



## CITY COUNCIL STAFF REPORT

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**TO:** Honorable Mayor and City Council **DATE:** May 20, 2019

**FROM:** Matthew Bronson, City Manager

**PREPARED BY:** A. Rafael Castillo, AICP, Senior Planner

**SUBJECT:** Annual Renewal of Commercial Cannabis Permit for an Adult and Medical Retailer located at 1053 Highland Way (Applicant: 805 Beach Breaks, INC.)

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### **RECOMMENDATION**

Adopt a Resolution to approve a renewal of a commercial cannabis permit for 805 Beach Break, INC. to operate a commercial cannabis retailer located at 1053 Highland Way.

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### **BACKGROUND**

The City Council adopted a Commercial Cannabis regulatory ordinance in May 2017 and subsequently amended this ordinance in 2018. Consistent with section 4000.40(A) (1), a commercial cannabis permit issued for a cannabis retailer by the City Council requires renewal by the business owner every 12 months following the issuance of a certificate of occupancy and operation of the business.

On March 5, 2018, the City Council approved a use permit and commercial cannabis permit for 805 Beach Breaks, Inc. for construction and retail of commercial medical cannabis. Construction commenced on the site and the certificate of occupancy was issued on May 18, 2018 for the business to begin operating. . The applicant subsequently applied and granted an amendment to both their use permit and commercial cannabis permit to allow its company to sell both adult use and medical use commercial cannabis. The applicant has submitted for renewal of its existing commercial cannabis permit which consistent with section 4000.40(A)(2) is extended until the City Council takes action.

As part of this permit renewal process, City and Five Cities Fire Authority staff carried out the following tasks:

- Performed an annual background check for all owners with a five (5) percent ownership stake or more, consistent with the adopted ordinance;
- Performed an on-site inspection of its operation, including a fire safety review of the premise;
- Required certification of its odor control system by a licensed mechanical engineer;
- Reviewed operating procedures throughout the year.

At the time of submittal of background checks, no issues were found with the ownership group of 805 Beach Breaks, Inc. Recently, Santa Barbara County conducted an investigation not connected to 805 Beach Breaks, Inc., and seized records and cannabis products from their location, but determined that the business was legally operating. The Grover Beach Police Department launched a separate investigation and found no violations of State law and the City's

commercial cannabis regulatory ordinances. If additional information or violations of the City's commercial cannabis regulatory ordinance occurs, consistent with Municipal Code section 4000.140(C), City staff may review the commercial cannabis permit and its ownership.

The applicant has remitted all commercial cannabis taxes to date with an audit underway similar to other existing cannabis businesses. All of the applicant's employees have been background checked and are properly identified on the premise. The odor control system is in good working order, consistent with its design and approval. The Police Department has verified that the operations and security measures are consistent with the regulatory ordinance.

Pending the Council's action to renew the City's commercial cannabis permit, the applicant may apply for an annual renewal of its required State license which must occur after a local permit is renewed.

### **FISCAL IMPACT**

Staff has estimated that the City's commercial cannabis tax will generate approximately \$850,000 in 2018-19 and \$1.5 million in 2019-20 based upon projected sales from both medical and adult use businesses and products.

### **ALTERNATIVES**

The City Council has the following alternatives to consider:

1. Approve the Commercial Cannabis Permit renewal for 805 Beach Breaks, INC.; or
2. Do not renew the Commercial Cannabis Permit; or
3. Provide alternative direction to staff.

### **ATTACHMENTS**

1. Draft Resolution

**RESOLUTION NO. 19-\_\_**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF GROVER BEACH,  
CALIFORNIA RENEWING A COMMERCIAL CANNABIS PERMIT FOR 805  
BEACH BREAKS, INC. (1053 HIGHLAND WAY)**

**WHEREAS**, the City Council amended previously approved Development Application 17-21 for a Use Permit to establish an adult use and medical commercial cannabis facility with manufacturing, distribution and retail uses at 1053 Highland Way; and

**WHEREAS**, the applicant, 805 Beach Breaks, Inc., has been issued a Commercial Cannabis Permit to operate a retail, distribution, and manufacturing business located at 1053 Highland Way (APN: 060-546-027); and

**WHEREAS**, staff received and reviewed an application to renew its current Commercial Cannabis Permit application from the applicant, 805 Beach Breaks, Inc., to continue the retail sale, distribution, and manufacturing of adult use and medical cannabis consistent with Grover Beach Municipal Code Article 3, Chapter 18; Commercial Cannabis Activities; and

**WHEREAS**, the proposed project qualifies for an Categorical Exemption consistent with CEQA Guidelines Section 15301: Existing Facilities; and

**NOW, THEREFORE, BE IT RESOLVED** that the City Council of the City of Grover Beach **HEREBY** make the following findings, determinations with respect to a Commercial Cannabis Permit:

**SECTION 1. Findings of Environmental Exemption.** The City Council finds as follows:

1. A Negative Declaration for Ordinance 17-05, certified by the City Council on May 1, 2017, which adequately addressed the effects of the proposed project's amendment to include the use of Type 2 volatile compounds in the manufacturing process of cannabis. No substantial changes in the circumstances under which the project is being undertaken and no new information of substantial importance to the project which was not known or could not have been known when the Negative Declaration was certified has become known.
2. The proposed project is Categorically Exempt (Class 1) from the provisions of the California Environmental Quality Act (California Public Resources Code §§ 21000, et seq., "CEQA") and CEQA Guidelines Section 15301 (Title 14 California Code of Regulations §§ 15000, et seq.) because the proposed project involves negligible expansion of an industrial type use. Existing facilities based on the proposed project consists of a commercial cannabis manufacturing, distribution, and retailer in two existing buildings totaling 2,282 square feet in the City's Industrial zone.
3. The proposed project is not located in an environmentally sensitive area, nor impact an environmental resource.
4. The proposed project will not have a cumulative impact of successive projects of the same type, in the same place, over a period of time. The

proposed project is located within an industrial zone with similar type of uses.

- 5. The proposed project will not have a significant effect on the environment based on the project record, which is on file at the City of Grover Beach Community Development Department.
- 6. The proposed project is not located on a designated scenic highway nor scenic resource.
- 7. The proposed project is not located on any hazardous waste list pursuant to Section 65962.5 of the Government Code.
- 8. The proposed project is not a designated historical resource.

**SECTION 2. Commercial Cannabis Permit Approval.** The City Council of the City of Grover Beach, at a regular Meeting of the City Council on May 20, 2019 resolved to amend an existing Commercial Cannabis Permit, consistent with GBMC Article III, Chapter 18, Section 4000.160.E, subject to the following conditions:

**CONDITIONS OF APPROVAL:**

COMMUNITY DEVELOPMENT DEPARTMENT

CDD-1. This approval authorizes a renewal of a Commercial Cannabis Permit for 805 Beach Breaks, Inc. associated with Development Application 17-21 to operate a commercial cannabis facility consisting of Type 1 (non-volatile) and Type 2 (volatile) manufacturing, distribution, and retail uses for both adult and medical uses. All conditions contained in Resolution 18-21, except as amended in this resolution, shall remain in full force and effect.

Upon motion by \_\_\_\_\_, second by \_\_\_\_\_, and on the following roll call vote:

- AYES: Council Members –
- NOES: Council Members –
- ABSENT: Council Members –
- ABSTAIN: Council Members –

The foregoing RESOLUTION NO. 19-\_\_ was **PASSED, APPROVED,** and **ADOPTED** at a Regular Meeting of the City Council of the City of Grover Beach, California this 20th day of May, 2019.

\*\*\*DRAFT\*\*\*  
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JEFF LEE, MAYOR

Attest:

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WENDI B. SIMS, CITY CLERK