5%, the distribution tax rate was lowered from 3% to 2%, and was further reduced to 1% for distribution businesses with over \$10 million in annual gross revenues as verified by outside audits. Manufacturers with over \$10 million in annual gross revenues will also receive a reduced rate from 3% to 2%, and the testing labs rate was lowered from 3% to 1%. These rates, which went into effect on January 1, 2022, better align with nearby communities and provide an incentive for additional cannabis businesses to invest in Grover Beach.

"The Grover Beach City Council's recent policy decisions relating to the cannabis industry have further demonstrated their commitment to a thoughtful, responsible, and safe approach to expanding this industry in Grover Beach," said Matthew Bronson, Grover Beach City Manager. "We have seen the benefits this industry has brought to our community in providing jobs and expanding City revenues to allow us to better meet the needs of our thriving community."

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