



City Council AGENDA REPORT

DATE: 5/10/2024

AGENDA OF: 5/14/2024

DEPARTMENT: Planning and Community Development

SUBJECT: **1129 Mission Street: CP23-0106** (APN 006-493-27) Appeal of the Planning Commission Approval of an Administrative Use Permit to Establish a Cannabis Retail Facility on a Parcel in the MU-M (Mixed-Use Medium Density) Zone District and within the Mission Street Urban Design Plan. Environmental Determination: Categorical Exemption 15301, Existing Facilities. Applicant: Bryce Berryessa. (PL)

RECOMMENDATION: Motion for the City Council to consider the information provided and make a determination to:

1) Adopt a resolution denying the appeal, recognizing the environmental determination, and upholding the Planning Commission's decision to approve the Administrative Use Permit to establish a cannabis retail facility at 1129 Mission Street;

OR

2) Adopt a resolution upholding the appeal and denying the Administrative Use Permit to establish a cannabis retail facility at 1129 Mission Street.

BACKGROUND: This is a proposal to establish a cannabis retail outlet within an existing commercial building located on the northeast corner of Mission Street and Laurel Street in the MU-M zone district. The building was occupied by *Emily's Bakery* for many years, and the 2,878 square foot building is being proposed to be split into two commercial spaces, including 1,000 square feet for *Emily's* kitchen and café and 1,878 square feet for a new cannabis retail store (*The Hook Santa Cruz*). Section 24.10.802(1)(c) of the Zoning Ordinance allows cannabis retail sales in the MU-M zone district with approval of an Administrative Use Permit (AUP) and subject to Part 14 (Commercial Medical and Adult Use Cannabis Regulations) of Section 24.12 of the Santa Cruz Municipal Code.

Zoning Code Section 24.12.1320(5) allows cannabis retail sales with approval of an AUP, a city cannabis retailer license, and acquiring a state cannabis retailer or nonprofit license. It should be noted that while this Zoning Code Section 24.12.1320(5) references the CC (Community Commercial) zone district, this property was recently rezoned to MU-M, which also permits cannabis retail sales with the approval of an AUP pursuant to the aforementioned Section 24.10.802(1)(c). Cannabis retail sales are not permitted to be located within six hundred feet, as

measured from the property lines, from any school, day care center, youth center, or any other cannabis retail site. The proposed cannabis retail site meets all of the above-mentioned setbacks. The portion of the building to be used by *Emily's* kitchen and café is not a part of this proposal.

The adult use of recreational marijuana was approved by the citizens of California in 2016 through the passage of the Control, Regulate and Tax Adult Use of Marijuana Act (AUMA) and was updated in 2017 by Senate Bill 94 and Assembly Bill 133. The result is a State-wide comprehensive set of regulations for the use of both medical and recreational cannabis.

The Santa Cruz City Council unanimously approved Resolution No. NS-29,333 on November 14, 2017, incorporating Chapter 6.90 (Cannabis Retailer licenses), as well as amendments to Section 24.10 of the Zoning Ordinance to regulate the commercial, medical, and adult use of cannabis. The ordinance amendments became effective on December 28, 2017. The approved regulations incorporate all of the State legislation and were intended to provide a path to allow the legal retail sales of commercial cannabis while protecting the community from negative impacts of such sales. The establishment of regulations allowing use of both medical and recreational cannabis were found consistent with the will of the majority of citizens in Santa Cruz, based on voting records for AUMA, with 70-percent of the nearly 128,000 votes tallied countywide supporting marijuana legalization.

The applicant recently applied to transfer one of the five Cannabis Retail Licenses available within the City. That license transfer has been approved by the City, with final administrative steps being completed to transfer the license from *WAMM (Wo/Men's Alliance for Medical Marijuana) Phytotherapies* (<https://wammphytotherapies.org/about>) to the current applicant (*The Hook Santa Cruz*, <https://www.hookoutlet.com/>). *WAMM Phytotherapies* is committed to compassionate care and community support. The organization is dedicated to offering therapeutic-quality, regeneratively-grown cannabis products that are both accessible and affordable, reflecting a deep-rooted commitment to health, wellness, and holistic care for individuals with serious illnesses. *The Hook* will have a partnership with *WAMM* to ensure that affordable cannabis reaches community members in dire need. The collaboration with *WAMM* will ensure that a segment of the sales goes towards providing free or reduced cost cannabis to low-income patients suffering from severe medical conditions like cancer, AIDS, MS, and epilepsy. *WAMM* has been providing this service to those in need for decades. The license is not restricted to any specific location, thus the request for the subject AUP approval at this location.

At the March 7, 2024 Planning Commission hearing, thirty-six members of the public spoke, both in support and in opposition to the project. Speakers opposing the project expressed concerns including but not limited to:

- The cannabis dispensary would be too close to the high school and middle school;
- Cannabis would be easily accessible to students with medical cannabis cards or fake identifications and would be distributed at schools;
- Many students walk by this location each day and the presence of a dispensary would normalize cannabis use; and
- Negative impacts of marijuana use (THC) on youth and families, including addiction, cognition and academic performance.

Speakers in support of the project expressed the following:

- Valerie Corral and WAMM have been a great organization that has transformed lives and supported the community over the years;
- Retail dispensaries have strict rules and guidelines that would not permit students to enter the dispensary;
- Kids are not getting cannabis from retail dispensaries, rules are strict and dispensaries are too expensive;
- Due to the buffer zones established in the Zoning Ordinance, there are limited locations for this use, and this site meets those requirements; and
- The applicant owns other dispensaries in the County and has run those business responsibly with no violations.

The Planning Commission listened to the public testimony and discussed some of the issues raised by the speakers. The Commissioners each commented on the project, expressing the following:

- There are limited locations available for this use and the proposed site is consistent with the Zoning Code by meeting the buffer requirements and performance standards;
- Conditions of approval address any concerns;
- Moving the goal posts on this applicant would be bad government;
- The findings for denial in the resolution are weak;
- Not a referendum on cannabis which is overly regulated, but no way to reconcile how close this location is to the high school and the negative impact on students;
- The proliferation and potency of today’s cannabis is a concern;
- The 600-foot buffer was fully vetted when the ordinance was adopted and the site and use meet the Zoning Code requirements, and the city should not be changing the rules on applicants;
- Students are very mobile (especially with e-bikes) and have access to dispensaries throughout the city, so increasing the buffer would not help this situation;
- The Santa Cruz Police Department has reviewed the application and found no complaints or service calls for cannabis sales to minors at any of the existing city retail dispensaries over the last four years, and strict state rules call for multiple verifications to gain access to a dispensary; and
- Agree that there are problems with kids and cannabis use, but the community has had a long history of legal cannabis use and the rules have been established, it would be unfair to change the rules and not allow the use at this location.

The Planning Commission voted 5-2 (Dann, Gordon, Kennedy, Thompson and Conway in support; McKelvey and Polhamus opposed) to approve the Administrative Use Permit. No revisions were made to the conditions of approval.

On March 14, 2024, an appeal of the Planning Commission decision was received from a group of concerned parents. The appeal letter is attached to this report and discussed below.

DISCUSSION: The Planning Commission staff report provides an in-depth analysis of the proposed project and is attached to this report. The attachments to the Planning Commission staff report, some of which are referenced in this report, along with the public correspondence received in advance of the Planning Commission hearing, are available with the March 7, 2024 Planning Commission agenda materials on the “Agenda & Reports” link at <https://www.cityofsantacruz.com/pc>. The appeal letter discusses the reasons for the grounds of

the appeal. This section summarizes the issues raised in the appeal, followed by responses from staff for each item.

1. Commercial Cannabis (24.12.1250) Use Findings. The appellants assert that the proposed use is not in conformance with Zoning Code Sections 24.12.1350(2) and 24.12.1350(4) which are findings required to approve an Administrative Use Permit (AUP) for a cannabis related use. The two referenced findings read as follows:

(2) The proposed use will not adversely affect the health, safety or welfare of area residents or businesses, or uses, or will not result in an undue concentration in any one neighborhood or district and will not be located within proximity of an incompatible use, such as a children's school, day care facility or children's play area.

(4) The proposed use is compatible with the sizes and types of other neighboring uses in the surrounding area, particularly those used primarily by persons under the age of eighteen;

The appeal letter states that the project site is located approximately 850 from Santa Cruz High School at one of the two main signalized Mission St./Highway 1 crossings students use on their way to school and that the retail dispensary use would adversely affect the health, safety, and welfare of students in the area. It is also states that Finding 4 specifically requires decision-makers to consider persons under the age of 18 when reviewing a cannabis application.

Staff Response: Staff presented draft findings to the Planning Commission in two separate resolutions – one for approval and one for denials – that would have allowed the Commission to either support the application by making these findings or to deny the application by not making the findings. Upon review of the draft findings, staff report, and public testimony, the Planning Commission found that they can be made based on the information provided by the applicant and the proposed retail use conforming to the required Zoning Code criteria. Similar approval and denial resolutions, along with associated findings supporting either position, are included as attachments to this report for the Council's consideration.

While the use meets the objective standard of a minimum 600-foot buffer from said schools, daycare facilities, youth centers and other cannabis retail outlets, the findings are more subjective, allowing the City additional discretion to consider whether the use is “within proximity of an incompatible use” and whether it will “adversely affect the health, safety, or welfare” of proximate uses, namely students at the high school or middle school. Similar discretion is afforded to the City under finding four, which speaks to the use being compatible with "other neighboring uses in the surrounding area, particularly those used primarily by persons under the age of eighteen.”

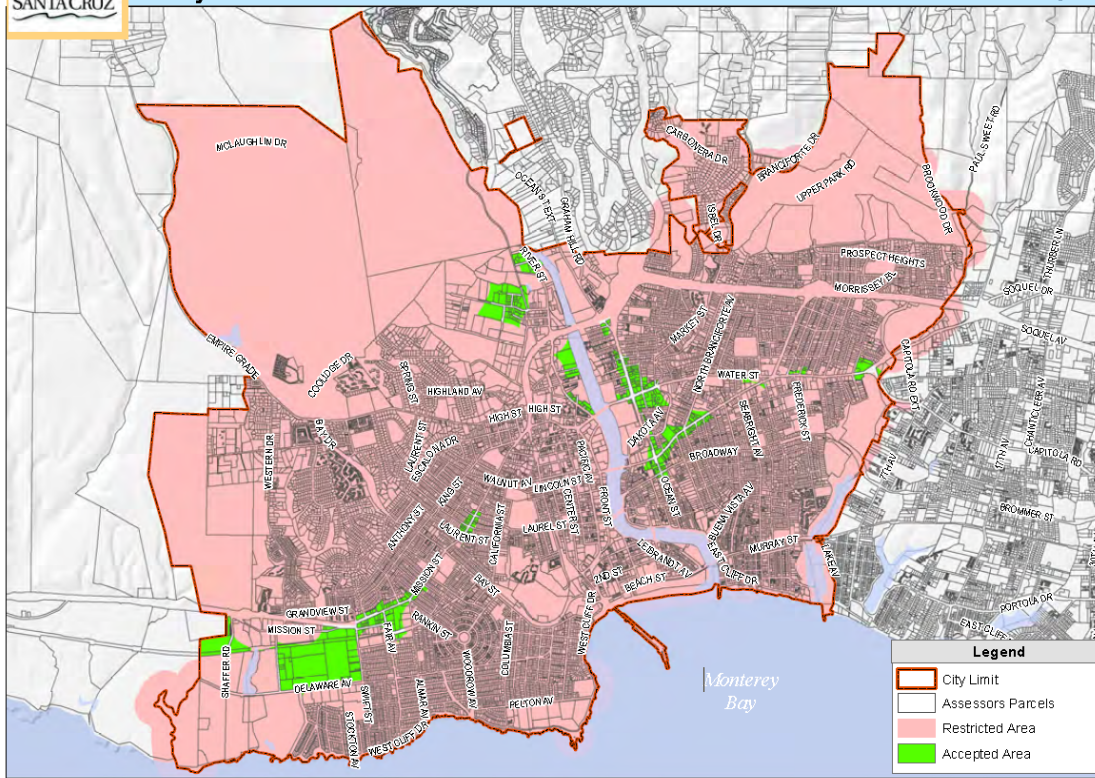
As demonstrated on the 600-foot buffer map below, the number of locations available for cannabis retail uses is limited:



Recreation Marijuana

600' Buffer Schools, Childcare, Youth Centers & Parks With Play Structures

Attachment 4



The 600-buffer zone was thoroughly discussed as part of the cannabis ordinance adoption process, with input from the Santa Cruz Police Department (SCPD), public, and City Council. SCPD reviewed both the cannabis retail license transfer, as well as the subject AUP application. With the project outside of the buffer zone and the stringent ID requirements for adults 21 years old and older, SCPD did not express any concerns with the proposed location or retailer. Additionally, as part of the review of this application SCPD researched their records for the other cannabis retail outlets in the city and found no complaints or service calls for cannabis sales to minors. Based on these facts, it could be argued that the proposed retail use does not qualify as “within proximity” of a school and that it would not “adversely affect the health, safety, or welfare” of students. It could also be viewed as unfair to the applicant for the city to “move the goal posts,” so to speak, by finding that the established 600-foot buffer is insufficient.

Many concerns about the proposed use at this location have been expressed by the *Santa Cruz City School District* and parents of *Santa Cruz High* and *Mission Hill Middle School* students, and those concerns are understandable. A number of students from both schools walk and bike by this location each day, with the signalized intersection of Laurel and Mission Streets serving as one of the two primary locations where students cross Mission Street (the other being three blocks away at Walnut Avenue), and the presence of a dispensary could be conveyed as normalizing cannabis use. Additionally, it is not uncommon for underage individuals to obtain false identification or medical cannabis cards, raising concerns about the potential for younger students to gain access to cannabis through false identification (ID) or for students to acquire these cards and distribute cannabis to younger peers. In addition to providing a letter of opposition (see Planning Commission staff report attachments) to the proposed application, the Superintendent of *Santa Cruz City Schools* also included a number of articles (see Planning Commission staff report attachments) on the impact of THC (a psychoactive ingredient in some cannabis products) on

youth, the impact of dispensaries to schools, the acquiring of false IDs, and relevant school data on marijuana use within the school district. Some of the key findings from those articles include:

- Marijuana use has been associated with several adverse mental health outcomes, including increased incidence of addiction and comorbid substance use, suicidality, and new-onset psychosis;
- Negative impacts on cognition and academic performance;
- Nine percent of youth in grades 9 to 12 use marijuana daily or nearly every day, an increase of 80% since 2008;
- Vaping marijuana by teens doubled between 2013 and 2020;
- Young adults who live in neighborhoods with a higher number of medical marijuana dispensaries use pot more frequently than their peers, with storefront signage being extremely influential;
- A Santa Cruz High School focus group notified the Superintendent that acquiring fake IDs is incredibly easy for students and that they are available to students from people in the community and easily accessible online; and
- Santa Cruz City School High School District reported 91 incidents that resulted in students being suspended for possession or use of a controlled substance during the school day during the 2022-2023 school year. 95% or more of these were for vaping marijuana.

To add to the discussion, the applicant has also provided data regarding the effects of marijuana on young people (psychosis, neurocognitive functioning) (see Planning Commission staff report attachments) and the effectiveness of identification policies at cannabis outlets, assessing the ease of access to marijuana by underage patrons (see Planning Commission staff report attachments). Some key findings from information provided by the applicant include:

- Contrary to concerns that cannabis could cause mental illness, regular marijuana use over two years did not trigger early onset of symptoms in teens and young adults at risk of developing psychotic disorders;
- Modest improvements in cognitive functioning and a decrease in the use of other medications was found among marijuana users (tracking 210 patients, aged 12-25, from an Early Detection and Intervention for the Prevention of Psychosis Program over two years);
- Continuous cannabis use was not associated with an increased rate of transitioning to psychosis, nor did it worsen clinical symptoms, functioning levels, or overall neurocognition;
- Licensed recreational marijuana outlets in California are effective in preventing underage customers from accessing marijuana. This may be due to strong incentives for outlet owners and managers to comply with the law to avoid legal consequences; and
- Underage youth are not obtaining marijuana from licensed recreational outlets.

Other considerations that have arisen during the review of this application follow:

- While the general population must be 21 years old or older to purchase recreational cannabis, adults 18 years old and older who have a doctor's prescription for medical cannabis use can also legally purchase cannabis at retail stores. Anecdotes have pointed to ease of obtaining a medical cannabis card, which have raised concerns about 18-year-old high school students having legal access to cannabis products, which they could then distribute to others. To combat this concern, the applicant has voluntarily agreed to not

sell cannabis to anyone under the age of 19 years, even if they have a valid medical cannabis prescription.

- The applicant has claimed that students' cannabis access is not from legal sources, noting that legal products can be traced. While it may be true that students are accessing cannabis through illegal sales or unpermitted distribution, it is also likely true that students would not necessarily maintain the original packaging of products purchased legally. Thus, it would not be easy to determine whether products possessed by students were initially acquired through legal retailers or not.

In the public interest, should the application be approved, the applicant would be required to meet all Performance Standards listed in Section 24.12.1340 of the Municipal Code and included in the Conditions of Approval. The conditions regard security, lighting, hours of operation, loitering, litter removal, and signage. The use will not result in an undue concentration of cannabis retail establishments, as the nearest cannabis retail stores are located approximately 0.85 miles (Fair Ave.), 1 mile (Ocean St.), and 1.2 miles (Limekiln St.) away, respectively. The use will not be located within the proximity of an incompatible use, as defined by the specified buffers in the Zoning Ordinance, as the site meets the requirements of Section 24.12.1320(5) of the Zoning Ordinance, which requires that cannabis retail sales facilities maintain a 600-foot buffer from schools, parks, day care centers, youth centers, and other cannabis retail sales facilities. The location provides a distance of approximately 850 feet from Santa Cruz High School and approximately 1,360 feet from Mission Hill Middle School. As located and conditioned, it can be found that the proposed use will not adversely affect the health, safety, or welfare of area resident or businesses, or uses, which was, in part, the basis for the Planning Commission's approval. On the other hand, the Council could rely on the more subjective findings, as detailed above and as presented in the draft denial resolution, and find that, although the numeric separation standards are met, the findings cannot be made due to the location of the business along students' travel route to/from the high school and middle school, coupled with the potential negative implications of such exposure, as noted in some of the materials provided and attached to the Planning Commission report.

2. Administrative Use Permit (24.08.50) Findings. The appellants assert that the proposed use is not in conformance with Zoning Code Section 24.08.50(1) and 24.08.50(3) which are findings required to approve an Administrative Use Permit (AUP) or Special Use Permit (SUP). The two referenced findings read as follows:

- (1) The proposed structure and use conforms to the requirements and the intent of this title, and of the General Plan, relevant area plans, and the Coastal Land Use Plan, where appropriate.**
- (3) The use and structure will not constitute a nuisance or be detrimental to the public welfare of the community.**

The appeal letter goes on to argue that the use does not conform with certain General Plan policies as well as the intent of the Zoning Ordinance as is called for in Finding 1 above. Additionally, the appellants state that Finding 3 cannot be made as research has demonstrated that proximity to cannabis outlets increases cannabis usage among young adults and therefore the use would be detrimental to the public welfare.

Staff Response: The subject parcel has a Mixed-Use Medium Density (MXMD) General Plan designation. This designation applies to sites along the Mission Street corridor between Swift and Laurel Streets. The General Plan states that in MXMD designations, “the typical commercial uses are similar to those in the Community Commercial (CM) designation, and pedestrian-oriented commercial uses are encouraged on the ground floor.” For reference, the CM designation calls for “businesses that serve the general needs of the community, including retail, service, and office establishments. Typical uses in these areas include restaurants, grocery stores, furniture stores, general merchandise, medical and legal offices, and auto parts stores, as well as mixed-use projects that include these commercial uses on the ground floor.” The proposed use is consistent with the policies of the General Plan, including the following:

- **LU3.2.1** – Pursue the expansion of employment-intensive uses that have long-term economic viability.
- **ED1.1.1** – Encourage the development of diverse, innovative, and sustainable business enterprises that reinforce Santa Cruz’s position as a regional employment, cultural, visitor, and shopping center.
- **ED1.1.2** – Support the development and expansion of businesses that make a balanced contribution to the cultural, environmental, and economic health of the city.
- **ED1.1.3** – Encourage the development of year-round businesses and visitor activities, resources, and destinations that can also attract and engage local residents.
- **ED1.1.5** – Encourage additional commercial businesses that support and enhance creative industries and lifestyles, such as marine, retail, visitor, and recreational activities and services.
- **ED1.9.1** – Promote and develop clean, visually inviting, and safe shopping environments.
- **ED2.1** – Foster a robust and diversified economic and municipal tax revenue base.
- **ED2.1.1** – Recruit new and support existing businesses that generate substantial municipal revenue.
- **ED2.1.2** – Maintain and expand retail sales tax opportunities within the city.
- **ED2.2.3** – Support local and environmentally sound vendors.
- **ED2.2.4** – Encourage businesses to provide for easy consumer identification of locally produced and environmentally sound goods.
- **ED4.3.3** – Encourage the expansion and attraction of commercial businesses and industries that create stable, year-round, livable wage jobs with maximum health benefits.
- **ED5.2.1** – Encourage neighborhood shopping in nodes of commercial development that serve residential areas and have adequate transit, pedestrian, and bicycle access.
- **ED6.1.1** – Support the establishment of industries and “lifestyle businesses” that draw on Santa Cruz’s natural assets and environment.
- **ED6.2.1** – Support commercial projects that demonstrate a public benefit.
- **ED6.3** – Foster and retain locally owned businesses and start-ups.
- **ED6.3.1** – Assist small businesses and small-scale, low-impact, start-up uses in navigating the City’s permit process, and expedite project review.

The project site is located within the Mission Street Urban Design Plan (MSUDP) which encourages retail uses such as this. The community’s vision is to re-establish Mission Street as a vibrant commercial corridor that recognizes and carefully balances its functions as both a State Highway and local-serving commercial street. As noted in the MSUDP, the corridor should maintain a predominantly commercial mixed-use character. The intent is to create a corridor that is safe, attractive, economically and socially vibrant, which in turn will improve the quality of life

for Westside residents. While the MSUDP plan mostly addresses design concepts along the corridor, the project meets the following MSUDP areawide land use and redevelopment strategy plan objectives and policies:

- **Objective 4:** To enhance economic and social vitality of the Mission Street corridor by creating a more stable and sustainable mix of uses that serve both community and visitor needs.
- **Policy 4c** – Encourage “mixed-use” development and “local-serving” commercial uses as a means of reducing automobile use within the planning area. Development of complementary uses (retail and office, retail and housing, office and housing) in proximity to each other allows residents, employees, and visitors to walk and/or bicycle when undertaking many of the typical daily trips, whether it is going to lunch, running errands, or going out for the evening.
- **Objective 5:** Promote the revitalization and redevelopment of existing outdated, underutilized, or marginal uses or businesses in order to enhance the economic potential of the area as a whole.
- **Policy 5c** – Encourage redevelopment and infill development along Mission Street that will improve the corridor’s economic vitality, enhance the definition and character of the corridor, and create better pedestrian scale and orientation.

With the MSUDP adopted in 2002, the plan does not speak to cannabis retail uses. But Mission Street is a commercial corridor providing commercial services to local residents as well as tourists. The site is adjacent to offices, restaurants and other commercial services. The central location of this site will provide convenient access to purchase legal cannabis to West Side residents of Santa Cruz. Santa Cruz is a destination for tourism, and a cannabis retailer in this visible location would attract more consumers travelling on Highway 1 to the adult-use market. The project site is positioned to take advantage of the existing heavy tourist traffic on Mission Street. For these reasons, the project can be found consistent with the MSUDP.

The cannabis industry in Santa Cruz as a whole (manufacturing, distribution, labs, retail) benefits the general public by providing additional high-quality jobs within the City, including scientists and other technical positions. All cannabis retailers are required to pay a living wage and shall not discourage employees from joining or forming a union, pursuant to Chapter 6.91.090 of the Santa Cruz Municipal Code. *The Hook* would be one of two cannabis retail stores that serve the westside neighborhoods, as well as visitors to the City. As noted above, the Land Use Element and the Economic Development Element of the City of Santa Cruz 2030 General Plan list goals and policies that support the proposed use at this location.

That said, the General Plan’s Guiding Principles express the City’s “commitment to education through our schools, educational systems and programs.” The appellants have expressed concerns about the proposed business due to its proximity to and students’ respective routes to and from Santa Cruz High School and Mission Hill Middle School. Opponents to the proposed use indicate that the normalization of cannabis use due to repeated exposure to business patrons and signage or the easy access to the dispensary (for example, for those with false identification) could result in increased use of cannabis among students, and such use would have implications on children’s health and development due to the detrimental effects of THC on adolescents’ brains, including heightened risks of anxiety, depression, and psychosis.

While the proposed use is consistent with a number of General Plan policies as stated above, project opponents would suggest General Plan inconsistencies with policies such as:

- **CC7.4** - Enhance programs designed to reinforce positive juvenile behavior and prevent delinquency.
- **CC7.4.3** - Work with Santa Cruz City Schools and private schools to provide drug prevention.
- **CC8.4.1** - Implement the Safe Routes to School program where funded.
- **CC8.3.4** – Work with appropriate agencies to develop aggressive prevention and early intervention efforts toward reduction educational failure and other problems for children and youth.

It could be argued that establishment of a cannabis dispensary in the general vicinity of schools is inconsistent with these policies, tempting juveniles into bad behavior (i.e., acquiring false identification (IDs)) and normalizing the use of cannabis through exposure to the facility along the route to school.

3. Questionable Compliance with Municipal Code 24.12.1320(5). The appellants assert that the MU-M (Mixed-Use Medium Density) zone district in which the subject parcel is located is not listed as an allowed use within the zone district pursuant to the Zoning Code.

Staff Response: Pursuant to 24.10.802(c), “Cannabis retail, subject to the commercial cannabis regulations, Part 14 of Chapter 24.12” is permitted in the MU-M zone district with the approval of an Administrative Use Permit (AUP).

ENVIRONMENTAL REVIEW: The project is categorically exempt from environmental review under Class 1 of the CEQA Guidelines, Section 15301, which allows for minor alterations to existing facilities that result in negligible or no expansion of the existing use. The proposed project meets this exemption since it is proposing a specialty retail store within an existing commercial building previously used as a retail store, with no proposed expansion to the building.

None of the exceptions to the exemptions under Section 15300.2 apply to the project in that the project is not part of a larger project that could result in a cumulative impact, there are no unusual circumstances associated with the project or subject parcel, the project will not result in damage to resources associated with an officially designated scenic highway, the project site is not included on any lists compiled pursuant to Section 65962.5 of the Government Code related to Hazardous Waste Sites, and the project will not result in substantial adverse changes in the significance of a historical resource site.

HEALTH IN ALL POLICIES (HiAP): HiAP is a collaborative approach to improving the health of all people by incorporating health considerations into decision-making across sectors and policy areas. HiAP is based on 3 pillars: equity, public health, and sustainability. The goal of HiAP is to ensure that all decision-makers are informed about the health, equity, and sustainability impacts of various policy options during the policy development process. The project supports the pillar of equity by providing a range of jobs that cater to diverse backgrounds and by providing both medicinal and recreational cannabis to locals and visitors of all income levels. The proposed use is on a site that is improved with sidewalks and street trees and that is close to public transportation, commercial goods and services, and residential areas. A business in this central location encourages a sustainable and

healthy lifestyle by promoting alternative forms of transportation, such as walking or biking for retail shopping needs. Additionally, the business will employ sustainable practices, including enrolling in the PG&E Solar Choice program, retrofitting all existing faucets in the building to enhance water conservation, and minimizing waste by separating all refuse into trash, recycling, and compost. The business will generate consistent Cannabis Business Tax which can be used to further HiAP objectives, including a portion of which that is dedicated to funding services and programs for those 25 years old and younger. Therefore, the project can be considered consistent with the three pillars of the HiAP.

In letters of opposition to the project, commenters suggested the use is inconsistent with HiAP policies. One could argue inconsistency with the HiAP health pillar based on the potential for the location to normalize cannabis use, that such normalization could increase youth use, and on evidence presented that cannabis use negatively impacts developing brains of youth.

SUMMARY AND RECOMMENDATION: The proposed cannabis retail use meets all of the objective standards laid out in the City Zoning Code. That being said, subjective findings allow the City Council additional discretion to consider potential impacts the use could have on high school and middle school students given proximity to the high school and the site's location at a key Mission Street pedestrian crossing for the middle school and high school. There are certainly merits to both arguments, and both sides present valid points. Hence, staff recommends that the City Council consider the Planning Commission's approval and the information provided and make a determination to approve or deny the application based on one of the resolutions provided. The attached approval resolution includes findings supporting the approval, coupled with conditions of approval. The attached denial resolution includes findings supporting a denial.

FISCAL IMPACT: The applicant and appellants have paid fees to compensate for costs associated with staff time processing this application and subsequent appeals. The cannabis retail use will contribute to the general fund through sales tax and cannabis business tax (currently 7% of gross receipts) revenue to the City. The additional revenue generated by the project will help offset the costs of providing municipal services demanded by the project.

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Approved By:
Matt Huffaker
City Manager

ATTACHMENTS:

1. Resolution with findings and conditions of approval
2. Resolution with findings for denial
3. Project Plans
4. Operations Narrative and Security Plan
5. Appeal letter dated March 14, 2024
6. March 7, 2024 Planning Commission Staff Report. Attachments and public correspondence can be found here <https://www.cityofsantacruz.com/pc>
7. March 7, 2024 Planning Commission Minutes
8. Correspondence received after March 7, 2024