



STAFF REPORT
7/27/2022

TO: Honorable Mayor and City Council Members

FROM: Gabriel Perez, Development Services Director

SUBJECT: Adopt Ordinance No. 1195 (Zoning Ordinance Amendment No. 22-03) Cannabis Business Streamline Code Amendments to amend Coachella Municipal Code Title 5 and 17 regarding cannabis business zoning and operation in the City. City-Initiated (*2nd Reading*).

STAFF RECOMMENDATION:

Staff recommends that the City Council adopt Ordinance No. 1195 amending the City's Cannabis business zoning and operation regulations of the Coachella Municipal Code Titles 5 and 17.

BACKGROUND:

The City's cannabis business regulations allow for a diverse mix of cannabis retail, cultivation (indoor and outdoor), distribution, retail, and testing businesses. In 2021, the cannabis tax revenues were \$1,897,514, including \$1,229,184 from cultivation, \$636,130 from retail, and \$32,125 from manufacturing. In 2021, a taskforce was assembled of key City staff responsible for regulation and support of the local Cannabis businesses to assess progress of the City's cannabis business program over the past 5 years. The City of Coachella was early to adopt a legal regulatory framework for cannabis businesses to operate in the City and took a conservative approach to cannabis business regulation. The taskforce was able to identify opportunities for streamlining the City's zoning and business regulation for cannabis operations with the goal of reducing processing times, costs, and providing greater regulatory clarity.

The Planning Commission considered the subject Zoning Ordinance Amendment (ZOA) No. 22-03 on June 1, 2022 and recommended approval to the City Council. The Planning Commission also requested that City staff evaluate alternatives for interim cannabis cultivation permits that would not deter future residential development in the existing interim cannabis cultivation boundary and report to the Planning Commission at a future date. The City Council considered the ordinance on June 22, 2022 and affirmed the use of the existing Retail Cannabis Business Sub-Zones as the designated location for storefront retail cannabis businesses. The Council suggested removal of proposed amendments that proposed elimination of the Retail Cannabis Business Sub-Zones and would allow for storefront retail businesses in all commercial zones.

DISCUSSION/ANALYSIS:

The Ordinance No. 1195 proposes several Municipal Code Amendments to Title 5, Business Licenses and Regulations, and Title 17, Zoning to streamline the City's cannabis business program as follows:

- Remove the requirement of commercial cannabis or retail cannabis applicants to pursue a change of zone to apply either a Retail Cannabis RC Overlay or Industrial Park IP Overlay. This would eliminate the need to process both a Change of Zone and a CUP, which requires public hearings at the Planning Commission and the City Council.
- Allow commercial cannabis activity permitted in Chapter 17.85, Commercial Cannabis Activity, to occur in M-S, Manufacturing Service or M-H, Heavy Industrial Zones subject to a CUP and eliminate the need to be located in one of 3 allowed Sub-areas. Currently, commercial cannabis activity is only allowed on M-S zoned properties with an IP Overlay rezoning in Sub-areas #6 (Downtown Expansion), #7 (South Employment District), or #10 (North Employment). The City receives many applications to allow commercial cannabis activity that require both a Change of Zone for IP Overlay and a rezoning from M-S to M-H zones despite the proposed locations within the eligible Sub-areas. Staff's recommendation would allow commercial cannabis activity in M-S and M-H zones subject to 600-foot distance requirement from a residentially zoned lot. A map of the 600 foot distance from residential zones lots demonstrates that the eligible commercial cannabis activity locations would continue to be consistent with Sub-areas 6, 7, and 10, but would allow new commercial cannabis activity in industrial zones east of the 86 Expressway (Attachment 3).
- Remove the requirement for a Development Agreement for retail cannabis businesses in Chapter 17.84, Retail Cannabis Businesses and for Commercial Cannabis Activity in Chapter 17.85. Staff conducted an assessment of existing Development Agreements for cannabis businesses in the City and determined that the development agreements mainly secure a taxation rate for cannabis business activity. This taxation rate in a development agreement is no longer required as the City has a citywide tax rate structure for cannabis businesses. Development agreements could still be entered into voluntarily by applicants as many of the existing development agreements allow for maintaining approved permits activity for up to seven years.
- Reconcile the inconsistent distance requirement from residential zoned lots for cannabis businesses of 1,000 feet in the IP Overlay, Chapter 17.46 and Commercial Cannabis Activity, the Chapter 17.85, distance requirement of 600 feet.
- Eliminate the 250 foot paved street frontage and 5 acre lot size restrictions for Commercial Cannabis businesses in the M-W zone Chapter 17.85. The City has previously granted variances from these limitations. It is unclear why these limitations are necessary and Staff believes it is better to allow for more flexible standards than create a situation that requires variance approvals.
- Allow an expiration timeframe of two (2) years for CUPs and Architectural Review (AR). Currently, CUPs and ARs expire after one year unless an extension of time is granted. Staff

observed that it is difficult to obtain a building permit for a cannabis related development application within a year and the one-year timeframe for CUPs and ARs is not realistic to expect building permit issuance and diligent pursuit of construction. The City of La Quinta and City of Indio have similar two-year expiration timeframe for CUPs and Development Review Permits.

- Establish more defined CUP and AR revocation procedures in Chapter 17.74, Conditional Uses, and Chapter 17.72, Architectural Review. If a cannabis business is determined to be out of compliance with its CUP, it is important to have clear procedures for staff and applicants regarding the revocation process.

Staff supports the proposed amendments as they would result in the reduction of time and resources for staff and applicants in the processing of multiple Zone Changes and variance requests for cannabis business activity proposals.

ALTERNATIVES:

- 1) Adopt Ordinance No. 1195 amending Coachella Municipal Code chapters 5.69, 17.24, 17.26, 17.28, 17.30, 17.32, 17.34, 17.46, 17.47, 17.72, 17.74, 17.84, 17.85 regarding cannabis business zoning and operation in the city and conditional use permit procedures.
- 3) Deny the ordinance.
- 4) Continue this item and provide staff with direction.

RECOMMENDED ALTERNATIVE(S):

Staff recommends Alternative #1.

Attachments:

1. Ordinance No. 1195
2. Redlines of Proposed Amendments to Code Sections
3. Cannabis Business Regulations Matrix (Existing vs. Proposed)