



## Legislation Details (With Text)

**File #:** 23-245      **Version:** 1      **Name:**  
**Type:** Report Item      **Status:** Passed  
**File created:** 3/1/2023      **In control:** City Council/Public Finance and Economic Development Authority/Parking Authority/Successor Agency to the Redevelopment Agency  
**On agenda:** 3/20/2023      **Final action:** 3/20/2023  
**Title:** SUBJECT: Policy Direction on Commercial Cannabis Business Permits

### REPORT IN BRIEF

The City Council is being requested to provide policy direction on potential modifications to the City of Merced Commercial Cannabis Business Permits process contained within Section 20.44.170 of the City of Merced Zoning Code.

### RECOMMENDATION

City Council - Provide Direction to Staff regarding potential modifications to the City of Merced Commercial Cannabis Business Permits process contained within Section 20.44.170 of the City of Merced Zoning Code.

### Sponsors:

### Indexes:

### Code sections:

**Attachments:** 1. Presentation, 2. CannabisOrdinance 2023 Modifications 3-1-23.pdf

Date	Ver.	Action By	Action	Result
3/20/2023	1	City Council/Public Finance and Economic Development Authority/Parking Authority/Successor Agency to the Redevelopment Agency	approved	Pass

*Report Prepared by: Scott McBride, Director of Development Services*

**SUBJECT:** Policy Direction on Commercial Cannabis Business Permits

### REPORT IN BRIEF

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### ALTERNATIVES

1. Approve as recommended by staff; or,

2. Deny; or,
3. Refer to City Staff for reconsideration of specific items to be addressed in City Council motion; or,
4. Continue to a future City Council meeting (date and time to be specified in City Council motion).

## **AUTHORITY**

Charter of the City of Merced, Section 200, et seq., California Government Code.

## **CITY COUNCIL PRIORITIES**

NA.

## **DISCUSSION**

The City of Merced has established Commercial Cannabis Permit regulations in Section 20.44.170 of the City of Merced Zoning Code. In March 2021, the City Council provided direction to Staff on modifications to the ordinance in preparation of a new permit cycle under the merit-based process for retail cannabis businesses. The City ordinance set the maximum number of retail cannabis business permits at five (5).

The update was intended to address a variety of issues in the code. Some include modifications to the merit-based process, adding requirements for Peace Labor Agreements for certain sized operators, allowing for expanded business hours, allowing commercial cannabis operations in additional zoning districts, cleaning up sections from the 2018 code and others.

A public hearing was held by the Planning Commission in August 2021 followed by a hearing by the City Council in September 2021. The modifications had an effective date in November 2021. Thereafter staff initiated the process for the fifth permit to be filled. Since then, the fifth permit application process was opened, applications were submitted in January 2022, reviewed, ranked, and notices were provided to applicants. The top ranked applicant's application has been approved by the Planning Commission and two appeals are still pending.

As part of the discussion related to the current appeals, the City Council has expressed interest in potential modifications to the commercial cannabis ordinance. Staff has prepared a draft ordinance for policy consideration and direction.

A modification to the City's Zoning Code requires a two-part process including a public hearing and recommendation by the Commission prior to action by the ordinance by the City Council. The intent, at this time is to get City Council input on potential modifications which would then go back through the formal zoning amendment process.

Staff is seeking policy consideration and direction on a two-step update process. This would potentially expand the current number of retail permits and provide for other later modifications. The two-step approach would include:

1. Expanding the current number of five (5) retail commercial cannabis permits to up to ten (10) and adding a new section that allows the City Council to consider alternative sites for a retail cannabis business under appeal. There is also a cleanup item from 2021 specific to permit modifications for ownership interest that would be included in this update.
2. A future modification could include the changes to the retail commercial cannabis permits process

to align retail permits with non-retail which would eliminate the merit-based selection process and eliminate the permit cap for retail permits. This change would also be accompanied by modifications to the local ownership and background sections to rely on the built-in state permitting process background requirements. Other potential changes could address expanding cannabis uses into other permitted zones, allowing retail operation in the “city center”, allowing nonretail cannabis businesses permits through Site Plan process, and other updates based on Council direction or community input.

The impact of these various updates would allow for a more streamlined approval process for both retail and nonretail cannabis businesses. These changes would potentially open up retail cannabis business opportunities to local startups which were previously not able to compete with more experienced groups with larger financial resources.

### **IMPACT ON CITY RESOURCES**

None.

### **ATTACHMENTS**

1. Presentation
2. Draft Updates to Section 20.44.170 of the Zoning Code related to Commercial Cannabis Business Permits