



DATE: June 17, 2024

TO: Honorable Mayor and Members of the City Council through City Manager

FROM: Brian Oh, Director of Community Development
Eric Danly, City Attorney
Ingrid Alverde, Director of Economic Development & Open Government

SUBJECT: Introduction (First Reading) of an Ordinance Making Findings of Exemption under CEQA and Amending Table 4.4 and Chapter 28 “Glossary” of the Petaluma Implementing Zoning Ordinance to Permit On-Site Retail Cannabis Sales in up to Three Locations in Business Park and Industrial Zones, and Introduction (First Reading) of an Ordinance Amending the Petaluma Municipal Code to Relocate the City's Cannabis Regulations to a New Chapter 6.10 Entitled "Cannabis" and to Permit On Site Retail Cannabis Sales in Accordance with the Implementing Zoning Ordinance, and Adoption of a Resolution Updating the City's Commercial Cannabis Permit Regulations

RECOMMENDATION

It is recommended that the City Council introduce the attached Ordinances which: make findings of exemption under CEQA, amend Table 4.4 and Chapter 28 “Glossary” of the Implementing Zoning Ordinance to make on-site retail cannabis sales in up to three locations in Business Park and Industrial zones a permitted land use, subject to applicable buffer zones, relocate the City’s cannabis regulations in Chapter 10.15 of the Municipal Code to a new Chapter 6.10 of the Petaluma Municipal Code entitled “Cannabis,” and continue in effect existing commercial cannabis regulations, and allow up to three retail storefront cannabis businesses in Business Park and Industrial Districts in Petaluma in accordance with the Implementing Zoning Ordinance (See the **draft Ordinances, Attachments 1 and 2**) - and it is also recommended that the City Council adopt of a Resolution updating and replacing the City’s commercial cannabis permit regulations to implement the changes to the Implementing Zoning Ordinance and Municipal Code to permit on-site retail cannabis sales in the City. (**Attachment 3**).

BACKGROUND

Adopted State and Local Cannabis Business Legislation

In November, 2016, California voters approved via Proposition 64 the Control, Regulate and Tax Adult Use of Marijuana Act, referred to in ballot materials as the Adult Use of Marijuana Act (“AUMA”), which established a regulatory scheme for nonmedical marijuana similar to that established for medical marijuana under the MMRSA. Following its adoption by California voters, the AUMA was codified in various provisions of state law, including in Article 2, entitled “Cannabis” in the Uniform Controlled Substances Act within the California Health and Safety Code, and in Division 10 entitled the “Medicinal and Adult-Use Cannabis Regulation and Safety Act” of the California Business and Professions Code.

As codified in the California Health and Safety Code and the California Business and Professions Code, the AUMA decriminalized for purposes of state law specified nonmedical cannabis uses pursuant to California Health and Safety Code section 11362.1, including possession, processing, transporting, purchasing, obtaining and giving away to persons 21 years old and older, without compensation, not more than 28.5 grams of non-concentrated cannabis or not more than 8 grams of concentrated cannabis, including cannabis contained in cannabis products; possessing, planting, cultivating, harvesting, drying or processing not more than six living cannabis plants and possessing the cannabis produced by the plants; smoking or ingesting cannabis or cannabis products, and possessing, transporting, purchasing, obtaining, using, manufacturing, or giving away to persons 21 years of age or older without compensation cannabis accessories.

Effective January 1, 2018, California’s laws regulating cannabis were substantially revised by comprehensive legislation known as the Medicinal and Adult Use Cannabis Regulation and Safety Act (MAUCRSA). MAUCRSA established a uniform licensing regime for both medical and adult-use cannabis effective Jan 1, 2018. Consisting of two separate bills sponsored by the Governor’s office, SB 94 and AB 133, MAUCRSA supplanted prior legislation known as MCRSA (formerly MMRSA), which applied only to medical cannabis and made adjustments to California’s legalization law, the Adult Use of Marijuana Act (AUMA) a.k.a. Prop 64, consistent with the intent of the initiative.

In response to the enactment of the AUMA, the City Council introduced on November 13, 2017, and subsequently adopted on December 4, 2017, Ordinance No. 2634 N.C.S. repealing and replacing former Chapter 10.15 of the Petaluma Municipal Code entitled “Medical Marijuana” with a new Chapter 10.15 entitled “Cannabis” extending the City’s cannabis regulations to nonmedical cannabis uses in the City. The ordinance banned commercial cannabis activities in the city, with exceptions for cultivation and specified manufacturing, testing, and delivery-only retail sales operations (**Attachment 4** – City Council Ordinance 2634 N.C.S.). Subsequently, on December 18, 2017, the City Council approved Resolution No. 2017-182 N.C.S., which established comprehensive administrative regulations (Cannabis Regulations) to implement Chapter 10.15 (**Attachment 5** – City Council Resolution No. 2017-182 N.C.S.). These regulations provide for how certain commercial cannabis businesses would be permitted and

regulated within the City of Petaluma. Currently, commercial cannabis activity allowed under these regulations includes:

- Manufacture and only business-to-business (nonretail) sale of topical or edible cannabis products using cannabis infusions, infusion processes, or cannabis concentrates, but excluding manufacture of cannabis products involving volatile solvents and excluding repackaging cannabis or cannabis products or relabeling cannabis or cannabis product containers (PMC § 10.15.040(B))
- Testing laboratories (PMC § 10.15.040(C))
- Retail sale of cannabis and cannabis products using a delivery-only method in accordance with Section 10.15.060, at a maximum of two different locations in the city, with no sale of cannabis or cannabis products to customers, primary caregivers or qualified patients occurring at the business location, no customers, primary caregivers or qualified patients permitted at the business location at any time, and no signage at the business location or on the delivery vehicles indicating the presence of cannabis or cannabis products or that the seller sells cannabis or cannabis products (PMC § 10.15.040(D))
- Delivery of cannabis products pursuant to PMC § 10.15.040(D) (above) and delivery of medical cannabis to qualified patients and primary caregivers in the city of Petaluma from cannabis sellers lawfully operating outside the city of Petaluma in accordance with all applicable state and local laws (PMC § 10.15.060)

Local Cannabis Land Use Legislation

Following the adoption of Chapter 10.15 and associated regulations, Implementing Zoning Ordinance Table 4.4 – Allowed Land Uses and Permit Requirements for Commercial, Business Park, and Industrial Zones was amended (see **Attachment 6 – City Council Ordinance 2643 N.C.S.**) to allow the following cannabis land uses in Business Park (BP) and Industrial (I) zoning districts as permitted uses:

- Laboratory – Cannabis;
- Manufacturing/processing – Cannabis; and
- Retail Sale and Delivery – Cannabis

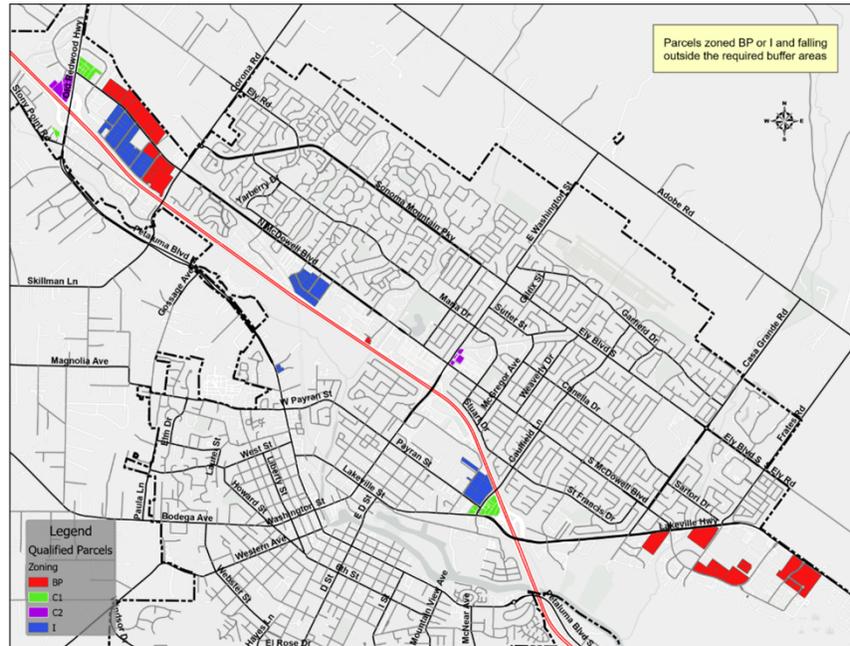
These commercial cannabis uses are subject to specific use regulations currently contained in Chapter 10.15 of the Petaluma Municipal Code that require commercial cannabis uses to be at least:

- 600 feet from a school or a childcare center;
- 200 feet from parks, youth centers, and the library, and
- 100 feet from residential districts as measured from property line to property line

and that all cannabis businesses obtain an annual commercial cannabis permit.

The graphic below depicts the potential locations that comply with the buffer areas described above and could be permitted locations for retail storefront cannabis. Note that the red parcels are within the Business Park District and the blue parcels are within the Industrial District. The green and purple parcels are parcels within Commercial 1 and Commercial 2 Districts that would

comply with the use buffers. However, the attached ordinances mirror the City’s current Zoning provisions and only allow cannabis commercial activity within the Business Park and Industrial Districts. The green and purple parcels show that even expanding commercial cannabis activity to commercial districts would generally not increase potential commercial cannabis locations to the Westside of the City, except for in the area across Caulfield Lane from the Gateway Plaza Shopping Center. This graphic can also be found as **Attachment 7** to this staff report.



The attached ordinances would amend the Implementing Zoning Ordinance (IZO) and the Petaluma Municipal Code (PMC) to authorize the storefront retail sale of cannabis. The attached resolution would adopt administrative regulations for implementing the amended cannabis provisions in the Zoning Ordinance and Municipal Code. (**Attachment 3**) Below are summary descriptions of the changes that the attached ordinances and resolution would make to the City’s commercial cannabis regulations. The amended land use regulations contained in IZO Chapter 4 and the new Chapter 6.10 in the Municipal Code would maintain the existing structure for reviewing and issuing permits for cannabis-related businesses. Modifications to the City’s commercial cannabis regulations contained in the new Chapter 6.10 entitled “Cannabis” will make changes consistent with direction provided by the City Council. The attached resolution includes amendments to the City’s Commercial Cannabis Permit Regulations (**Attachment 3**). These administrative regulations help to ensure that nuisance conditions do not result from commercial cannabis activity in the community and include security requirements for each operator. The City’s Commercial Cannabis Permit Regulations are authorized pursuant to PMC Section 10.15.090.

Proposed Zoning Ordinance Amendments (Attachment 1)

- Amend IZO Chapter 4 (Zone Districts and Allowable Land Uses), Section 4.030 (Allowable Land Uses and Permit Requirements), Table 4.4 (Commercial, Business Park,

and Industrial Zones) to include Retail Sale – Cannabis as a permitted land use, subject to specific use restrictions; and

- Amend IZO Chapter 28 (Glossary) to define applicable terms.

Business Park and Industrial Zoning District Allowable Land Uses

As stated above, proposed zoning text amendments include modification to IZO Chapter 4.4.030 (Allowable Land Uses and Permit Requirements), Table 4.4 (Commercial, Business Park, and Industrial Zones) to add **Retail Sale - Cannabis** as a permitted use, subject to certain restrictions and special use regulations. In addition, IZO Chapter 28 (Glossary) would be amended to replace the definition of **Retail Sale and Delivery – Cannabis** with an expanded definition for **Retail Sales – Cannabis** that includes storefront retail sales.

Land Use Permit Requirements

As proposed, **Retail Sale - Cannabis** uses would be permitted in areas zoned BP and I, subject to the granting of a commercial cannabis permit from the City of Petaluma and compliance with applicable buffers of a minimum of 600 feet from schools or childcare centers, 200 feet from parks, youth centers, and the library, and 100 feet from residential districts.¹ **Attachment 7** illustrates areas where commercial cannabis businesses may be located based on existing zoning and compliance with the buffer restrictions. These areas are consistent with staff recommendations presented to the City Council at the March 11, 2024, workshop and align with the direction related to the location of commercial cannabis activity provided by the Council at that meeting.

Existing and proposed local regulations, as well as State regulations, are believed to be sufficient to permit commercial cannabis activity in a manner that is in the best interest of public health, safety, and welfare and that ensures the proper integration of these uses, as the regulations limit the number and location of cannabis storefront retail sales businesses and specify operational requirements related to state and local licenses, hours of operation, employees, and onsite security. Additionally, under the existing and proposed regulations, commercial cannabis permits may be revoked by the City if a business is causing adverse impacts on the community or otherwise violating City or state regulations, and all issued permits require annual renewal that may be denied if it is found that the business:

- Would threaten the public health, safety or welfare by continuing to operate;
- Provided incorrect or misleading information on their application;
- Failed to operate in accordance with all local, state and federal laws;
- Has had its state commercial cannabis license revoked;
- Closed for three consecutive months;
- Is no longer a permitted use under state law;
- Would subject the City and/or its officials to federal enforcement;

¹ Permit applicants will not be eligible to receive storefront commercial cannabis permits until Zoning amendments are adopted and take effect establishing the locations in the City where storefront commercial cannabis retail sales may occur, and Municipal Code amendments are adopted and take effect authorizing storefront retail sales in accordance with the Zoning Ordinance.

- Should have its cannabis business permit suspended, revoked or modified to protect the public health, safety and welfare due to changed circumstances from the time the permit was issued; or
- Has not remained current on applicable City taxes or fees.

Definitions

In addition to amending the Allowable Land Uses table for BP and I zoning, amendments to Chapter 28 (Glossary) are also proposed. Amendments include replacing the definition of “Retail Sale and Deliver[y] - Cannabis” with “Retail Sale – Cannabis.” The proposed replacement definition is as follows:

- **Retail Sale – Cannabis** - a maximum of up to three different premises permanently located in the City where cannabis is offered for on-site retail sale to consumers, and a maximum of up to two different premises permanently located in the City that deliver cannabis as part of a retail sale, with all such operations and premises licensed by the State of California pursuant to the Medicinal and Adult-Use Cannabis Regulation and Safety Act, California Business and Professions Code Section 26000 et seq., as may be amended, in accordance with State law, the requirements of this code, the Petaluma Municipal Code, and the current City of Petaluma Commercial Cannabis Permit Regulations. Unless otherwise specified, “cannabis retailer” means both a retailer selling medical cannabis and medical cannabis products to patients with valid physician’s recommendations and a retailer offering adult-use cannabis and cannabis products for adults 21 years of age and over, in accordance State law, the requirements of this code, the Petaluma Municipal Code, and the current City of Petaluma Commercial Cannabis Permit Regulations.

On May 14, 2024, the Petaluma Planning Commission held a public hearing to review and discuss the proposed amendments. Planning Commission voted to recommend that City Council adopt the proposed amendments by a vote of 6-1. There were concerns from the Commission about the buffers permitting commercial cannabis activity too near schools and parks, and safety concerns related to storefront retail.

Proposed Municipal Code Amendments (Attachment 2)

- Former Chapter 10.15 of the Petaluma Municipal Code entitled “Cannabis” relocated and renumbered as Chapter 6.10 of the Petaluma Municipal Code.
- Amends Section 10.15.040 paragraph (D) regarding delivery-only retail cannabis sales, and
- Adds a new paragraph (E) which authorizes a maximum of three storefront cannabis retailers.

The purpose of current Chapter 10.15 in the Municipal Code is to recognize and respect the will of the California voters in approving the AUMA through adoption of less restrictive local cannabis regulations, while at the same time promoting the public health, safety and welfare of the Petaluma community by protecting citizens from the secondary impacts associated with cannabis dispensaries and commercial activity and cannabis delivery, preventing increased

demand for police response, and maintaining access of qualified patients and primary caregivers to medical cannabis and medical cannabis products. The City's existing commercial cannabis regulations impose requirements for retail and wholesale cannabis businesses, including issuance by the City of an annual commercial cannabis permit, and requirements intended to protect the health, safety and welfare of the public and to avoid significant impacts from cannabis commercial activity by: limiting the location and number of permitted commercial cannabis establishments; establishing cannabis business employee age requirements, background check requirements, requiring compliance with the City's cannabis business application process, and requiring compliance with the City's cannabis commercial regulations and with applicable state cannabis laws and regulations.

Adoption of updated retail cannabis regulations, including permitting storefront cannabis retail sales, is identified as one of the City Council's top priorities. The City Council held a workshop on March 11, 2024 to discuss the timing and scope of cannabis regulation amendments, and at the workshop, the Council supported staff's recommendation on the number and location of storefront cannabis retail uses, and directed staff to move forward with the amendments utilizing a hybrid approach, with limited amendments occurring in the near term, and comprehensive amendments to follow. On April 15, 2024, staff updated the City Council on the estimated milestones and timelines for each City Council goal, and the Council provided direction on an updated goals and priorities workplan, including updates to the City's commercial cannabis regulations. Council direction provided at the April 15, 2024 City Council meeting reiterated prior Council direction to prepare limited amendments to the City's cannabis regulations, both in the City's Municipal Code and the IZO to allow storefront retail cannabis sales at up to 3 locations in areas zoned Business Park and Industrial, where retail and wholesale commercial cannabis activities are permitted under the City's existing cannabis regulations.

The attached Municipal Code amendments (**Attachment 2**), if adopted, would implement the Council's direction. The attached Municipal Code amendments (**Attachment 2**) amend renumbered Section 6.10.010, "Purpose," to refer to the cannabis commercial activity purposes of the chapter; amend renumbered Section 6.10.040, "Commercial Cannabis Activity," to specify that delivery-only retail cannabis sales may occur at locations where on-site retail sales are permitted; and to specify that on-site retail sales are permitted at up to three different locations in Business Park and Industrial zones, subject to applicable buffers; and amend renumbered Section 6.10.080, "Medical Cannabis," to update the savings provision in that section regarding sale of medical cannabis to qualified patients and primary caregivers.

DISCUSSION

Applicable Standards for Review

Zoning text amendments are governed by Chapter 25 of the Implementing Zoning Ordinance and by California Government Code Section 65853. Chapter 25 provides that the City Council may make zoning text amendments with findings that the proposed amendments are in conformance with the City's General Plan and consistent with the public necessity, convenience, and general welfare. On May 14, 2024, the Petaluma Planning Commission, in accordance with Chapter 25 of the IZO made such findings and recommended that City Council introduce and adopt the

proposed amendments. Following are the findings for the ordinance amending the City’s IZO that has been prepared for City Council action (**Attachment 2**) to satisfy the requirements of Chapter 25 of the IZO:

General Plan Consistency Findings

The proposed action is consistent with the Business Park and Industrial land use designations contained in the adopted 2025 City of Petaluma General Plan and is consistent with guiding principles, goals, policies, and programs, as follows:

Guiding Principle # 8. Foster and promote economic diversity and opportunities.

This ordinance will create new jobs within the City of Petaluma across various sectors of the cannabis industry and attracting a diverse customer base. Cannabis retail stimulates economic activity and supports surrounding businesses. Revenue generated from cannabis sales can be reinvested into the local economy, further enhancing economic diversity and opportunity for all residents.

Guiding Principle #9. Expand retail opportunities to meet residents’ needs and promote the City’s fiscal health, while ensuring that new development is in keeping with Petaluma’s character.

Allowing up to three cannabis retailers in a city can expand retail opportunities to meet residents' needs by providing a diverse range of products and services within the cannabis industry and the presence of cannabis retailers can contribute to the city's fiscal health by generating tax revenue and creating job opportunities.

Land Use Goal 1-G-1 Maintain a balanced land use program that meets the long-term residential employment, retail, industrial, education, recreation, and open space needs of the community.

Allowing up to three retail cannabis storefronts in the business park and industrial districts of the City can contribute to maintaining a balanced land use program in several ways. It will allow economic diversity that will provide additional revenue for the City which can be allocated towards various community needs and job opportunities within the community, while ensuring responsible regulation and compliance with local laws. Regulations requiring cannabis-related activities to maintain a certain distance from schools, childcare centers, parks, youth centers, and residential districts is consistent with this General Plan policy as appropriate buffers between cannabis-related activities and these uses maintains a balanced land use program by protecting residential, education, and open space uses from potential nuisances associated with cannabis production and sales. Furthermore, the limitation on the number of commercial cannabis licenses (2 delivery-only businesses; 3 storefront retail businesses) is consistent with this General Plan policy as it balances the need for expanded cannabis retail opportunities while maintaining the predominance of industrial uses in industrially-zoned areas.

Land Use Policy 1-P-8 Maintain Business Park uses by monitoring availability of industrial land area for possible expansion of high employment businesses.

The proposed action maintains current uses while expanding opportunities for additional cannabis retailers beyond the permitted two delivery permits. Storefront cannabis retailers are expected to create more job opportunities compared to delivery services alone, as they require staff for store maintenance, customer assistance, and security. This expansion not only enhances employment prospects but also enriches the local economy and provides a more comprehensive and accessible experience for consumers.

The Natural Environment Goal 4-G-6 Greenhouse Gas Emissions Reduce the contribution to greenhouse gases from existing sources and minimize the contribution of greenhouse gases from new construction and sources.

Allowing storefront cannabis retailers in Petaluma will decrease greenhouse gas emissions by eliminating the need for residents to travel to neighboring cities or the county to purchase cannabis from storefront locations. This reduction in travel distances will lead to fewer vehicle miles traveled, thereby decreasing carbon emissions associated with transportation. By providing local access to cannabis products, the ordinance promotes convenience and sustainability, aligning with efforts to reduce the city's overall carbon footprint.

Economic Health & Sustainability Policy 9-P-13 Expand and diversify Petaluma's retail base.

The proposed amendments will broaden the retail options available in Petaluma, as previously residents could only purchase cannabis locally through delivery-only retail channels, whereas now they will have the additional option of purchasing locally from brick-and-mortar storefronts. This expansion of retail venues enhances accessibility and choice for Petalumans, offering a more diverse and convenient shopping experience within the city.

Economic Health & Sustainability Policy 9-P-14 Plan and locate retail uses appropriately to their types and the sites available.

Cannabis retail stores will exclusively be situated in business park and industrial districts within the City, maintaining a buffer zone to prevent storefronts in close proximity to residences or schools. This strategic placement aims to safeguard citizens from potential nuisances associated with cannabis-related activities, ensuring a harmonious coexistence between businesses and surrounding communities. Additionally, the limitation on the maximum number of commercial cannabis licenses (2 delivery-only businesses; 3 storefront retail businesses) is appropriate for the Business Park and Industrial land use designations and corresponding zoning designations as the limitation on these uses in these areas is minimal, consistent with the stated intent of the General Plan, which allows retail

and service commercial uses within areas designated Business Park and Industrial, provided that they are secondary and ancillary in nature; and

Public Necessity, Convenience and Welfare Findings

In accordance with Section 25.070 of the IZO, this action is consistent with the public necessity, convenience and welfare in that it will:

- Provide opportunities for local, storefront retail sales of cannabis, which reduces the need for residents to travel to neighboring jurisdictions to obtain similar products and services, in turn decreasing vehicular travel and associated greenhouse gas emissions;
- Provide opportunities for local access to cannabis products, which increases convenience and sustainability of the local economy;
- Limit the location of storefront cannabis retail sales to ensure they are located in safe and appropriate locations regarding their location proximity to schools, childcare centers, parks, youth centers, libraries, and residentially zoned areas;
- Encourage responsible cannabis use through strict age verification;
- Provide a platform for professional assistance and advice on safe consumption of cannabis products;
- Make local storefront retail cannabis sales subject to issuance by the City of an annual cannabis business permit, subject to compliance with state and local regulations, including the Medicinal and Adult-Use Cannabis Regulation and Safety Act (MAUCRSA), government code sections 26000 – 26231.2, and the City’s cannabis regulations;
- Foster economic diversity by creating new cannabis industry employment opportunities;
- Diversify the City's tax base, generating supplementary revenues that can be used to address various community needs, including, but not limited to, funding for infrastructure projects.

Permit Application Process

The permit application process is described in Section E of the Commercial Cannabis Permit Regulations. (**Attachment 3-Exhibit A**) The application and renewal process maintain the City’s existing process for obtaining a delivery only cannabis retail permit. Essentially, applicants will need to complete a City approved form and pay an application fee. City staff will review the applications and rank the applications in staff’s sole discretion.

PUBLIC OUTREACH

This agenda item appeared on the City’s tentative agenda document on June 3, 2024 which was a publicly-noticed meeting. On June 7, 2024, and again on June 14, 2024, a Notice of Public

Hearing to be held on June 17, 2024 for this item was published. As of the preparation of this report, no public comment has been received in response to this public notice.

COUNCIL GOAL ALIGNMENT

The City’s adopted Goals & Priorities identify the expansion of current cannabis regulations as one of its top priorities. In support of this priority, staff held a workshop with the Council on March 11, 2024, to discuss the timing and scope of cannabis regulation amendments. At the workshop, staff presented two options for consideration by the Council, including a “Limited Option,” which would enact minimal changes to the existing regulations and occur in the short term, and a “Comprehensive Option,” which would include additional stakeholder outreach, economic analysis, and City Council workshops and would occur over a longer period of time. At the meeting, the City Council expressed interest in a hybrid approach, with a limited option to occur in the near term (anticipated June 2024) to provide expedited implementation and a comprehensive option to follow (anticipated 2025).

At the workshop, Councilmembers supported the staff’s recommendation related to the location and number of cannabis businesses. Specifically, the Council agreed that cannabis businesses are most appropriately located in Business Park (BP) and Industrial (I) zones in the City as operational impacts most resemble uses that are currently allowed, such as light manufacturing, laboratory testing, and warehousing and distribution. Related to storefront retail cannabis business, the General Plan and Implementing Zoning Ordinance provides that retail and service commercial uses are permitted in a secondary and ancillary nature, which is reflected in the limited number of establishments that could operate within the city.

Also, as stated above in the Discussion Section, the proposed amendments are consistent with several General Plan goals and policies.

CLIMATE ACTION/SUSTAINABILITY EFFORTS

Allowing storefront cannabis retailers in Petaluma will decrease greenhouse gas emissions by eliminating the need for residents to travel to neighboring cities or the county to purchase cannabis from storefront locations. This reduction in travel distances will lead to fewer vehicle miles traveled, thereby decreasing carbon emissions associated with transportation.

ENVIRONMENTAL REVIEW

The proposed project is statutorily exempt from the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines Sections 15061(b)(3) (General Rule) and 15183 (Projects Consistent with a Community Plan or Zoning) and is categorically exempt pursuant to Sections 15301 (Existing Facilities), 15302 (Replacement or Reconstruction), and 15303 (New Construction or Conversion of Small Structures). Therefore, no further environmental review is needed.

General Rule Statutory Exemption

Section 15061(b)(3) of the State CEQA Guidelines states that CEQA applies only to projects which have the potential to result in a significant effect on the environment, and where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA review. There is no possibility that the proposed amendment to the City's Cannabis Ordinance will result in a significant effect on the environment as adoption of the Ordinance is limited to establishing regulations for storefront retail cannabis uses, and no specific businesses will be approved to operate as part of this action. There is also no possibility that implementation of the Ordinance may have a significant effect on the environment as future storefront retail cannabis businesses will be limited to three for the entire city and will be located on developed properties where similar retail and service commercial uses are already operating or permitted to operate. As such, the project is eligible for exemption pursuant to CEQA Guidelines Section 15061(b)(3).

15183 Statutory Exemption

Section 15183 of the CEQA Guidelines provides that projects that are consistent with the development density established by existing zoning, community plan, or general plan policies for which an EIR was certified shall not require additional environmental review, except as might be necessary to examine whether there are project-specific significant effects which are peculiar to the project or its site. As provided in detail above, storefront retail cannabis uses have been determined to be similar to retail and service commercial uses that are already permitted to operate within areas designated as Business Park and Industrial in the General Plan. Specifically, storefront cannabis retail is classified as both a retail and service commercial use as it includes the sale of goods/merchandise (retail) as well as a customer service component (service commercial). Furthermore, the limitation of three storefront cannabis retail business across the entire city is consistent with the intent of these land use designations, in that the limitation ensures that retail and service commercial uses on parcels designated BP and I will be secondary and ancillary in nature. Because the proposed project will permit operation of a limited number of storefront cannabis retail establishments that are of a similar nature to retail and service commercial uses that are already permitted to operate, adoption and implementation of the proposed amendments and associated Ordinance will not result in new or more severe impacts previously analyzed and disclosed in the General Plan EIR. Furthermore, as described above, the project is consistent with guiding principles, goals, policies, and programs of the General Plan.

Categorical Exemptions

The project is categorically exempt from CEQA pursuant to Sections 15301, 15302, and 15303 of the CEQA Guidelines, in that the proposed zoning amendments will allow commercial cannabis businesses with a City of Petaluma issued Commercial Cannabis Permit to: 1) re-tenant existing commercial and industrial facilities designed to support such uses; 2) replace, modify or otherwise reconstruct existing commercial and industrial facilities with a new structure of substantially the same size, purpose and capacity; and/or 3) construct new small structures including fences, gates, greenhouses, and small scale commercial and industrial facilities. There are no cumulative impacts, unusual circumstances or other factors that would make the exemption inapplicable.

If a project qualifies for the use of a categorical exemption, then the lead agency must determine

whether the project is subject to any of the exceptions to the use of a categorical exemption, pursuant to CEQA Guidelines Section 15300.2. None of the exceptions to the use of a categorical exemption apply as (a) the project is not located in an area where it may impact an environmental resource of hazardous or critical concern; (b) will not result in cumulative impacts; (c) does not involve an activity where there is a reasonable possibility that the activity will have a significant effect on the environment due to unusual circumstances; (d) will not result in damage to scenic resources within a highway officially designated as a state scenic highway; (e) is not located on a hazardous waste site pursuant to Section 65962.5 of the Government Code, and (f) will not result in a substantial adverse change in the significance of a historical resource. As none of the exceptions to the exemption apply, the project would not be precluded from the use of the Class 1, 2, and 3 categorical exemptions.

FINANCIAL IMPACTS

So far the Council has expressed no interest in pursuing a cannabis tax measure. The attached ordinances are expected to result in additional sales tax revenue for the City.

ALTERNATIVES

These action items conform to the City Council's direction and staff are proposing no alternatives at this time.

ATTACHMENTS

Attachment 1. An Ordinance of the City Council of the City of Petaluma amending specified provisions of the City's Implementing Zoning Ordinance, Ordinance No. 2300 N.C.S., to permit on-site retail cannabis sales in up to three locations in Business Park and Industrial Zones in the City, subject to a valid, annual commercial cannabis business permit granted by the City in accordance with the Petaluma Municipal code and regulations promulgated by the City

Attachment 2. An Ordinance of the City Council of the City of Petaluma amending the Petaluma Municipal Code to Relocate the City's Cannabis Regulations to a New Chapter 6.10 Entitled "Cannabis" and to Permit On-Site Retail Cannabis Sales in up to three locations in Business Park and Industrial Zones in the City's Implementing Zoning Ordinance, Ordinance No. 2300 N.C.S., Subject to a valid, annual commercial cannabis business permit granted by the City in accordance with the Petaluma Municipal Code and regulations promulgated by the City

Attachment 3 Resolution of the City Council of the City of Petaluma adopting updated Administrative Regulations to implement Chapter 6.10 of the Petaluma Municipal Code entitled "Cannabis"

Attachment A- Commercial Cannabis Permit Regulations

Attachment B – Security Requirements (Exhibit A to Permit Regulations)

- Attachment 4 City Council Ordinance 2634 N.C.S. adopted December 4, 2017, Ordinance Repealing and Replacing Chapter 10.15, “Medical Marijuana,” of the City of Petaluma Municipal Code, Retitling the Chapter “Cannabis,” and Extending the City’s Cannabis Regulations to Medical and Non-Medical Cannabis Uses
- Attachment 5 City Council Resolution No. 2017-182 N.C.S. dated December 18, 2017, Adopting Commercial Cannabis Regulations and Commercial Cannabis Permit Fees Pursuant to Chapter 10.15 of the Petaluma Municipal Code
- Attachment 6 City Council Ordinance 2643 N.C.S., dated March 19, 2018, Adopting Cannabis Regulations Pursuant to Chapter 10.15 of the Petaluma Municipal Code Amending the Text of the Implementing Zoning Ordinance, Ordinance 2300 N.C.S., Chapter 4, Section 4.030 – Allowable Land Uses and Permit Requirements and Chapter 28 – Glossary to Accommodate Commercial Cannabis Businesses in Business Park and Industrial Zones Subject to and in Accordance with Chapter 10.15 of the Petaluma Municipal Code, the City of Petaluma Commercial Cannabis Permit Regulations, and Other Applicable Law
- Attachment 7 Business Park and Industrial Zones Retail Sales – Cannabis Opportunity Sites Map dated April 30, 2024, prepared by the City of Petaluma GIS Division